

DEXUS Property Group (ASX: DXS)

ASX release

18 December 2015

DEXUS and IOF enter into Implementation Agreement presentation

DEXUS Funds Management Limited, the responsible entity of DEXUS Property Group (DEXUS) refers to its announcement released to the ASX today concerning DEXUS and IOF entering into an Implementation Agreement and provides the attached presentation.

A conference call for investors and analysts will also be held at 10:00am (AEST) today.

Participant dial in numbers: + 612 8038 5221 or toll free 1800 123 296

Conference ID: 1170 1037

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Note

Australian Dollars (AUD) have been used as the reference currency for this release.

This announcement contains certain "forward-looking statements" with respect to the financial condition, results of operations and business of DEXUS, IOF and the combined entity and certain plans, strategies and objectives of the management of DEXUS, IOF and the combined entity, within the meaning of securities laws of applicable jurisdictions. The words "expect", "should", "could", "may", "predict", "outlook", "foresee", "guidance", "plan", "estimate", "anticipate", "aim", "intend", "believe" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are beyond the control of DXFM, DEXUS, ILFML and IOF and their respective affiliates, directors, officers, employees, partners, agents and advisers, that may cause actual results or performance of DEXUS, IOF or the combined entity to differ materially from those predicted or implied by any forward-looking statements. Such forward-looking statements speak only as of the date of this announcement. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements and DXFM and / or ILFML assumes no obligation to update such information.

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 \$19.6 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 1.7 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 21 countries. With 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 customers 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)

DEXUS PROPERTY GROUP

DEXUS Property Group and Investa Office Fund enter into Implementation Agreement
18 December 2015



IMPORTANT NOTICE AND DISCLAIMER

This presentation is issued by DEXUS Funds Management Limited (“DXFM”) in its capacity as responsible entity of DEXUS Property Group (ASX:DXS) (“DEXUS”) comprising DEXUS Diversified Trust (“DDF”), DEXUS Industrial Trust (“DIT”) DEXUS Office Trust (“DOT”) and DEXUS Operations Trust (“DXO”).

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The repayment and performance of an investment in DEXUS is not guaranteed by DXFM, any of its related bodies corporate or any other person or organisation. An investment in DEXUS is subject to investment risk including possible loss of income and principal invested.

This presentation contains certain “forward-looking statements” with respect to the financial condition, results of operations and business of DEXUS, IOF and the combined entity and certain plans, strategies and objectives of the management of DEXUS, IOF and the combined entity, within the meaning of securities laws of applicable jurisdictions. The words “expect”, “should”, “could”, “may”, “predict”, “outlook”, “foresee”, “guidance”, “plan”, “estimate”, “anticipate”, “aim”, “intend”, “believe” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are beyond the control of DXFM, DEXUS, Investa Listed Funds Management Limited (“ILFML”) and IOF and their respective affiliates, directors, officers, employees, partners, agents and advisers, that may cause actual results or performance of DEXUS, IOF or the combined entity to differ materially from those predicted or implied by any forward-looking statements. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements and DXFM and / or ILFML assume no obligation to update such information.

The historical information in this presentation is, or is based upon, information that has been released to the market. For further information, please see past announcements released to the ASX including the Annual Results Release for the Financial Year ended 30 June 2015 and September 2015 quarter portfolio update released to the market on 22 October 2015 and December 2015 valuation announcement released to the market on 11 December 2015. Note, past performance is not a guarantee of future performance.

PROPOSAL OVERVIEW

- DEXUS Property Group (“DEXUS”) and Investa Office Fund (“IOF”) (together the “Combined Entity”) have entered into an Implementation Agreement (“MIA”) (the “Proposal”)
 - Implied equity value of \$2.5 billion and enterprise value of \$3.5 billion¹
- The Proposal further advances the stated strategic objective of “Leadership in Office”, and provides a number of enduring benefits for new and existing DEXUS Security holders:
 - **Portfolio benefits** - the portfolios are highly complementary, retaining a focus on the Sydney and Melbourne CBDs. The combination also enhances asset and tenant diversification
 - **Synergy benefits** - improved flexibility and capacity to unlock development and repositioning potential, increased scope to action portfolio leasing strategies for customers (tenants), improved margins (Management Expense Ratio (“MER”) to reduce from 41 basis points to sub 35 basis points²). Procurement benefits are also expected to be achieved
 - **Efficient transaction reduces value leakage** - capital and cost effective transaction that is accretive on a per security basis to Underlying Funds from Operations (“FFO”)³ and Net Tangible Assets (“NTA”)⁴ for both DEXUS Security holders and IOF Unitholders
 - **Capital market benefits** - increased global relevance for debt and equity investors seeking exposure to Australian office property
- DEXUS’s Board unanimously supports the Proposal and believes it represents a unique and compelling opportunity that creates significant value for DEXUS Security holders and IOF Unitholders
- The Independent Board Committee (“IBC”) of IOF unanimously supports the Proposal in the absence of a superior proposal and subject to an Independent Expert concluding that the Proposal is in the best interests of IOF Unitholders

1. Based on the implied equity value of the Proposal as at 7 December 2015 plus IOF’s net debt as at 30 June 2015.

2. Assumes the Proposal is implemented and DEXUS acquires 100% of the IOF Units.

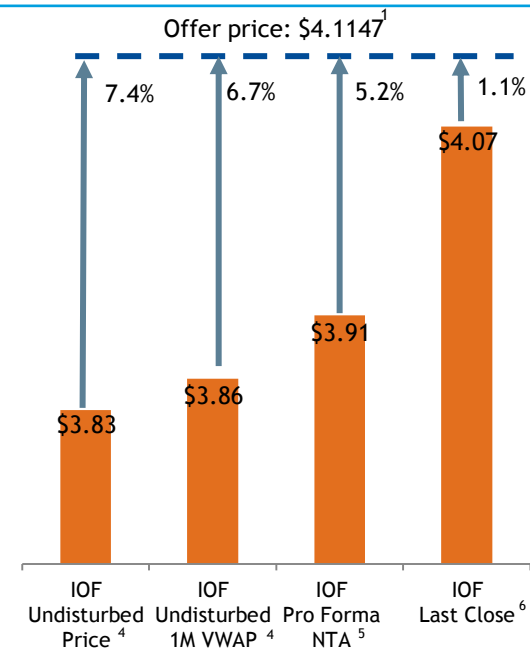
3. “FFO” means Funds from Operations and is in line with the Property Council of Australia definition. Underlying FFO excludes trading profits (net of tax). Refer to the detailed assumptions on slide 26.

4. DEXUS’s pro forma NTA is based on 30 June 2015 balance sheet adjusted for announced valuations, transactions, development and capital spend and securities bought back. Post implementation of the Proposal NTA is based on DEXUS pro forma NTA and IOF NTA announced on 7 December 2015 adjusted for the impact of the Proposal (purchase price, transaction costs and funding). Refer to the detailed assumptions on slide 27.

KEY DETAILS OF THE PROPOSAL

Consideration

- DEXUS offer comprises 0.4240 DEXUS Securities and \$0.8229 cash per IOF Unit, implying a value of \$4.1147 per IOF Unit¹
- “Mix and Match”² facility available, subject to scale-back on a pro rata basis
 - Scrip consideration fixed at 260.4 million DEXUS Securities
 - Cash consideration capped at \$505 million
- Enterprise value of IOF at the offer price is \$3.5 billion³
- IOF Unitholders will be entitled to a distribution of 9.8 cents per unit on their IOF Units prior to implementation of the Proposal, for the period ending 31 December 2015, payable on 29 February 2016, as announced by IOF to ASX on 14 December 2015
- DEXUS Security holders will own 78.8% and IOF Unitholders will own 21.2% of the Combined Entity
- The MIA is attached to the ASX announcement released today



Implementation and Board Support

- Proposal to be implemented via an IOF informal trust scheme, requiring IOF Unitholder approval⁷
- Proposal expected to be implemented in late April 2016
- IOF’s IBC unanimously recommends the Proposal, in the absence of a superior proposal and subject to an Independent Expert concluding the Proposal is in the best interests of IOF Unitholders
- Customary “no shop, no talk” provisions, notification and matching rights, and \$23.52 million break fee provision

1. Based on 10 day VWAP to 4 December 2015 (being the trading day prior to the announcement of DEXUS’s indicative, conditional and non-binding proposal to acquire all of the units in IOF (“Proposal Announcement Date”).

2. Further details on “mix and match” in the Appendices.

3. Based on the implied value of the Proposal as at 7 December 2015 and IOF’s net debt as at 30 June 2015.

4. As at 4 December 2015, being the last trading day prior to the Proposal Announcement Date.

5. Unaudited IOF management estimate of \$3.91 per IOF unit as per the 30 November 2015 ASX release titled ‘Portfolio valuation update’.

6. As at 17 December 2015.

7. Approval will be sought by both ordinary resolution (50% vote threshold) and a special resolution (75% vote threshold) of the IOF Unitholders present (in person or by proxy) at the IOF Unitholder meeting and who are entitled to vote.

STRATEGIC RATIONALE



STRATEGIC RATIONALE - SUMMARY

Combination of two high quality complementary portfolios solidifying DEXUS as a leading owner and manager of Australian office property

- Assets under Management ("AUM") increase to \$24.1 billion, \$17.5 billion of which is office property¹
- Increased exposure to office on DEXUS's balance sheet (89% from 85%)¹
- Combines two office portfolios focused on Prime grade Australian CBD properties
- Enables DEXUS to establish over 375 new customer² engagements from within the IOF portfolio, representing >85% of IOF's tenant base, including a number of major Australian and international corporates
- Increased global relevance for debt and equity investors

Financially attractive transaction that is capital and cost effective

- Accretive to underlying FFO³ and NTA⁴ in FY16 for DEXUS Security holders and IOF Unitholders
- Transaction costs significantly lower than a direct market acquisition of assets
- Pro forma gearing post implementation of the Proposal is expected to increase by 3.7%⁵
- DEXUS is expected to maintain balance sheet strength following the implementation of the Proposal

Value creation potential and ability for DEXUS to unlock opportunities within IOF Portfolio

- A number of potential development and repositioning opportunities exist within the IOF portfolio, which will be elaborated on post implementation of the Proposal
- Increased portfolio size creates an opportunity for DEXUS to pursue further funds management initiatives where it makes financial and strategic sense
- Proven ability managing lease expiries through DEXUS's integrated office management platform
- Revenue and cost synergies expected to be realised and procurement benefits achieved (savings averaged 14% on the DEXUS Office Partnership's key contracts in its first year)

1. Based on DEXUS property portfolio as at 30 June 2015 adjusted for announced valuations, transactions, development and capital spend, the IOF property portfolio as at 30 November 2015, DEXUS's third party funds'/partners' properties at 30 September 2015 and assuming the Proposal is implemented.

2. Source: IOF tenant database and DEXUS office tenant database.

3. "FFO" means Funds from Operations and is in line with the Property Council of Australia definition. Underlying FFO excludes trading profits (net of tax). Refer to the detailed assumptions on slide 26.

4. DEXUS's pro forma NTA is based on 30 June 2015 balance sheet adjusted for announced valuations, transactions, development and capital spend and securities bought back. Post implementation of the Proposal NTA is based on DEXUS pro forma NTA and IOF NTA announced on 7 December 2015 adjusted for the impact of the Proposal (purchase price, transaction costs and funding). Refer to the detailed assumptions on slide 27.

5. Pro forma gearing assumptions are detailed on slide 27.

COMBINATION OF TWO HIGH QUALITY COMPLEMENTARY PORTFOLIOS

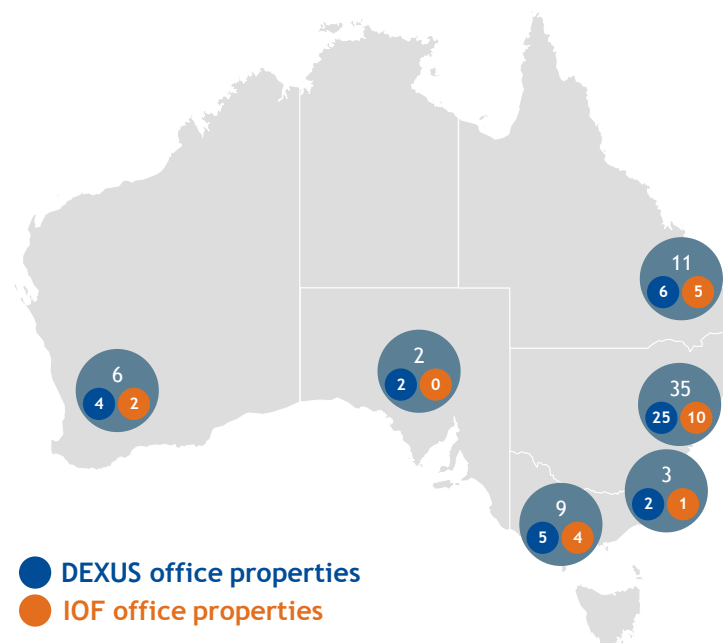
Over \$17.5 billion¹ in office AUM across the Group

79¹ office properties located across Australian CBDs with a Prime grade focus

Combined Entity - Key metrics

	DEXUS ^{2,3}	IOF ⁴	Combined Entity ⁵
Number of properties	44	22	66
Number of wholly owned properties	15	15	30
Book value (\$bn) ³	10.4	3.5	14.0
Weighted Average Lease Expiry (“WALE”) ⁶	4.3 years	5.2 years	4.5 years
Occupancy ⁶	94.0%	93.0%	93.8%
Capitalisation rate (weighted average)	6.3%	6.3% ⁷	6.3% ⁷

Increased portfolio scale and expertise

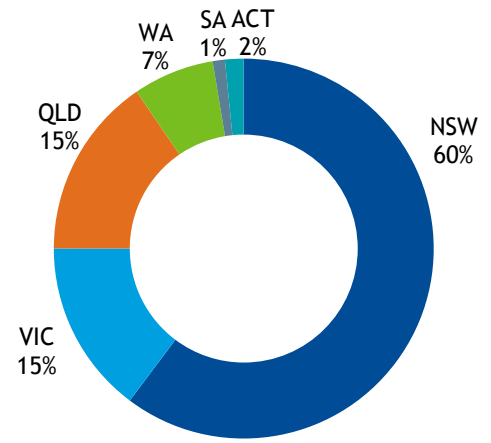
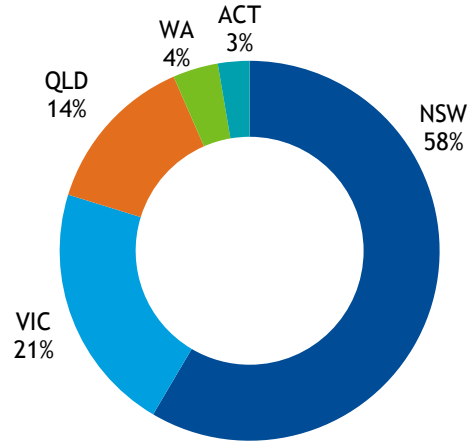
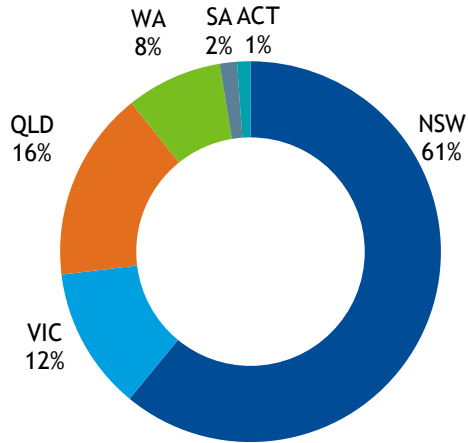


1. Based on DEXUS property portfolio as at 30 June 2015 adjusted for announced valuations, transactions, development and capital spend, the IOF property portfolio as at 30 November 2015, DEXUS's third party funds'/partners' properties at 30 September 2015 and the impact of the Proposal being implemented.
2. DEXUS balance sheet office portfolio only.
3. DEXUS pro forma book value calculated as DEXUS property portfolio as at 30 June 2015 adjusted for announced valuations, transactions, development and capital spend.
4. IOF book value as at 30 November 2015 including 383 La Trobe Street, Melbourne which has been sold by IOF and is subject to a deferred settlement period of between 12-18 months from the date of exchange.
5. Based on DEXUS pro forma book value and IOF book value at 30 November 2015 adjusted for the impact of the Proposal being implemented.
6. By income. DEXUS statistics are as at 30 November 2015. IOF statistics are as at 30 June 2015.
7. Excluding 383 La Trobe Street, Melbourne (asset contracted for sale) and 151 Clarence Street, Sydney (property under development).

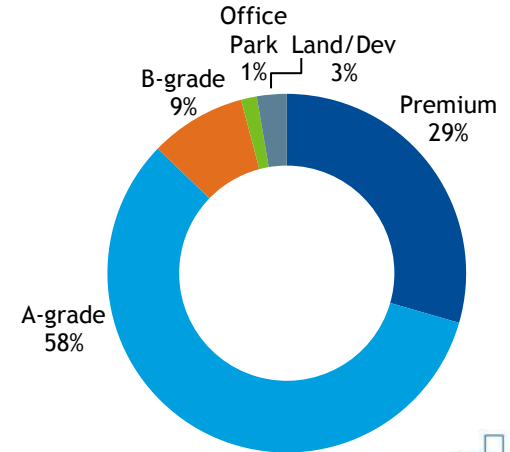
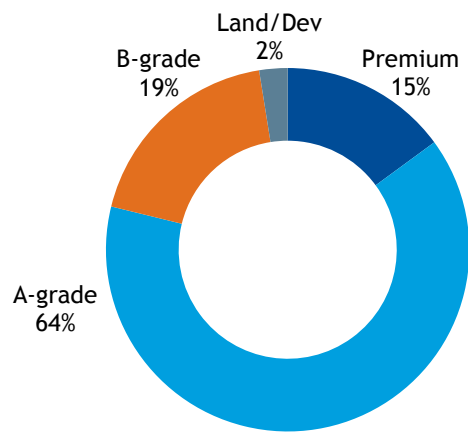
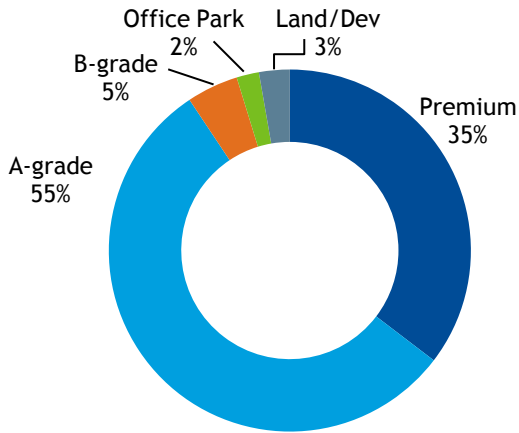
COMBINATION OF TWO HIGH QUALITY COMPLEMENTARY PORTFOLIOS



Geographic Exposure - Office



Portfolio Quality - Office



1. Based on DEXUS property portfolio as at 30 June 2015 adjusted for announced valuations, transactions and development and capital spend.
 2. IOF book value as at 30 November 2015.
 3. Based on DEXUS pro forma book value and IOF book value at 30 November 2015 adjusted for the impact of the Proposal.



COMBINATION OF TWO HIGH QUALITY COMPLEMENTARY PORTFOLIOS

Examples of Premium-grade properties

DEXUS¹

Property	Ownership	Lettable area	Book value
1 Bligh St, Sydney	33%	42,600sqm	\$293.3m
Grosvenor Place, Sydney	37.5%	84,800sqm	\$516.8m

Examples of A-grade properties

Property	Ownership	Lettable area	Book value
45 Clarence St, Sydney	100%	32,100sqm	\$328.0m
12 Creek St, Brisbane	50%	31,000sqm	\$138.8m

IOF²

Property	Ownership	Lettable area	Book value
Deutsche Bank Place, Sydney	25%	42,300sqm	\$232.0m
567 Collins St, Melbourne	50%	54,800sqm	\$290.0m

Property	Ownership	Lettable area	Book value
Telstra Global HQ, Melbourne	100%	65,900sqm	\$257.0m
99 Walker St, North Sydney	100%	19,400sqm	\$213.0m

1. Based on 31 December 2015 estimated valuations announced on 11 December 2015.
 2. Based on 30 November 2015 valuations announced on 30 November 2015.

COMBINATION OF TWO HIGH QUALITY COMPLEMENTARY PORTFOLIOS

>85% of IOF's tenant base represents new customers for DEXUS

Broadens DEXUS's exposure to quality, blue chip tenants, underpinning quality of earnings

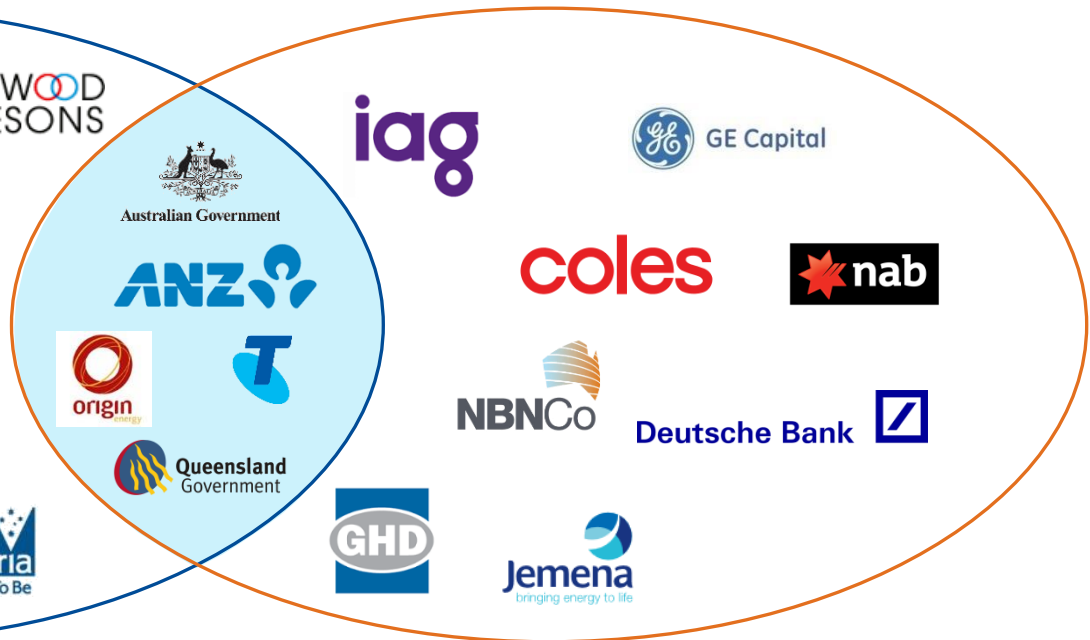
Strong tenant representation across S&P/ASX 100, government, financial and industrial firms

Increased flexibility and ability to retain quality tenants by providing superior services

DEXUS Major Tenants



IOF Major Tenants



Adds >375 new customers to DEXUS's office portfolio, representing >85% of IOF's tenant base

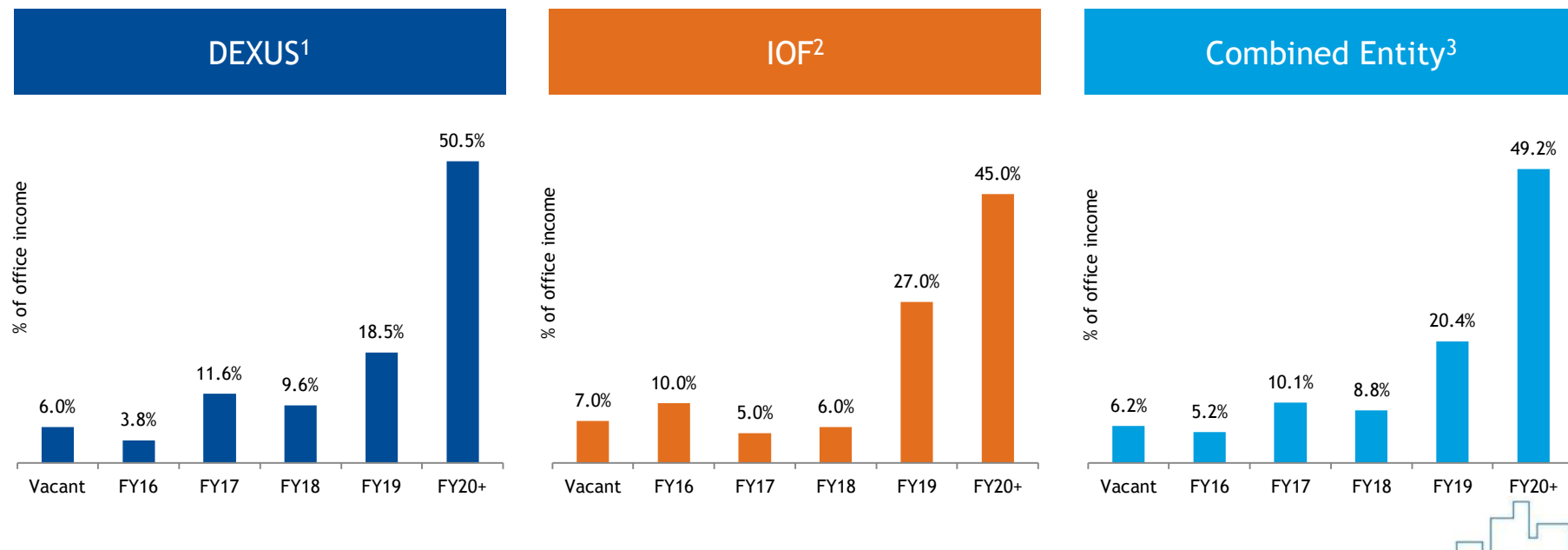
The Combined Entity deepens relationships with >15 existing major tenants

Source: 30 June 2015 results presentations, property compendiums, IOF tenant database and DEXUS tenant database.

COMBINATION OF TWO HIGH QUALITY COMPLEMENTARY PORTFOLIOS

Combined lease expiry profile provides opportunities to create value

- DEXUS's market leading team has substantial experience in managing leasing risks by anticipating customer needs and providing superior customer solutions
- Concentrated expiries of leases for the Combined Entity in FY19 provide the opportunity for DEXUS to leverage its integrated operating platform to create value via the execution of proactive leasing strategies and / or undertaking value adding development or repositioning activities
- DEXUS expects to make substantial improvements to the FY19 expiries in its existing office portfolio by 30 June 2016



1. DEXUS lease expiry profile as at 30 November 2015.

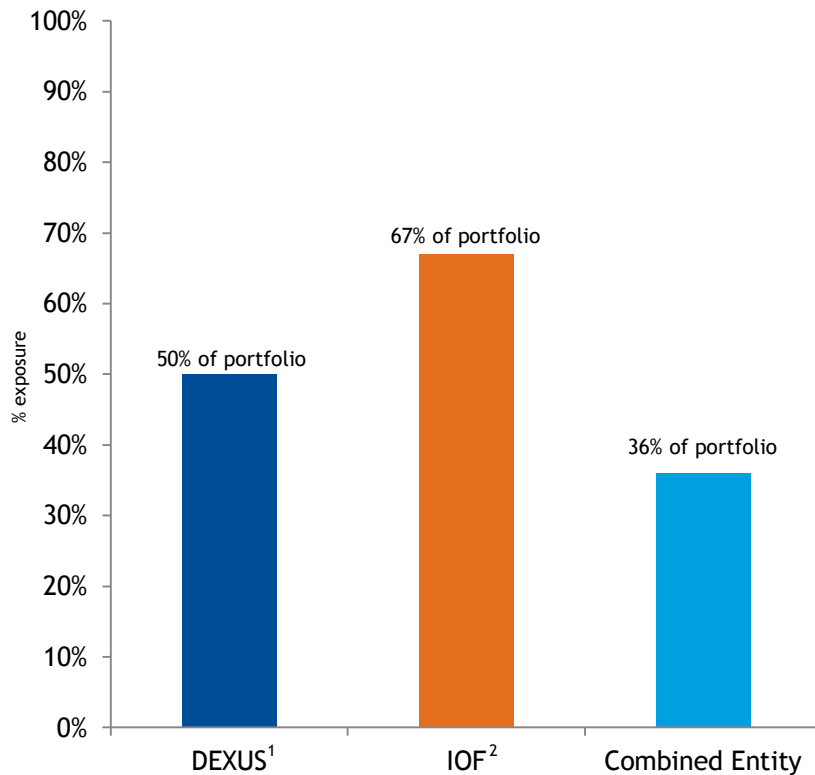
2. IOF lease expiry profile as at 30 June 2015.

3. Combined Entity lease expiry profile has been estimated with reference to IOF's book values and capitalisation rates as at 30 November 2015.

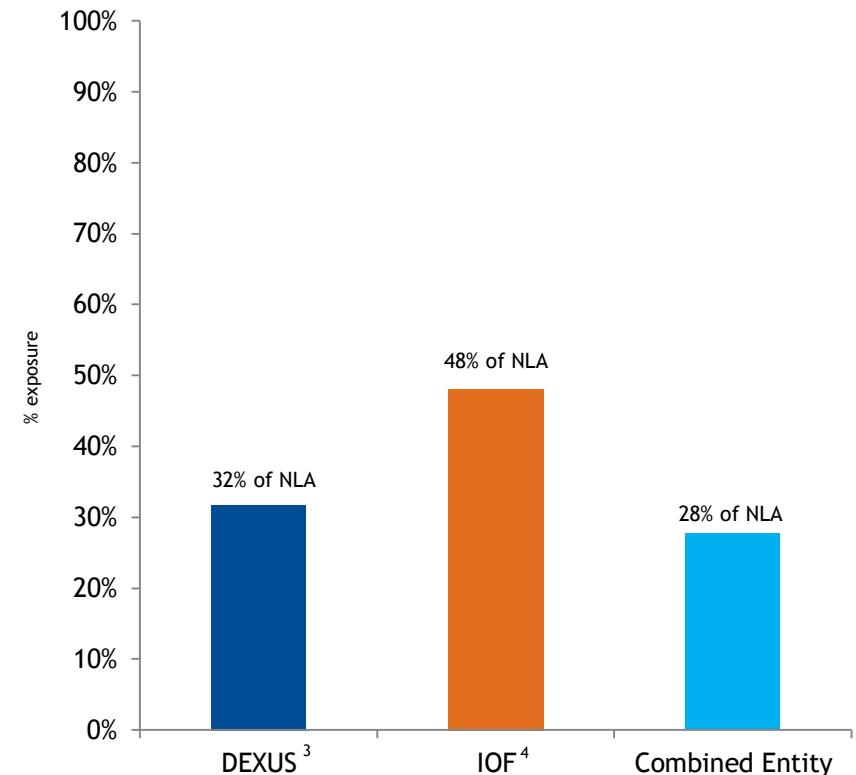
COMBINATION OF TWO HIGH QUALITY COMPLEMENTARY PORTFOLIOS

Combined portfolio diversifies asset and tenant exposures for both IOF and DEXUS

DEXUS's exposure to its Top 10 office properties reduces from 50% to 36%



DEXUS's exposure to its Top 10 office tenants reduces from 32% to 28% of office NLA⁵



1. DEXUS pro forma book value calculated as DEXUS property portfolio as at 30 June 2015 adjusted for announced valuations, transactions, development and capital spend.

2. IOF book value as at 30 November 2015.

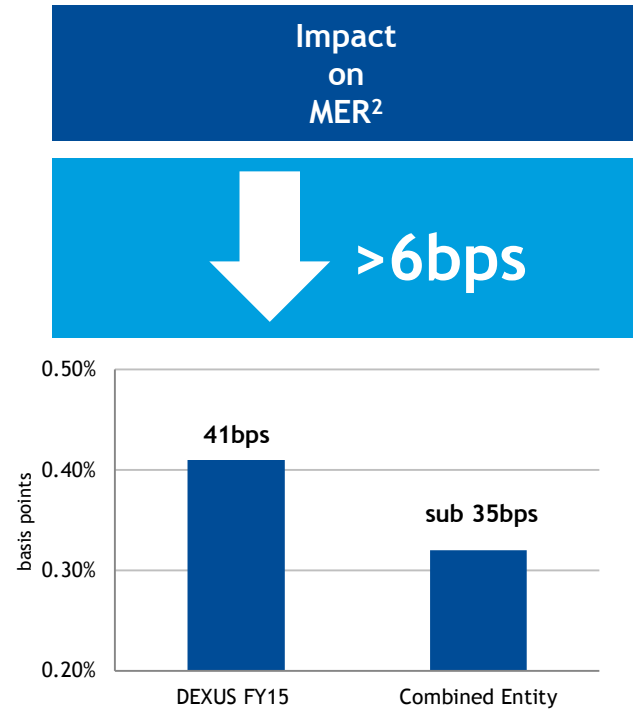
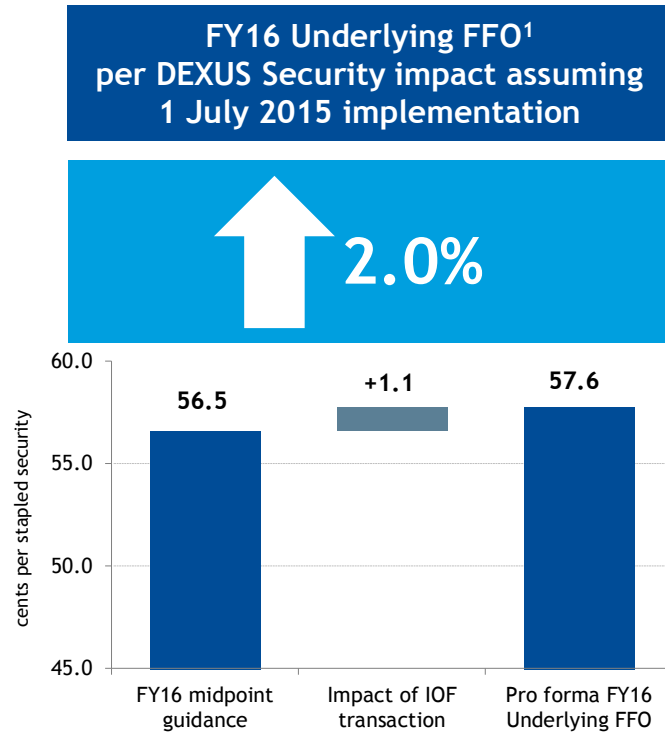
3. Based on DEXUS 30 November 2015 portfolio and tenant NLA data.

4. Based on key tenants by property and NLA data identified in IOF property portfolio June 2015.

5. NLA is ownership share of Net Lettable Area.

PRO FORMA IMPACT ON DEXUS'S UNDERLYING FFO AND MER

Financially attractive transaction for DEXUS Security holders



- Pro forma impacts assume the Proposal is implemented and DEXUS acquires 100% of the IOF Units
- Underlying FFO accretion in FY16 is expected to be a pro-rata of the 2% full year impact from the implementation date
- Refer to detailed key assumptions in the Appendices

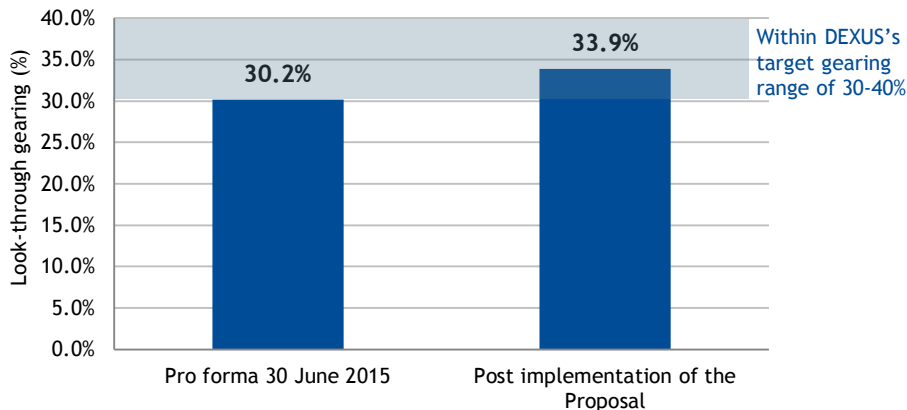
1. "FFO" means Funds from Operations and is in line with the Property Council of Australia definition. Underlying FFO excludes trading profits (net of tax). It is assumed that no pre-emptive rights will be exercised following the implementation of the Proposal or as a consequence of exercise of ownership rights by DEXUS. Refer to the detailed assumptions on slide 26.

2. Assumes the Proposal is implemented and DEXUS acquires 100% of the IOF Units.

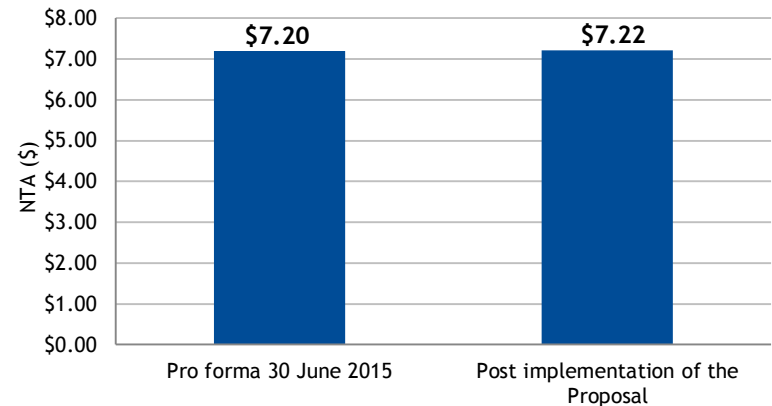
PRO FORMA IMPACT ON DEXUS'S KEY METRICS

DEXUS's balance sheet strength maintained and accretive to NTA per security

Impact on look-through Gearing¹



Impact on NTA per security²



- The metrics shown on this slide are based on the detailed key assumptions in the Appendices including that DEXUS acquires 100% of the IOF Units

1. Look-through Gearing is gearing adjusted for cash and for debt in equity accounted investments. Pro forma 30 June 2015 look-through Gearing is based on look-through gearing at 30 June 2015 adjusted for announced valuations, transactions, development and capital spend and securities bought back. Post implementation of the Proposal, look-through Gearing is based on DEXUS pro forma look-through Gearing, adjusted for impact of the Proposal (assumption of IOF debt and funding of cash consideration and transaction costs). Refer to the detailed assumptions on slide 27.

2. DEXUS's pro forma NTA is based on 30 June 2015 balance sheet adjusted for announced valuations, transactions, development and capital spend and securities bought back. Post implementation of the Proposal NTA is based on DEXUS pro forma NTA and IOF NTA announced on 7 December 2015 adjusted for the impact of the Proposal (purchase price, transaction costs and funding). Refer to the detailed assumptions on slide 27.

BALANCE SHEET STRENGTH MAINTAINED

- DEXUS's strong and conservative capital structure maintained, including a diversified debt profile
- Financing sources comprise credit approved bank debt with a 4 year term
- Pro forma look-through gearing is expected to increase 3.7% as a result of the implementation of the Proposal, to approximately the mid-point of DEXUS's target range of 30-40%
- DEXUS is committed to maintaining an optimal portfolio and capital structure and will continue to recycle assets to optimise portfolio quality and maintain appropriate gearing levels
- DEXUS will engage with IOF to discuss with debt investors and financiers the continuance of existing finance arrangements

As at 30 June 2015	DEXUS	IOF	Combined Entity
Weighted average interest rate ¹	5.2%	4.0%	4.9%
Facilities (total / drawn)	\$3.6 billion / \$2.8 billion	\$1.1 billion / \$0.9 billion	\$5.3 billion / \$4.4 billion ²
Weighted average debt duration	5.7 years	5.2 years	5.3 years ²
Proportion of debt hedged ³	69%	43%	63%

1. Weighted average interest rate for the 12 month period to 30 June 2015.

2. Based on DEXUS's and IOF's disclosures at 30 June 2015, adjusted for \$650 million of credit approved bank debt with a 4 year term.

3. Average for the 12 month period to 30 June 2015 (excluding caps).

IMPLEMENTATION PROCESS AND INDICATIVE TIMETABLE



IMPLEMENTATION PROCESS

- Implementation of the Proposal requires approval by IOF Unitholders who are entitled to vote. Approval will be sought at the IOF Unitholder Meeting by both an ordinary resolution (50% vote threshold) and a special resolution (75% vote threshold) of the IOF Unitholders present, in person or by proxy, and who are entitled to vote
- The Proposal is also subject to other conditions including obtaining judicial advice in relation to the Proposal, no court or other government agency-ordered restraints, no material adverse change or prescribed occurrence in either IOF or DEXUS, regulatory approvals (including Australian Competition and Consumer Commission clearance) and other customary conditions
- IOF Unitholders (other than foreign IOF Unitholders¹) will be able to elect the form of consideration they would like to receive by the election date which is expected to be in mid April 2016 (subject to scale-back)². That election is subject to the scrip and cash caps referred to on slide 24. Elections above the caps will be subject to scaleback on a pro rata basis. Refer to slide 24 for more detail
- The obligations of DEXUS and IOF regarding the implementation of the Proposal are governed by an MIA entered into by both parties - which was released to ASX on 18 December 2015. See also slide 28
- A Notice of Meeting and Explanatory Memorandum (“NOM”) (which will include an Independent Expert’s report) is expected to be despatched to IOF Unitholders by ILFML in March 2016

1. For further information in relation to Foreign IOF Unitholders refer to slide 24.

2. For further details on “mix and match” consideration refer to slide 24.

INDICATIVE IMPLEMENTATION TIMETABLE

Key Milestones	Date ¹
Process agreement signed and announced	Monday, 7 December 2015
Announcement of entry into MIA	Friday, 18 December 2015
DEXUS HY16 results	Wednesday, 17 February 2016
IOF HY16 results	Thursday, 18 February 2016
DEXUS HY16 distribution payment	Monday, 29 February 2016
IOF HY16 distribution payment	Monday, 29 February 2016
First judicial advice hearing	Early March 2016
NOM despatched to IOF Unitholders	Mid March 2016
Cut off for receipt of proxies	Early April 2016
IOF Unitholder meeting to approve the Proposal	Early April 2016
Second judicial advice hearing	Mid April 2016
Effective date	Mid April 2016
Record date	Late April 2016
Implementation date	Late April 2016

1. These dates are indicative only and may be subject to change without notice in the absolute discretion of DXFM and ILFML.

SUMMARY

- DEXUS and IOF have entered into an Implementation Agreement
- The Proposal provides a number of enduring benefits for new and existing DEXUS Security holders:
 - Combines two high quality complementary portfolios solidifying DEXUS as a leading owner and manager of Australian office property
 - Financially attractive transaction that is capital and cost effective
 - Value creation potential and ability for DEXUS to unlock opportunities within the IOF Portfolio
- A “Mix and Match” facility has been made available to IOF Unitholders and is structured to maintain balance sheet strength
- IOF’s IBC unanimously recommends the Proposal, in the absence of a superior proposal and subject to an Independent Expert concluding the Proposal is in best interests of IOF Unitholders

APPENDICES



COMBINATION IS CONSISTENT WITH DEXUS'S ARTICULATED STRATEGY

Vision

To be globally recognised as Australia's leading real estate company

Strategy

To deliver superior risk-adjusted returns for investors from high quality Australian real estate primarily comprising CBD office buildings

Strategic Objectives

DEXUS has objectives in support of its overall strategy

LEADERSHIP IN OFFICE	CORE CAPABILITIES	THIRD PARTY PARTNERSHIPS	CAPITAL & RISK MANAGEMENT
Being the leading owner and manager of Australian office property	Having the best people, strongest tenant relationships and most efficient systems	Being the wholesale partner of choice in Australian office, industrial and retail property	Actively managing capital and risk in a prudent and disciplined manner

IOF IS A STRATEGIC FIT FOR DEXUS

WHAT OFFICE LEADERSHIP MEANS TO DEXUS

A LEADER IN OFFICE CAPABILITY

- A leader in office retaining multi-sector capabilities in industrial and retail
- Best people, systems, processes and strongest tenant relationships
- Actively managing and recycling properties through the cycle to drive returns
- A renowned culture of service excellence and high performance

A LEADER IN OFFICE OPERATIONAL SCALE

- A leading manager of CBD office focussed on core Australian markets
- A leader in asset and tenant deal flow with superior market know-how
- Leading ability to pre-empt and satisfy tenant needs
- Lowest operating cost model relative to peers
- Enhanced capacity to price leasing risk and manage downtime

A LEADER IN ACCESS TO CAPITAL

- Most competitive cost of equity relative to peers
- Increased access to long term capital partnerships to invest through the cycle
- Better cost and access to debt funding through the cycle relative to peers



DEXUS'S DEMONSTRATED ABILITY TO CREATE VALUE

Leasing: 60 Castlereagh St, Sydney

DEXUS approach:

- Acquired in April 2014 and faced with limited leasing enquiry on the lower office floors, which had been mostly vacant for over 3 years due to a lack of natural light and poor floor configuration
- Identified an opportunity to create direct stair access to Level 1 to enhance the property's appeal to a new category of prospective tenants
- Adopted a fitted suites offering for Level 15

Outcomes so far:

- Secured a number of new tenants, improving occupancy from 94.0% at acquisition to 100% at 30 June 2015
- Increased WALE from 4.5 years to 5.5 years
- Achieved a one year total return of 12.3% and value uplift of \$17.3m at 30 June 2015



Development: 480 Queen St, Brisbane

DEXUS approach:

- Acquired in April 2013 as a fund-through development¹ on attractive pricing metrics
- Accessed quality product in a market with limited new premium offerings in the medium term
- Building a high calibre tenancy profile that will underpin the long term investment value
- Satisfying the demand of key corporations looking to reposition their business through workplace solutions

Outcomes so far:

- 11 tenants secured, with 81% office space² pre-committed
- Estimated valuation uplift at 31 December 2015 of \$13.5m, or 6.1%
- Forecast unlevered Project IRR³ of 17%



Repositioning: 40 Market St, Melbourne

DEXUS approach:

- Packaging the value-add
 - Acquired in November 2012 for \$46.7m at a price per square metre of \$3,888
 - Set the trading strategy following market and feasibility analysis
 - Secured a 15 year lease renewal with Powercor
 - Undertook a capital works program to drive realisation of value

Outcomes so far:

- Improved WALE from 6 years to 15 years
- Sold in September 2014 for \$105m at a price per square metre of \$8,770
- Settled in April 2015 delivering \$17m profit and an unlevered Internal Rate of Return ("IRR") of 26%



Transactions / leasing: DEXUS Office Partnership

DEXUS approach:

- Successfully acquired Commonwealth Property Office Fund ("CPA") with JV partner Canada Pension Plan Investment Board in April 2014 for \$3.4 billion
- Established the DEXUS Office Partnership comprising 21 properties
- Actively managed the portfolio

Outcomes so far:

- Improved occupancy from 92.2%⁴ at April 2014 to 94.6% at 30 June 2015
- Achieved \$182.4 million⁵ valuation uplift across DEXUS Office Partnership properties at 30 June 2015
- Achieved a 12.7%⁶ unlevered total return for the 12 months ending 30 June 2015, and a 20.4% levered total return to DEXUS for the same period



1. Grocon has provided DEXUS and DWPF (50%/50% ownership) with a two-year income guarantee on any remaining vacancies at practical completion.

2. Includes Heads of Agreement.

3. 480 Queen Street unlevered Project IRR assumes 'as complete' blended cap rate of 6.375%

4. Occupancy of 92.2% excludes the five properties sold. Occupancy was 93.5% including these five properties at acquisition.

5. Valuation increase at 30 June 2015 represents 100% interest, of which DEXUS has a 50% share.

6. Unlevered total return based on acquisition price.

MIX AND MATCH CONSIDERATION

“Mix and Match” consideration enables IOF Unitholders to elect their preferred form of consideration

- IOF Unitholders will elect their preference from three available options:
 1. Standard consideration: 0.424 DEXUS Securities and \$0.8229 cash per IOF Unit
 2. Maximum cash consideration: \$4.1147 per IOF Unit subject to any scale back to ensure the maximum cash consideration paid is approximately \$505 million
 3. Maximum scrip consideration: 0.53 Securities in DEXUS¹ per IOF Unit, subject to any scale back to ensure the maximum number of DEXUS Securities issued is 260.4 million
- IOF Unitholders who elect:
 1. Standard consideration will be allocated their preference
 2. Maximum scrip consideration will be allocated full scrip consideration, subject to the amount of available new DEXUS Securities after all valid elections have been received and initial allocations to IOF Unitholders electing standard consideration are made. Subject to pro-rata scaleback, IOF Unitholders electing maximum scrip will receive up to 0.53 DEXUS Securities for each IOF Unit
 3. Maximum cash consideration will be allocated full cash consideration, subject to the amount of available cash after all valid elections have been received and initial allocations to IOF Unitholders electing standard consideration are made. Subject to pro-rata scaleback, IOF Unitholders electing maximum cash will receive \$4.1147 for each IOF Unit
- Where IOF Unitholders elect:
 - a. Maximum scrip consideration so that the total DEXUS Securities elected exceeds 260.4 million DEXUS Securities, those IOF Unitholders will be allocated the remaining consideration in cash on a pro-rata basis and the scrip allocation scaled back on a pro-rata basis
 - b. Maximum cash consideration so that the total cash consideration exceeds \$505 million, those IOF Unitholders will be allocated the remaining consideration in scrip on a pro-rata basis and the cash allocation scaled back on a pro-rata basis
- IOF Unitholders who do not make a valid election will receive the default option of “standard consideration”
- Foreign IOF Unitholders will have all scrip that they otherwise would be entitled to sold under a sale facility and cash proceeds remitted to them (net any expenses and tax). Therefore foreign IOF Unitholders will only receive cash proceeds

1. As set out in the MIA the number of DEXUS Securities to be issued under the Maximum Scrip Consideration will be equivalent to \$4.1147 per IOF Unit assuming a DEXUS price per security on implementation of the Proposal of \$7.7636, subject to the scale back parameters noted above.

BASIS OF PREPARATION OF PRO FORMA IMPACT ON KEY METRICS

- The metrics are prepared on the basis of current guidance provided to the market by both IOF and DEXUS (refer to Slides 26-27)
- The following slides set out the key assumptions for:
 - Pro forma FFO and MER (slide 26)
 - Pro forma NTA and look-through gearing (slide 27)

KEY FFO AND MER ASSUMPTIONS

FFO ASSUMPTIONS

DEXUS Standalone

- Mid-point of DEXUS guidance of 62.9 cents per DEXUS Security (“cps”) for FY16 FFO and 56.5 cps for FY16 Underlying FFO

IOF Standalone

- IOF guidance of 28.1 cents per IOF Unit (“cpu”) for FY16 FFO (refer slide 26 of the IOF Annual Results presentation dated 20 August 2015)

Pro forma DEXUS post implementation of the Proposal

- Assumes the Proposal is implemented and was completed on 1 July 2015
- Finance costs of sub 4% on incremental funding requirements
- Incremental funding requirements include:
 - \$505 million for the cash component of the Proposal
 - Transaction costs equivalent to less than 3.5% of the property portfolio value (including stamp duty, advisory and other implementation of the Proposal costs and debt establishment and restructuring costs)
- MER of sub 35bps based on pro forma assets under management (refer NTA assumptions on slide 27) across the combined entity
- It is assumed that no pre-emptive rights will be exercised following the implementation of the Proposal or as a consequence of exercise of ownership rights by DEXUS

DEXUS MER ASSUMPTIONS

- DEXUS MER for FY15 of 41bps (refer slide 41 of the DEXUS FY15 Annual Results presentation dated 12 August 2015) adjusted for:
 - Pro forma movements in AUM - refer adjustments to property values detailed in the NTA assumptions on slide 27
 - Corporate cost savings in the Combined Entity

KEY LOOK-THROUGH GEARING AND NTA ASSUMPTIONS

DEXUS Standalone

- 30 June 2015 NTA of \$6.68 per DEXUS Security and 30 June 2015 look-through gearing¹ of 28.5% adjusted for:
 - \$490 million of fair value revaluations (\$40 million announced 22 October 2015 and \$450 million announced 11 December 2015 by DEXUS)
 - Acquisition of Waterfront Place, Brisbane (DEXUS share \$318 million)
 - Disposal of 5-13 Rosebery Avenue and 22-55 Rothschild Avenue, Rosebery (proceeds of \$173 million and pre-tax profit of \$74 million recognised in FY16, with accounting profits distributed)
 - Disposal of 154 O’Riordan Street, Mascot (proceeds of \$32 million and pre-tax profit of \$12 million recognised in FY16 with accounting profits distributed)
 - Disposal of 57-65 Templar Rd, Erskine Park (proceeds of \$50 million and pre-tax profit of \$12 million with accounting profits distributed)
 - Disposal of 36 George Street, Burwood (DEXUS share of proceeds \$47 million and premium to book value \$14 million)
 - Development and capital spend of circa \$300 million (including 5 Martin Place, Sydney, 480 Queen Street, Brisbane, Kings Square, Perth, and Quarrywest at Greystanes - refer to slide 19 of the DEXUS FY15 Annual Results presentation dated 12 August 2015 - and Grosvenor Place, Sydney)
 - DEXUS Securities bought back to the value of \$20 million (refer Appendix 3E released to the ASX by DEXUS on 1 October 2015)

IOF Standalone

- 30 November 2015 NTA of \$3.91 per IOF Unit²

Pro forma post implementation of the Proposal

- DEXUS standalone NTA plus IOF NTA adjusted for:
 - Incremental funding requirements for the cash component of the offer (\$505 million)
 - Transaction costs equivalent to less than 3.5% of the property portfolio value (including stamp duty, advisory and other implementation costs and debt establishment and restructuring costs)
 - Increase in net assets of circa \$120 million, representing the difference between the IOF NTA of \$3.91 per unit¹ and the fair value purchase price (based on a DEXUS Security price of \$7.76 per DEXUS Security and the offer of 0.4240 DEXUS Securities and \$0.8229 cash for each IOF Unit)
 - Issue of 260.4 million DEXUS Securities
 - It is assumed that no pre-emptive rights will be exercised following the implementation of the Proposal or as a consequence of exercise of ownership rights by DEXUS
- DEXUS standalone look-through gearing plus IOF gearing at 30 June 2015 adjusted for:
 - Incremental funding requirements for the cash component of the offer (\$505 million) and transaction costs
 - Funding in relation to completion of development at 567 Collins Street, Melbourne

1. Gearing adjusted for cash and for debt in equity accounted investments.

2. Unaudited IOF management estimate as per the 30 November 2015 ASX release titled ‘Portfolio valuation update’ (which indicated around an 8% increase in 30 June 2015 NTA) and 7 December 2015 ASX release titled ‘Proposal to acquire all the units in IOF’.

SUMMARY OF MIA

- The MIA was executed on 18 December 2015 and released to the market as an attachment to the ASX announcement dated 18 December 2015. To understand the Proposal and the circumstances in which it may be implemented, both DEXUS Security holders and IOF Unitholders should review that ASX announcement (including the MIA) and this presentation carefully and in their entirety. In addition to those documents, an important document for IOF Unitholders in deciding how to vote at the IOF Unitholder meeting will be the NOM (refer to slide 17) which will provide IOF Unitholders with all the necessary information to make an informed decision as to how to vote on the Proposal
- The indicative timetable and the consideration provisions contained in the MIA have been summarised on slides 18 and 24
- Other key provisions in the MIA relate to:
 - conditions precedent
 - termination rights
 - obligations and responsibilities in relation to preparation of the NOM and conduct of business
 - exclusivity, no-shop, no-talk, notification and matching rights
 - reimbursement of costs