

21 July 2003



The Manager  
Company Announcements  
Australian Stock Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

Investa Properties Limited  
ABN 54 084 407 241  
Level 17, 135 King Street  
Sydney NSW 2000  
GPO Box 4180  
Sydney NSW 2001  
Tel: 02 8226 9300

Dear Madam

Reference is made to the Offer by Investa to acquire all of the units in issue in Principal Office Fund (POF), of which Investa presently holds 21.06%.

The Directors of Investa now announce an increase in its Offer for POF units, being an additional 3 cents in cash for each POF unit.

The increased Offer is for seven Investa Securities and \$5.22 in cash for every twelve POF units.

This increase will apply to all POF unitholders who have already accepted the Investa Offer as well as to future acceptances. Settlement will continue to be effected within 5 business days after acceptance. As a consequence of the increase in consideration, Investa's unconditional Offer is automatically extended and is scheduled to close at 7.00 pm on Monday 4 August 2003.

Investa advises that the increase in its Offer price will not have a meaningful impact on the financial forecasts for Investa contained in its Bidder's Statement. Earnings and distribution forecasts remain unchanged.

**Based on the closing price of Investa on Friday 18<sup>th</sup> July 2003, the Offer represents \$1.58 per POF unit.** This price is a 14.5% premium to POF's volume weighted average trading price ("Average Trading Price") for the five day period prior to Investa buying its initial 8.4% stake in POF on 21 May 2003<sup>1</sup>.

For further information please contact Chris O'Donnell on (02) 8226 9301 or Andrew Junor on (02) 8226 9305.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Brian McGarry', with a long horizontal line extending to the right.

**Brian McGarry**  
**Company Secretary**

Attachments:      1. Notice of Variation  
                         2. Letter to POF Unitholders

<sup>1</sup> You should note that as Investa securities form part of the consideration under the Offer, the implied Offer price will vary with changes in the price of Investa securities.



**INVESTA PROPERTIES LIMITED  
(ABN 54 084 407 241)**

**OFF-MARKET BID FOR PRINCIPAL OFFICE FUND  
NOTICE OF VARIATION IMPROVING CONSIDERATION OFFERED**

**TO:** BT Funds Management Limited (ABN 63 002 916 458)

**AND TO:** Each person to whom Investa Properties Limited has made an off-market takeover offer dated 20 June 2003.

Investa Properties Limited gives notice that it varies its off-market offer for units in the Principal Office Fund dated 20 June 2003 (**Offer**) by increasing the cash component of the Offer by 3 cents for each Principal Office Fund unit so that the consideration offered becomes 7 Investa Properties Limited securities and \$5.22 cash for every 12 Principal Office Fund units.

Accordingly, the Offer is varied by replacing each of the references to "seven (7) IPG Securities and \$4.86 cash for every 12 of Your POF Units (the **Consideration**)" with "seven (7) IPG Securities and \$5.22 cash for every 12 of Your POF Units (the **Consideration**)".

The effect of this variation is to extend the period of the Offer so that the Offer now closes at 7pm (Sydney time) on 4 August 2003.

This notice of variation has been approved by a resolution passed at a meeting of the directors of Investa Properties Limited held on 21 July 2003.

This Notice of Variation is dated 21 July 2003.

Signed for and on behalf of Investa Properties Limited

A handwritten signature in black ink, appearing to read "L. Payne".

Director

A handwritten signature in black ink, appearing to read "D. Donnell".

Director

A copy of this Notice of Variation was lodged with the Australian Securities and Investments Commission on 21 July 2003. The Commission takes no responsibility for the contents of this Notice of Variation.



**INVESTA**  
Property Group

Investa Properties Limited  
ABN 54 084 407 241  
Level 17, 135 King Street  
Sydney NSW 2000  
GPO Box 4180  
Sydney NSW 2001  
Tel: 02 8226 9300

21 July 2003

Dear Unitholder

**Investa Properties Limited ("Investa")  
Increase in Offer price for Principal Office Fund ("POF")**

As you will be aware, Investa has made an unconditional cash and scrip Offer to acquire all of your units in POF. At the close of trading on the ASX on Friday 18<sup>th</sup> July 2003 Investa owned 16.22% of POF, and is its largest Unitholder.

**Investa is pleased to advise you that it has decided to increase its Offer for your POF units.** The increased Offer is 7 Investa Securities and \$5.22 in cash for every twelve of your POF units. The increase represents an additional 3 cents in cash for each of your POF units. If you have already accepted Investa's offer you will receive the additional payment shortly.

Investa's unconditional Offer is scheduled to close in just 14 days at 7.00pm (Sydney time) on 4 August 2003.

Investa advises that the increase in its Offer price will not have a meaningful impact on the financial forecasts for Investa contained in its Bidder's Statement. Earnings and distribution forecasts remain unchanged.

**Based on the closing price of Investa on Friday 18<sup>th</sup> July 2003, the Offer represents \$1.58 per POF unit.** This price is a 14.5% premium to POF's volume weighted average trading price ("Average Trading Price") for the five day period prior to Investa buying its initial 8.4% stake in POF on 21 May 2003<sup>1</sup>.

**The Independent Expert engaged by POF's Responsible Entity, BT Funds Management ("BTFM"), advised that in the absence of Investa's Offer or another takeover offer for POF, the trading price for POF units is likely to fall to levels below those at which POF traded since Investa acquired its initial stake in POF on 21 May 2003. The closing price for POF units on the ASX on 20 May 2003 was \$1.37.**

It is important to note that no other takeover offer for POF has eventuated in the eight weeks since the Investa Offer was announced. Investa's Offer is the only one available.

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<sup>1</sup> You should note that as Investa securities form part of the consideration under the Offer, the implied Offer price will vary with changes in the price of Investa securities.

In response to Investa's takeover Offer, Principal Real Estate Investors Australia ("PREIA") recently announced a highly conditional proposal which includes the acquisition of a portfolio of United States located suburban industrial and office properties. Attached to this letter is Investa's response to that proposal which was released to the ASX on 17 July 2003.

Investa does not support this proposal.

Since PREIA announced its proposal, the POF unit price has fallen by approximately 6.1% to its Average Trading Price of \$1.54 on Friday 18<sup>th</sup> July 2003. Investa believes this fall in price reflects the market's negative view of the proposal. **In fact, POF's Average Trading Price of \$1.54 is below the implied value<sup>2</sup> of Investa's increased Offer price of \$1.58 per POF unit.**

In summary, the Directors of Investa believe you should accept the Investa Offer because:

- It is at a substantial premium to the trading price of POF units prior to Investa acquiring its initial stake in POF on 21 May 2003;
- the Independent Expert who reviewed Investa's Offer stated that in the absence of another offer it is likely that POF's unit price will trade below the trading prices achieved since Investa acquired its initial stake in POF. **The closing price of POF units on the ASX on 20 May 2003 was \$1.37;**
- if you accept Investa's Offer you will not be paying substantial fees to an external manager and your income distributions for the year ending 30 June 2004 are forecast to be 14% to 16.4% higher<sup>3</sup> than if you were to retain your POF investment and PREIA's proposal does not proceed;
- PREIA's proposal for POF is highly conditional and may not eventuate; and
- Investa's Offer is unconditional and valid acceptances will be paid within 5 business days, and there is no other offer available to you.

**Investa's unconditional Offer is scheduled to close in just 14 days at 7.00pm (Sydney time) on 4 August 2003.**

Should you have any questions relating to the Offer please contact the Investa Information Line on 1300 302 124 as soon as possible.

We commend this Offer to you and hope that we can soon welcome you to the Investa Property Group.

Yours faithfully



**Ian Payne**  
**Chairman**

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<sup>2</sup> You should note that as Investa securities form part of the consideration under the Offer, the implied Offer price will vary with changes in the price of Investa securities.

<sup>3</sup> Based on Investa's estimate of distributions to be paid to POF Unitholders in the year ending 30 June 2004, assuming the reinvestment of the cash component of the Offer in additional Investa securities.

Investa Properties Limited  
ABN 54 084 407 241  
Level 17, 135 King Street  
Sydney NSW 2000  
GPO Box 4180  
Sydney NSW 2001  
Tel: 02 8226 9300

17<sup>th</sup> July 2003

The Manager  
Company Announcements  
Australian Stock Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Madam

**Re: Principal Office Fund ("POF") Third Supplementary Target's Statement**

Investa Property Group Limited ("Investa") has considered the proposal presented by Principal Real Estate Investors Australia ("PREIA") contained in the Third Supplementary Target's Statement for Principal Office Fund.

**PREIA's proposal does not constitute an Offer.** It has been developed by PREIA and its US parent Principal Global Investors ("Principal"). POF's Responsible Entity, **BT Funds Management ("BTFM") has not recommended the PREIA proposal.** In fact, BTFM is not obliged to put the alternative to POF Unitholders in the event of an unfavourable Independent Expert's report. There are many other circumstances under which BTFM may not present the proposal to POF Unitholders for their consideration.

Should BTFM choose to present PREIA's proposal to POF Unitholders, this cannot occur until late September 2003. The proposal, if presented, may vary from the terms currently outlined by PREIA and may not be approved by POF Unitholders.

Investa notes that PREIA has planned for POF to incur substantial expenditure on developing and implementing its alternative proposal. Even if the proposal is put to POF Unitholders, it may never eventuate because of its highly conditional nature. The large number of conditions includes:

- Approval by POF Unitholders;
- various regulatory approvals;
- completion of satisfactory due diligence on 16 US office and industrial assets;
- acquisition/creation of a US REIT;
- securing finance for the transaction on satisfactory terms; and
- negotiation and entry into various management agreements with Principal.

**In contrast, Investa's Offer to acquire 100% of POF is unconditional.** Provided POF Unitholders deliver valid acceptances by the scheduled close this coming Monday, July 21<sup>st</sup>, they are certain of receiving their cash and scrip consideration within five days of receipt of their valid acceptance. The implied value of Investa's Offer on a volume weighted average price ("VWAP") of Investa securities since Investa acquired its initial stake in POF is \$1.62 per POF unit. This is well above POF's closing price on the ASX today of \$1.56. The implied Offer price will vary with changes in the price of Investa securities.

**The PREIA proposal is also directly contradictory to many of the reasons presented in BTFM's Target's Statement and Independent Expert's report (prepared by Deloitte Corporate Finance Pty Limited) for rejecting Investa's now unconditional bid for POF. BTFM has commissioned the same Independent Expert to report on PREIA's proposal.**

As POF's largest Unitholder (Investa owns 11.79% of POF), Investa holds serious concerns about the strategic merit of the proposal, its immediate and longer term financial risks and as a result will not support the proposal.

In summary, Investa's concerns with the PREIA proposal include:

- A material change to investment strategy through acquiring US industrial and suburban office properties
- A material dilution in the overall asset quality. The markets, where the proposed acquisitions are located are experiencing great weakness with significant vacancies.
- Significant uncertainty as to the proposal being implemented.
- Significant new risks of volatility to earnings including foreign exchange and interest rate movements between now and the proposed closure date of 31 December 2003.
- PREIA's capacity to manage the complex integration process.
- Lower index weighting and liquidity of POF under the proposal compared with Investa should its acquisition of POF proceed to 100% ownership.
- The substantial leakage of fee income with fees payable to PREIA's US Parent for asset management and acquisition, which may be in excess of fees currently paid to PREIA.

PREIA has highlighted that should its proposal proceed, POF's "pro forma" distribution for the year ending 30 June 2004 is 13.1 cents per security. This distribution relies on a significant element of return of capital. Under its Offer for POF, Investa is forecasting a distribution of 12.9 cents per security for the year to June 2004. Investa's forecast involves no capital distribution.

In any case, it is worth noting that under PREIA's proposal, the 13.1 cents per security cannot be achieved for the period to June 2004, as its proposal will not be implemented until January 2004, whereas the proforma accounts assume implementation as at July 1 this year, two weeks before the proposal was announced.

Investa is of the opinion that the only sure beneficiary of PREIA's last minute, alternative proposal is PREIA's US Parent which stands to gain substantial benefits and rights from implementation of such a proposal including:

- Ongoing asset management fees for the US portfolio equating to 5 percent of that portfolio's income.
- Asset acquisition fees on the initial US portfolio at the greater of A\$5 million and 1.25 percent of portfolio value. Future acquisitions will be at 1.00 percent of value.
- PREIA has said its objective would be to grow the US portfolio from an initial \$460 million to around 50 percent of total portfolio value, i.e. around \$1.8 billion based on POF's portfolio value today.
- Principal will maintain substantial influence, if not effective control, over the new POF vehicle in Australia based on its proposed board structure.
- Principal will also retain the capacity to terminate and retrieve the proposed hotel property management agreement with POF under 30 days notice after the first six months.

**Investa believes that it has the Australian based expert management team, resources and investment strategy to deliver superior value across all aspects of the property value chain for POF Unitholders.**

**Investa encourages POF Unitholders to immediately accept its unconditional Offer which is scheduled to close at 7.00pm on Monday, July 21<sup>st</sup> 2003.**

For further information please contact Chris O'Donnell on 02 8226 9301.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Brian McGarry', with a long horizontal stroke and a vertical line extending downwards from the end.

**Brian McGarry**  
**Company Secretary**

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