

DEXUS Property Group (ASX: DXS)

ASX release

8 August 2013

Further disclosure in relation to the acquisition of an interest in Commonwealth Property Office Fund and discontinuation of proceedings

Current Disclosures

On 25 July 2013, DEXUS Funds Management Limited (**DXFM**) as Responsible Entity of DEXUS Property Group entered into a forward contract with Deutsche Bank AG (**DBA**) in relation to units in the Commonwealth Property Office Fund (**CPA**) which, in accordance with its terms, gives DXFM the ability to acquire and DBA the obligation to deliver, 350,000,000 CPA units at a price of \$1.1334 per unit.

DXFM announced entry into the forward before market opened on the date it entered into the contract with DBA and also promptly lodged a substantial holder notice with ASX (**Substantial Holder Notice**).

DXFM takes its disclosure obligations very seriously. The Substantial Holder Notice was filed by DXFM as soon as possible after entry into the forward, well in advance of the time required under the Corporations Act. The notice included the full confirmation of the forward contract (ie. a right to acquire up to a 14.9% interest in CPA), and the reference to the hedging arrangements entered into in relation to the CPA unit exposure (the **Collar**).

As stated in the Substantial Holder Notice at Section 3, DXFM did not, on 25 July 2013, know whether DBA held any or all of the CPA units referenced in the forward contract. On 30 July 2013, DBA released a substantial holder notice to the market showing that it holds a 9.3% relevant interest in CPA units.

As a consequence, DXFM confirms that, as far as it is aware, DXFM currently holds, for Corporations Act purposes, a "relevant interest" (and therefore "voting power" for Corporations Act purposes) in 9.3% of CPA units - technically under the Corporations Act DXFM is taken to have a "relevant interest" in any CPA units in which DBA has a relevant interest (up to a maximum of 14.9%)¹. Regardless of the "relevant interest" position, DXFM has an enforceable contract to acquire from DBA, and after that acquisition DXFM will have the ability to vote, 350,000,000 CPA units (ie. a 14.9% interest in CPA) at a fixed price of \$1.1334 per CPA unit under the forward contract.

Discussions with CMIL

As announced on 1 August 2013, the responsible entity of CPA, Commonwealth Managed Investments Limited (**CMIL**), has commenced proceedings in the Federal Court of Australia contending that the Substantial Holder Notice did not comply with the Corporations Act. CMIL contended that the Collar mentioned in the Substantial Holder Notice should have been provided to the ASX as an attachment to the notice.

Since commencement of the proceedings, DXFM has had discussions with CMIL about how it might resolve CMIL's concerns amicably and without embarking on what DXFM believes would be potentially lengthy and costly legal proceedings which DXFM considers are not in the best interests of either DEXUS Security holders or CPA unit holders.

As a result of those discussions, DXFM has agreed to release to the market further information, including information about the Collar described in the Substantial Holder Notice (which is set out below).

¹ This interest arises because of the agreement to acquire under the forward contract. DBA is not an "associate" of DXFM for Corporations Act purposes.

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ASX release

Notwithstanding DXFM's decision to release further information about the Collar, DXFM reiterates its belief that the Substantial Holder Notice contains all relevant information in relation to DXFM's stake in CPA.

Release of further information about the Collar

On 25 July 2013, at the same time as the forward contract was entered into, DXFM also entered into a zero-cost cash-settled collar with DBA over 350,000,000 CPA units.

Put simply, a zero-cost cash-settled collar is a derivative product under which:

- if the prevailing price of relevant securities falls below a "floor" price, the writer of the derivative (in this case DBA) will pay the taker of the derivative (in this case DXFM) the difference between the prevailing security price and the "floor" price on the settlement date;
- if the prevailing price of relevant securities rises above a "ceiling" price, the taker of the derivative (in this case DXFM) will pay the writer of the derivative (in this case DBA) the difference between the prevailing security price and the "ceiling price" on the settlement date; and
- no party pays a fee to the other for entry into the collar.

The prevailing price of relevant securities is determined by reference to a volume-weighted average price over a period (commonly referred to as a VWAP Period) prior to the relevant settlement date.

The key particulars of the zero-cost cash-settled collar entered into between DXFM and DBA are set out below:

Collar Term	Description
Underlying Financial Product	CPA units
Entry Date	25 July 2013
Writer of Collar	Deutsche Bank AG
Taker of Collar	DEXUS Funds Management Limited
Fee Payable by Writer to Taker and Taker to Writer	Nil
Collar Ceiling Price	\$1.20 (which may be amended by reference to adjustments based on standard ISDA adjustments)
Collar Floor Price	\$1.02 (which may be amended by reference to adjustments based on standard ISDA adjustments)
Collar Settlement Date	25 July 2014 (subject to the ability for the collar to be terminated early in certain circumstances in accordance with its terms)
Form of settlement	Cash-settled only
VWAP Period	For the purposes of determining whether the prevailing price of CPA units is above the Ceiling Price, the period commencing on (but excluding) the date falling one calendar month prior to the Settlement Date and ending on (and including) the Settlement Date. For the purposes of determining whether the prevailing price of CPA units is below the Floor Price, the period commencing on (but excluding) the date falling 12 calendar months prior to the Settlement Date and ending on (and including) the Settlement Date.

DEXUS Property Group (ASX: DXS)

ASX release

For details regarding the terms of the forward contract (as distinct from the collar terms outlined above), please refer to DXFM's announcement dated 25 July 2013 in relation to the forward and the Substantial Holder Notice.

Proceedings to be discontinued

CMIL and DXFM have agreed that the Federal Court of Australia proceedings commenced by CMIL will be discontinued by consent.

For further information please contact:

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About DEXUS

DEXUS Property Group (DEXUS) is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With a total of \$13 billion of assets under management, DEXUS also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. DEXUS manages an office portfolio of 900,000 square metres across Sydney, Melbourne, Brisbane and Perth and is one of the largest institutional owners 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 18,000 investors from 15 countries. With over 25 years of experience in commercial property investment, development and asset management, DEXUS has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns to investors. www.dexus.com

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