Dexus (ASX: DXS)

ASX release

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2 May 2019

Dexus announces acquisition of the 80 Collins precinct, Melbourne and equity raising

Dexus Funds Management Limited (**"DXFM"**) as responsible entity of Dexus (**"Dexus"** or the **"Group"**) today announced that it has agreed to acquire the 80 Collins precinct, alongside Dexus Wholesale Property Fund (**"DWPF"**), for a Total Acquisition Cost of $1.476 billion[1] (the **"Acquisition"**) from QIC Global Real Estate. Dexus will acquire a 75% ownership interest in the 80 Collins precinct and DWPF will acquire the remaining 25% interest.

The 80 Collins precinct is a large-scale site that is strategically located in the Eastern Core of Melbourne's CBD. The precinct comprises 105,000 square metres of Net Lettable Area (**"NLA"**) across:

- an existing 47 level A-grade office tower;
- a new 35 level premium office tower;
- a new retail podium with 21 tenancies; and
- a new 255 room boutique hotel.

New components of the 80 Collins precinct are currently being developed. Dexus's contribution to the development is limited to the acquisition price[2].

The rationale for the Acquisition includes:

- **Rare opportunity to invest in a whole block precinct, strategically located in Melbourne CBD's tightly held Eastern Core**
  - Unique corner site, benefiting from considerable foot traffic, proximity to public transport hubs and access to a deep pool of quality tenants
  - Dexus will own or manage circa 20% of the total office stock (by area) in the Eastern Core post the acquisition of the 80 Collins precinct and the development of the neighbouring Dexus owned 52 and 60 Collins Street[3]
- **Access to circa 92,600 square metres of prime grade office space, including a brand new premium office tower with large floor plates and a 5 star energy rating**
  - Significant positive rental reversions forecast on existing tower
  - Substantial leasing progress made on new premium tower with 8.4 year Weighted Average Lease Expiry (**"WALE"**) on committed space
- **Increases Dexus's office portfolio weighting to the strong Melbourne CBD office market from 9% to 17%[4]**
  - Melbourne has the fastest growing population of any capital city in Australia
  - Melbourne CBD office vacancy rate of 3.7% supports significant rental increases
  - Melbourne office capital values per square metre compare favourably with global gateway office markets
- **Attractive acquisition structure and metrics**
  - Fixed price acquisition with Dexus driving leasing outcomes from initial settlement[2,5]
  - Monthly coupon payment equating to 5.4% per annum in relation to Tranche 1 and 2 payments contributed towards the South Tower, Retail Podium and Hotel until handover by the Vendor[6]
  - Equivalent yield of 5.3% and IRR of circa 8%

Dexus's funding requirement to acquire its 75% share of the 80 Collins precinct is $1.107 billion. This funding contribution will be made in four tranches between May 2019 and August 2020. Tranches 1 and 2, totalling $833 million[7], will be paid in May and June 2019. Tranches 3 and 4 totalling $274 million are expected to be paid in July and August 2020 respectively[8].

Dexus intends to fund Tranche 1 and 2 via undertaking an equity raising comprising:

- A fully underwritten $900 million institutional placement (**"Placement"**)[9], and
- A non-underwritten Security Purchase Plan (**"SPP"**) to eligible Dexus Security holders in Australia and New Zealand to raise up to $50 million[10]

Citigroup Global Markets Australia Pty Limited, J.P. Morgan Securities Australia Limited and Merrill Lynch Equities (Australia) Limited are acting as Joint Lead Managers, Bookrunners and Underwriters of the Placement. Dexus was advised by Citigroup Global Markets Australia Pty Limited, Deutsche Bank AG, Sydney Branch, Greenhill & Co., J.P. Morgan Securities Australia Limited and Merrill Lynch Markets (Australia) Pty Limited in relation to the Acquisition.

Darren Steinberg, Dexus CEO said: "Following the acquisition of 52 and 60 Collins Street last year, this acquisition further enhances our scale and presence in the tightly held 'Paris end' of the Melbourne CBD, a prime location where our customers want to be. Importantly, vacancy in the Melbourne CBD office market is nearing an all-time low, supported by strong population growth and significant pre-commitments across the upcoming supply pipeline".

Overview of the 80 Collins precinct

Key metrics of the 80 Collins precinct are summarised below:

Interest acquired	Dexus (75%) & DWPF (25%)
Site area	5,169 sqm
Net lettable area	105,000 sqm
Total Acquisition Cost	$1.476 billion for 100% interest
Equivalent yield	5.3%
IRR	Circa 8%

Key highlights of the precinct include:

North Tower	- A-grade office tower which is 95% occupied[11] - Major tenants including the Minister of Finance (41% of NLA) and Cenitex (16% of NLA) - Significant rental reversions expected over the next four years
South Tower	- Brand new premium office tower with large floor plates - 63% of NLA pre-committed[11], with major tenants including Cenitex (15% of NLA) and Macquarie Group (14% of NLA) - 24% of NLA under negotiation
Retail Podium	- World-class retail and dining precinct comprising 21 tenancies - Frontage to Collins, Little Collins and Exhibition Street - 83% of retail space pre-committed[11]
Hotel	- 255 room boutique hotel - Leased to NEXT Story Group for 10 years

The Vendor will manage the development of the South Tower, Retail Podium and Hotel. Development costs, including certain third-party claims associated with the development, will be funded by the Vendor with Dexus's contribution effectively limited to the agreed purchase price[2,5].

Dexus will also receive a monthly coupon payment at 5.4% per annum from the Vendor based on Tranche 1 and 2 payments contributed towards the South Tower, Retail Podium and Hotel from settlement until handover of the South Tower and Retail podium (**"Interim Completion"**) to Dexus and DWPF. Interim completion is expected in July 2020.

Financial impact

Taking into account the Acquisition and the Placement (together, the **"Transaction"**), Dexus:

- reaffirms its FY19 guidance[12] for distribution per security growth of circa 5%; and
- provides preliminary FY20 guidance[13] for distribution per security growth of circa 5%, with the distribution payout ratio remaining in line with free cash flow.

Dexus will provide confirmation and additional details in relation to its FY20 guidance at its upcoming annual results to be released to the Australian Securities Exchange (**"ASX"**) on Wednesday, 14 August 2019.

The Transaction is accretive to FY20 distributions per security[13] and is expected to have the following financial impacts[14]:

- an increase in pro forma NTA[15] of 12 cents per security to $10.19
- pro forma look through gearing[14] of 24.7%

Institutional Placement

The key details of the Placement are as follows:

- Fully underwritten $900 million Placement to institutional and professional investors in certain jurisdictions
- Placement issue price of $12.10 per new stapled security (**"New Securities"**) represents:
  - 3.2% discount to the last traded price of $12.50 on Tuesday, 30 April 2019
  - 5.3% discount to the five-day VWAP of $12.78 on Tuesday, 30 April 2019
- New Securities issued via the Placement will rank equally with existing securities from the date of issue and will be entitled to the full distribution for the six months ending 30 June 2019[16]

Security Purchase Plan

Following the completion of the Placement, Dexus will also provide eligible Security holders in Australia and New Zealand with the opportunity to participate in a non-underwritten SPP.

Eligible Security holders (who were registered as Dexus Security holders as at 7.00pm on 1 May 2019) will be invited to subscribe for up to a maximum of $15,000 of New Securities per Security holder, at the Placement issue price and free of any brokerage, commission and transaction costs. The SPP will not be underwritten and will be subject to a $50 million cap.

If demand exceeds $50 million, Dexus may need to scale back the maximum amount per Security holder. However, Dexus may (in its absolute discretion) decide to increase the cap to reduce or eliminate the need for scale back.

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

The New Securities issued under the SPP will rank equally with existing securities, including those issued under the Placement and will be entitled to the full distribution for the six months ending 30 June 2019[16].

Indicative timetable

Event	Date (2019)
Record Date for the SPP	7:00pm, Wednesday 1 May
Announcement of the Placement	Thursday 2 May
Placement bookbuild	Thursday 2 May
Announcement of the outcome of the Placement	Friday 3 May
Trading halt lifted	Friday 3 May
Settlement of New Securities issued under the Placement	Tuesday 7 May
Allotment and normal trading of New Securities issued under the Placement	Wednesday 8 May
Expected SPP offer opening date	9:00am, Wednesday 8 May
Expected SPP offer closing date	5:00pm, Wednesday 29 May
SPP allotment date	Tuesday 4 June
SPP holding statements dispatch date and trading of New Securities issued under the SPP	Wednesday 5 June

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

On settlement under the Placement, there will be an adjustment to the exchange price under the exchangeable notes that Dexus issued on 19 March 2019. Dexus will inform the market of the adjustment on settlement of the Placement.

Given the Placement will be conducted during the course of the day, Dexus has asked ASX to retain the trading halt in its securities until market open on Friday, 3 May 2019.

Important information

Refer to the attached investor presentation for important information, including further details about the Acquisition and an overview and description of the key risks.

For further information please contact:

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About Dexus

Dexus is one of Australia's leading real estate groups, proudly managing a high quality Australian property portfolio valued at $28.9 billion. We believe that the strength and quality of our relationships is central to our success, and are deeply committed to working with our customers to provide spaces that engage and inspire. We invest only in Australia, and directly own $13.9 billion of office and industrial properties. We manage a further $15.4 billion of office, retail, industrial and healthcare properties for third party clients. The group's $5.0 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.7 million square metres of office workspace across 53 properties, we are Australia's preferred office partner. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (trading code: DXS) and is supported by 27,000 investors from 19 countries. With more than 30 years of expertise in property investment, development and asset management, we have a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for investors. www.dexus.com

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

Offer Restrictions

This announcement and the attached presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States and may not be distributed or released in the United States. The stapled securities to be offered and sold under the Placement and SPP offer by DXFM of the New Securities set out in this presentation ("**Offer**") have not been and will not be registered under the U.S. Securities Act of 1933 ("**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 (which Dexus has no obligation to do or procure) or pursuant to an exemption from, or in a transaction exempt from or not subject to, such registration requirements and any other applicable securities laws. In addition, the New Securities to be offered and sold under the SPP will only be offered and sold to eligible Security holders 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. There will be no public offer of securities in the United States.

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Determination of eligibility of investors to participate in the Placement is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of DXFM and/or the Joint Lead Managers. DXFM, the Joint Lead Managers and each of their respective Beneficiaries disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law. The Joint Lead Managers may rely on information provided by or on behalf of institutional investors in connection with managing, conducting or underwriting the Placement without having independently verified that information and the Joint Lead Managers do not assume responsibility for the accuracy or completeness of that information.

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1 Total Acquisition Cost reflects the gross price for the acquisition of 100% of the 80 Collins precinct, excluding transaction costs and subject to customary adjustments. The Total Acquisition Cost comprises i) payments for the 80 Collins precinct on an "as-is" basis of $1.082 billion, ii) payments for remaining costs to complete of $290 million, and iii) payments for assumed outstanding incentives and North Tower capital expenditure liabilities of $104 million. Dexus will fund 75% of the total Acquisition consideration with DWPF funding the remaining 25%. Refer to slide 24 of the investor presentation titled "*80 Collins precinct acquisition and equity raising*" dated 2 May 2019 for further details.
2 Subject to certain limitations on claims.
3 Dexus exchanged contracts for 52 Collins Street, Melbourne in September 2018 with settlement expected to occur in July 2019. Assumes that 52 and 60 Collins Street are further developed increasing the total space to circa 35,000 square metres.
4 By book value. Pro forma calculation is based on 31 December 2018 book values, adjusted for the sale of 11 Talavera Road, Macquarie Park, acquisition of an additional 25% interest in MLC Centre, Sydney and the total Acquisition consideration at completion.
5 Dexus is responsible for leasing from settlement of the Acquisition on 9 May 2019.
6 Dexus will receive a monthly coupon payment of 5.4% per annum from the Vendor based on Tranche 1 and 2 payments contributed towards the South Tower, Retail Podium and Hotel from settlement until handover of the South Tower and Retail podium ("Interim Completion").
7 Subject to customary sales adjustments.
8 Tranche 3 and 4 payments are subject to completion of the various stages of the development.
9 DXFM has entered into an underwriting agreement on customary terms (including termination events) with the joint lead managers.
10 DXFM 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 scale back.
11 By Net Lettable Area.
12 Barring unforeseen circumstances, guidance is supported by the following assumptions: Impacts of announced divestments and acquisitions; FFO per security growth of circa 3%, underlying FFO per security growth of circa 3% underpinned by Dexus office portfolio like-for-like growth of circa 3%, Dexus industrial portfolio like-for-like income growth of circa 8%, management operations FFO broadly in line with FY18; cost of debt of circa 4%; trading profits of circa $35 million net of tax; maintenance capex, cash incentives, leasing costs and rent free incentives of $155-165 million; and excluding any further transactions.
13 Barring unforeseen circumstances.
14 Impacts are post the $900 million underwritten Placement and assume that 100% of Dexus's portion of the Total Acquisition Cost has been paid to the Vendor. No adjustment is made for the SPP of up to $50 million.
15 NTA and gearing impact is at 31 December 2018 pro forma for the Transaction and is adjusted for the sale of 11 Talavera Road, Macquarie Park announced in February 2019, the acquisition of a further 25% interest in the MLC Centre, Sydney which completed in April 2019 and the issuance of $425 million Guaranteed Exchangeable Notes announced to ASX on 12 March 2019.
16 This means that approximately 74,380,000 New Securities may be issued under the Placement (however may be more or less) which is within Dexus's placement capacity.

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Acquisition and equity raising

2 May 2019

(Not for distribution into the United States)

Dexus Funds Management Limited
ABN 24 060 920 783
AFSL 238163 as responsible entity for Dexus

Transaction summary

Acquisition of 80 Collins precinct and associated equity raising

1 Acquisition of 80 Collins precinct

Dexus (as part of a consortium) has entered into contracts to acquire the 80 Collins precinct for a Total Acquisition Cost of $1.476 billion[1] (**Acquisition**) from QIC Global Real Estate.

- Dexus will acquire a 75% ownership interest in the asset and Dexus Wholesale Property Fund (**DWPF**) will acquire a 25% interest.

The 80 Collins precinct is a large-scale site that is strategically located in the Eastern Core of Melbourne's CBD. The precinct comprises:

- an existing 47 level A-grade office tower (circa 49,600sqm NLA);
- a new 35 level premium office tower (circa 43,000sqm NLA);
- a new retail podium with 21 tenancies (circa 4,700sqm NLA); and
- a new 255 room boutique hotel (circa 7,700sqm NLA).

New components of the 80 Collins precinct are currently being developed. Dexus's contribution to the development is limited to the acquisition price[2]. Dexus will drive leasing outcomes across the precinct from initial settlement.

Dexus's office portfolio weighting to the Melbourne CBD will increase from 9% to 17% as a result of the Acquisition[3].

Dexus will pay for its 75% of the Acquisition in four separate tranches. Tranches 1 and 2, totalling $833 million, will be paid in May and June 2019. Tranches 3 and 4 totalling $274 million are expected to be paid in July and August 2020 respectively.

2 Equity raising

Dexus will undertake a fully underwritten $900 million institutional placement (**Placement**) at a fixed price of $12.10 per security to partially fund its share of the Acquisition, with New Securities entitled to the full distribution for the six months ending 30 June 2019.

Dexus will also undertake a non-underwritten Security Purchase Plan (**SPP**) to eligible Dexus Security holders in Australia and New Zealand of up to $50 million[4] at the same issue price as the Placement.

3 Financial impact

Taking into account the Acquisition and Placement (together, the **Transaction**), Dexus:

- reaffirms its FY19 guidance[5] of distribution per security growth of circa 5%; and
- provides preliminary FY20 guidance[6] of distribution per security growth of circa 5%, with the distribution payout ratio remaining in line with free cash flow.

The Transaction is accretive to FY20 distributions per security and is expected to have the following financial impacts:

- an increase in pro forma NTA of 12 cents per security[7] to $10.19; and
- pro forma look through gearing of 24.7%[7].

1. The Total Acquisition Cost reflects the gross price for the acquisition of 100% of the 80 Collins precinct, excluding transaction costs and subject to customary adjustments. The Total Acquisition Cost comprises i) payments for the 80 Collins precinct on an "as-is" basis of $1.082 billion, ii) payments for remaining costs to complete of $290 million, and iii) payments for assumed outstanding incentives and North Tower capital expenditure liabilities of $104 million. Dexus will fund 75% of the Total Acquisition Cost with DWPF funding the remaining 25%. Refer to slide 24 of this presentation for further information on the transaction structure.
2. Subject to certain limitations on claims. Refer to Appendix C of this presentation.
3. By book value. Pro forma calculation that is based on 31 December 2018 book values, adjusted for the sale of 11 Talavera Road, Macquarie Park, acquisition of an additional 25% interest in MLC Centre, Sydney and the Total Acquisition Cost at completion.
4. 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 scale back.
5. Barring unforeseen circumstances, guidance is supported by the following assumptions: Impacts of announced divestments and acquisitions; FFO per security growth of circa 3%, underlying FFO per security growth of circa 3% underpinned by Dexus office portfolio like-for-like growth of circa 3%, Dexus industrial portfolio like-for-like income growth of circa 8%, management operations FFO broadly in line with FY18; cost of debt of circa 4%; trading profits of circa $35 million net of tax; maintenance capex, cash incentives, leasing costs and rent free incentives of $155-165 million; and excluding any further transactions.
6. Barring unforeseen circumstances. Confirmation and further details to be provided at the FY19 annual results expected to be released on Wednesday 14 August 2019.
7. Pro forma 31 December 2018 NTA and look through gearing adjusted for the sale of 11 Talavera Road, Macquarie Park announced to ASX on 25 February 2019, acquisition of an additional 25% interest in MLC Centre, Sydney and issuance of $425 million Guaranteed Exchangeable Notes announced to ASX on 12 March 2019, the acquisition of 80 Collins precinct and $900 million Placement (including transaction costs). No adjustment is made for the SPP of up to $50 million.

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Acquisition of 80 Collins precinct

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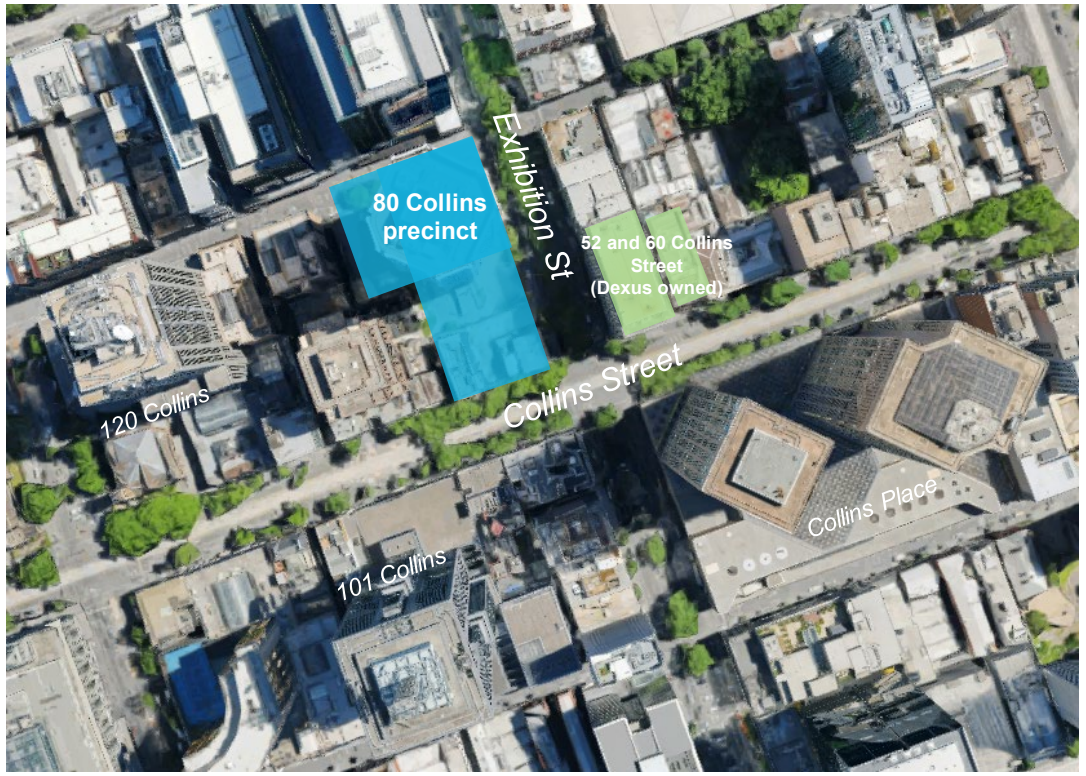
Acquisition rationale

Over 100,000sqm of high quality product, located in Melbourne CBD's premier Eastern Core



Rare opportunity to invest in a whole block precinct, strategically located in Melbourne CBD's tightly held Eastern Core

- Unique corner site, benefiting from considerable foot traffic, proximity to public transport hubs and access to a deep pool of quality tenants
- Dexus will own or manage circa 20% of the total office stock (by area) in the Eastern Core post the acquisition of the 80 Collins precinct and the development of the neighbouring Dexus owned 52 and 60 Collins Street[1]

Access to circa 92,600sqm of prime grade office space, including a new premium office tower with efficient floor plates and a 5 star Energy rating

- Significant positive rental reversions forecast on existing tower
- Substantial leasing progress made on new premium office tower with 8.4 year WALE on committed space

Increases Dexus's office portfolio weighting to the strong Melbourne CBD office market from 9% to 17%[2]

- Melbourne has the fastest growing population of any capital city in Australia
- Melbourne CBD office vacancy rate of 3.7% supports significant rental increases
- Melbourne office capital values per square metre compare favourably with global gateway office markets

Attractive acquisition structure and metrics

- Fixed price acquisition with Dexus driving leasing outcomes from initial settlement[3]
- Monthly coupon payment equating to 5.4% p.a. of the Tranche 1 and 2 payments contributed towards the South Tower, Retail Podium and Hotel until handover by the Vendor, to be received during development period[4]
- Equivalent yield of 5.3% and IRR of circa 8%

1. Dexus exchanged contracts for 52 Collins Street, Melbourne in September 2018 with settlement expected to occur in July 2019. Assumes that 52 & 60 Collins Street are further developed increasing the total space to circa 35,000sqm.
2. By book value. Pro forma calculation that is based on 31 December 2018 book values, adjusted for the sale of 11 Talavera Road, Macquarie Park, acquisition of an additional 25% interest in MLC Centre, Sydney and 75% interest of the 80 Collins precinct.
3. Subject to certain limitations on claims. Refer to Appendix C of this presentation.
4. Dexus will receive a monthly coupon payment of 5.4% p.a. from the Vendor based on Tranche 1 and 2 payments contributed towards the South Tower, Retail Podium and Hotel from settlement until handover of the South Tower and Retail Podium.

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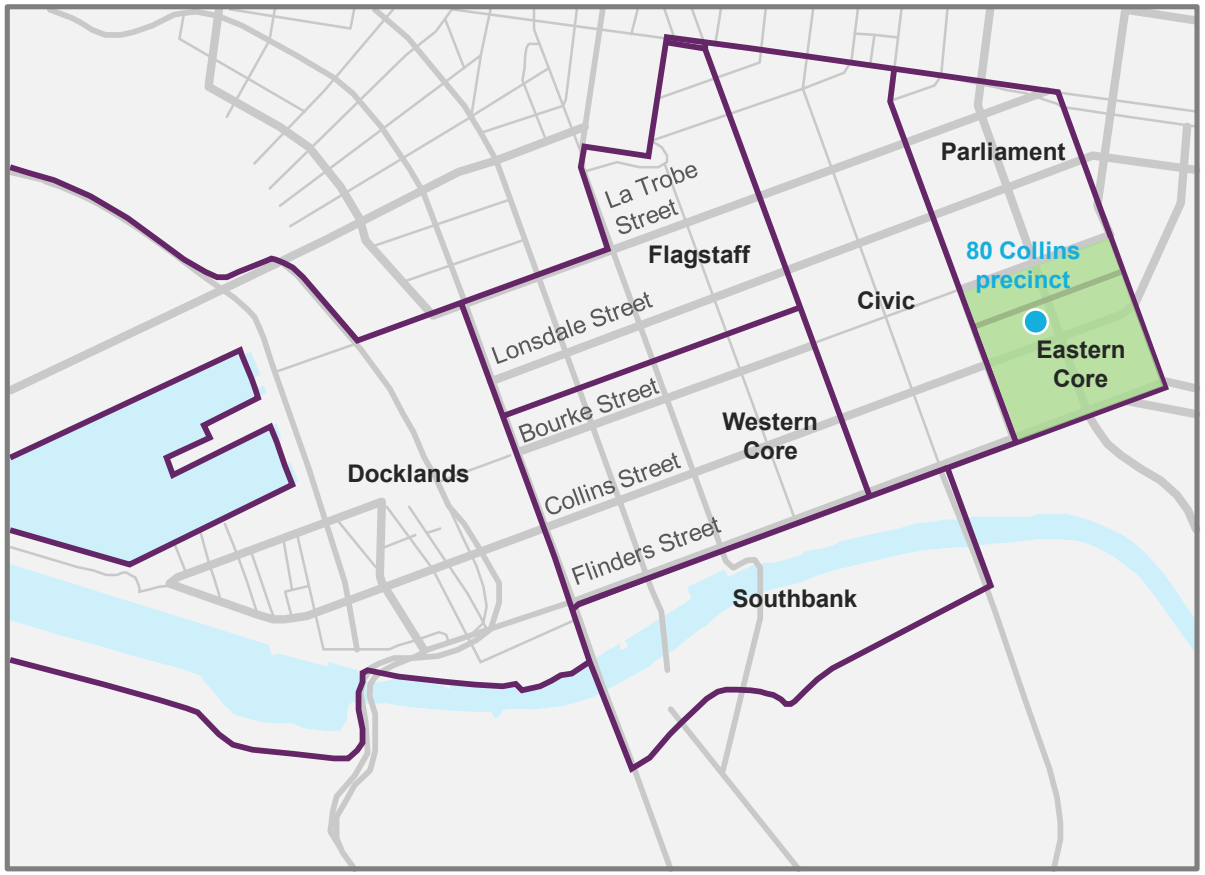
Melbourne CBD's Eastern Core

Tightly held and highly sought after location with ample amenity and a deep pool of quality tenants



- The Eastern Core has the highest concentration of premium office buildings compared to any other sub-market in Melbourne
- A deep pool of quality tenants currently lease space in the area including: Government, banks, law firms and other professional service firms
- Located in close proximity to Flinders Street Station, Collins Street tram stop, high-end restaurants and luxury retailers

Melbourne CBD sub-markets	As at Q1 2019	
	Total stock (sqm)	Vacancy (%)
Eastern Core	**504,088**	**2.1%**
Civic	474,931	3.5%
Docklands	1,016,039	0.5%
Flagstaff	394,557	5.5%
Parliament	493,548	1.5%
Southbank	208,401	2.2%
Western Core	1,708,155	6.4%
Total	**4,799,719**	**3.7%**

Source: Dexus Research, JLL Research.

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80 Collins precinct overview

Exceptional large scale premium office block

Key metrics	
Interest	Dexus (75%) & DWPF (25%)
Site area	5,169sqm
Site overview	105,000sqm NLA comprising: - Existing 47 level A-grade office tower - New 35 level premium office tower - New retail podium with 21 tenancies - New 255 room boutique hotel
Purchase price	$1.476 billion for 100% interest[1]
Equivalent yield	5.3%
IRR	Circa 8%

1. Total Acquisition Cost reflects the gross price for the acquisition of 100% of the 80 Collins precinct, excluding transaction costs and subject to customary adjustments. The Total Acquisition Cost comprises i) payments for the 80 Collins precinct on an "as-is" basis of $1.082 billion, ii) payments for remaining costs to complete of $290 million, and iii) payments for assumed outstanding incentives and North Tower capital expenditure liabilities of $104 million. Dexus will fund 75% of the Total Acquisition Cost with DWPF funding the remaining 25%. Refer to slide 24 of this presentation for further information on the transaction structure.

80 Collins precinct overview

Transforming Melbourne CBD's historic Eastern Core

North Tower

A-grade, stabilised asset

Circa 49,600sqm NLA

95% occupied

2.7 year WALE

Major tenants: Minister of Finance (41% of NLA) and Cenitex (16% of NLA)

Significant rental reversions expected over the next four years

South Tower

Premium office building, FY21 completion

Circa 43,000sqm NLA

63% of NLA pre-committed[1]

24% of NLA under negotiation

8.4 year WALE on leased space[2]

Major tenants: Cenitex (15% of NLA) and Macquarie Group (14% of NLA)

Brand new premium office tower with large floor plates and 5 star Energy rating

Retail Podium

CBD Retail Podium, FY21 completion

21 tenancies including luxury retail, all-day dining, restaurants and bars

Circa 4,700sqm NLA

83% of retail space pre-committed[3]

World-class retail and dining with frontage to Collins, Little Collins and Exhibition Street

Hotel

255 room boutique hotel, FY21 completion

Circa 7,700sqm NLA

Leased to NEXT Story Group for 10 years

255 rooms in the heart of Melbourne's 'Paris end'

1. Includes signed Agreements For Lease (51%) and Heads of Agreement (12%). Only signed Agreements For Lease are covered by the rental guarantee.
2. At completion of development.
3. Includes signed Agreements For Lease (71%) and Letters of Offer (12%). Only signed Agreements For Lease are covered by the rental guarantee.

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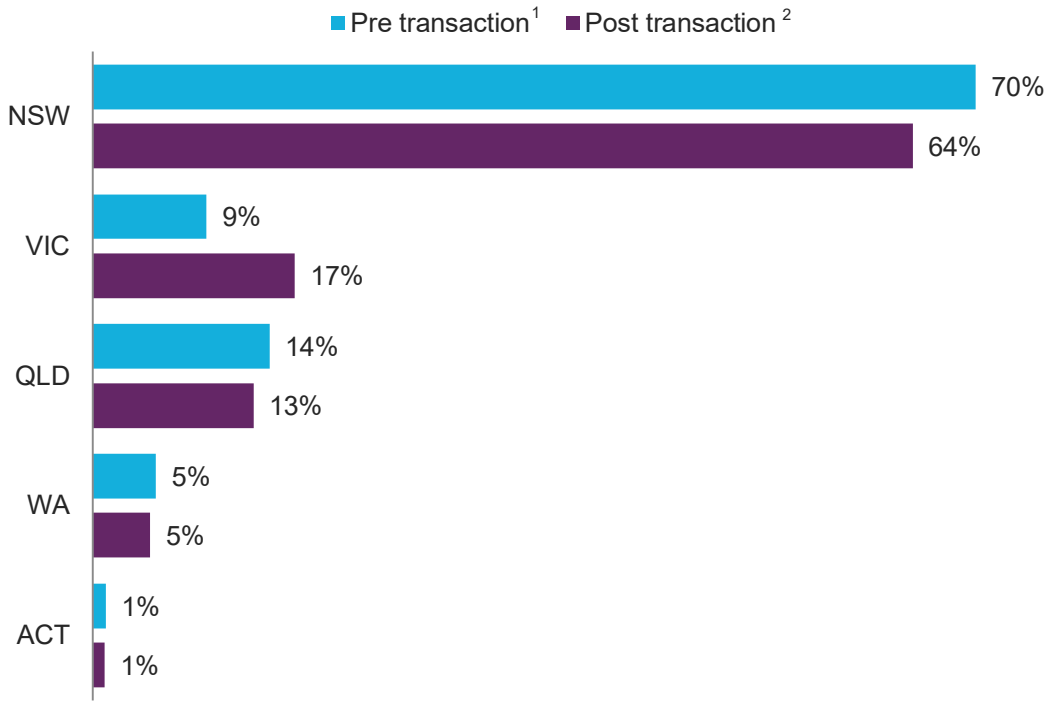
Portfolio impact

Significantly increased weighting to strong Melbourne CBD office market

Dexus's office portfolio metrics

Key metrics	Pre transaction[1]	Post transaction[2]
Portfolio value ($bn)	11.8	12.9[6]
Properties	46	47
Buildings[7]	63	66
Net lettable area (sqm)[4]	1,504,943	1,609,933
Weighted average cap rate (%)[5]	5.15	5.15

Dexus's office portfolio diversification by location[3]



1. 31 December 2018 metrics pro forma for the sale of 11 Talavera Road, Macquarie Park and acquisition of an additional 25% interest in MLC Centre, Sydney.
2. Pro forma for Acquisition at completion of the development (including retail and hotel components).
3. By book value and subject to rounding.
4. Reflects 100% of NLA including development assets.
5. Excludes development assets.
6. Portfolio value excluding acquisition costs.
7. Excluding carparks.

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Melbourne office market

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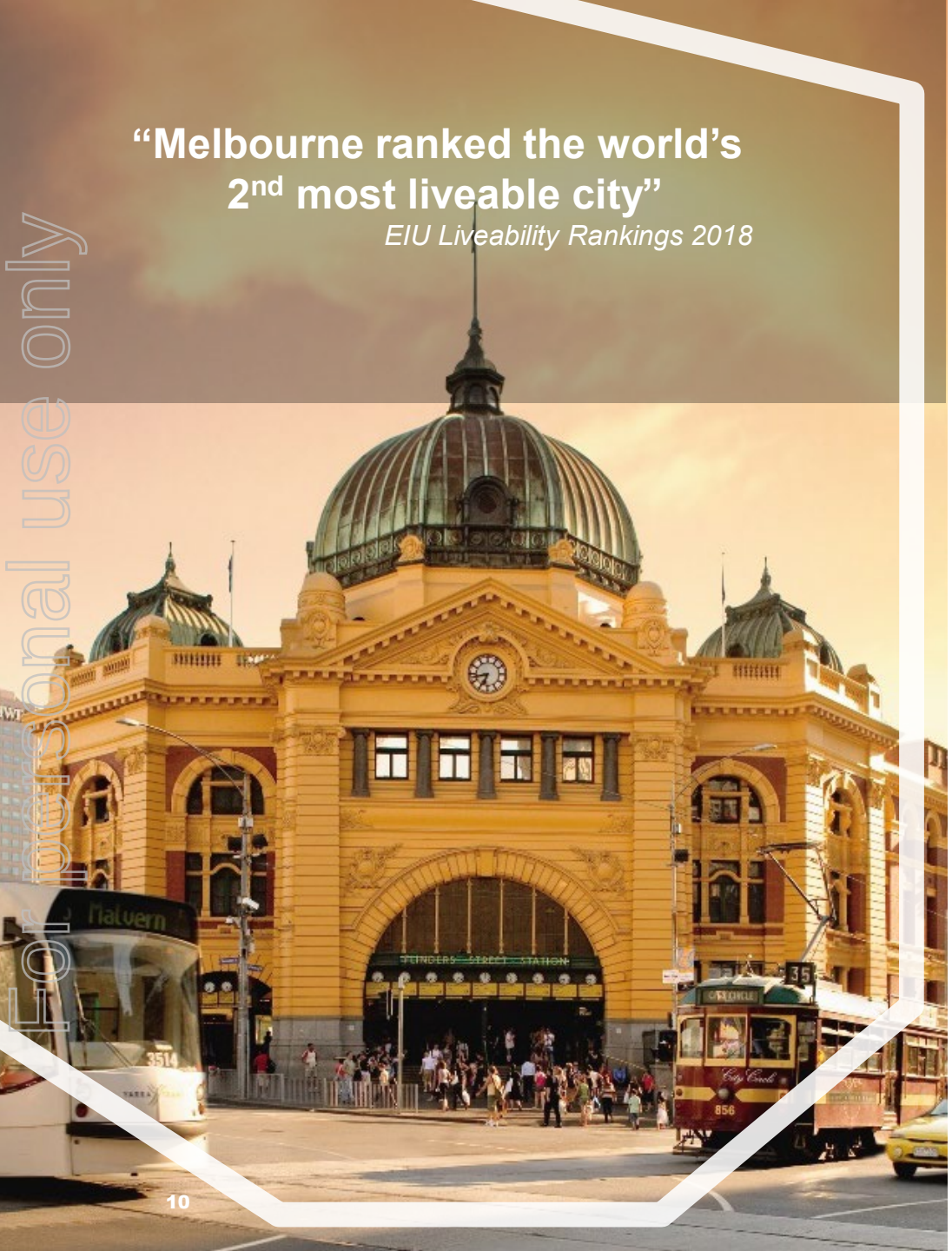
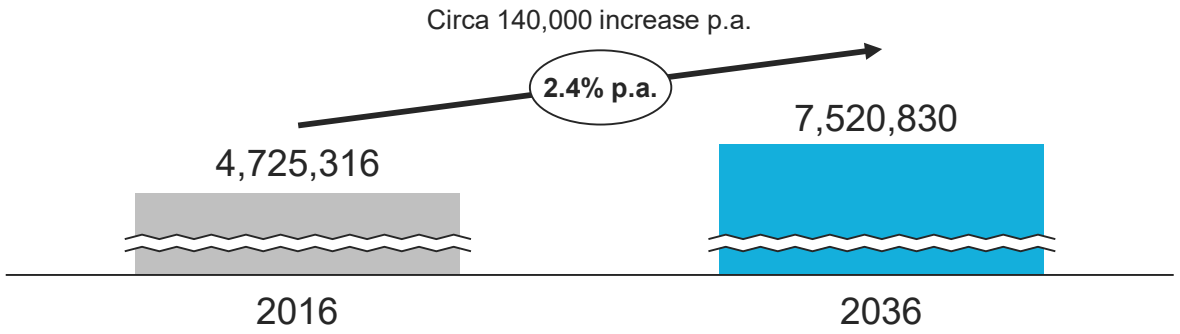


Why invest in Melbourne?

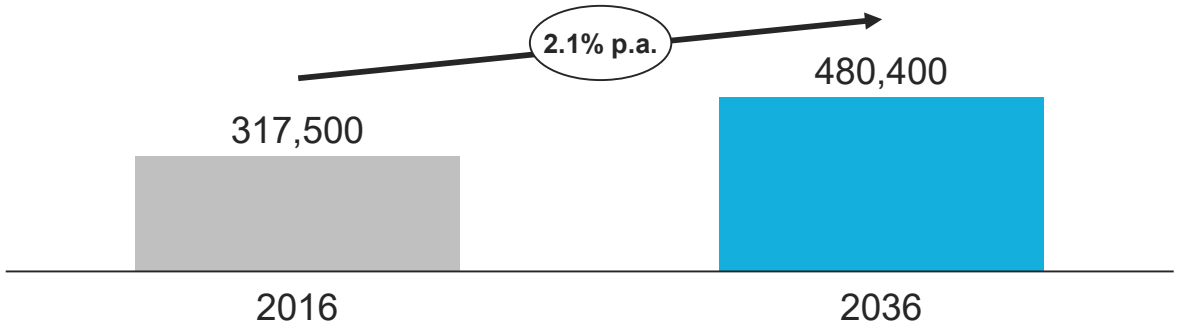
Economic growth supported by population growth

Melbourne population growth forecast (# of people)



Source: "Regional Population Growth, Australia, 2016" ABS; "Population Projections by Region, 2017-2066" ABS.

CBD employment growth forecast (# of workers)



Source: "Unlocking Melbourne for a 24/7 Economy" 2 Nov 2018 Urbis.

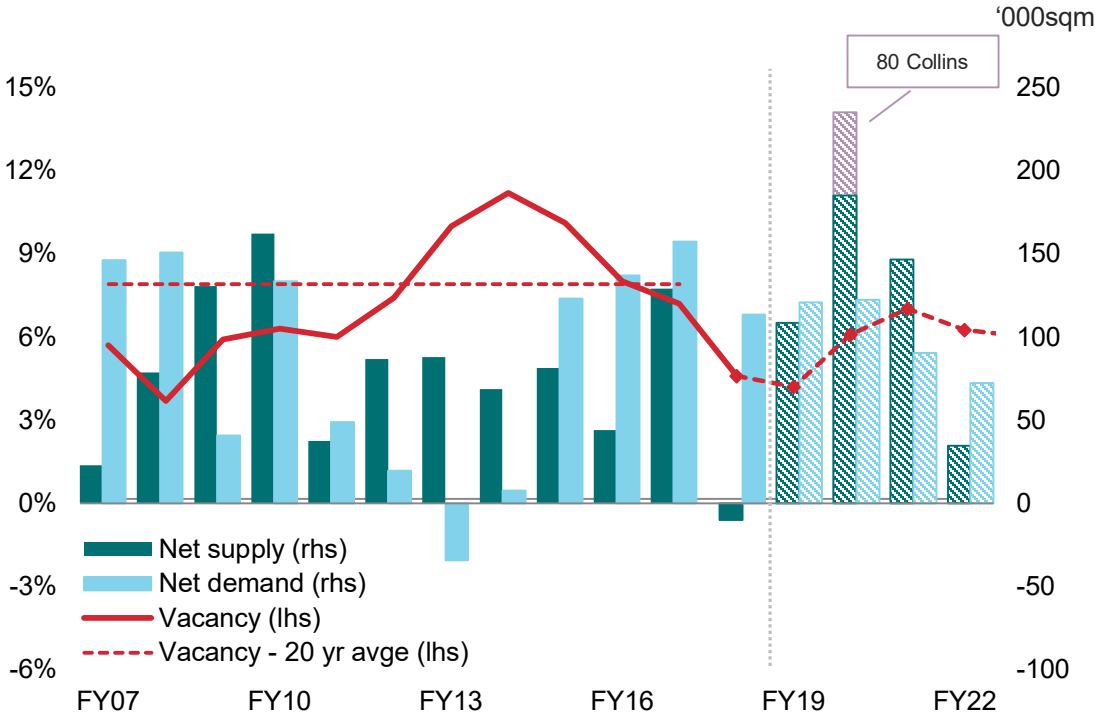
Melbourne CBD office market

Positive outlook for Melbourne CBD office market

Where are we and what are we expecting?

- Melbourne CBD office vacancy is nearing an all-time low with the market well placed to handle upcoming supply:
  - Vacancy currently 3.7% and to remain low during FY19
  - Employment growth is strong and remains well above long term average
- Strongest population growth forecast of any major city in Australia
- 75% of supply pre-committed to the end of FY22
- Positive supply / demand dynamics support significant increases in rental levels

Melbourne CBD office supply, demand and vacancy



Source: Dexus Research, JLL Research.

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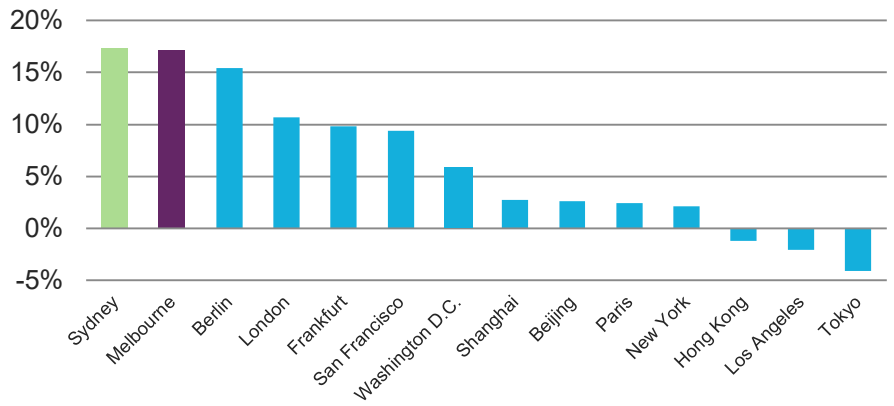
Melbourne office market value proposition

Melbourne office market is attractive relative to global office markets

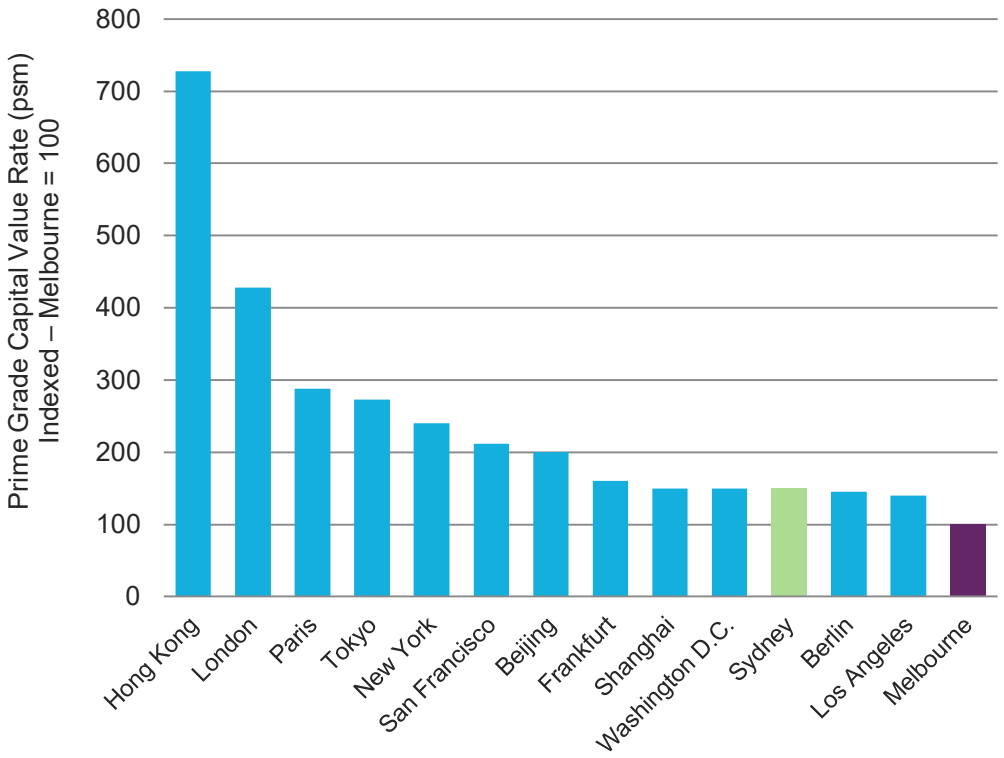
- Melbourne is a major Asia Pacific gateway city and target market for global institutional investors
- Average office capital values in Paris, Tokyo and New York are more than twice as high as Melbourne
- Sydney and Melbourne are forecast to experience attractive levels of office rent growth relative to other major global cities through to 2021

Forecast office rental growth – three years to 2021



Source: Knight Frank Global Outlook 2019.

Office capital value rate – global city comparison



Source: JLL Research.

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Placement sources and uses

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Dexus Placement proceeds

Sources and uses of Placement proceeds[1]

Sources of Placement proceeds	
Placement proceeds	$900 million
Total Sources	**$900 million**

Uses of Placement proceeds	
Initial Acquisition payments[1]	$833 million
Transaction costs[2]	$61 million
General corporate purposes	$6 million
Total Uses	**$900 million**

- Any proceeds raised under the non-underwritten SPP, which is capped at $50 million, will be utilised to reduce debt

1. Reflects Dexus's share (75%) only. Refer to slide 24 of this presentation for further information on transaction structure.
2. Includes real estate transaction costs and costs associated with the Placement.

Dexus impact

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Financial impact

Key earnings, guidance and balance sheet metrics

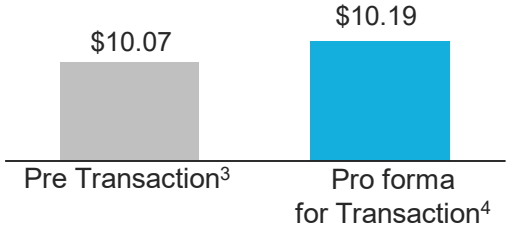
Distribution impact

- Transaction is expected to be accretive to FY20 distributions per security[1]

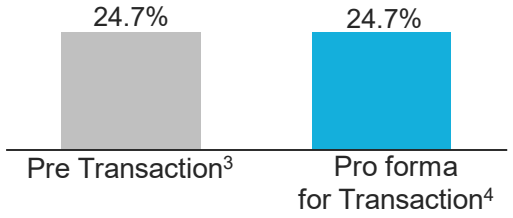
Guidance

- FY19 guidance[2] of distribution per security growth of circa 5% reaffirmed
  - Transaction has immaterial impact to FY19
- Preliminary FY20 guidance[1] of distribution per security growth of circa 5%
  - Distribution payout ratio remains in line with free cash flow
  - Confirmation and further details to be provided at the FY19 annual results on Wednesday 14 August 2019

NTA per security (Pro forma as at 31 Dec 2018)



Look through gearing (Pro forma as at 31 Dec 2018)



1. Barring unforeseen circumstances.
2. Barring unforeseen circumstances, guidance is supported by the following assumptions: Impacts of announced divestments and acquisitions; FFO per security growth of circa 3%, underlying FFO per security growth of circa 3% underpinned by Dexus office portfolio like-for-like growth of circa 3%, Dexus industrial portfolio like-for-like income growth of circa 8%, management operations FFO broadly in line with FY18; cost of debt of circa 4%; trading profits of circa $35 million net of tax; maintenance capex, cash incentives, leasing costs and rent free incentives of $155-165 million; and excluding any further transactions.
3. Includes the sale of 11 Talavera Road, Macquarie Park announced to the ASX on 25 February 2019 and acquisition of an additional 25% interest in MLC Centre, Sydney and the issuance of $425 million Guaranteed Exchangeable Notes announced to the ASX on 12 March 2019.
4. Impacts are post the $900 million underwritten Placement and assume that 100% of Dexus's share of the Total Acquisition Cost has been paid to the Vendor. No adjustment is made for SPP of up to $50 million.

Equity raising

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Placement and SPP

Equity raising overview

Structure, size and pricing	– Fully underwritten Placement to raise $900 million – Placement issue price of $12.10 per new security represents: • 3.2% discount to the last traded price of $12.50 on 30 April 2019 • 5.3% discount to the five-day VWAP of $12.78 on 30 April 2019 – Placement represents 7.3% of total securities outstanding
Ranking	– New securities issued via the Placement will rank equally with existing securities from the date of issue – New securities issued via the Placement will be entitled to the full distribution for the six months ending 30 June 2019
Underwriting	– The Placement is fully underwritten by Citigroup Global Markets Australia Pty Limited, J.P. Morgan Securities Australia Limited and Merrill Lynch Equities (Australia) Limited
Security Purchase Plan (SPP)	– Following completion of the Placement, Dexus will offer eligible Security holders in Australia and New Zealand the opportunity to participate in a non-underwritten SPP – Eligible Security holders will be invited to apply for up to a maximum of $15,000 of new securities, at the Placement issue price and free of any brokerage, commission and transaction costs – The SPP will not be underwritten and will be subject to a $50 million cap[1] – New securities issued under the SPP will rank equally with existing securities, including those issued under the Placement and will be entitled to the full distribution for the six months ending 30 June 2019

1. 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 scale back.

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Indicative timetable

Key dates and sequencing[1]

Event	Date (2019)
Record date for the SPP	7:00pm, Wednesday 1 May
Announcement of the Placement	Thursday 2 May
Placement bookbuild	Thursday 2 May
Announcement of the outcome of the Placement	Friday 3 May
Trading halt lifted	Friday 3 May
Settlement of new securities issued under the Placement	Tuesday 7 May
Allotment and normal trading of new securities issued under the Placement	Wednesday 8 May
Expected SPP offer opening date	9:00am, Wednesday 8 May
Expected SPP offer closing date	5:00pm, Wednesday 29 May
SPP allotment date	Tuesday 4 June
SPP holding statements despatch date and trading of New Securities under the SPP	Wednesday 5 June

1. The above timetable is indicative only and subject to change. All times represent Australian Eastern Standard Time. Dexus reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), ASX Listing Rules and other applicable laws. The commencement of quotation and trading of new securities is subject to confirmation from ASX.

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Summary

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Summary

Strategically compelling acquisition in a premier location

- Acquisition of over 100,000sqm of high quality product, strategically located in Melbourne CBD's premier Eastern Core
- Significantly increases Dexus's office portfolio weighting to the strongly performing Melbourne CBD office market
- Attractive acquisition metrics including a circa 8% IRR and 5.3% equivalent yield
- Compelling acquisition structure that includes a fixed purchase price[1] with Dexus driving leasing outcomes
- The Transaction is accretive to both NTA and FY20 distributions per security

1. Subject to certain limitations on claims. Refer to Appendix C of this presentation.

Appendix A: Additional information

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Pro forma balance sheet

$m	31 Dec 18	Post balance date adjustments[1]	Pro forma as at 31 Dec 18 (pre transaction)	Acquisition (Tranches 1 & 2) and Placement[2]	Acquisition (Tranches 3 & 4)	Pro forma as at 31 Dec 18 (post transaction)
Cash	37	3	**40**	6	-	**46**
Investment properties	8,020	(231)	**7,788**	-	-	**7,788**
Equity accounted investments	5,323	422	**5,745**	879[3]	274	**6,898**
Inventories	424	-	**424**	-	-	**424**
Intangible assets	319	-	**319**	-	-	**319**
Other assets	590	-	**590**	-	-	**590**
Total assets	**14,712**	194	**14,906**	885	274	**16,064**
Interest bearing liabilities	3,558	163	**3,721**	-	274	**3,995**
Other liabilities	661	31	**692**	-	-	**692**
Total liabilities	**4,219**	194	**4,413**	-	274	**4,687**
Net assets	**10,493**	-	**10,493**	885	-	**11,377**
Securities on issue (millions)	1,017.2		1,017.2			1,091.6
NTA per security	$10.07		$10.07			$10.19
Look through gearing	23.7%		24.7%			24.7%

Note: Numbers may not add due to rounding

1. Includes the sale of 11 Talavera Road, Macquarie Park announced to the ASX on 25 February 2019 (excluding disposal costs as it is due to settle in June 2019) and acquisition of an additional 25% interest in MLC Centre, Sydney and issuance of $425 million Guaranteed Exchangeable Notes (excluding transaction costs) announced to the ASX on 12 March 2019.
2. Adjusted for the acquisition of 80 Collins Street, Melbourne including acquisition costs (representing Dexus's 75% interest) and the institutional placement of $900 million net of equity raising costs. Excludes proceeds from the SPP.
3. Includes $46 million of capitalised transaction costs.

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Acquisition structure and timing

Fixed price acquisition with staged settlement to support a stable income profile

- Dexus will pay for its 75% share of the $1.476 billion Total Acquisition Cost[1] in stages as follows:
  - Initial payments totalling $833 million[2], at and shortly after settlement of the Acquisition on 9 May 2019 (Tranches 1 & 2)
  - $198 million payment in July 2020 upon handover of the South Tower and Retail Podium (Tranche 3)[3]
  - $76 million final payment in August 2020 upon completion of the Hotel (Tranche 4)[3]
- The Vendor will manage the development of the South Tower, Retail Podium and Hotel components[4]
  - Dexus to receive a monthly coupon payment of 5.4% p.a. in relation to Tranche 1 and 2 payments contributed towards the South Tower, Retail Podium and Hotel until handover by the Vendor
- Dexus will be responsible for all leasing from settlement
  - Vendor to provide Dexus with 18 month rental guarantee on pre-committed tenancies in the South Tower[5] and income support payments for potential downtime in the North Tower

Date / milestone	May-Jun 2019	Jul 2020	Aug 2020
	Initial Acquisition payments[2] Payment for Tranches 1 & 2	**Interim Completion[3]** Payment of Tranche 3 South Tower and Retail	**Final Completion[3]** Payment of Tranche 4
Dexus payment to Vendor[1]	$833 million	$198 million	$76 million
Income received	Rent from North Tower + 5.4% development coupon on up-front cost of South Tower, Retail and Hotel	Rent from North Tower, South Tower and Retail	Rent from all components

1. Total Acquisition Cost reflects the gross price for the acquisition of 100% of the 80 Collins precinct, excluding transaction costs and subject to customary adjustments. The Total Acquisition Cost comprises i) payments for the 80 Collins precinct on an "as-is" basis of $1.082 billion, ii) payments for remaining costs to complete of $290 million, and iii) payments for assumed outstanding incentives and North Tower capital expenditure liabilities of $104 million. Dexus will fund 75% of the Total Acquisition Cost with DWPF funding the remaining 25%.
2. Subject to customary sales adjustments.
3. In the event that Interim Completion (July 2020 - handover of the South Tower and Retail podium) or Final Completion (August 2020 - handover of the Hotel) is delayed the associated Tranche 3 and 4 payments will not be made until completion is achieved. In the event that Interim Completion is not achieved in July 2020 the 5.4% coupon will continue to paid until the South Tower and Retail podium are handed over (subject to an effective sunset date of August 2022) (refer to 'Appendix C – Key Risks' of this presentation for further detail).
4. Vendor is responsible for any third party claims associated with the development, subject to certain limitations on claims (refer to 'Appendix C – Key Risks' of this presentation for further detail).
5. Rental guarantees apply in the event existing tenancies under signed agreements for lease in the South Tower and Retail podium are terminated due to the Vendors actions prior to Final Completion.

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Appendix B: Disclaimer

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Disclaimer

Important information
This presentation and the announcement to which it is attached is issued by Dexus Funds Management Limited (**DXFM**) in its capacity as responsible entity of Dexus (ASX:DXS) (**Dexus**) comprising Dexus Diversified Trust, Dexus Industrial Trust, Dexus Office Trust and Dexus Operations Trust.

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Summary information
The information contained in this presentation and the announcement to which it is attached should not be considered to be comprehensive or to comprise all the information which a security holder or potential investor in Dexus may require in order to determine whether to deal in Dexus stapled securities, nor does it contain all the information which would be required in a product disclosure statement prepared in accordance with the Corporations Act. This presentation and the announcement to which it is attached does not take into account the financial situation, investment objectives or particular needs of any person and nothing contained in the information in this presentation and the announcement to which it is attached constitutes investment, legal, tax or other advice. Readers or recipients of this presentation and the announcement to which it is attached 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.

This presentation should be read in conjunction with the announcement to which it is attached. This presentation and the announcement to which it is attached should also be read in conjunction with Dexus’s other periodic and continuous disclosure announcements lodged with ASX which are available at www.asx.com.au.

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 (or any of its related bodies corporate). 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 presentation when making their investment decision. Cooling off rights do not apply to the acquisition of Dexus stapled securities.

Disclaimer (continued)

Financial data
All dollar values are in Australian dollars (A$) and financial data is presented as at 31 December 2018 unless otherwise stated. Investors should note that this presentation contains pro forma financial information. The pro forma financial information and past information provided in this presentation is for illustrative purposes only and is not represented as being indicative of DXFM's views on Dexus', nor anyone else's, future financial condition and/or performance.

The pro forma historical financial information included in this presentation 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 presentation and the announcement to which it is attached are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC and 'non-GAAP financial measures' under Regulation G of the U.S. Securities Exchange Act of 1934. These measures include NTA, FFO and AFFO. Such financial measures are not recognised under the Australian Accounting Standards (**AAS**) and International Financial Reporting Standards (**IFRS**). Moreover, the disclosure of such non-GAAP financial measures in the manner included in this presentation and the announcement to which it is attached may not be permissible in a registration statement under the Securities Act. These non-IFRS / non-GAAP financial measures do not have a standardised meaning prescribed by the AAS and IFRS 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 the AAS and IFRS. Although DXFM believes these non-IFRS / non-GAAP financial measures provide useful information to users in measuring the financial performance and condition of Dexus's business, readers are cautioned not to place undue reliance on any non-IFRS / non-GAAP financial measures included in this presentation and the announcement to which it is attached.

Future performance
This presentation and the announcement to which it is attached 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", "projection", "forecast", "target", "consider" 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, as well as statements about market and industry trends, which are based on interpretations of current market conditions. 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 this presentation), many of which are beyond the control of DXFM and its related bodies corporate and affiliates and each of its Security holders, 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 presentation. 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 its Beneficiaries) assume no obligation to update such information.

Past performance
The historical information in this presentation and the announcement to which it is attached is, or is based upon, information that has been released to the market. For further information, please see past announcements released to ASX including the 2019 Half Year Results Release and the 2019 Half Year Results Presentation which were both announced to the market on 6 February 2019. Any past performance information given in this presentation and the announcement to which it is attached is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Disclaimer
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Disclaimer (continued)

Disclaimer (continued)

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Determination of eligibility of investors to participate in the Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of DXFM and/or the Joint Lead Managers. DXFM, the Joint Lead Managers and each of their respective Beneficiaries disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law. The Joint Lead Managers may rely on information provided by or on behalf of institutional investors in connection with managing, conducting or underwriting the Offer without having independently verified that information and the Joint Lead Managers do not assume responsibility for the accuracy or completeness of that information.

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Appendix C: Key risks

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Key risks

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 presentation and the announcement to which it is attached, 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

At any time, Dexus may be undertaking due diligence on a number of potential acquisition opportunities both on its own account and with joint venture parties. Further, as described in this presentation, the Placement is being undertaken to fund the Acquisition. When Dexus proceeds with any opportunity, it is possible that Dexus may not uncover issues that may later have an adverse impact on Dexus. Risks which may arise in pursuing new opportunities or 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; or
- a downturn in the relevant local market conditions.

Development activities

Dexus has several development projects underway. Under certain contracts entered into under these development projects, 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. Where certain development projects are only partially leased, there is no income guarantee on any remaining vacancies at practical completion.

Dexus has entered into several tenancy agreements for certain development projects. 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 do so.

The earnings, cash flows 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. Dexus has a pipeline of future and prospective development projects which have not yet commenced and in some instances, which have not yet secured necessary authority approvals and consents. There is no certainty that these approvals will be secured or that the projects will be activated.

For the Acquisition, the consortium will assume all liabilities under development documentation. However, an entity in the seller's corporate group will manage the development and the seller will retain responsibility for funding all development costs (with the consortium effectively having the obligation to contribute $290 million to those costs to complete). Up until the earlier of final completion and a sunset date of 31 August 2022, that responsibility will be capped at $1.345 billion. After that sunset date, the responsibility for further development costs will be capped to an additional amount of $850 million. In addition, the seller retains responsibility for funding particular third party claims in connection with the development up to a cap of $50 million. To deal with insolvency risk associated with the seller's funding obligation, the seller's parent (an entity of significant substance) has guaranteed the seller's obligations.

Key risks (continued)

Refinancing requirements

Dexus is exposed to risks relating to the refinancing of existing debt instruments and facilities.

Dexus has $350 million of debt maturing in the 12 months from the date of this presentation (including Dexus's share of repayment obligations from its 50% ownership in Dexus Office Trust Australia, on a look-through basis). 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.

Availability of capital (including debt finance)

Real estate investment and development is highly capital intensive.

Dexus's ability to raise funds in the future (including obtaining additional debt finance to fund acquisitions and ensuring sufficient debt funding headroom is retained within its capital management policies) 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) and holds an investment grade credit rating of A3 (Stable) from Moody's. 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 presentation, Dexus is 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 Security holders.

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 and earnings guidance) in this presentation 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 C.

Key risks (continued)

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.

Time delays

Development approvals, slow decision-making by counterparties, complex construction specifications and 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 motion. Major infrastructure requirements or unanticipated environmental issues may affect financial returns.

Key risks (continued)

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. This risk can be greater where there is high tenant concentration.

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 (including in relation to debt and 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 may face risk associated with the financial strength of their insurers to meet indemnity obligations when called upon which could have an adverse impact 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

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.

Key risks (continued)

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 and/or stapled Security holders. Under current income tax legislation, Dexus's "flow-through" trusts are generally not liable for Australian income tax, including CGT. Should the actions or activities of one of Dexus's "flow-through" trusts (or their controlled entities) cause the relevant trust to fall within the operative provisions of Division 6C of Part III 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%.

Dexus's "flow-through" trusts currently qualify as withholding managed investment trusts such that the taxable part of the distributions to non-residents in certain jurisdictions, are subject to a withholding tax rate of 15%. Some requirements to qualify as a withholding managed investment trust are outside of Dexus's control, including the requirement that no non-resident individual has a 10% or greater stake in the group. Although Dexus does not expect this to occur, if Dexus's "flow-through" trusts cease to qualify as withholding managed investment trusts then the rate of tax imposed on non-resident stapled Security holders could increase.

The attribution managed investment trusts (**AMITs**) regime under the *Income Tax Assessment Act 1997* (Cth) is intended to improve the operation of the taxation law for AMITs by increasing certainty, allowing greater flexibility and reducing compliance costs. Dexus's "flow-through" trusts elected to be AMITs on and from 1 July 2016.

Under the AMIT regime it is not a requirement that Security holders be presently entitled to all of the income of a trust in order to prevent the trustee of the AMIT being subject to tax. The AMIT regime imposes the liability for income tax upon stapled Security 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 AMIT regime also includes provisions which can impose tax on the trustee of an AMIT, including in respect of certain non-arm's length income or where the trustee fails to fully attribute the determined trusts components of the AMIT to stapled Security holders.

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; and
- 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.

Key risks (continued)

Market risks – Investors should be aware that the market price of Dexus stapled securities and future distributions made to Security holders 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; and
- the demand for Dexus stapled securities.

General economic and business conditions – Dexus'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 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 D: Selling restrictions

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International offer restrictions

This document does not constitute an offer New Securities of the Group 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 (British Columbia, Ontario, and Quebec provinces)

This document constitutes an offering of the New Securities only in the Provinces of British Columbia, Ontario and Quebec (the **Provinces**) and to those persons to whom they may be lawfully distributed 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 resales 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.

The Group 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 the Group or its directors or officers. All or a substantial portion of the assets of the Group and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against the Group or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Group 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 that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses 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.

International offer restrictions (continued)

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 (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 the Group if this 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 the Group. 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 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 the Group, provided that:

a) the Group 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, the Group is not liable for all or any portion of the damages that the Group 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.

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 maters 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.

International offer restrictions (continued)

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 (New Zealand) (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;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore (**MAS**) and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (the **SFA**) in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. The issuer is not authorised or recognised by the MAS and the New Securities are not allowed to be offered to the retail public. This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the New Securities may not be circulated or distributed, nor may the New Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an institutional investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Switzerland

The New Securities may not be distributed in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Securities may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the New Securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Securities will not be supervised by, the Swiss Financial Market Supervisory Authority (**FINMA**), and the offer of New Securities has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (**CISA**). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of New Securities.

This document is personal to the recipient only and not for general circulation in Switzerland.

International offer restrictions (continued)

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the New Securities.

This document is issued on a confidential basis to "professional investors" (within the meaning of the Alternative Investment Fund Managers Directive) who are also "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom. The New Securities may not be offered or sold in the United Kingdom by means of this document or any other document except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Securities has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Group.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The New Securities are being marketed in the United Kingdom in compliance with the National Private Placement Regime (within the meaning of The Alternative Investment Fund Managers Regulations 2013). The Group's most recent annual report and other information it has lodged with the Australian Securities Exchange can be found on the websites of the Group (www.dexus.com) and the ASX (www.asx.com.au).

Appendix E: Glossary

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Glossary

Term	Definition
80 Collins precinct	The Acquisition asset
Acquisition	The acquisition of the asset that Dexus (as part of a consortium) has entered into an agreement to acquire, as outlined on slide 2 of this presentation
ASX	Australian Securities Exchange
cap rate	The rate at which market rent is capitalised to generate market value. Also known as equivalent yield
Corporations Act	*Corporations Act 2001 (Cth)*
CGT	Capital Gains Tax
coupon	A monthly payment at a rate of 5.4% p.a. from the Vendor to Dexus and DWPF on contributions made by Dexus and DWPF towards the development of the South Tower, Retail Podium and Hotel components of the 80 Collins precinct. The coupon payments will occur until each component begins earning rental income
Eastern Core	The area in Melbourne's Central Business District bounded by Flinders Street, Russell Street, Bourke Street and Spring Street
Dexus or Group	DXFM in its capacity as responsible entity of Dexus Industrial Trust, Dexus Office Trust, Dexus Diversified Trust and Dexus Operations Trust
DXFM	Dexus Funds Management Limited (ABN 24 060 920 783)
DWPF	Dexus Wholesale Property Fund (ARSN 090 499 013)
Funds From Operations or FFO	FFO is in line with Property Council of Australia definition and comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark to market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, transaction costs, amortisation of intangible assets, rental guarantees and coupon income
FY19	12 months ending 30 June 2019
FY20	12 months ending 30 June 2020
gearing	Gearing is represented by Interest Bearing Liabilities (excluding deferred borrowing costs and including the currency gains and losses of cross currency swaps) less cash divided by Total Tangible Assets (excluding derivatives and deferred tax assets) less cash
initial yield	The yield of the asset calculated by dividing the asset's contracted net income over the next year by the purchase price
Joint Lead Managers	Citigroup Global Markets Australia Pty Limited, J.P. Morgan Securities Limited and Merrill Lynch Equities (Australia) Limited

Glossary (continued)

Term	Definition
look through gearing	Represents gearing defined above adjusted to include debt in equity accounted investments
New Securities	New stapled securities in Dexus
NLA	Net lettable area
NTA	Net tangible assets
Offer	The Placement and the SPP described in this presentation
Placement	Fully underwritten institutional placement to raise $900 million at a fixed issue price of $12.10 per Security
rental reversion	Change in rent due to space being marked to market on entering into a new or renewed lease
security	Stapled security in Dexus
Securities Act	U.S. Securities Act of 1933
SPP	The security purchase plan described in this presentation
sqm	Square metres
Transaction	The Acquisition and Placement
underlying FFO	Represents FFO as described above excluding trading profits (net of tax)
Vendor	QIC Global Real Estate
VWAP	Volume weighted average price
WALE	Weighted average lease expiry

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