

DEXUS Property Group (ASX: DXS)

ASX release

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

21 April 2015

DEXUS announces equity raising

DEXUS Funds Management Limited (“DXFM”), as responsible entity for DEXUS Property Group (“DEXUS”), today announces the launch of an equity raising comprising:

- a fully underwritten \$400 million institutional placement (“Institutional Placement”)¹; and
- a non-underwritten Security Purchase Plan to eligible securityholders in Australia and New Zealand to raise up to approximately \$50 million (“SPP”).²

In light of the equity raising, DEXUS has determined to suspend its on-market securities buyback.³

Purpose of equity raising

DEXUS continues to identify value enhancing investment opportunities and this equity raising is intended to give DEXUS the flexibility to pursue these opportunities while at the same time ensuring gearing remains at the lower end of its target range of 30-40%. The opportunities include interests in prime grade CBD office properties, at various stages of consideration. All of the opportunities are in line with DEXUS’s strategy, and one of them is an office property in exclusive due diligence with a capital partner on a 50/50 basis.⁴

DEXUS believes that each of the opportunities identified, has the capacity if concluded, to enhance the quality of the portfolio and deliver superior risk-adjusted returns to investors. Until invested, the proceeds of the equity raising will be used to repay debt.⁵

Impact of equity raising

The equity raising is estimated to be accretive to DEXUS’s NTA per security of \$6.47 at 31 December 2014 by 3 cents.⁶

On a pro forma basis gearing was 33% at 31 December 2014, after adjusting for the purchase of Lakes Business Park, Botany which completed in January 2015. The proceeds from the Institutional Placement and SPP will initially be used to repay debt and as a consequence, pro forma gearing will reduce by 4.8 percentage points to 28.2%.⁷

Including the impact of the equity raising, DEXUS reaffirms its FY15 guidance⁸ of FFO⁹ per security of 59.48 cents and distribution per security of 41.04 cents, representing 9.3% growth on FY14.

See also the key risks of holding an investment in DEXUS set out in Appendix 1.

¹ DEXUS has entered into an underwriting agreement on customary terms with the Lead Managers (including termination events).

² DEXUS may (in its absolute discretion) in a situation where total demand exceeds \$50 million, decide to increase the amount to be raised under the SPP to reduce or eliminate the need for scaleback.

³ The on-market securities buyback was announced to ASX on 14 October 2014. As of the date of this announcement, no DEXUS stapled securities have been bought back.

⁴ The arrangements entered into with the vendor do not oblige DEXUS to acquire the property interest.

⁵ Investors should note that there is no certainty that any of the opportunities will be concluded.

⁶ “NTA” means Net Tangible Assets. NTA impact is pro forma for 31 December 2014 assuming that \$450 million is raised and net proceeds are utilised to repay debt, based on a floor price of \$7.32.

⁷ Gearing is adjusted for cash and for debt in equity accounted investments. Pro forma gearing assumes that \$450 million is raised and net proceeds are utilised to repay debt.

⁸ Guidance is supported by: Targeting positive like-for-like income growth across the office and industrial portfolios, weighted average cost of debt of approximately 5.2%, trading profits of approximately \$40m and Management Operations revenue of approximately \$35-\$40m.

⁹ FFO means Funds from Operations. As previously announced, DEXUS adopted FFO as defined by the PCA White Paper “Voluntary Best Practice Guidelines for disclosing Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)” for its reporting from 1 July 2014.

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Institutional Placement

The key details of the Institutional Placement are:

- Fully underwritten \$400 million Institutional Placement to institutional and professional investors;
- Institutional Placement price to be determined via a variable price bookbuild from an underwritten floor price of \$7.32 per security, representing a 3.0% discount to the closing price of \$7.55 on 21 April 2015; and
- The new securities (“New Securities”) for the Institutional Placement will rank equally with existing DEXUS stapled securities and will have full entitlement to the distribution for the six months ending 30 June 2015.

SPP

Following the completion of the Institutional Placement, DEXUS will also undertake an SPP to provide eligible securityholders in Australia and New Zealand with the opportunity to participate in the equity raising at the same price as the Institutional Placement (subject to compliance with applicable regulatory requirements). Eligible securityholders (who were registered as DEXUS securityholders as at 7.00pm on 20 April 2015) will be invited to subscribe for up to a maximum of \$15,000 of additional New Securities per securityholder, free of brokerage and transaction costs. The SPP will not be underwritten and the total amount to be raised will be subject to a \$50 million cap.

If demand exceeds \$50 million, DEXUS will need to scaleback the maximum amount per securityholder. However, in a situation where total demand exceeds \$50 million, DEXUS may (in its absolute discretion) decide to increase the cap to reduce or eliminate the need for scaleback.

The SPP is subject to the terms set out in the SPP booklet, which will be lodged with ASX and sent to eligible securityholders in due course.

As with the New Securities issued under the Institutional Placement, the New Securities issued under the SPP will rank equally with existing DEXUS stapled securities and will have full entitlement to the distribution for the six months ending 30 June 2015.

Indicative timetable

Event	Date
Record Date for SPP	7.00pm Monday, 20 April
Settlement of New Securities under the Institutional Placement	Monday, 27 April
Allotment and trading of New Securities under the Institutional Placement	Tuesday, 28 April
Expected SPP offer opening date	9.00am Tuesday, 5 May
Expected SPP offer closing date	5.00pm Tuesday, 9 June
SPP Issue Date	Thursday, 18 June
SPP Allotment Date	Friday, 19 June
Holding Statements dispatch date	Tuesday, 23 June

The above timetable is indicative only and subject to change. All times represent Sydney time. DEXUS reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws. The commencement of quotation and trading of New Securities is subject to confirmation from the ASX.

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Important information

For more important information, see:

- Appendix 1 for key risks of the equity raising;
- Appendix 2 for foreign selling restrictions; and
- Appendix 3 for an important notice and disclaimer.

For further information please contact:

Investor relations

David Yates
T: +61 2 9017 1424
M: +61 418 861 047
E: david.yates@dexus.com

Media relations

Louise Murray
T: +61 2 9017 1446
M: +61 403 260 754
E: louise.murray@dexus.com

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 \$18.3 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 1.6 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 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)

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Appendix 1 - Key risks of the equity raising

A number of risks and uncertainties, which are both specific to DEXUS and of a more general nature, may affect the future operating and financial performance of DEXUS and the value of its stapled securities. This section identifies the key risks associated with an investment in DEXUS stapled securities. These risks are not exhaustive of the risks faced by potential investors in DEXUS. You should consider carefully the risks described in this section, as well as other information in this announcement, and consult your financial or other professional adviser before making an investment decision. If any of the following risks materialise, DEXUS's business, financial condition and operational results are likely to suffer. In this case, the trading price of DEXUS stapled securities may fall and you may lose all or part of your investment, and/or the distributable income of DEXUS may be lower than expected or zero, with distributions being reduced or being cut to zero.

DEXUS specific risks

Acquisition and business opportunities

- Although DEXUS is undertaking due diligence on a number of potential office acquisition opportunities both on its own account and with joint venture parties, it is possible that these may not occur or if they do occur, that DEXUS does not uncover issues that may later have an adverse impact on DEXUS. Risks of the acquisitions which may adversely affect DEXUS's future value or profitability include:
 - any of the acquisition or business opportunities performing below expectations
 - capital expenditure required in any of the acquisition or business opportunities being greater than expected
 - breakdown in relationship with a joint venture partner
 - a downturn in the relevant local market conditions

Development activities

- DEXUS has a pipeline of key office property development projects which includes 5 Martin Place, Sydney (25% DEXUS ownership interest), Kings Square, Perth (50% DEXUS ownership interest) and 480 Queen Street, Brisbane (50% DEXUS ownership interest). The anticipated practical completion dates of these properties are mid-2015 for both 5 Martin Place, Sydney and Kings Square, Perth and early 2016 for 480 Queen Street, Brisbane
- For 5 Martin Place, Sydney, a DEXUS related party has entered into fixed price construction contracts. Under the contracts, the contractors assume the financial risks relating to completion delays and cost overruns except for tenant and owner requested contract variations. DEXUS has also obtained performance guarantees from its contractors. However, there can be no assurance that DEXUS will not be adversely impacted by the failure of a contractor to deliver the project as agreed. The office space at 5 Martin Place, Sydney is currently 72% leased and there is no income guarantee on any remaining vacancies at practical completion
- Both Kings Square, Perth and 480 Queen Street, Brisbane are fund-through developments. Kings Square, Perth is currently 55% leased and Leighton Holdings has provided a five-year income guarantee on any remaining vacancies at practical completion. 480 Queen Street, Brisbane is currently 80.7% leased (including heads of agreement) and Grocon has provided a two-year income guarantee on any remaining vacancies at practical completion
- DEXUS has entered into several tenancy agreements for all of the key office property development projects underway. While DEXUS believes that it will be able to secure tenants for the remaining vacancies, there can be no guarantee that DEXUS will be able to secure tenants for the remaining vacancies
- DEXUS also has a pipeline of industrial developments of which DEXUS owns a 50% interest jointly with its capital partners. These include: Quarry at Greystanes and Quarrywest at Greystanes, NSW; Radius Industrial Estate, Larapinta, QLD; Lot 1, 8 Anton Road, Hemmant, QLD; and DEXUS Industrial Estate, Laverton North
- The earnings, cashflows and valuations of these developments are impacted by a number of factors including construction costs, scheduled completion dates, assumed post completion occupancy, assumed rentals achieved and the ability of tenants to meet rental obligations

Refinancing requirements

- DEXUS is exposed to risks relating to the refinancing of existing debt instruments and facilities
- DEXUS has \$246 million¹⁰ of debt maturing between the date of this announcement and June 2016 with approximately \$600 million of debt maturing during FY17
- It may be difficult for DEXUS to refinance all or some of these and other debt maturities
- Further, if some or all of these debt maturities can be refinanced, they may be on less favourable terms than is currently the case

¹⁰ Includes \$96 million of debt in equity accounted investments. In addition, as announced previously, when DEXUS acquired the Commonwealth Property Office Fund in 2014, holders of certain medium term notes (MTNs) expiring in 2019 acquired the right to request repayment (at par) at any time. MTNs with a current par value of approximately \$150 million are outstanding, (with DEXUS's share of any repayment obligations, on a look-through basis, being 50%). Should this repayment requirement arise, in whole or in part, DEXUS has adequate funds to meet its share of any requirement to pay MTN holders.

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Availability of capital

- Real estate investment and development is highly capital intensive
- DEXUS's ability to raise funds in the future on favourable terms depends on a number of factors including general economic conditions, political, capital and credit market conditions and the reputation, performance and financial strength of DEXUS's business. Many of these factors are outside DEXUS's control and may increase the cost and availability of capital
- DEXUS holds an investment grade credit rating from Standard & Poor's of A- (Stable). On 31 March 2014, S&P upgraded DEXUS's credit rating from BBB+ to A- which was reaffirmed on 31 July 2014. Any downgrade to DEXUS's credit rating may impact access to capital
- DEXUS holds an investment grade credit rating of A3 from Moody's. On 21 May 2014, Moody's upgraded DEXUS's credit rating from Baa1 to A3. Any downgrade to DEXUS's credit rating may impact access to capital

Impact of financing covenants

- DEXUS's financiers require it to maintain certain gearing and other ratios under various debt covenants. As of the date of this announcement, DEXUS was in compliance with all covenants under its debt facilities
- In the event that these covenants are breached, financiers may seek to exercise enforcement rights under debt documentation
- No financiers' rights under DEXUS's current debt facilities are triggered as a result of adverse market capitalisation movements

Impact of interest rates

- DEXUS's interest cost on floating rate debt will increase if benchmark interest rates increase. This would reduce earnings and cashflow available for distribution to DEXUS securityholders
- DEXUS manages its exposure to adverse fluctuations in floating interest rates by entering into interest rate hedging instruments, however the impact of interest rate hedging may be negative, depending on the extent, timing or direction of movements in underlying rates

Financial forecasts and forward looking statements

- There is no guarantee that the assumptions contained within forward looking statements or estimates (including as to DEXUS's future earnings) in this announcement will ultimately prove to be accurate. The forward looking statements and forecasts depend on a variety of factors, many of which are beyond DEXUS's control, including those described in this Appendix 1.

A-REIT sector risks

Illiquid assets

- Property assets are by their nature illiquid investments. If property assets are required to be disposed in order to raise liquidity, it may not be possible to dispose of assets in a timely manner or at an optimal price. This may affect NTA or the market price of DEXUS stapled securities

Returns from investments

- The value, expectations of capital growth, and returns from DEXUS's property assets will fluctuate depending on property market conditions. Rental and occupancy levels may change as a result of changes in the property market and general economic conditions (including conditions relating to retail, office, logistics & business park and development assets), and this may affect the distributions paid by DEXUS and the market price of DEXUS stapled securities
- The ability to procure tenants (including timing and rental paid), demand for property from investors and the expenses in operating, refurbishing and maintaining properties, may influence the value of DEXUS's assets. The supply of competing buildings, both existing and new, may also affect the ability to secure lease renewals, retain existing tenants or obtain new tenants. If DEXUS cannot negotiate lease renewals or maintain existing lease terms, income and book values may be adversely impacted

Changing investor demand for property investments

- The demand for property and listed property securities may change as investor preferences for particular sectors and asset classes change.
- The demand for property as an asset class changes over time and can be influenced by general economic factors such as interest rates, stock market cycles and exchange rates

Asset and land values

- Asset values are affected by many factors including prevailing market conditions, risk appetite, volume of sales, the ability to procure tenants, contracted rental returns, operating, maintenance and refurbishment expenses and the funding environment
- From time to time unanticipated events occur that affect the value of land or development costs which may in turn affect the financial returns from property investment, projects and property related business. For example, land resumption, major infrastructure requirements or unanticipated environmental issues may affect these financial returns

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Time delays

- Development approvals, slow decision-making by counterparties, complex construction specifications, changes to design briefs, legal issues and other documentation changes may give rise to delays in completion of projects, loss of revenue and cost overruns. Additionally, delays in completion of projects may, in turn, result in liquidated damages and termination of lease agreements and pre-sale agreements
- Other time delays may arise in relation to construction and development projects include supply of labour, scarcity of construction materials, lower than expected productivity levels, inclement weather conditions, land contamination, difficult site access or industrial relations issues
- Objections raised by community interest groups, environmental groups and neighbours may also delay the granting of planning approvals or the overall progress of a project

Property leasing

- There is a risk that tenants default on their rent or other obligations under leases, leading to capital losses or a reduction in income from those assets
- There is also a risk that it may not be possible to negotiate lease renewals or maintain existing lease terms. If this occurs, income and book values may be adversely impacted

Counterparty / credit risk

- A-REITs are exposed to the risk that third parties, such as tenants, developers, service providers and financial counterparties to derivatives (including foreign exchange and interest rate hedging instruments) and other contracts may not be willing or able to perform their obligations

Fixed nature of costs

- Many costs associated with the ownership and management of property assets are fixed in nature. The value of assets may be adversely affected if the income from the asset declines and these fixed costs remain unchanged

Capital expenditure

- A-REITs are exposed to the risk of unforeseen capital expenditure requirements in order to maintain the quality of the buildings and tenants

Environmental matters

- A-REITs are exposed to a range of environmental risks which may result in project delays or additional expenditure. In such situations, they may be required to undertake remedial works and potentially be exposed to third party liability claims and/or environmental liabilities such as penalties or fines

Insurance

- A-REITs purchase insurance, customarily carried by property owners, managers, developers and construction entities, that provides a degree of protection for its assets, liabilities and people. Such policies include material damage of assets, contract works, business interruption, general and professional liability and workers compensation. There are however certain risks that are uninsurable (e.g. nuclear, chemical or biological incidents) or risks where the insurance coverage is reduced (e.g. cyclone, earthquake)
- A-REITs also face risk associated with the financial strength of their insurers to meet indemnity obligations when called upon which could have an adverse effect on earnings
- Further, insurance may be materially detrimentally affected by economic conditions so that insurance becomes more expensive or in some cases, unavailable

Regulatory issues and changes in law (including taxation)

- Changes in relevant laws, accounting standards, other legal, legislative and administrative regimes, and government policies (including Government fiscal, monetary and regulatory policies), may have an adverse effect on the assets, operations and, ultimately, the financial performance of DEXUS. These factors may ultimately affect DEXUS's financial position and performance and the market price of DEXUS stapled securities

Taxation

- Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted may impact the future tax liabilities of DEXUS. Under current income tax legislation, the 'Flow-Through' trusts are generally not liable for Australian income tax, including CGT, provided security holders are presently entitled to all of the income of those trusts each year. Should the actions or activities of one of the 'Flow-Through' trusts (or their controlled entities) cause the relevant trust to fall within the operative provisions of Division 6B or 6C of the Income Tax Assessment Act 1936 (Cth), the relevant trust may be taxed on its (taxable) income at a rate which is currently equivalent to the corporate income tax rate of 30%
- On 9 April 2015, the Australian Government released exposure draft legislation ("Exposure Draft") to give effect to a new tax regime for eligible managed investment trusts ("MITs"). The Exposure Draft Explanatory Memorandum states that the new tax system will significantly improve the operation of the taxation law for MITs by increasing certainty, allowing greater flexibility

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Taxation (continued)

- and reducing compliance costs. If enacted in its current form, the Exposure Draft would apply to trusts known as ‘attribution managed investment trusts’ (“AMITs”) for income years starting on or after 1 July 2015, noting that it is in draft form, subject to consultation and has not yet been introduced into Parliament
- The Exposure Draft proposes a different regime for the taxation of income derived by AMITs. In particular it imposes the liability for income tax upon unit holders by reference to fair and reasonable allocations made by the trustee of the AMIT and continues to treat such trusts as ‘Flow-Through’ trusts. The Exposure Draft also includes provisions which can impose tax on the trustee of an AMIT, including in respect of certain non-arm’s length income. The precise terms of the legislation introducing the AMIT regime if, and once, enacted, will need to be reviewed to confirm its potential impact on DEXUS and its investors
- Investors must conduct and rely upon their own investigation and assessment of, and acknowledge they have sought any advice they deem necessary from their own advisors regarding the offer of New Securities, the New Securities and DEXUS, including, without limitation, the particular U.S. federal income tax consequences of the offer of New Securities and the purchase, ownership, and disposition of securities of DEXUS and the New Securities in light of their particular situation as well as any consequences arising under the laws of any other taxing jurisdiction. In particular, the U.S. federal income tax rates apply to U.S. Persons who directly or indirectly own securities of a passive foreign investment company (“PFIC”) as defined in Section 1297 of the U.S. Internal Revenue Code of 1986. DEXUS currently expects that each of DEXUS Diversified Trust, DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust (together, the “Trusts”), one unit of each of which is stapled together to comprise the New Securities, may be classified as a PFIC for its current taxable year and in future taxable years. DEXUS also expects that if the Trusts were treated as a single corporation and not separate trusts, then the single corporation may also be classified as a PFIC on the same basis as the Trusts. Investors acknowledge they have made and relied entirely upon their own assessment as to whether, and the consequences to them if, DEXUS has been, is, continues to be, or becomes a PFIC for U.S. federal income tax purposes, and investors acknowledge that they have not relied and will not rely to any degree upon, DEXUS, the Lead Managers or any of their respective representatives or affiliates for advice as to any tax consequences related to such investment, or the offer of New Securities, or the purchase, ownership or disposition of DEXUS’s securities, including the New Securities, or for the preparation and filing of any tax returns and elections required or permitted to be filed by an investor in connection therewith.

Other general risks

- Inflation** -Higher than expected inflation rates generally or specific to the property sector could be expected to increase operating costs and development costs
- Litigation and disputes** -Disputes or litigation may arise from time to time in the course of business activities. There is a risk that material or costly disputes or litigation could adversely affect financial performance and security value
- Competition** -DEXUS faces competition from other property groups active in Australia. Such competition could lead to the following adverse outcomes:
 - loss of tenants to competitors
 - a reduction in rents
 - an inability to secure new tenants resulting from oversupply of space
- Reliance on key personnel** -DEXUS is reliant on a number of key personnel. Loss of such personnel, or inability to attract suitably qualified personnel, may have a material adverse impact on DEXUS’s performance
- Work safety** -Poor work safety practices by DEXUS or a failure to comply with the necessary work safety regulatory requirements across the jurisdictions in which DEXUS operates could result in fines, penalties and compensation for damages as well as reputational damage and poor staff morale and industrial action
- Market risks** -investors should be aware that the market price of DEXUS stapled securities and the future distributions made to securityholders will be influenced by a number of factors that are common to most listed investments. At any point in time, these may include:
 - the Australian and international economic outlook
 - movements in the general level of prices on international and local equity and credit markets
 - changes in economic conditions including inflation, recessions and interest rates
 - changes in market regulators’ policies and practice in relation to regulatory legislation
 - changes in Government fiscal, monetary and regulatory policies
 - the demand for DEXUS stapled securitiesDEXUS’s operating and financial performance is influenced by a variety of general economic and business conditions, including the level of inflation, interest rates, commodity prices, ability to access funding, supply and demand conditions and government fiscal, monetary and regulatory policies. Prolonged deterioration in these conditions, including an increase in interest rates, an increase in the cost of capital or a decrease in consumer demand, could have a material adverse impact on DEXUS’s operating and financial performance
- Equity market conditions** -the market price of DEXUS stapled securities will be affected by the financial performance of the DEXUS and also varied and often unpredictable factors influencing equity and credit markets generally. These factors include international stock markets, interest rates, domestic and international economic conditions, domestic and international political stability, investor sentiment, and the demand for equities generally
- Other factors** -other factors may impact on an entity’s performance including changes or disruptions to political, regulatory, legal or economic conditions or to the national or international financial markets including as a result of terrorist attacks or war

Appendix 2 - Foreign selling restrictions

International Offer Restrictions

New Securities of DEXUS will not be offered in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Securities may not be offered or sold, in any country outside Australia except to the extent permitted below.

Canada (Ontario and Quebec)

New Securities will only be offered in the Provinces of Ontario and Quebec (the "Provinces") and only to those persons to whom they may be lawfully offered in the Provinces, and only by persons permitted to sell such New Securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 - Prospectus and Registration Exemptions, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Securities or the offering of New Securities and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Securities or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Securities in the Provinces must be made in accordance with applicable Canadian securities laws which may require resale to be made in accordance with exemptions from dealer registration and prospectus requirements. These resale restrictions may in some circumstances apply to resales of the New Securities outside Canada and, as a result, Canadian purchasers should seek legal advice prior to any resale of the New Securities.

DEXUS and its directors and officers may be located outside Canada. As a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon DEXUS or its directors or officers. All or a substantial portion of the assets of DEXUS and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against DEXUS or such persons in Canada or to enforce a judgment obtained in Canadian courts against DEXUS or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages or rescission

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum (or other document) that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defences contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights available to purchasers in Ontario.

In Ontario, every purchaser of the New Securities purchased pursuant to this document or any offering document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against DEXUS if this document or any offering document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against DEXUS. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document or any offering document contains a misrepresentation, a purchaser who purchases the New Securities during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against DEXUS, provided that:

- a) DEXUS will not be liable if it proves that the purchaser purchased the New Securities with knowledge of the misrepresentation;
- b) in an action for damages, DEXUS is not liable for all or any portion of the damages that DEXUS proves does not represent the depreciation in value of the New Securities as a result of the misrepresentation relied upon; and
- c) in no case shall the amount recoverable exceed the price at which the New Securities were offered.

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Section 138 of the Securities Act (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action.

Certain Canadian income tax considerations. Prospective purchasers of the New Securities should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding, or disposition of the New Securities as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada. Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of these securities (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

Hong Kong

WARNING: This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Securities have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Securities are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
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- that are investment managers who have authority to make investment decisions on behalf of clients.

United States

This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Securities to be offered and sold under the Institutional Placement and SPP by DXFM set out in this announcement ("Offer") have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act"), or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States except in compliance with the registration requirements of the Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States or pursuant to an exemption from, or in a transaction not subject to, such registration requirements and any other applicable securities laws. In addition, the New Securities to be offered and sold in the SPP will only be offered and sold to eligible shareholders in Australia and New Zealand in "offshore transactions" (as defined in Regulation S under the Securities Act) in reliance on Regulation S under the Securities Act.

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Appendix 3 - Important notice and disclaimer

This announcement¹¹ 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, DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust.

Not an offer

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No action has been (or will be) taken to register stapled securities of DEXUS or otherwise permit a public offering of the stapled securities in any jurisdiction outside of Australia and New Zealand. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Securities to be offered and sold under the Institutional Placement and SPP by DXFM set out in this announcement (“Offer”) have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”), or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States except in compliance with the registration requirements of the Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States or pursuant to an exemption from, or in a transaction not subject to, such registration requirements and any other applicable securities laws. In addition, the New Securities to be offered and sold in the SPP will only be offered and sold to eligible shareholders in Australia and New Zealand in “offshore transactions” (as defined in Regulation S under the US Securities Act) in reliance on Regulation S under the Securities Act.

Summary information

The information contained in this announcement should not be considered to be comprehensive or to comprise all the information which a securityholder or potential investor in DEXUS may require in order to determine whether to deal in DEXUS stapled securities. This announcement does not take into account the financial situation, investment objectives or particular needs of any person and nothing contained in the information in this announcement constitutes investment, legal, tax or other advice. Readers or recipients of this announcement should, before making any decisions in relation to their investment or potential investment in DEXUS, consider the appropriateness of the information having regard to their own objectives and financial situation and seek their own professional advice. DXFM is not licensed to provide financial product advice in respect of DEXUS stapled securities.

Investment risk

An investment in DEXUS is subject to known and unknown risks (including possible loss of income and principal invested), some of which are beyond the control of DXFM and DEXUS. DXFM (and any of its related bodies corporate or any other person or organisation) does not guarantee any particular rate of return, repayment or the performance of an investment in DEXUS, nor does it guarantee any particular tax treatment. Investors should have regard to the risk factors outlined in this announcement when making their investment decision. Cooling off rights do not apply to the acquisition of DEXUS stapled securities.

Financial data

All dollar values are in Australian dollars (A\$) and financial data is presented as at 31 December 2014 unless otherwise stated. Investors should note that this announcement contains pro forma financial information. The pro forma financial information and past information provided in this announcement is for illustrative purposes only and is not represented as being indicative of DXFM’s views on DEXUS’s future financial condition and/or performance.

The pro-forma historical financial information included in this announcement does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission.

Investors should be aware that certain financial data included in this announcement are ‘non-GAAP financial measures’ under Regulation G of the U.S. Securities Exchange Act of 1934. These measures include NTA and FFO. The disclosure of such non-GAAP financial measures in the manner included in this announcement may not be permissible in a registration statement under the U.S. Securities Act. These non-GAAP financial measures do not have a standardised meaning prescribed by Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Although DXFM believes these non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-GAAP financial measures included in this announcement.

¹¹ References to “announcement” in this Appendix 3 include the announcement and all appendices to it.

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Future performance

This announcement contains certain “forward-looking statements” with respect to the financial condition, results of operations and business of DEXUS and certain plans, strategies and objectives of the management of DEXUS, 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 (including those described in Appendix 1), many of which are beyond the control of DXFM, DEXUS and their respective affiliates, directors, officers, employees, partners, agents and advisers (“Beneficiaries”), that may cause actual results or performance of DEXUS 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 assumes no obligation to update such information.

Past performance

The historical information in this announcement is, or is based upon, information that has been released to the market. For further information, please see past announcements released on ASX including the 2015 Half Year Results Release and Review and the 2015 Half Year Results Presentation which were both announced to the market on 18 February 2015. Any past performance information given in this announcement is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

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