

2013 ANNUAL REVIEW

# DEXUS

A YEAR OF FOCUS  
AND DELIVERY

## Inside:

### STRATEGIC PROGRESS

DEXUS made significant progress on its strategic and operational objectives, delivering solid results for the year

### GROWTH IN THIRD PARTY FUNDS

DEXUS demonstrated its ability to attract new third party capital partners and invest alongside existing partners

### SIGNIFICANT TRANSACTION ACTIVITY

The Group was involved in \$2.9 billion of transactions including those that have re-shaped the DXS portfolio





# DEXUS

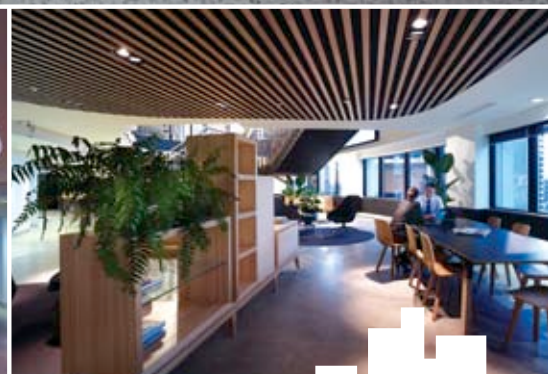
Property expertise.  
Institutional rigour.  
Entrepreneurial spirit.

At DEXUS, our people aspire to be recognised for their property expertise, institutional rigour and entrepreneurial spirit.

Inspired by moving to a new workplace in Sydney's iconic Australia Square, our people are more engaged than ever. A new way of working, enabled by technology and an optimal fit-out in a DEXUS building, is achieving high performance outcomes through greater flexibility, efficiency and productivity.

DEXUS is sharing its knowledge and expertise on office workspace choices with tenants, advocating that an investment in premises is an investment in people.

Email [leasing@dexus.com](mailto:leasing@dexus.com) to arrange a tour of our new workspace and discuss your office workspace needs.



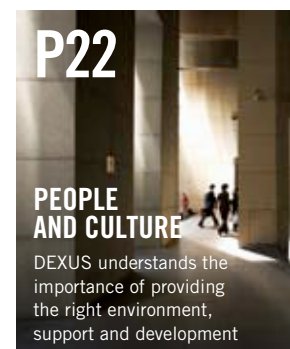
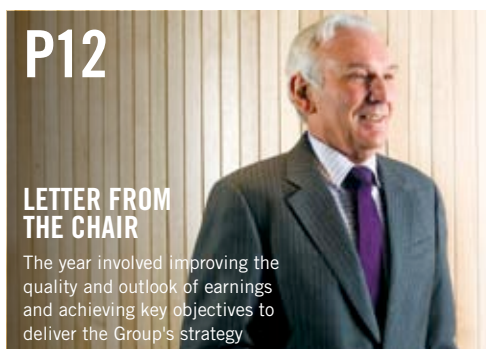


# 2013 ANNUAL REVIEW

# DEXUS

## A YEAR OF FOCUS AND DELIVERY

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## ABOUT THIS REPORT

The 2013 Annual Review is a consolidated summary of DEXUS's strategic and operational performance for the financial year ended 30 June 2013.

DEXUS referred to the GRI Sustainability Reporting Guidelines (version 3.1) to set the report's boundaries in relation to material issues and key performance indicator reporting across stakeholder groups including current and prospective investors, employees, tenants, customers, suppliers and the community.

In this report unless otherwise stated, references to 'DEXUS Property Group', 'DEXUS', 'the Group', 'we', 'us' and 'our' refer to DEXUS Property Group comprising the ASX listed entity and the Third Party Funds Management business. References to 'DXS' relate specifically to the portfolio of properties in the ASX listed entity.

Any reference in this report to a 'year' relates to the financial year ended 30 June 2013.

All \$ figures are expressed in Australian dollars unless other stated.

## ABOUT DEXUS PROPERTY GROUP

DEXUS Property Group is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With over \$13 billion of assets under management, DEXUS also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners.

DEXUS manages an office portfolio of over 900,000 square metres across Sydney, Melbourne, Brisbane and Perth and is one of the largest institutional owners of office buildings in the Sydney CBD, Australia's largest office market.

DEXUS is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (ASX) under the stock market trading code 'DXS' and is supported by more than 18,000 investors from 15 countries.

With over 25 years of experience in property investment, development and asset management, DEXUS has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns to investors.



**123**  
TOTAL PROPERTIES

**9.5%**  
GROWTH IN THIRD PARTY  
FUNDS UNDER MANAGEMENT

**\$13.4 BILLION**  
TOTAL VALUE

**4.7 STARS**  
AVERAGE NABERS ENERGY RATING  
ACROSS DXS OFFICE PORTFOLIO

**4.3 YEARS**  
TOTAL WALE

**3.0 MILLION SQM**  
TOTAL NLA

**95.7%**  
TOTAL OCCUPANCY

**29.0%**  
GEARING

**\$2.9 BILLION**  
TOTAL TRANSACTIONS COMPLETED

**\$1.05**  
NTA ▲ 5.2%

**11.2%**  
RETURN ON EQUITY

**629,209 SQM**  
TOTAL AREA LEASED

**22.1%**  
TOTAL SECURITY HOLDER RETURN

**7.75 CENTS**  
PER SECURITY  
FFO ▲ 1.3%

**6.0 CENTS**  
PER SECURITY  
DISTRIBUTION ▲ 12.1%



# DEXUS GROUP HIGHLIGHTS





## TIMELINE

- JUL 13** | DXS acquires a 14.9% economic interest in Commonwealth Property Office Fund (ASX:CPA)
- DWPF acquires a Sydney industrial property
- DXS announces an on-market securities buy-back of up to 15% of issued capital
- JUN 13** | DXS increases its payout ratio to 80% for the six months ended 30 June 2013, paying 3.11 cents per security – resulting in a total distribution of 6.0 cents per security for the year
- DXS enters into a contract to sell its remaining European property
- MAY 13** | DXS sells five European properties
- DXS and DWPF jointly acquire a strategic fund-through office investment comprising three buildings at Kings Square, Perth
- DXS successfully prices a US\$300 million long-dated US Private Placement
- APR 13** | DXS and DWPF jointly acquire a premium grade strategic fund-through office investment at 480 Queen Street, Brisbane
- DEXUS head office moves to Australia Square
- DXS sells remaining US industrial property
- FEB 13** | Craig Mitchell, CFO appointed Executive Director of DEXUS Funds Management Limited
- DWPF completes \$348 million pro-rata offer, being fully subscribed by existing and new investors
- DEC 12** | DXS acquires interests in three Sydney office properties, one jointly with DWPF
- DXS sells US west coast portfolio for US\$561 million achieving a 13% premium on prior book value
- NOV 12** | DXS acquires a value-add office opportunity at 40 Market Street, Melbourne
- DWPF secures new major investor for \$290 million
- DXS security holders approve new remuneration framework at 2012 AGM
- SEP 12** | DXS maintains DJSI listing for seventh consecutive year
- AUG 12** | DXS announces revised strategy
- DXS acquires a value-add office opportunity at 50 Carrington Street, Sydney
- DXS and DWPF acquire 12 Creek Street, Brisbane
- DXS announces new capital partnership and the formation of the Australian Industrial Partnership





# STRATEGY

DEXUS aims to achieve its vision to be globally recognised as Australia's leading real estate company by delivering on its clearly defined and communicated strategy.



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

### STRATEGY

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

### STRATEGIC OBJECTIVES

#### OFFICE

Being the leading owner and manager of Australian office

#### CORE CAPABILITIES

Having the best people, strongest tenant relationships and most efficient systems

#### CAPITAL PARTNERSHIPS

Being the wholesale partner of choice in Australian office, industrial and retail

#### CAPITAL & RISK MANAGEMENT

Actively managing capital and risk in a prudent and disciplined manner

### DEXUS'S PEOPLE WILL BE RECOGNISED FOR

Property expertise

Institutional rigour

Entrepreneurial spirit

### A year of focus

In August 2012, DEXUS announced its revised strategy which involved refocusing the business to concentrate on the Australian market where DEXUS held market expertise.

DEXUS identified four strategic objectives that would guide it towards achieving its strategy of delivering superior risk-adjusted returns for its investors from high quality Australian real estate.

The objectives focus on leadership in office, core capabilities, capital partnerships and capital and risk management. These are areas which DEXUS has established strength and capability and which it has the ability to develop.

#### OFFICE

Being the leading owner and manager of Australian office

#### CORE CAPABILITIES

Having the best people, strongest relationships and most efficient systems

#### CAPITAL PARTNERSHIPS

Being the wholesale partner of choice in Australian office, industrial and retail

#### CAPITAL & RISK MANAGEMENT

Actively managing capital and risk in a prudent and disciplined manner

DEXUS directly invests in Australian office and industrial properties, and on behalf of its third party partners, invests in Australian office, industrial and retail properties.

### Office

DEXUS invests in the core CBD markets of Sydney, Melbourne, Brisbane and Perth. These markets offer the greatest concentration of premium and A-grade office buildings which attract quality tenants and deliver secure cash flows and have low capital expenditure requirements.

DEXUS also invests in office properties which offer value-add potential through intensive asset management and are able to be repositioned as trading opportunities.

With a strong track record delivering high quality office developments, DEXUS undertakes investments of scale and quality suitable for long term ownership.

### Industrial

Investing in industrial markets provides investors with diversification and higher yields, balancing out the cyclical market fluctuations and supplementing the office portfolio.

DEXUS concentrates its industrial investments in the key metropolitan markets of Sydney, Melbourne and Brisbane, locating its properties close to transport and infrastructure hubs where there is the greatest tenant demand.

DEXUS seeks to buy and develop modern, functional distribution and warehouse facilities which are attractive to quality tenants seeking facilities with higher specifications located close to major transport networks. As with its office investments, DEXUS also undertakes selective, well-located value-add development opportunities with an eye to trade or lease for the longer term.



## A year of delivery

DEXUS refocused its business to align with its revised strategy and strengthen its platform.

Since announcing its revised strategy in August 2012, DEXUS focused on its execution, beginning with redeploying capital from non-core markets into core Australian office markets. DEXUS has completed this first stage, and in doing so strengthened its platform.

### FY13: Refocusing the business and strengthening the platform

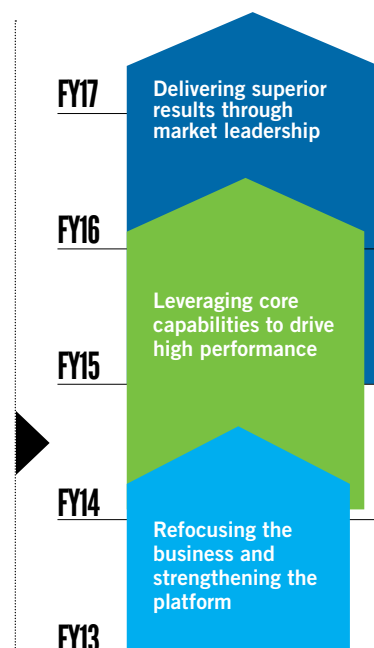
FY13 Status: ☒ Achieved

OFFICE	CORE CAPABILITIES	CAPITAL PARTNERSHIPS	CAPITAL & RISK MANAGEMENT
<ul style="list-style-type: none"> <li>Proactively managing and driving performance in the office portfolio</li> <li>Redeploying excess capital into core Australian office markets</li> <li>Enhancing tenant relationships through implementing new systems and practices</li> </ul>	<ul style="list-style-type: none"> <li>Implementing processes and systems to enhance core property capabilities</li> <li>Embedding a culture of service excellence and high performance</li> <li>Creating operational efficiencies and reducing costs</li> </ul>	<ul style="list-style-type: none"> <li>Growing third party funds management business through:                             <ul style="list-style-type: none"> <li>Partnering with third party funds on investment opportunities</li> <li>Developing new capital partnerships</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Reducing the cost and improving access to capital</li> <li>Progressing the exit of non-core offshore markets</li> <li>Progressing the recycling of non-core Australian properties</li> </ul>



## Implementing strategy

DEXUS's strategy will be executed in three phases as outlined below:



## Office

DEXUS made significant progress towards achieving its objective of being the leading owner and manager of Australian office through the sale of offshore properties and reinvestment into the Australian office market.

In August 2012, DEXUS set a timeframe of 12 to 24 months to exit the US and European industrial markets and had achieved this by 30 June 2013, while at the same time reinvesting capital into the Australian office market.

The DEXUS team drove the performance of the office portfolio, focusing on forward leasing and proactive negotiations with tenants, resulting in improvements to the DXS portfolio's lease expiry profile, supporting valuation growth and ensuring the portfolio is well placed to continue to deliver strong results.

## Core capabilities

DEXUS strengthened its platform, making headway on its objective of having the best people, strongest tenant relationships and most efficient systems.

DEXUS dedicated leasing resources to enhancing relationships with tenants and tenant advocates, while at the same time establishing a best in class facilities management platform with CBRE (called FM Plus) and launching new systems to improve efficiency and performance.

Embedding its focus on high performance DEXUS also underwent a cultural shift, inspiring its people to build on their property expertise, institutional rigour and entrepreneurial spirit through a move to Australia Square and a new way of working.





## Capital partnerships

DEXUS moved towards achieving its objective of being the wholesale partner of choice demonstrated by attracting new investors to its Third Party Funds Management business.

A large proportion of DEXUS's acquisitions were acquired in partnership with DEXUS Wholesale Property Fund (DWPF), demonstrating DEXUS's ability to leverage both access to wholesale capital and support its Third Party investors.

DEXUS attracted a new capital partner through the establishment of the Australian Industrial Partnership with a leading global pension fund in October 2012, growing the partnership with further acquisitions of high quality industrial developments during the year.

## Capital and risk management

DEXUS continued to actively manage its capital and risk in a prudent and disciplined manner, delivering on its capital and risk management objective.

DEXUS's capability in this area played a central role in its ability to swiftly execute transactions during the year. Through active management of its capital, DEXUS was able to improve its access to funding, while reducing the cost and increasing the duration of debt. DEXUS also used its on-market securities buy-back opportunistically to enhance investor returns.

Further detail on the achievement of each of these strategic objectives is contained within the Strategy – Transactions, People and Culture, Office, Industrial, Capital Management and Third Party Funds Management sections of this report.

## FY14: Leveraging core capabilities to drive high performance

As DEXUS enters into its next phase of its strategy execution, FY14 will involve further leveraging DEXUS's core capabilities to drive high performance across the business.

OFFICE	CORE CAPABILITIES	CAPITAL PARTNERSHIPS	CAPITAL & RISK MANAGEMENT
<ul style="list-style-type: none"> <li>Proactively managing and driving performance in the office portfolio</li> <li>Enhancing the value of newly acquired properties</li> <li>Enhancing the tenant experience</li> <li>Implementing initiatives that develop tenant loyalty</li> </ul>	<ul style="list-style-type: none"> <li>Implementing key process improvement programs</li> <li>Reinforcing a culture of service excellence and high performance</li> <li>Leveraging best-in-class industrial capabilities to drive portfolio performance, development and trading opportunities</li> <li>Leveraging retail capabilities to drive developments and new opportunities for capital partners</li> </ul>	<ul style="list-style-type: none"> <li>Continuing to support the performance of capital partners</li> <li>Leveraging relationships and capabilities into new opportunities through               <ul style="list-style-type: none"> <li>Seeking further investment opportunities with capital partners</li> <li>Attracting additional sources of capital for long-term co-investment</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Maintaining a competitive cost of funding, improving access and diversifying the sources of capital</li> <li>Selectively divesting non-strategic properties when supported by investment fundamentals</li> <li>Engaging in transactions that create value for DXS investors</li> </ul>



### Corporate Responsibility & Sustainability (CR&S)

DEXUS creates value for all of its stakeholders by integrating CR&S objectives into every aspect of business operations.

DEXUS's CR&S framework (below) includes six key stakeholder groups.

DEXUS has a proud record of achievement over the past 15 years when it comes to developing and implementing leading practices in CR&S. The Group operates on the principle that CR&S is not a stand-alone part of the business but is integrated into every aspect of operations. This way, all of its stakeholders can access the benefits of CR&S.

As a signatory to the United Nations Principles of Responsible Investment (UNPRI) DEXUS has a commitment to invest responsibly and raise awareness of responsible investment with its stakeholders.

In recognition of the UNPRI, DEXUS delivers CR&S benefits, keeping four guiding values at the forefront of its business:

- Investing responsibly, managing assets and consolidating property services
- Achieving positive environmental outcomes through business operations
- Identifying material issues through stakeholder engagement
- Delivering responsible outcomes for the community

The FY13 achievements for each stakeholder group are outlined from page 18, and FY14 commitments are outlined from page 56.

### CR&S framework





## Managing risk

A prudent and robust approach to risk management is an essential part of the ongoing success of DEXUS in a dynamic and challenging industry.

Recognising the importance of active and prudent management of risk, DEXUS identified risk management as one of its key strategic objectives. DEXUS continuously reviews and actively evaluates risk to ensure that it is appropriately managed at Board level through the Board Audit, Risk & Sustainability Committee, together with the Group Management Committee.

Risk reviews are conducted by an experienced team using up-to-date information on market developments, regulatory changes and organisational performance and these are prioritised according to their materiality to DEXUS's business.

DEXUS's strategy of investing for the long-term in high quality properties located in core CBD office markets ensures its portfolio delivers stable returns through property market cycles. The portfolio's concentration of properties in the CBDs of Australia's larger capital cities ensures exposure to a larger number of quality tenants.

DEXUS takes a prudent approach when managing property investment risks, taking into account a potential property's fit with DEXUS's strategy, together with its fundamentals, in order to determine whether the property will deliver stable and superior risk-adjusted returns to investors.

The Corporate Governance section on page 62 contains further information on DEXUS's approach to risk management.



## Delivering on CR&S

FY13 achievements:

- DEXUS maintained its listing as a Sustainability Leader within the real estate sector on the 2012 Global SAM Corporate Sustainability Assessment
- In the IPD Green Building Index, DEXUS outperformed the Green Star Benchmark by 190 basis points and outperformed the NABERS Benchmark by 110 basis points
- DEXUS achieved an A+ performance level rating for its 2012 annual review by the Global Reporting initiative for corporate responsibility
- DEXUS achieved listing on the FTSE4Good Index, improved its company rating from 3.2 to 4.0 (out of 5.0) and achieved a relative super sector rating of 98 out of 100
- DWPF was ranked No.1 Australian Diversified Fund and No.5 globally in the 2012 Global Real Estate Sustainability Benchmark Survey
- 1 Bligh Street was awarded the prestigious International High-Rise Award 2012
- 1 Bligh St awarded No.1 Sustainable Development by Urban Taskforce Australia at the 2013 Development Excellence Awards
- DEXUS's Sydney head office and Melbourne office were certified carbon neutral

**1 Bligh Street, Sydney combines leading sustainability design and technology to create the next generation workspace.**



DEXUS was actively involved in \$2.9 billion of transactions that have re-shaped the composition of the DXS portfolio and supported the strategic objectives of its Third Party Funds Management business.

DEXUS achieved its objective of fully exiting from the US industrial market and investing in quality office product through acquiring core and value-add opportunities as well as acquiring property on a development fund-through basis.

“The exit from offshore markets significantly enhanced the quality of DEXUS’s earnings and enables the entire DEXUS Management team to focus on the Australian market, and that focus is central to our strategy.”

**DARREN STEINBERG,**  
CHIEF EXECUTIVE OFFICER

“In terms of acquisitions, activity has been focused in core CBD office markets where our tenant relationships and market knowledge are strongest.”

**ROSS DU VERNET,**  
EGM, STRATEGY, TRANSACTIONS  
& RESEARCH

“In an environment where there are limited opportunities to acquire quality prime grade properties, DEXUS demonstrated its ability to identify and invest in quality office opportunities across the spectrum.”

**DARREN STEINBERG,**  
CHIEF EXECUTIVE OFFICER

**\$2.9 billion**

TOTAL TRANSACTIONS

**73**

PROPERTIES TRANSACTED

**\$1.8 billion**

OFFICE PROPERTIES ACQUIRED

**\$244 million**

PROPERTIES ACQUIRED BY  
THE AUSTRALIAN INDUSTRIAL  
PARTNERSHIP

**SUCCESSFUL EXIT**

FROM US & EUROPEAN  
MARKETS

**12%**

PREMIUM ACHIEVED ON  
PRIOR BOOK VALUE ON SALE  
OF REMAINING US PROPERTIES  
RESULTING IN NO IMPACT  
TO FFO

**9.7%**

ESTIMATED BLENDED  
UNLEVERED IRR ON DXS  
ACQUISITIONS

**>10%**

BLENDED UNLEVERED IRR  
ON OFFICE ACQUISITIONS



## Acquisitions

Location	Property type	DXS Interest	Purchase Price (A\$m)
12 Creek Street, Brisbane	Core office	50%	120.8
50 Carrington Street, Sydney	Value-add office	100%	58.5
40 Market Street, Melbourne	Value-add office	100%	46.7
131 Mica Street, Carole Park	Industrial	100%	21.0
Grosvenor Place, 225 George Street, Sydney	Core office	25%	271.2
39 Martin Place, Sydney	Core office	50%	71.5
Martin Place Shopping Circle, Sydney	Core office	50%	3.4
2 and 4 Dawn Fraser Avenue, Olympic Park	Core office	50%	82.7
Kings Square, Perth	Fund-through office	50%	217.4 <sup>1</sup>
480 Queen Street, Brisbane	Fund-through office	50%	272.0 <sup>1</sup>
<b>Total DXS acquisitions</b>			<b>1,165.2</b>
<b>Third party acquisitions</b>			<b>782.2</b>
<b>Total acquisitions</b>			<b>1,947.4</b>

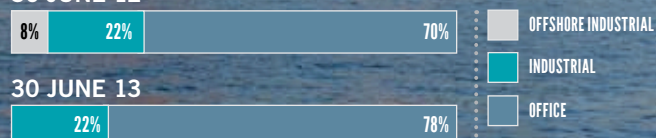
## Divestments

Properties	Sale Price (A\$m)
Office	2
Australian Industrial Partnership <sup>1,2</sup>	17
US industrial <sup>3</sup>	27
European industrial <sup>4</sup>	6
Industrial properties including land	6
<b>Total DXS divestments</b>	<b>58</b>
<b>Third party divestments</b>	<b>64.4</b>
<b>Total divestments</b>	<b>955.7</b>

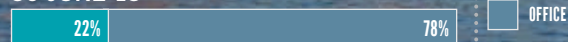
1. Represents executed total transaction price and not what has been paid or received during FY13.
2. In a long-term capital partnership with DXS, the Australian Industrial Partnership acquired a 50% interest in 17 industrial properties at DEXUS Industrial Estate Laverton, VIC, Quarry at Greystanes, NSW and Altona, VIC.
3. USD/AUD \$1.0326.
4. EUR/AUD \$0.7559.

### DXS PORTFOLIO COMPOSITION

30 JUNE 12



30 JUNE 13

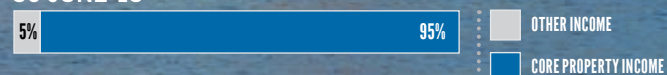


### DEXUS STRATEGIC TARGET

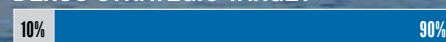


### DEXUS EARNINGS COMPOSITION

30 JUNE 13



### DEXUS STRATEGIC TARGET







2013 was a year of focus and delivery for DEXUS. The year involved improving the quality and outlook of earnings and achieving key objectives to deliver the Group's strategy.

## A year of successful delivery on our revised strategy

Despite the uncertainty in global markets we had a successful and busy year delivering a solid operational result, meeting our earnings guidance and achieving an improved distribution per security.

Following the announcement of our revised strategy in August 2012, we remained focused on delivering risk-adjusted returns for our investors, maintaining our agility to execute a number of strategic and operational initiatives.

The year involved the sale of properties in offshore markets and reinvestment into the Australian office market, which was completed without impacting earnings. Our transactional activity strengthened the DEXUS platform and increased the composition of the listed DXS portfolio towards Australian office.

We engaged in a total of \$2.9 billion of transactions across the Group, including jointly acquiring four properties with DEXUS Wholesale Property Fund.

The most significant achievement was the sale of our entire US portfolio for US\$617 million across three transactions achieving a 12% premium to prior book value. Equally successful was the reinvestment of \$1.1 billion into Australian office markets, which included acquiring:

- a 50% interest in 12 Creek Street, Brisbane
- a 100% interest in 50 Carrington Street, Sydney
- a 25% interest in Grosvenor Place, Sydney
- a 50% interest in 39 Martin Place, Sydney
- a 50% interest in 2-4 Dawn Fraser Avenue, Sydney Olympic Park
- a 100% interest in 40 Market Street, Melbourne
- a 50% interest in fund-through investments at 480 Queen Street, Brisbane and Kings Square, Perth

The major benefit of these acquisitions has been the enhancement to investor returns through the improvement in the quality of our earnings.

# LETTER FROM THE CHAIR

Our full exit from US and European markets has enabled us to fully dedicate our resources to our core Australian CBD office markets and enhance the performance of the total portfolio, progressing our objective of being the leading owner and manager of Australian office.

On 25 July 2013, we announced that we had acquired a 14.9% economic interest in the ASX listed Commonwealth Property Office Fund (CPA). We consider this to be a good investment at a discount to CPA's Net Tangible Asset backing, and one which will benefit DEXUS security holders in the long-term.

On the capital management front, we actively managed our capital and risk, repaying the majority of US debt associated with the US portfolio and securing US\$300 million of long-term US Private Placement notes. We utilised the on-market securities buy-back on an opportunistic basis when it enhanced investor returns.

We continued to carefully manage operating cash flow with the objective of fully funding distributions from free cash flow. This was reflected in the increase to the Group's distribution payout ratio for the six months to 30 June 2013 from 75% to 80% of FFO, following a reduction in capital expenditure over the period. This increase in the payout ratio resulted in an upgraded distribution of 6.0 cents per security and an average payout of 77.4% for the year.



## Underlying fundamentals remain challenging

Continued volatility in global markets, together with economic uncertainty in Europe and China, impacted business confidence during 2013. With many of our tenants being global subsidiaries or having a global focus, the impact of this uncertainty further dampened tenant demand.

In a market affected by global and domestic factors, our team faced challenging leasing conditions. During FY13 we concentrated our efforts on proactive leasing and have positioned the portfolio for solid growth in FY14, underpinned by strong like-for-like office income growth.

Although the underlying fundamentals remain challenging, Australia continues to be an attractive investment destination for pension and sovereign wealth funds. Our view is the weight of capital seeking quality Australian office and industrial buildings will contribute to a further tightening of capitalisation rates in buildings with strong fundamentals over the next 12 to 18 months. Recent transactional evidence supports this view.

## Board commitment to strong corporate governance

The Board chooses to be at the forefront of best practice corporate governance and believes that a strong corporate governance platform underpins the achievement of its strategic objectives.

Over the past year we focused on our commitment to transparency and continuous disclosure, investigating ways to enhance transparency, improve processes and work more actively to keep our investors fully informed.

In an effort to gain a better understanding of and respond to our institutional investor views on corporate governance, CEO remuneration and other areas of interest, the Board commenced an institutional investor engagement program during the year, which has proven to be an informative and valuable initiative.

To build on the effectiveness of the Board, we appointed an independent consultant to evaluate the performance of the Board, its Committees and the contribution of each Director. Led by the independent consultant, the Board also assessed my effectiveness as the Chairman. Details relating to the evaluation are included in the corporate governance statement on pages 62 to 67.

Our 2012 remuneration report and the revised executive remuneration framework were overwhelmingly supported by investors at the Annual General Meeting held in November 2012. The revised remuneration framework, which aligns to the Group's revised strategy, enables and encourages DEXUS Independent Directors and DEXUS Executives to hold DXS securities.

The full 2013 remuneration report starts on page 19 of the 2013 Annual Report. A summary can be found from page 66 of this Annual Review.

## Enhancement to the Board of Directors

DEXUS's Chief Financial Officer, Craig Mitchell, was appointed to the Board on 12 February 2013. Craig has been with DEXUS for more than five years and has over 20 years' financial management and accounting experience, with more than 15 of those years specialising in property. Craig's knowledge and experience has further strengthened the expertise of the Board.

At the date of this report, the Board comprised ten Directors, eight of whom are independent.

## Good corporate citizenship

Embedded in our Corporate Responsibility and Sustainability (CR&S) framework is our commitment to maintaining the highest standards of governance and business ethics.

We deliver this through our service excellence approach to tenants and capital partners, the development of our people, our supplier partnerships and engagement within our communities.

We take account of our obligations under the UNPRI in our investment decision making, delivering good corporate citizenship.

This year we have continued to build on the significant successes that we have achieved in sustainability and have outlined these in an integrated way throughout this report. They include improvements in our NABERS Energy ratings across our office portfolio to an average of 4.7 stars, maintaining our focus on corporate responsibility and achieving a carbon neutral accreditation for our head office for the third consecutive year.

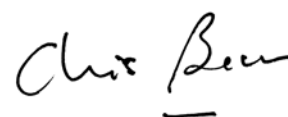
## Outlook

Our strategic achievements and the Group's performance in FY13 is testament to the strength of our people, and on behalf of the Board of Directors I thank them for their hard work and commitment during the year.

Despite the near-term uncertainty, we believe the medium to long-term market outlook remains promising on the back of low interest rates and improvement in business sentiment. The prospect of an improved economy is expected to have a positive impact on tenant demand from late-2014 and the Group is well-positioned to capture the sustained recovery in Australian property markets.

DEXUS enters FY14 with a clear vision and strategy. The combination of this clear strategy, the team's focus on driving performance and the quality of our properties provides a solid foundation for delivering superior returns for investors.

On behalf of the Board, I would like to thank you for your continued support and look forward to reporting on the Group's progress over the next year.



**Christopher T Beare**  
Chair  
16 August 2013



# CHIEF EXECUTIVE OFFICER'S REPORT

In refocusing the business and delivering on all of our strategic objectives, we have built a solid foundation to grow our business in 2014 and beyond.



## 2013 KEY PERFORMANCE HIGHLIGHTS

- Delivered net profit to investors of \$514.5 million
- Launched our revised strategy to deliver superior risk-adjusted returns for investors from high quality Australian real estate, primarily comprising CBD office buildings
- Fast-tracked our exit from non-core US and European markets
- Reallocated capital and invested in core Australian CBD office markets
- Acquired office repositioning and trading opportunities where we can add value
- Leased 629,209 square metres across the Group
- Delivered six new developments, achieved \$1.5 million of trading profits and leased 87,221 square metres of newly developed space
- Improved the cost, duration and diversity of debt through a disciplined and active approach to capital management
- Achieved Funds from Operations (FFO) of \$365.4 million or 7.75 cents per security, up 1.3%
- Increased distributions per security by 12.1% to 6.0 cents
- Achieved a 3% valuation uplift of \$218.4 million resulting in a 5.2% increase in Net Tangible Assets (NTA) of \$1.05 per security
- Further developed the Third Party Funds Management business resulting in growth of 9.5% or \$500 million, including establishing a new capital partnership

“We had a successful and busy year delivering a solid operational result and increasing distributions per security.”



Looking back at our achievements, 2013 was a year of focus and delivery, operationally across the business and against our revised strategy. Despite the tough operating environment, we are pleased to have been able to deliver a strong net profit after tax for investors of \$514.5 million and progress our strategic objectives.

We announced our revised strategy in August 2012 and refocused the business, concentrating on maximising value, improving earnings and investing in our target markets.

We undertook \$2.9 billion of transactions, selling non-core offshore properties well ahead of our expected timeframe and reinvesting the funds, together with capital from our third party capital partners, into quality Australian CBD office properties.

We leveraged our core capabilities to drive the office portfolio performance to further our goal of being the leader in office, achieving leasing successes in a challenging market and delivering increased property valuations.

We were able to reposition the business while actively and prudently managing our capital and risk profile which improved the cost, duration and diversity of our debt, creating a solid foundation for further acquisition opportunities.

Our commitment to creating a high performance culture was accelerated by inspiring our people to build on their property expertise, institutional rigour and entrepreneurial spirit through our move to Australia Square. By adopting a new way of working and new systems and processes that improve efficiency, we will continue leverage our core capabilities to drive performance into FY14.

## Delivered on FFO guidance and upgraded distribution

In a year in which we undertook significant transaction activity and reweighted the DXS's portfolio composition, I am pleased that we also delivered on our FFO or earnings guidance of 7.75 cents per security for the 12 months ended 30 June 2013, a 1.3% increase on the prior year.

Our continued focus on capital helped reduce maintenance capital expenditure in FY13, which together with a number of net effective rental leasing transactions (where no tenant incentives were given) enabled us to increase the distribution payout ratio from 75% to 80% for the six months ended 30 June 2013. The increase in the payout ratio resulted in an upgraded distribution of 3.11 cents per security for the six-month period and a total distribution of 6.0 cents per security for the 12 months ended 30 June 2013, up 12.1% over the past year.

## Strong balance sheet maintained

The sale of our US and European industrial properties allowed us to fund new acquisitions and maintain the strength of our balance sheet. Our gearing was 29.0% at 30 June 2013, at the lower end of our target gearing range of 30-40% and we have no debt refinancing requirements until July 2014. The residual gearing capacity positions us well to respond to changes in markets.

In April 2013, we chose not to extend the on-market securities buy-back that commenced in April 2012, following the successful redeployment of US portfolio sale proceeds and subsequent DXS security price performance, completing 64% of the targeted \$200 million program.

In July 2013 as a result of share market volatility we reinstated the buy-back program, providing us with the flexibility that, when market conditions permit, we may buy-back up to 5% of DXS securities on issue, with a focus on enhancing returns to investors.

Further details on capital management are provided on pages 42–43.

## Strong security holder returns

Over the 12 months to 30 June 2013, DXS achieved a total security holder return of 22.1%. Over the three and five year periods, DXS outperformed the S&P/ASX 200 Property Accumulation Index.

As at 30 June 2013	1 Year	3 Years	5 Years
DEXUS Property Group	22.1%	18.4%	2.6%
S&P/ASX 200 Property Accumulation Index	24.2%	13.4%	0.3%

Source: UBS Securities Australia 2013.

DEXUS targets long-term top quartile performance relative to its comparable peer group. When DXS's total security holder return is compared to its peer group, DXS outperformed four of its five peers for the 12 months to 30 June 2013. The DXS comparable peer group comprises Commonwealth Property Office Fund, CFS Retail Property Trust, GPT Group, Investa Office Fund and Westfield Retail Trust. Commencing in FY14, this peer group will be expanded to include newly listed SCA Property Group, the recently expanded Cromwell Property Group and the restructured and re-branded Federation Centres.

## CHIEF EXECUTIVE OFFICER'S REPORT

### Return on equity

DEXUS calculates Return on Equity (ROE) by adding the change in NTA per security over the year to the income distribution paid to security holders during the year.

DEXUS delivered a ROE for the 12 months to 30 June 2013 of 11.2% which is ahead of its target of 9-10% per annum through the cycle.

### Significant year of transaction activity

Our involvement in \$2.9 billion of transactions across the Group meant that DEXUS was one of the most active players in the Australian market.

One of the most defining attributes of the Group during the year has been the speed and quality of our transaction origination and execution. We were also successful in securing a high proportion of acquisitions off-market, with low levels of competition.

We were disciplined on pricing and able to outmanoeuvre competitors by using our market knowledge, agility and ability to provide vendors with certainty. By leveraging our corporate capabilities, we ensured that we maximised value on each transaction.

Details relating to the transactions undertaken during the year are outlined on pages 10–11.

In the face of challenging leasing conditions, we adopted a proactive approach across our office and industrial portfolios. We leveraged relationships to retain tenants or secure new customers in our quality properties, which resulted in the leasing of over 629,209 square metres of space and a total portfolio occupancy of 95.7% for the year.

The result reflects the dedication and efforts of the DEXUS team driving net operating income across our property portfolios and constantly assessing rent at risk.

Further details on achievements and metrics in the office and industrial portfolios are provided on pages 30–39.

### Development pipeline

We have a strong, established and demonstrated track record in delivering high quality office, industrial and retail product to the Australian market. DXS's current \$1.2 billion development book comprises developments underway, uncommitted industrial and office developments, value-add properties for trading and office fund-through investments. Committed developments have a weighted unlevered internal rate of return target of over 9%.

Further details relating to developments are provided on pages 40–41.



**Artist's impression of 480 Queen Street, Brisbane (above) which will become one of the few premium grade office towers in Brisbane CBD.**

We established and grew the Australian Industrial Partnership, demonstrating the importance of our commitment to investing in Australian industrial markets and using our industrial capabilities to deliver increased investor returns.

DWPF outperformed its benchmark and successfully raised over \$820 million in equity, in a year in which DXS jointly acquired four office properties alongside DWPF as a capital partner.

Further details relating to the Group's Third Party Funds Management business are provided on page 46. Details relating to DWPF are provided from page 50.

### Significant improvements in environmental performance

Our focus on integrating leading sustainable practice into all aspects of our business operations has delivered significant improvements in environmental performance and resource consumption.

We exceeded our objectives for environmental performance across the DXS office portfolio, achieving an average 4.7 star NABERS Energy rating and exceeding our 4.5 star target. The portfolio also achieved an average NABERS Water rating of 3.5 stars, in line with the target.

"We were disciplined on pricing and able to outmanoeuvre competitors by using our market knowledge, agility and ability to provide vendors with certainty. By leveraging our corporate capabilities, we ensured that we maximised value on each transaction."

### Proactive approach across our office and industrial portfolios

During the year we remained focused on improving portfolio metrics and reducing vacancies in existing and newly acquired properties combined with forward solving upcoming lease expiries.

### Growth in third party funds

A very active year in our Third Party Funds Management business resulted in growth of 9.5% to \$6.1 billion. We were able to demonstrate our ability to attract new third party capital partners and invest alongside existing partners like DWPF.





**L to R: Kings Square, Perth, WA and  
2 Bellevue Circuit, Greystanes, NSW.**

“Our focus on integrating leading sustainable practice into all aspects of our business operations has delivered significant improvements in environmental performance and resource consumption.”

Our commitment to energy efficiency delivered positive results in energy consumption in our office and industrial portfolio, achieving real cost savings for our tenants and assisting in tenant retention and property valuations.

1 Bligh Street was awarded the prestigious International High-Rise Award 2012. In line with our shared approach to corporate responsibility, the €50,000 prize money was donated towards the formation of the “1 Bligh Master of Architecture Final Year Prize for Sustainable Commercial Architecture”, a scholarship with the University of New South Wales that will promote future sustainable design in Australia.

Beyond our operational and financial performance, we also recognised the importance of playing our part in the wider community. We continued to support the communities we operate in by contributing through fund-raising and in-kind activities.

Further details relating to Corporate Responsibility & Sustainability initiatives are integrated throughout this report.

### Looking ahead

As we enter the new financial year, we are focused on implementing our strategy through leveraging our core capabilities to drive high performance.

We have worked hard to position DEXUS for continued growth in the years ahead. Our portfolio is 95.7% occupied and we have shown our ability to reduce our exposure to leasing risks. We have grown the earnings of our portfolio by acquiring quality properties across the investment spectrum.

We have commenced the repositioning of our value-add properties acquired during the year, applying our property expertise to generate upside through trading opportunities and enhance returns for our investors.

Looking ahead, despite uncertain market conditions, we are confident our team's strong corporate and leasing backgrounds will enable us to continue to drive high performance.

Barring unforeseen changes to operating conditions, our guidance for earnings or FFO for the 12 months ending 30 June 2014 is 8.15 cents per security, a 5.2% increase from FY13, delivering at the top end of our FFO growth target range of 3-5% per annum through the cycle.

We are targeting a FY14 distribution payout ratio of 75% of FFO, in line with free cash flow, delivering an expected 2% increase in distribution to 6.12 cents per security for the 12 months ending 30 June 2014.

I would like to thank the Board for their support and our employees, tenants and suppliers who have helped us deliver this year's results. I look forward to keeping you informed about our performance, new initiatives and strategic progress over the coming year.

**Darren Steinberg**  
Chief Executive Officer  
16 August 2013

# DELIVERING ON FY13 COMMITMENTS

In the 2012 Annual Review, DEXUS detailed its FY13 commitments based on material issues which have the greatest impact on its stakeholders to ensure outcomes are aligned to the interests of investors, stakeholders and the wider community.

DEXUS has delivered on the majority of its FY13 commitments and the results relating to each stakeholder group are detailed in the following table.

## INVESTOR COMMITMENTS

Market leadership, sustainable growth, financial performance and capital management

COMMITMENT	STATUS	DETAIL ON PROGRESS
Deliver FFO earnings of 7.75 cents per security, and deliver a payout ratio of 75% of FFO	✓	Delivered FFO earnings of 7.75 cents per security. DEXUS delivered a payout ratio of 77.4%, exceeding its commitment of 75% and resulting in a distribution of 6.0 cents for the 12 months 30 June 2013 Refer to the CEO report on pages 14–17
Target a return on equity of 9-10% per annum through the cycle	✓	Delivered a return on equity of 11.2% exceeding the target of 9-10% per annum through the cycle Refer to the CEO report on pages 14–17
Continue the disposal of non-core properties and reinvest capital into core Australian properties and markets	✓	DEXUS exited offshore markets through the sale of its US and European industrial portfolios and reinvested \$1.1 billion of capital into the Australian office market acquiring eight properties Refer to Transactions on pages 10–11
Deliver long term top quartile performance relative to our peer group, industry benchmarks and global indices	✓	DEXUS outperformed the S&P/A-REIT benchmark over three and five year periods and achieved top quartile performance against its target peer group for the year Refer to the CEO report on pages 14–17

## CAPITAL MANAGEMENT

Maintain strong credit rating metrics	✓	DEXUS maintained its strong credit ratings with Standard & Poor's BBB+ rating and Moody's Baa1 rating Refer to the Capital Management section on page 42
Maintain debt duration of greater than four years	✓	DEXUS increased its debt duration to 5.4 years achieved through the completion of over \$1 billion of new funding, including a US\$300 million private placement issue of an average duration of 13 years and over \$200 million in medium term notes Refer to the Capital Management section on page 42

## OFFICE

Actively manage lease expiries and improve portfolio occupancy, with a focus on expiries in Sydney's western corridor	➔	DEXUS actively managed its DXS portfolio lease expiry profile, securing 39,676sqm in new leasing and 116,348sqm in renewals up to 11 months in advance of expiry Occupancy was down at 94.4% (2012: 97.1%) as a result of the expiry at 14 Moore Street, Canberra and the addition of \$1.1 billion of office acquisitions. On a portfolio like-for-like basis, occupancy was 94.9% Refer to Office section commencing on page 30
Increase office property investments in order to reach a target portfolio composition of 80%-90% of assets over the next 3-5 years	✓	DEXUS acquired \$1.1 billion of office properties increasing the DXS office portfolio weighting from 67% to 78% in FY13, ahead of its target timeframe Refer to Office section commencing on page 30



## COMMITMENT STATUS

- ✓ ACHIEVED
- UNDERWAY
- ✗ NOT ACHIEVED

## INVESTOR COMMITMENTS

Market leadership, sustainable growth, financial performance and capital management

CONTINUED

### INDUSTRIAL

COMMITMENT	STATUS	DETAIL ON PROGRESS
Actively manage lease expiries and improve portfolio occupancy	✓	DEXUS increased occupancy to 95.9% (2012: 91.7%) through a proactive leasing program which secured more than 300,000sqm of space Refer to Industrial section commencing on page 36
Deliver committed development leasing	✓	Completed 81,024sqm of developments in FY13 leasing 79% of those developments Refer to Industrial section commencing on page 36
Grow industrial exposure in third party funds	✓	DEXUS created the Australian Industrial Partnership which jointly invests in 18 industrial properties in Sydney and Melbourne valued at \$487 million DWPf increased its industrial portfolio exposure by acquiring \$42.6 million of industrial properties Refer to the Third Party Funds Management and DWPf sections on pages 46–52

### INDUSTRIAL US/EU

Maintain leasing focus in portfolio	✓	At the time of sale of the west coast portfolio, the portfolio was 97.9% occupied up from 97.1%, an improvement of 0.8% from 30 June 2012
Progress exit strategy for the US and European portfolios	✓	DEXUS completed the sale of its US and European industrial portfolios in FY13 realising \$628 million, ahead of the targeted timeframe Refer to the Transactions section on pages 10–11

### THIRD PARTY FUNDS MANAGEMENT

Continue to achieve investment objectives to enhance returns	✓	DWPf delivered a one year return of 8.56% exceeding its benchmark by 0.28% Refer to the DWPf section on pages 50–52
Establish new third party capital partnerships	✓	DEXUS created the Australian Industrial Partnership with a leading global pension fund, jointly investing in a \$487 million industrial portfolio Refer to the Third Party Funds Management and DWPf sections on pages 46–52



### TENANT/CUSTOMER COMMITMENTS

Tenant/customer attraction and retention

COMMITMENT	STATUS	DETAIL ON PROGRESS
Service excellence charter adopted by office and industrial teams and incorporate service levels into team KPIs	✓	DEXUS's Service Excellence Charter was launched in FY13 and the Service Excellence Principles were incorporated into KPI's of the office and industrial team Refer to the People and Culture section on pages 22–25
Improve tenant retention across all portfolios	✓	DEXUS increased retention rates across both DXS's office and industrial portfolios during FY13 by 6% and 11% respectively Refer to the Office and Industrial sections on pages 30–39
Increase response rates and improve tenant satisfaction survey scores through targeted engagement	➔	DEXUS reviewed its tenant survey process and undertook a customer focused approach to develop the FY13 survey. A global external service provider was appointed and the process involved engaging with tenants to develop a 'customer' survey focused on what tenants wanted, with a customer service focus. The results of the survey were being consolidated at the time of this report Refer to the Office and Industrial sections on pages 30–39
Monitor and report on the take up of DEXUS's green lease schedule by tenants across each portfolio	✓	Green lease clauses were included in DEXUS new leases and lease renewals. Take up of the green lease clauses was 75% in FY13
Rollout the Insurance Affinity program for retail tenants providing access to group discounted rates	✓	DEXUS committed to the Insurance Affinity Program to DEXUS owned and managed retail tenancies and rolled out the program to tenants in August 2013

### SUPPLIER COMMITMENTS

Fairness and efficiency

COMMITMENT	STATUS	DETAIL ON PROGRESS
Work with service providers to implement the new DEXUS Service Excellence Charter, Supplier Principles, Sustainable Procurement Policy and Supplier Code of Conduct with KPIs to measure success	✓	As part of the new FM Plus contract with CBRE, DEXUS incorporated key performance indicators to ensure compliance with its Service Excellence Charter, Supplier Principles, Sustainable Procurement and Supplier Code of Conduct policies Refer to the People & Culture section on pages 22–25
Create strategic alliances with leading suppliers to achieve economies of scale and enhance value	✓	Preferred supplier arrangements are in place for ceiling systems, lighting and carpet supplies, resulting in improved quality, costs and consistency of on-floor works in the office properties. Major national services contracts are continually being reviewed, including current tenders for mechanical, fire services and lift services



## COMMITMENT STATUS

- ✓ ACHIEVED
- UNDERWAY
- ✗ NOT ACHIEVED

## EMPLOYEE COMMITMENTS

Board and employee capabilities, remuneration and talent retention

COMMITMENT	STATUS	DETAIL ON PROGRESS
Implement a more transparent and market aligned remuneration strategy and compensation and benefits framework for our employees	✓	After a comprehensive review of contemporary market practice, a new remuneration structure was implemented in FY13. The new remuneration structure better aligns the interests of Executives and security holders through the introduction of short-term deferred and long term at-risk incentives, with DEXUS Executives and Directors now eligible to own DXS securities  Refer to the Corporate Governance section on page 62 and the full Corporate Governance statement in the DEXUS Annual Report
Increase accountability and create a stronger link between performance and reward through alignment to Group and individual KPIs	✓	The Balanced Scorecard approach to performance management was implemented and adopted by DEXUS's management in FY13  Refer to the People and Culture section on pages 22–25

## COMMUNITY COMMITMENTS

Community relationships

COMMITMENT	STATUS	DETAIL ON PROGRESS
Increase DEXUS's volunteering commitment with at least 75% of employees contributing to one day of community service during the year	✗	DEXUS achieved 70% participation of its employees contributing to community service during FY13  Refer to the People and Culture section on pages 22–25
Evaluate DEXUS's strategic relationships with, and membership of, industry and environmental bodies to ensure they are aligned with corporate and community goals	→	DEXUS created a matrix of industry strategic relationships and continues to refine its membership status of various bodies to align with its focus on Australian office and commitment to the theme of 'Building and Housing the Community'  Refer to the People and Culture section on pages 22–25
Promote and expand community engagement activity in the office and industrial portfolios	✓	DEXUS hosted short-term installations or events that support community organisations in its properties and will continue to support community events in its property foyers in FY14

## ENVIRONMENTAL COMMITMENTS

Resource efficiency and sustainability

COMMITMENT	STATUS	DETAIL ON PROGRESS
Outperform the IPD Green Building Index through responsible capital investment in environmental initiatives and maintain the average 4.5 star NABERS Energy rating across the DXS office portfolio	✓	DEXUS achieved a weighted average NABERS Energy rating of 4.7 stars for the DXS office portfolio, exceeding its 4.5 star target  DEXUS outperformed both the Green Star and NABERS benchmarks in the IPD Green Building Index  Refer to the Office section commencing on page 30
Continue to drive sustainability in our industrial estates, such as Greystanes, through the use of master planning and resource efficiency programs	✓	DEXUS continued to embed sustainability practices within its industrial estate master planning and achieved a 4 Star Green Star design rating for 2-6 Basalt Road, Greystanes  Refer to Industrial section commencing on page 36
Deliver a 10% energy saving over the next three years across the property portfolio	→	DEXUS is on track to achieve 10% energy savings over a three year period through upgrading the sustainability of its properties  Refer to the Office section commencing on page 30
Expand Carbon Neutrality program to other business areas	✓	An analysis was conducted relating to the feasibility of expanding Carbon Neutrality to regional offices. During the year, carbon neutrality was achieved in its Melbourne office



# PEOPLE AND CULTURE

“At DEXUS, we understand the importance of providing the right environment, support and development to encourage our people to deliver the best performance possible.”

**Deborah Coakley**, EGM, People and Culture

DEXUS employs more than 235 property professionals across the Group. DEXUS property professionals are located in the key office and industrial investment markets of Sydney, where the majority of employees are located, Melbourne, Brisbane and Perth. DEXUS also employs retail management personnel to manage centres on behalf of DEXUS's Third Party clients in state capitals and regional centres around Australia.

**DEXUS believes leadership is a cornerstone of success for a high performing culture.**

## Delivery of a high performance culture

DEXUS understands the importance of providing the right environment, support and development to encourage collaboration among its people and deliver the best performance possible.

Supporting a culture of high performance, DEXUS has reinforced communication and transparency throughout the organisation to ensure its people are aware of the goals and outcomes required to deliver the Group's revised strategy and progress key objectives.

DEXUS recognises the significance of the performance of its leaders in delivering enhanced value for its shareholders. The rigour applied to the performance review process ensures outcomes are specific and measurable and there is clear accountability.

Over the past year the Group streamlined its annual performance management process to deliver optimum results and value for its stakeholders, taking into account the overall business objectives together with the individual contribution of each senior leader.





The performance of senior leaders is aligned with:

- The financial performance of the business
- The overall business strategy
- The contribution to stakeholder engagement and customer service
- Their leadership role with DEXUS people
- The DEXUS culture

The Balanced Scorecard methodology utilised by DEXUS Executives is cascaded to all senior leaders across the Group and now covers the top 14% of the employee population.

Under this system, contribution and achievement are measured against threshold, stretch and outperformance targets motivating each leader to strive for outperformance with and through their teams.

### The development of DEXUS leaders

Leadership is a cornerstone of success for a high performing culture. To maintain performance momentum, DEXUS identified that the development of its leaders as a priority for the success of the business.

Supporting the strategic objective of high performance, DEXUS launched the Human Synergistics Lifestyles Inventory Tool (LSI Tool), providing the opportunity for leaders to gain awareness of their own leadership style through taking into account feedback from peers and direct reports with tailored guidance for future development.

The LSI Tool will be used in conjunction with the introduction of a leadership development program designed to support the Group's strategic objectives of leadership in office and enhanced core capabilities.

The DEXUS Leadership Program will challenge senior talent to extend leadership capability and drive visible commercial and cultural change, strengthening and positioning the DEXUS management platform for future success. The program contains core content, experiential learning, personal coaching, master class learning and individual development options and will take two years for a participant to complete.

### Service Excellence Charter

Service excellence is viewed as critical to the success of DEXUS as it drives tenant satisfaction and retention. In a review of the Service Excellence Charter, DEXUS made refinements and identified ways to enhance behaviours needed to strengthen its high performance culture and provide better service to its customers.

During the year DEXUS took steps to embed the Service Excellence Charter's guiding principles into the Group's culture and influence performance outcomes through integrating elements of the Charter into the office and industrial team's Key Performance Indicators.

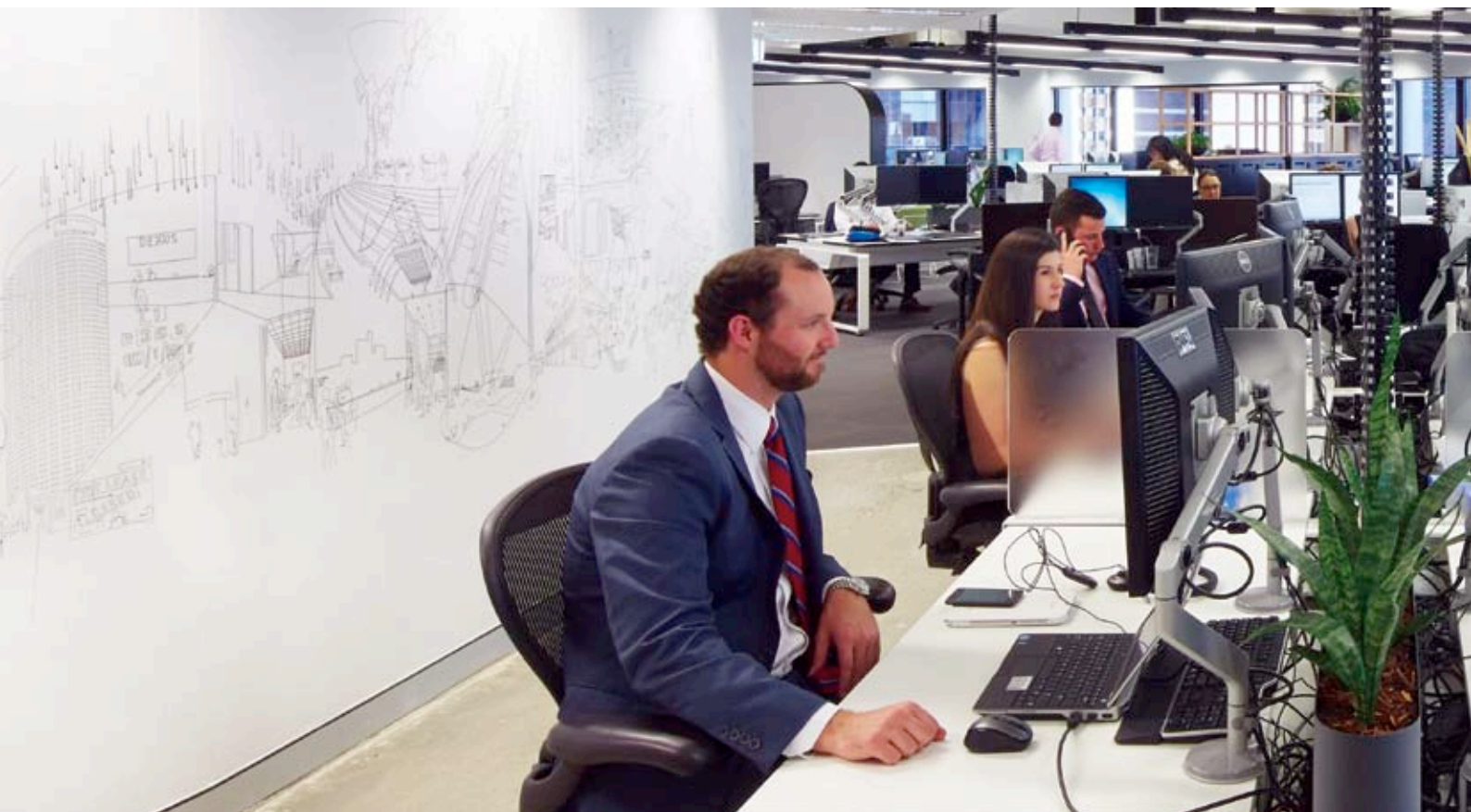
In addition, DEXUS incorporated key performance indicators in its FM Plus partnership with CBRE to ensure implementation of its Service Excellence Charter, Supplier Principles, Sustainable Procurement and Supplier Code of Conduct policies.

### Launch of customer service program

One of DEXUS's key strengths is its ability to relate to its tenants by understanding, appreciating and anticipating their needs and to deliver excellent customer service.

In order to elevate its customer experience, DEXUS introduced specifically designed customer service training to its building managers and the CBRE FM Plus team. The program aims to create a unique point of difference for DEXUS, delivering an enhanced level of service that transforms the client's experience and reinforces a focus on service excellence.

DEXUS's commitment to customer service will also play an important part in the DEXUS Leadership Program forming one of the four pillars that also include learning, development and focus. Customer service, enduring relationships and tenant satisfaction are the cornerstones of DEXUS's service offering, ethos and culture and are integral to building value for tenants and stakeholders.



### Diversity

DEXUS welcomes employee diversity which contributes to a competitive advantage and enables the organisation to make better, informed decisions that create value for investors. Culture and attitude are key elements in an inclusive approach to diversity and at DEXUS, merit is the key requirement for employee advancement.

Gender diversity in particular is encouraged at all levels of the Group. DEXUS is committed to improving participation for senior executives and senior managers and has set a gender target of 33% female participation at senior management level by 2015.

At 30 June 2013, the representation of women at senior management level was 27%. At Board level, 25% of non-executive directors were women against a 33% target by 2015.

### People development

Training and development opportunities are provided by DEXUS to enhance the skills and knowledge of its people to achieve high performance outcomes. Over the past year, DEXUS increased its focus on development programs and activities that will have the highest impact.

Development activities included a focus on improving DEXUS communications through a dedicated media training program for senior managers. DEXUS also provided study assistance to enhance the qualifications of its property specialists. There are a number of employees completing DEXUS sponsored undergraduate and postgraduate courses, management and vocational qualifications.

Activities have extended to developing the capabilities of DEXUS partner providers, including on-site training of building concierge services and building management teams, in the operation of enhanced building management systems and the delivery of the DEXUS customer service model.

**A mural on the core of the DEXUS head office building highlights the DEXUS story.**

### Community commitment

Combining the Group's desire to see a strong, healthy and economically sustainable society with its property skills and knowledge, DEXUS sees a natural fit with offering philanthropic assistance to organisations that support homeless and displaced individuals.

The theme of 'Building and Housing the Community' provides a broad base for DEXUS to contribute to the well-being of society through its property expertise. Over the past year, DEXUS supported organisations including Barnardos Australia, CREATE Foundation, The Wayside Chapel, The Wesley Mission, The Station and Mission Australia. During the year, DEXUS contributed approximately \$777,800 of donations and in-kind support to community organisations and other charities, including the Sydney Children's Hospital.





## CASE STUDY

### Leadership in mentoring

The story of Tamara Keenan is of a valued employee who is using her experience to mentor others.

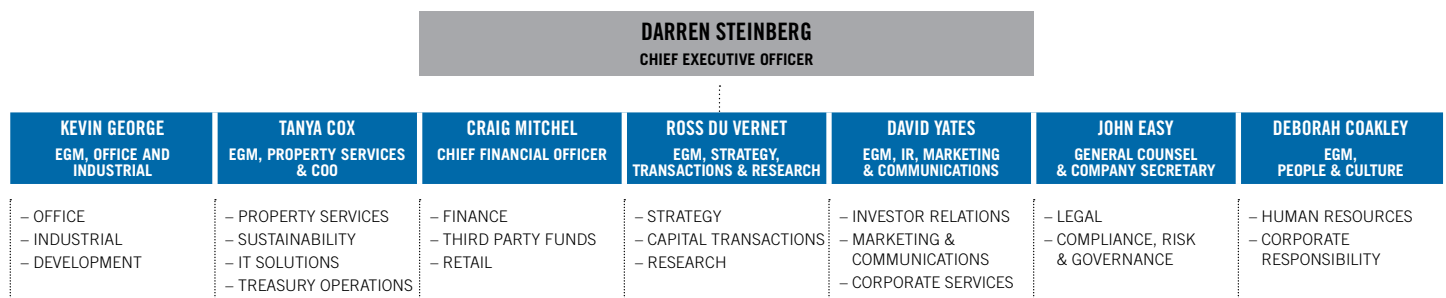
Tamara came to DEXUS via Jobsupport, a Disability Employment Services program which places people into quality jobs in the regular workforce. Faced with limited career options, Tamara signed up with Jobsupport and was placed in the role of Operations Assistant at DEXUS in 2008.

Tamara is one of Jobsupport's success stories, not only because she is in a role which contributes to the value of an organisation, but because she has become a leadership mentor. Tamara provides tours of DEXUS's head office and speaks at dinners in Sydney and Melbourne to raise awareness of Jobsupport and encourage participation.

Tamara has shown that DEXUS's leadership capability extends to all roles within the organisation.

## Group Management Committee (GMC) delivering strategic direction

The DEXUS GMC is the leadership team responsible for delivering the strategic direction of the business. The areas of GMC responsibility are defined in the organisation chart below.



## CASE STUDY

### Community development through industry partnership

The families of Barnardos Auburn Family Centre are worthy recipients of DEXUS's commitment to "Building and Housing the Community" through providing housing and property solutions to those in need.

DEXUS has supported Barnardos for many years. Building on its partnership model, it teamed up once again with FDC Construction & Fitout to renovate the Barnardos Auburn Centre's long day care facility.

Barnardos Auburn Centre now has a new reception area with wheelchair and double pram access, renovated childrens' bathrooms, an expanded classroom with improved storage, benefiting the 80 children who use this facility every week.



"We greatly appreciate the valuable donation made by DEXUS and FDC Construction to the Auburn Centre which will help improve the lives of children in our community."

**Mary-Anne Bechara**, Centre Manager  
Barnardos Auburn Centre



## A NEW WAY OF WORKING

Understanding the future direction of office space design and its impact of workforce performance, DEXUS moved its head office enabling the creation of a Flexible Work Environment that is designed to support the Group's 'Core Capabilities' strategic objective.

"We have created a high performance workspace for our people that goes to the core of what we stand for and how we are perceived."

**Darren Steinberg**, Chief Executive Officer

Inspired by moving to a new workplace in Sydney's iconic Australia Square in April 2013, DEXUS's people are more engaged than ever. A new way of working, enabled by technology and an optimal fit-out in a DEXUS building, is achieving high performance outcomes through greater flexibility, efficiency and productivity.

Innovation and collaboration are at the heart of the DEXUS workspace. From the moment you step out of the lifts you enter a non-traditional reception area. The area flows upstairs to an area called the 'Dynamic Space', where a

multitude of activities occur, from investor presentations to team discussions, functions, client meetings and training.

DEXUS's new workspace has already shown early signs of improved performance. Surveyed just six weeks after DEXUS relocated to Australia Square, DEXUS's people identified a significant improvement in their attitude to their new workplace compared to six months previously. Perceptions on the effectiveness of collaboration and interaction improved by 18%, people felt the effectiveness of meeting spaces had improved by 15% and there was a perceived improvement in productivity.

DEXUS believes that an investment in premises is an investment in people and aims for them to be recognised for their property expertise, institutional rigour and entrepreneurial spirit. The new workspace provides a solid foundation on which its people can further develop their capabilities.

### Fit-out details

- Level 25 and Level 26 Australia Square
- Tenancy net lettable 2,064 square metres
- Designed to accommodate up to 190 employees (currently accommodating 170)

### Interior design

- Internal design showcases raw building elements by exposing the concrete slab floor and removing ceiling tiles to match the floor and raise the ceiling height
- Aesthetic and acoustic variation through alternating the floor surface with exposed concrete slab and carpet
- Low height locker and storage units supplemented by plants soften work areas and open the transparency of the floors
- A mural on the core of both levels highlights the DEXUS story. The simplicity of its black and white design acting as a mirror to the 360 degree window views over the Sydney CBD skyline





## CASE STUDY

# Repositioning of an iconic Sydney property

Through an active repositioning strategy focusing on customer service, DEXUS and its co-owner utilised their asset management capabilities to restore Australia Square as a prestigious property address, reinforcing its status as one of Sydney's iconic buildings.

The potential of Australia Square was identified and an innovative repositioning strategy was developed incorporating strategic capital expenditure and the launch of new customer service initiatives. A targeted marketing campaign was undertaken to shift the perception of Australia Square to a modern iconic property, which assisted in attracting and retaining tenants.

Over the past year, leases covering 17,000 square metres of space have been renewed and new leases covering 6,000 square metres of space have been secured, increasing Australia Square's occupancy from 87% to 92% and weighted average lease expiry from 3.6 to 5.3 years.

A significant result of the successful leasing was a \$26.5 million uplift in DEXUS's June 2013 independent valuation on prior book value.

The DEXUS head office tenancy in Australia Square has adopted the latest in workspace evolution within the building and showcases to tenants the flexibility and longevity of a Sydney icon and what is possible in an office workspace.

## Sustainability initiatives

- Centralised recycling
- Energy efficient T5 task and low voltage LED lighting
- Motion sensor meeting room lighting
- Reduced power load through 100% mobilisation of laptops across the floors
- Tenancy designed to achieve 4.5 star NABERS Energy rating

"We are proud to occupy a building we have ownership in and can now demonstrate to our tenants what is possible by creating a collaborative workspace from the footprint of a conventional office floor in a building that is almost 45 years old."

Kevin George, EGM, Office & Industrial

## CASE STUDY

# How Flexible Work Environment benefits DEXUS

DEXUS has created a work environment in tune with the needs of its people that promotes productivity, innovation and choice. The DEXUS workspace aims to foster a high performance culture, emphasising collaboration and flexibility across space that is capable of a variety of different work types.

The Flexible Work Environment (FWE) office configuration reinforces the importance of face-to-face communication, supported by an enhanced technology platform that provides the latest communication solutions for faster decision making.

The FWE office design shares many of the principles of an Activity Based Working (ABW) model, but is not as rigid in its implementation. People have the option of choosing a different workspace depending on their requirements but tend to remain within their neighbourhoods where their team storage and lockers are located.

"I enjoy having the choice of being able to work where and how I want. The collaborative environment is inspiring and encourages a flow of ideas across teams."

## DEXUS Office & Industrial team member



# DXS PORTFOLIO

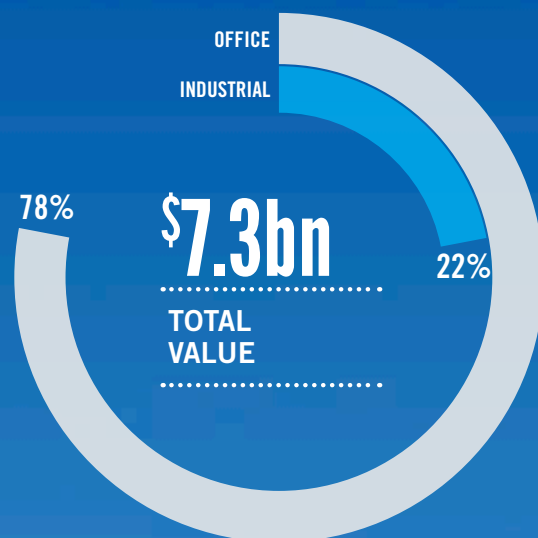
The DXS portfolio comprises quality Australian office and industrial properties in which DEXUS owns direct investments. DXS owns a total of \$7.3 billion of properties concentrated in core markets across Sydney, Melbourne, Brisbane and Perth and is one of the largest institutional owners of office buildings in the Sydney CBD, Australia's largest office market.

## Key metrics

	FY13	FY12	FY11	FY10
Total value (\$bn)	7.3	6.9	7.5	7.3
Total properties	84	106	175	179
Net lettable area (sqm)	1.8m <sup>1</sup>	2.5m <sup>1</sup>	4.2m	4.5m
Occupancy by area (%)	95.3	93.4	88.7	89.9
Occupancy by income (%)	94.9	95.8	93.6	93.2
Lease duration by income (years)	4.8	4.7	5.0	5.1
Weighted average capitalisation rate (%)	7.47	7.51 <sup>2</sup>	7.7	8.0

1. Reduction is due to the sale of the US and European portfolios.

2. 7.68% on a like-for-like basis excluding discontinued operations.

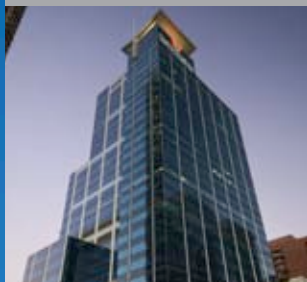






### PERTH

2 OFFICE PROPERTIES  
\$0.5 BILLION  
7% OF TOTAL PORTFOLIO



### CANBERRA

2 OFFICE PROPERTIES  
\$0.1 BILLION  
1% OF TOTAL PORTFOLIO

### ADELAIDE

1 INDUSTRIAL PROPERTY  
<\$0.1 BILLION  
<1% OF TOTAL PORTFOLIO

### NEW ZEALAND

1 OFFICE PROPERTY  
\$0.1 BILLION  
2% OF TOTAL PORTFOLIO



### BRISBANE

3 OFFICE PROPERTIES  
\$0.6 BILLION  
8% OF TOTAL PORTFOLIO



5 INDUSTRIAL PROPERTIES  
\$0.1 BILLION  
1% OF TOTAL PORTFOLIO



### SYDNEY

21 OFFICE PROPERTIES  
\$3.7 BILLION  
52% OF TOTAL PORTFOLIO



29 INDUSTRIAL PROPERTIES  
\$0.9 BILLION  
12% OF TOTAL PORTFOLIO

### MELBOURNE

7 OFFICE PROPERTIES  
\$0.7 BILLION  
10% OF TOTAL PORTFOLIO

13 INDUSTRIAL PROPERTIES  
\$0.6 BILLION  
7% OF TOTAL PORTFOLIO





# OFFICE

The DXS office portfolio comprises over 87% of prime grade properties located in the Sydney, Melbourne, Brisbane and Perth CBD markets.

## 36

TOTAL  
PROPERTIES

## 10.6%

1 YEAR TOTAL  
RETURN

## 94.4%

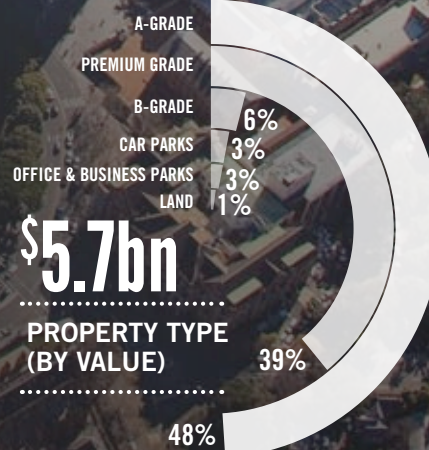
OCCUPANCY  
BY AREA

## 72%

TENANT  
RETENTION

### Key portfolio metrics

	FY13	FY12	FY11	FY10
Portfolio value (\$bn)	5.7	4.7	4.5	4.1
Total properties	36	28	28	28
Net lettable area (sqm)	682,207	596,111	558,000	542,400
NOI (\$m)	317.4	289.9	255.2	245.1
Like-for-like income growth (%)	1.8	5.4	3.3	0.4
Occupancy by area (%)	94.4	97.1	96.2	95.7
Occupancy by income (%)	94.6	96.8	95.3	96.2
Lease duration by income (years)	5.0	4.9	5.3	5.4
Weighted average capitalisation rate (%)	7.17	7.30	7.4	7.6
1 year total return (%)	10.6	9.5	9.0	6.9
Tenant retention (%)	72	66	53	56







**DEXUS owns  
12 prime office  
properties  
located in the  
Sydney CBD.**

## Leadership in office

One of DEXUS's strategic objective is to be the leading owner and manager of Australian office.

DEXUS aims to demonstrate leadership in leasing, tenant relationships and deal-flow. The Group strives to achieve this through proactively driving leasing outcomes, delivering the best customer service and building a quality portfolio through access to deal flow.

Following the announcement of its revised strategy in August 2012, DEXUS exited its offshore, non-core markets and redeployed capital into Australian office markets. In a series of transactions, eight office properties were acquired across the four key markets of Sydney, Melbourne, Brisbane and Perth, increasing DXS's office portfolio value to \$5.7 billion (78% of the total DXS portfolio).

The office team concentrated on proactive leasing, delivering solid operational performance, primarily contributing to the \$190.7 million uplift in property valuations.

Key portfolio highlights included:

- The acquisition of \$1.1 billion of office properties, increasing the DXS portfolio exposure to core Australian CBD markets
- Re-weighted the DXS portfolio composition, increasing office exposure by 11% to 78%, in line with the strategic target of 80%
- Leased 156,024 square metres and increased the WALE to ensure the DXS portfolio is well placed to continue to deliver strong results

“Following the acquisition of an interest in Grosvenor Place in February 2013, DEXUS now owns and manages interests in four of the seven premium grade office properties in the Sydney CBD.”

**Kevin George**, EGM, Office & Industrial



### Operational performance

A continued dedication and focus on retention and proactive negotiations with tenants delivered solid operational performance for DXS's office portfolio. Net operating income (NOI) of \$317.4 million, up 9.5% from \$289.9 million in 2012, was underpinned by 1.8% growth in like-for-like NOI.

The office portfolio delivered a one year total return of 10.6% (2012: 9.5%) driven by underlying rental growth and improved property values.

### Proactive focus on leasing

In anticipation of a soft period of growth the office team focused its resources on leasing activities in the key Australian office markets of Sydney and Melbourne. While office market leasing conditions remain challenging, DEXUS has generated good tenant interest in quality buildings.

The office team leased 16% of the portfolio during the year and significantly reduced 2014 expiries. In the year to 30 June 2013, DEXUS secured leases over 156,024 square metres (2012: 95,013sqm).

This included:

- 72 new leases over 39,676 square metres achieving an average rental increases of 3.3%
- 58 lease renewals over 116,348 square metres, on average 11 months prior to lease expiry

Key leases executed included:

- 383 Kent Street, Sydney – Grant Thornton Australia Limited signed a heads of agreement for a new 10 year lease over 6,300 square metres which includes an expansion of 2,328 square metres of space
- Australia Square, Sydney – Three key lease renewals were secured over 14,000 square metres, including six year lease terms to Ninemsn and Origin Energy and a 13 year lease to HWL Ebsworth

These deals form part of a significant leasing program undertaken at Australia Square where DEXUS and its co-owner have leased 44% of the property through 28 transactions resulting in occupancy improving by 5% to 92%, increasing the average lease duration by 1.7 years to 5.3 years

- 8 Nicholson Street, Melbourne – Victorian State Government renewed for a further five years over 23,529 square metres
- 30 The Bond, Sydney – Lend Lease exercised a five year option, commencing March 2014, over 17,547 square metres

Early leasing progress was also achieved at newly-acquired properties including:

- 50 Carrington Street, Sydney – 82% of total space has now been committed, up from 61% on acquisition in November 2012, following leases to new tenants, CBRE, Drillsearch and Industrie IT over a total 2,334 square metres. WALE has increased by 1.5 years to 3.7 years
- 39 Martin Place, Sydney – 82% of total space has now been committed, up from 75% on acquisition in February 2013, including Breitling signing a six year lease over 186 square metres on the ground floor and level five being fully leased to four tenants. WALE has increased by 0.2 years to 4.2 years
- Grosvenor Place, Sydney – two new seven year leases have been signed over a total of 2,229 square metres at Grosvenor Place including Michael Page, an existing tenant moving from 1 Margaret Street, and Sumitomo

The diversity and scale of the DEXUS office platform combined with a deep customer base gives DEXUS the ability to provide tenant solutions.

The office portfolio weighted average lease duration improved marginally to 5.0 years and as a result of DEXUS's proactive tenant engagement and relationships, tenant retention increased by 6% to 72%. Tenant incentives averaged across all deals were 12.2% (2012: 17.3%).

**DXS office portfolio delivered a one year total return of 10.6%.**

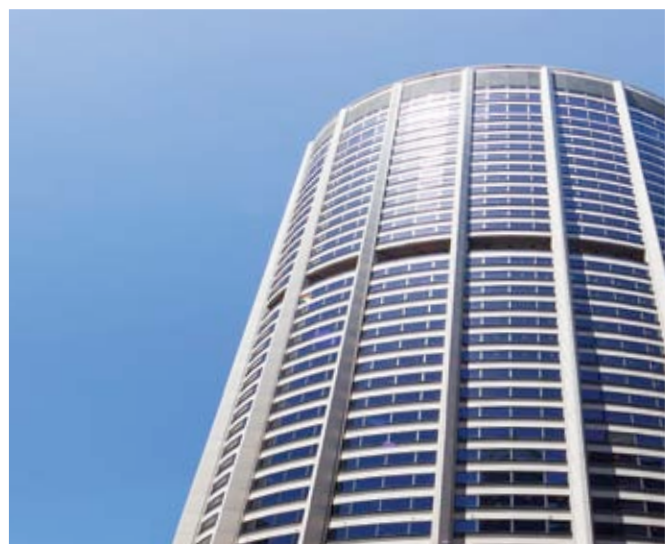
Occupancy is down to 94.4% (2012: 97.1%) largely driven by the inclusion of new office acquisitions and the vacancy at 14 Moore Street, Canberra following the expiry of the Commonwealth Government's lease in May 2013.

FY14 expiries were reduced significantly during the year, from 10.7% in July 2012 to 5.6% in June 2013. With many of these expiries towards the latter half of the coming year, strong like-for-like NOI growth is expected for FY14.

Tenant enquiry and demand in Sydney increased in the second half of the financial year, particularly in spaces of less than 1,000 square metres, delivering positive results in DXS's western core and A-Grade portfolio. However the premium grade office market remains challenging, highlighting DEXUS's strength in ownership of a diverse portfolio.

Leasing activity conducted during the year resulted in a considerable improvement to DXS's near term office lease expiry profile. The improvement demonstrates DEXUS's focus on forward solving leasing risks.

Through FY14 DEXUS will focus on leasing vacancies such as 14 Moore Street, Canberra and the remaining space at Grosvenor Place, Sydney together with future expiries.





## CASE STUDY

# An excellent opportunity to demonstrate DEXUS's property expertise

DEXUS utilised its skills and expertise to acquire and reposition 50 Carrington Street, Sydney making it an attractive trading opportunity.

With DEXUS able to add value through upgrading the building and adopting a proactive leasing approach, 50 Carrington Street provided a cost effective way to access a high quality office building where the cost of acquisition plus repositioning is well below replacement cost.

DEXUS acquired 50 Carrington Street, a well-located B-grade property in one of DEXUS's core markets, in November 2012 and immediately commenced building upgrades and a proactive leasing campaign.

The foyer and lifts were enhanced together with the introduction of sustainability initiatives. These works will increase the property's environmental performance to a 4.5 star NABERS Energy rating providing energy savings equivalent to approximately \$61,000 per annum.



DEXUS used its leasing abilities and property management expertise to secure leases for newly refurbished floors, improving occupancy from 61% at acquisition to 82% at 30 June 2013, and adding significant value to the property.

Given market forecasts of rental growth and a tightening of capitalisation rates over the next three years, DEXUS believes active management of 50 Carrington Street will reposition the property into a trading opportunity.

"The speed and agility of our team to reposition the property, retain existing tenants and commence a strategic leasing campaign to secure new tenants has been the key to 50 Carrington Street's success."

Kevin George, EGM, Office & Industrial

## Valuations

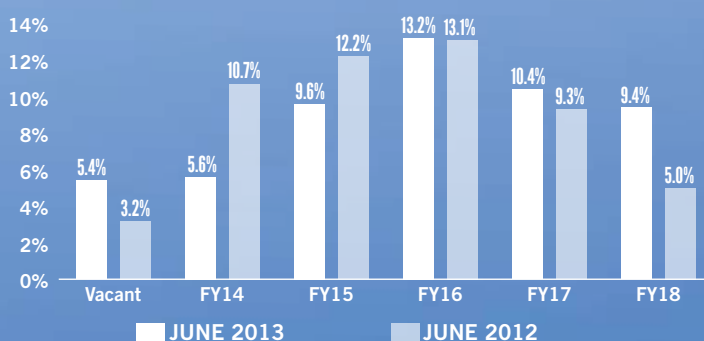
A combination of leasing success, the weight of capital seeking quality Australian office property and recent transactional evidence have each contributed to a \$191 million or 3.5% increase in valuations on prior book values across the office portfolio. The weighted average capitalisation rate has tightened 13 basis points from 7.30% to 7.17% at 30 June 2013.

Key revaluations included:

- At 30 The Bond, Sydney a \$33.8 million or 23.3% increase in value and 13 basis point tightening in the property's capitalisation rate was driven by the exercising of a new five-year option by Lend Lease across 17,547 square metres in March 2013 and an increase in market rents in the western core
- At Australia Square, Sydney strong leasing success and tenant retention contributed to a \$26.5 million or 9.5% increase in value and resulted in a 23 basis point tightening in the property's capitalisation rate
- At 123 Albert Street, Brisbane a \$28.1 million or 7.5% increase in value was driven by a 25 basis point tightening in the property's capitalisation rate after achieving 100% occupancy during 2012
- At 44 Market Street, Sydney a \$20.5 million or 9.3% increase in value and a 25 basis point tightening in the property's capitalisation rate was achieved

Leasing challenges in secondary markets are contributing to a yield spread between prime and secondary properties, or those with significant vacancies. This was evident at 14 Moore Street, Canberra where a \$3.9 million valuation decrease and 50 basis point capitalisation rate softening reflected the office vacancy following the expiry of the Commonwealth of Australia's lease.

OFFICE LEASE EXPIRY PROFILE TO 30 JUNE 2013 (BY INCOME)



### CASE STUDY

## New FM Plus model focuses on service excellence

DEXUS's unique partnership with CBRE, the largest real estate services firm in the world, has put DEXUS at the forefront of tenant service delivery.

The partnership was established to develop and deliver an innovative, best-in-class property service to tenants in DEXUS office and industrial buildings via an integrated property management model called FM Plus.

Since the new platform was rolled out earlier this year, DEXUS's clients and tenants have benefited from more efficient service delivery supported by market leading IT systems and processes, including a highly accessible quick response mechanism to tenant maintenance issues.

The scale of the management platform, together with process improvements, has reduced operating costs in areas such as procurement and provides further scope for implementing initiatives aimed at attracting and retaining tenants.

The partnership leverages the strengths of both organisations and enables DEXUS to focus on strategic matters and achieve the best possible investment outcomes and returns for investors and stakeholders.

"The new FM Plus model extends beyond systems and processes; it demonstrates a total customer focus and service delivery at all levels, embedding a culture of high performance and service excellence."

**Tanya Cox**, EGM, Property Services and Chief Operating Officer

### Tenant engagement

A focus for DEXUS during the past year was to strengthen engagement with tenants to assist in retention and drive leasing outcomes across the office and industrial portfolios.

DEXUS engaged a global leader in customer audit programs to develop a new approach to the tenant engagement survey that involved consulting with tenants to create the survey questions.

Tenant feedback so far has been positive and encouraging on this new and inclusive engagement approach.

The survey results, due in August 2013, will benchmark DEXUS on a global scale to other companies with a customer service focus.

### Sustainability commitment

Driven by a commitment to leading practice in sustainability, DEXUS has focused on improving the sustainability performance of its buildings and resource consumption.

The DXS office portfolio achieved a 4.7 star NABERS Energy rating and a 3.5 star average NABERS Water rating following the completion of the three year DEXUS NABERS Energy and NABERS Water Rating Improvement Program in 2012. In the IPD Green Building Index, DEXUS outperformed the Green Star benchmark by 190bps and outperformed the NABERS benchmark by 110bps.

DEXUS continued its strong support for Earth Hour across its portfolio this year by switching off non-essential base building power. Through the encouragement of DEXUS property managers, 99% of DXS office tenants participated in Earth Hour in 2013.

DEXUS achieved carbon neutrality at its Melbourne office for the first time and for the third consecutive year at its head office in Sydney. The FY13 commitment was achieved through reducing its carbon emissions and purchasing carbon offsets from projects that deliver environmental, social and biodiversity benefits including credits from Tasmanian forestry projects.

DEXUS's new head office at Australia Square is designed to achieve a 4.5 star NABERS Energy rating and DEXUS aims to achieve this in FY14.

Recognised as the world's most architecturally innovative highrise building, Sydney's first 6 Star Green Star office tower, 1 Bligh Street, was awarded the prestigious International Highrise Award 2012.

### FY14 focus

In FY14, DEXUS will continue to proactively manage and drive the performance of the office portfolio while enhancing the value of newly acquired properties. DEXUS will focus on reducing lease expiries and strengthening tenant relationships by launching initiatives to enhance the tenant experience and develop tenant loyalty.

**123 Albert Street  
Brisbane, (below)  
Winner of  
Environmentally  
Sustainable  
Development  
– Built Form.**







## CASE STUDY

# DEXUS rewarded through the Energy Savings Scheme

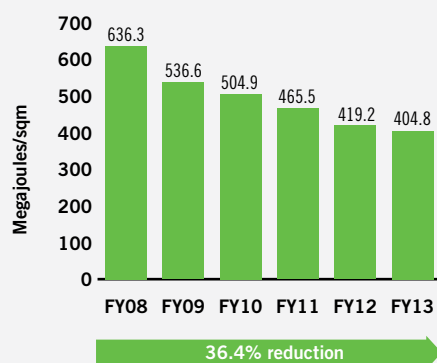
In 2012, DEXUS was accredited as a participant in the NSW Government's Energy Savings Scheme (ESS), enabling it to generate tradable Energy Savings Certificates (ESCs) from energy savings achieved through the DEXUS NABERS Energy and NABERS Water Rating Improvement Program.

The ESCs can be traded, for example to an electricity retailer, enabling the retailer to meet its energy obligations and providing income to DEXUS.

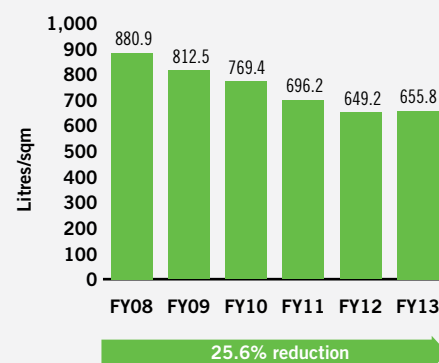
Since joining the scheme, DEXUS generated its first batch of around 9,500 ESCs for the six month period. DEXUS has set an annual target of 25,000 ESCs per annum for the next seven years, with ESCs issued on a calendar year basis.

DEXUS's commitment to sustainability has resulted in reductions in energy consumption and energy cost savings across the DXS office portfolio. While tenants have benefited through decreased outgoings, DEXUS now has the potential to generate additional income through trading ESCs.

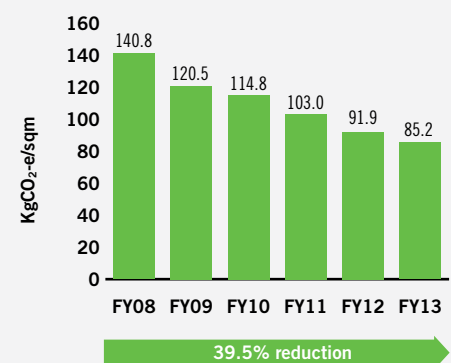
### DXS office energy consumption/ intensity



### DXS office water consumption/ intensity



### DXS office greenhouse gas emission/ intensity





# INDUSTRIAL

DEXUS has a strong track record in using its industrial capabilities to deliver high quality industrial product to the market, targeting the key metropolitan markets of Sydney, Melbourne and Brisbane and ensuring its properties are located close to multi-modal infrastructure and employment hubs.

48

TOTAL  
PROPERTIES

8.8%

1 YEAR TOTAL  
RETURN

95.9%

OCCUPANCY  
BY AREA

70%

TENANT  
RETENTION





## Strong commitment to industrial

The Group owns and manages a significant \$2.5 billion industrial platform of 68 properties. This includes the Australian Industrial Partnership which was established with a leading global pension fund in October 2012, strengthening DEXUS's commitment to the Australian industrial sector.

DXS's industrial portfolio is one of the largest listed industrial portfolios in Australia with 48 quality properties located primarily in the key growth markets of Sydney and Melbourne. DEXUS's strategy is to invest in modern functional high quality facilities that deliver superior risk-adjusted returns to investors.

With the portfolio valued at \$1.6 billion, DXS's exposure to quality industrial properties is 22% in line with the strategic target of 20%.

## Operational performance

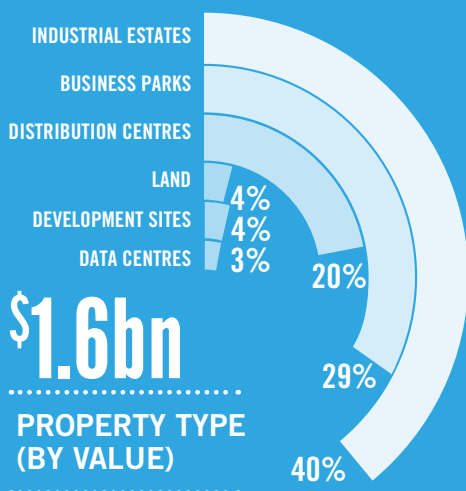
The industrial portfolio results achieved during the year reflect the importance of strong tenant relationships in driving increased retention and significantly improving occupancy levels. Through proactively pursuing all operational targets, DEXUS secured strong investor returns achieving a portfolio total return of 8.8% (2012: 8.0%).

NOI for the year was \$117.1 million, a decrease of 2.4% (2012: \$120.0 million) reflecting the sale of a 50% interest in 17 properties to the Australian Industrial Partnership. Like-for-like NOI growth was 1.1%.

**Industrial facility at Quarry at Greystanes.  
Developed and leased by DEXUS.**

## Key portfolio metrics

	FY13	FY12	FY11	FY10
Portfolio value (\$bn)	1.6	1.7	1.6	1.5
Total properties	48	45	35	34
Net lettable area (sqm)	1,093,267	1,194,309	1,125,300	1,175,200
NOI (\$m)	117.1	120.0	116.4	109.9
Like-for-like income growth (%)	1.1	(1.6)	1.1	1.6
Occupancy by area (%)	95.9	91.7	96.2	98.4
Occupancy by income (%)	96.1	92.8	95.1	97.9
Lease duration by income (years)	4.1	4.4	4.7	4.9
Weighted average capitalisation rate (%)	8.55	8.59	8.6	8.8
1 year total return (%)	8.8	8.0	9.4	7.9
Tenant retention (%)	70	59	61	80





### Proactive focus on leasing

The industrial leasing market remained challenging, however DEXUS experienced some recovery in demand for high quality facilities aligned to major road networks and port infrastructure in all major eastern seaboard core metropolitan markets. The demand was driven mainly from logistic providers, major retailers and some pharmaceutical and healthcare wholesalers.

While demand for business park space remains constrained, with incentives increasing due to high market vacancy in some markets, the DEXUS team was successful in leasing a number of long-term vacancies including space at 1 Garigal Road, Belrose and Unit R at 10-16 South Street, Rydalmere.

Strong leasing activity driven by tenant relationships and property expertise has seen occupancy increase by 4.2% to 95.9%. DEXUS secured 122 lease deals covering 327,432 square metres including 87,221 square metres of development leasing. The impact of the formation of the Australian Industrial Partnership which resulted in the sale of 50% of 17 properties at Quarry at Greystanes, NSW, DEXUS Industrial Estate at Laverton North and Altona, VIC was partly offset through strong leasing results at Gillman, SA and Silverwater, Belrose, Rydalmere and Greystanes, NSW.

DEXUS capital transactions team (above) at Quarry at Greystanes. 2-6 Basalt Road, Greystanes (left) achieved a 4 Star Green Star design rating.

### Key lease deals secured included:

- 1 Garigal Road, Belrose – a 10 year lease over 10,605 square metres to a substantial localised medical supply business commencing 1 January 2014
- Pound Road West, Dandenong – Commonwealth Government signed a new seven year lease over 7,607 square metres
- Silverwater industrial estate – a total of 6,349 square metres leased on average terms of 5.5 years, improving occupancy from 66% to 100%
- 10-16 South Street, Rydalmere – leased 18,434 square metres including terms agreed with Payless Shoesource, Deluxe Wood and Renz Australia for a total of 8,360 square metres. This leasing activity resulted in the occupancy for this property increasing to 93.1% and a WALE improving to 4.1 years
- Knoxfield, Altona – Toll Transport extended its lease over 36,123 square metres until July 2015
- Gillman – ACI Glass signed new three year lease over 33,106 square metres through a direct tenant relationship



## Progress on development leasing

Two new developments commenced during the year at Quarry Industrial Estate, Greystanes following the securing of 15 year pre-lease deals to Roche Diagnostics over 10,100 square metres and Blackwoods over 17,815 square metres, leveraging DEXUS's established relationship with the Wesfarmers Group.

Further development leasing undertaken during the year included:

- Quarry Industrial Estate, Greystanes – Wilson and Bradley signed a five-year lease over 3,976 square metres at 3 Basalt Road and, leveraging on DEXUS's long-term relationship with the Wesfarmers Group, Bunnings was secured for a one year term over 12,490 square metres at 2-6 Basalt Road. This leasing activity has resulted in 100% occupancy across all completed developments at Quarry at Greystanes, which comprises over 113,000 square metres
- DEXUS Industrial Estate, Laverton – Toll entered into a seven-year pre-lease for a second facility, directly opposite their initial pre-lease on Distribution Drive. The new warehouse was completed in July 2013 and provides 18,670 square metres

## Valuations

Increasing investor demand for prime quality industrial properties is being offset by the discounting of valuations for secondary properties and those with leasing risk.

This has resulted in DXS's industrial portfolio experiencing a moderate uplift in valuations of \$5.8 million on prior book values. Properties with long lease tenures including properties at Greystanes, Laverton North, Matraville and Lara have benefitted most, with improving occupancy and security of cash flows being the drivers for valuation upside.

Capitalisation rates for the DXS industrial portfolio tightened four basis points to 8.55% at 30 June 2013 (2012: 8.59%).

## Sustainability commitment

Delivering on its FY13 environmental commitment to drive sustainability in its industrial estates, DEXUS continued to embed sustainability practices within industrial estate master planning and through resource efficiency programs.

Initiatives such as solar hot water, potable water, rain water for irrigation and toilets use and native landscaping were included in master planning for the DEXUS Industrial Estate at Laverton North, VIC and Quarry at Greystanes, NSW. In November 2012, 2-6 Basalt Road, Greystanes, achieved a 4 Star Green Star design rating.

## FY14 focus

In FY14, DEXUS will continue to focus on proactively managing the industrial portfolio and leveraging its industrial capabilities to progress developments and new opportunities. DEXUS will continue to deliver on the investment objectives for its capital partners and further its industrial development pipeline to deliver trading profits and enhance investor returns.



## CASE STUDY

### A good buy at the right time

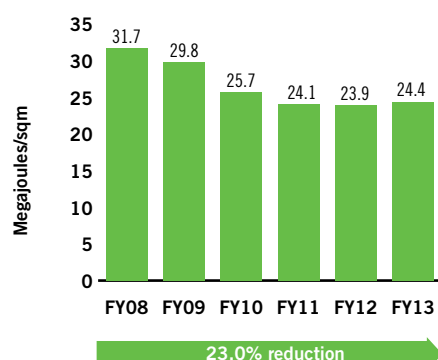
DEXUS proved it was ahead of the market in acquiring 2-4 Military Road, Matraville, which in June 2013 delivered a superior uplift in value.

Purchased at the bottom of the cycle in December 2009 and below replacement cost, Matraville was one of the first major property acquisitions by an Australian real estate investment trust following the GFC.

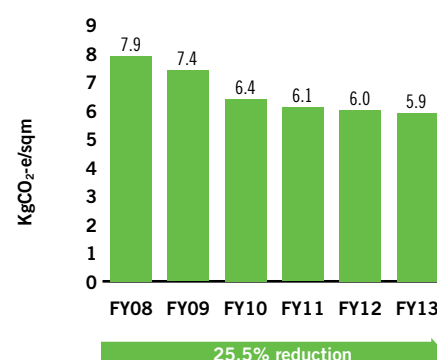
The prime quality industrial facility is well located in Sydney's south, close to the port at Botany with the two separate facilities 100% leased. With WALE on acquisition at 5.7 years and one of the tenant's terms only three years, DEXUS realised the repositioning opportunity and extended the lease for a further five years.

Acquired for \$46.1 million with an initial yield of 9.3% and a capitalisation rate of 8.5%, Matraville was valued in June 2013 for \$55.7 million. The property has delivered a 12.7% IRR since acquisition and its capitalisation rate is now 8.0%.

## DXS industrial energy consumption/ intensity



## DXS industrial greenhouse gas emissions/ intensity



# DEVELOPMENTS

**\$1.2 billion**

CURRENT DXS DEVELOPMENT  
PIPELINE

**313,944sqm**

DEVELOPMENTS COMPLETED  
SINCE 2010

**9.0%**

YIELD ON COST FOR DEVELOPMENTS  
COMPLETED IN FY13

DEXUS has a strong and demonstrated track record in development, delivering over \$1.3 billion of premium office and industrial product to the Australian market since 2010.

## A year of delivery

DEXUS continued to progress its \$1.2 billion development pipeline during FY13, utilising its development capabilities to complete six prime industrial properties across 81,024 square metres costing \$107 million. These included industrial developments at Quarry at Greystanes, 57-65 Templar Road, Erskine Park and 163-185 Viking Drive, Wacol.

Over the year, DEXUS leased 87,221 square metres of industrial development space, including achieving 100% occupancy on completed developments at Quarry at Greystanes. Refer to page 39 for more detail on industrial development leasing.

During the year, DXS added \$0.5 billion of strategic development fund-through investments in Brisbane and Perth to its development pipeline. Construction is well underway on these four prime office buildings, with the Kings Square, Perth development due for completion in mid-2015 and 480 Queen Street, Brisbane in February 2016.

Entering FY14, DEXUS commenced \$111 million of industrial development across Sydney, Melbourne and Brisbane that will deliver 90,139 square metres of new product within the year. DEXUS will also continue to drive the leasing and repositioning of value-add properties at 50 Carrington Street, Sydney, 40 Market Street, Melbourne and at 57-101 Balham Road, Archerfield.

## Development objectives

DEXUS allocates up to 15% of funds under management in the DXS property portfolio to development and value-add activities in order to enhance returns for investors.

DEXUS developments deliver new or repositioned properties which can provide earnings accretion and enhance total returns through:

- Improving portfolio quality and age
- Increasing the lease expiry of existing tenants
- Providing joint venture opportunities with existing and new capital partners
- Generating trading profits through the sale of land, completed developments or repositioned properties

“DEXUS’s commitment to completing high quality developments is focused on enhancing investor returns.”

**Andrew Whiteside**, Group GM,  
Developments

## Office and industrial developments

DEXUS draws on its core capabilities to develop quality office and industrial properties, improving the quality and age of its property portfolio and delivering superior investor returns.

Since 2010, DEXUS has developed over \$1 billion of premium grade, 6 Star Green Star office buildings in Brisbane and Sydney and \$300 million of prime industrial facilities located in core markets across the Eastern Seaboard of Australia.

## Repositioning and trading developments

DEXUS utilises its development and leasing capabilities in repositioning properties to improve capital values and providing trading profits to investors. Refurbishment works can include improvements to tenant facilities and building services that increase tenant appeal and improve NABERS Energy and Water ratings.

During FY13, DEXUS acquired trading opportunities at 50 Carrington Street, Sydney and 40 Market Street, Melbourne. A proactive approach to leasing at these properties will drive improvements in property fundamentals such as occupancy and WALE, creating the opportunity to enhance value and result in trading profits when the property is sold.

## Fund-through investments

Fund-through investments present an opportunity for DEXUS to get involved in the development design process and demonstrate its development expertise. They also allow DEXUS to use its core skills in the office sector through active involvement in the leasing process, improving the tenant covenant beyond already de-risked vacancies.

## Third party development

DEXUS has a \$1.2 billion third party development pipeline together with \$0.5 billion to be invested in the two fund-through investments acquired in partnership with DXS. This development pipeline is a key contributor to the growth in the third party funds management platform and enhances returns for the DXS investor.



## CASE STUDY

# DEXUS developments deliver returns for investors

Two Premium Grade 6 Star Green Star properties developed by DEXUS have improved in value following strong leasing activity and are delivering an increased total return.

1 Bligh Street, Sydney was opened in August 2011, with Clayton Utz as the anchor tenant, occupying 55% of the building, having pre-committed to its space in 2008. At 30 June 2013, 95% of the property is occupied with a 8.4 year WALE, providing office space for quality tenants including Bloomberg, Oil Search and the Commonwealth Parliamentary Services.

Owned in partnership with DWPF and Cbus Property, 1 Bligh was built at a cost of \$679 million, and provides a current yield on cost of 7%. Following a valuation uplift of \$39 million in 2013, 1 Bligh has generated an unlevered internal rate of return of 10.1% since construction commenced.

DEXUS's other Premium Grade office development at 123 Albert Street, is located in Brisbane's Golden Triangle. Completed in July 2011, the building was designed to achieve a 5.0 star NABERS Energy rating and incorporates many innovative sustainability features.

Rio Tinto was the first to sign a lease, initially committing to 66% of the property's lettable space and later expanding to occupy 80%. Within 12 months of completion, 123 Albert Street was fully occupied, with Queensland Treasury Corporation and accounting firm Bentleys leasing the majority of the remaining space.

Built for a total cost of \$382 million, 123 Albert Street has increased in value by over 4.7% in two years, providing an unlevered internal rate of return of 8.6% since construction commenced.

Both of these properties demonstrate DEXUS's development capability in delivering high quality office properties in core markets as well as the Group's office core capabilities to achieve strong leasing outcomes and deliver superior returns to investors.

## DXS development pipeline

DXS DEVELOPMENTS	TOTAL EST. COST <sup>1</sup>	EST. COST TO COMPLETE	FY14	FY15	FY16+
57-65 Templar Road, Erskine Park	\$38m	\$5m	\$38m		
163-183 Viking Drive, Wacol	\$33m	\$4m	\$17m	\$16m	
DEXUS Industrial Estate, Laverton North	\$162m	\$110m	\$26m	\$136m	
Quarry at Greystanes	\$120m	\$77m	\$69m	\$51m	
Phillip Street, Parramatta	\$120m	\$112m		\$120m	
12 Creek Street, Brisbane <sup>2</sup>	\$19m	\$19m		\$19m	
180 Flinders Street, Melbourne	\$230m	\$148m			\$230m
480 Queen Street, Brisbane <sup>2</sup>	\$272m	\$223m		\$272m	
Kings Square, Perth <sup>2</sup>	\$217m	\$188m		\$217m	
<b>Total DXS pipeline</b>	<b>\$1,211m</b>	<b>\$886m</b>			
Developments completed		\$55m			
Developments underway		\$111m			
Development pipeline		\$556m			
Development fund-through		\$489m			
<b>Total DXS pipeline</b>		<b>\$1,211m</b>			
DXS VALUE-ADD PROPERTIES	ACQUISITION PRICE <sup>3</sup>				
50 Carrington Street, Sydney	\$59m				
40 Market Street, Melbourne	\$47m				
57-101 Balham Road, Archerfield	\$22m				
154 O'Riordan Street, Mascot <sup>4</sup>	\$14m				
<b>Total DXS value add properties</b>	<b>\$142m</b>				

## Third Party developments<sup>5</sup>

	TOTAL EST. COST <sup>1</sup>	APPROX SIZE (SQM)	TOTAL ESTIMATED PROJECT COST		
			FY14	FY15	FY16+
Industrial	\$77m	74,000	\$77m		
Retail	\$1,079m	171,747		\$1,079m	
<b>Total third party pipeline</b>	<b>\$1,156m</b>	<b>245,747</b>			

1. Includes land value

2. DXS share

3. Excludes acquisition costs

4. Transferred to inventory in FY13

5. Excludes fund-through acquisitions

## CASE STUDY

# Quarry at Greystanes

Quarry at Greystanes is an industrial estate located in a prime industrial hub near the M4/M7 interchange in western Sydney. The 47.6 hectare site was part of the 100 year old Prospect Quarry which closed in 2007. DEXUS acquired the site the following year and completed the first pre-leased facility for Solaris Paper in 2010.

DEXUS has completed the development of seven industrial facilities providing 113,440 square metres of new space and has achieved 100% occupancy across all completed developments. These developments delivered an average yield on cost of over 9%.

A further three facilities are currently underway including two pre-leased facilities totalling 27,915 square metres and a 19,480 square metre speculative facility. Total value of

the 10 facilities completed or underway is expected to be over \$230 million.

There are four remaining land lots for future development, representing the premium locations in the estate.

The Australian Industrial Partnership, which was established in August 2012, acquired a 50% interest in all completed and pre-leased facilities at the Quarry providing DEXUS with the capital for reinvestment into future developments. The partnership includes the ability to participate and to invest with DEXUS in future completed projects at this estate and Laverton Industrial Estate in Melbourne.

The development of the Quarry at Greystanes has enabled DEXUS to showcase its industrial development capabilities through the completion of quality industrial facilities on a pre-lease and speculative basis, while at the same time leveraging relationships to lease the properties.

# CAPITAL MANAGEMENT

DEXUS's active approach to capital management increased its diversity and duration of debt while improving the cost. In a busy year, DEXUS demonstrated its abilities to optimise its debt profile while redeploying proceeds from offshore property sales and securing new debt facilities to fund new acquisitions.

## Key metrics

	FY13	FY12	FY11	FY10
Cost of debt	5.9%	6.1%	6.6%	6.6%
Duration of debt	5.4 years	4.2 years	4.2 years	3.2 years
Hedged debt	64%	73%	82%	90%
Gearing	29.0%	27.2%	28.4%	29.8%
Headroom (approximately)	\$0.3bn	\$0.6bn	\$0.6bn	\$1.2bn
S&P/Moody's credit rating	BBB+/Baa1	BBB+/Baa1	BBB+/Baa1	BBB+/Baa1

## DEXUS delivers on objectives

In the past year, DEXUS focused on meeting its strategic objective of actively managing its capital and risk in a prudent and disciplined manner, achieving its FY13 commitments of maintaining a strong credit rating, a strong diversity of debt sources and maintaining debt duration over four years.

In the year to 30 June 2013, DEXUS delivered the following:

- Reduced average cost of debt by 0.2% to 5.9%
- Increased debt duration to 5.4 years
- Reduced headroom by 50% to \$0.3 billion, improving weighted average cost of debt
- Diversified hedging sources
- Maintained a strong balance sheet with gearing at 29.0%
- No refinancing requirements until July 2014
- Completed over \$1 billion of new funding, including \$235 million from the Australian Medium Term Note market and US\$300 million in the US Private Placement market
- Completed the 2012 buy-back program, buying back over 137 million securities at an average price of \$0.9371

“Our balance sheet remains strong with gearing at 29.0% and limited short-term refinancing requirements.”

Craig Mitchell, Chief Financial Officer

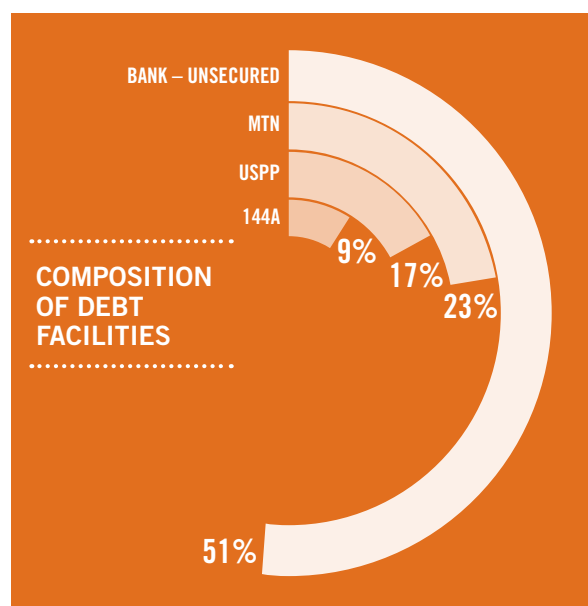
Following an active period of transactional activity, DEXUS remains comfortably inside all its covenant limits and the Group's strong credit ratings of BBB+ rating with Standards & Poor's and Baa1 rating with Moody's, both with stable outlooks, were reaffirmed during the year.

## Debt refinancing initiatives

Over the past year, DEXUS completed over \$1 billion of new funding with an average duration of seven years and a margin under 2%, improving debt diversity and increasing average duration of debt to above five years.

Following the sale of the US portfolio DEXUS further restructured its debt book, ensuring it had no debt maturities until July 2014.

## Diversified mix of debt facilities



Despite re-weighting the funding base from low US interest rates to higher Australian interest rates, the weighted average cost of debt was reduced 20 basis points from 6.1% to 5.9% for FY13. As part of DEXUS's commitment to reduce its weighted average cost of debt, the Group's excess headroom was reduced from approximately \$0.6 billion to approximately \$0.3 billion at 30 June 2013.

Focusing on interest rate hedging, DEXUS established targets to diversify hedging sources with the aim being to reduce sensitivity to interest rate movements.



## Redeployed capital from US sale

DEXUS maintained its commitment to US debt capital markets through the retention of long dated 144A bonds following the sale of the US portfolio. This commitment contributed to the diversification of debt sources and maintaining the duration of debt.

Following the acquisition of interests in three Sydney office properties in December 2012, DEXUS secured new bank debt facilities totalling \$445 million with an average duration of approximately four years. The shorter term facilities provide flexibility for DEXUS to issue further capital markets debt in order to maintain diversity and duration into FY14.

## Increase in US Private Placement debt

Building on the flexibility of the shorter term facilities, DEXUS further increased its debt duration and diversification of funding sources by pricing a long-dated US Private Placement (USPP) for US\$300 million in May 2013.

## Active in the MTN market

DEXUS was active in the domestic Medium Term Note (MTN) market, refinancing short-dated bank debt with long-dated MTNs and improving the cost, duration and diversity of the debt profile. In the past year, DEXUS raised \$235 million from the MTN market including \$135 million in taps through responding to reverse enquiry from investors.

## On market securities buy-back

After launching an on market \$200 million securities buy-back program in April 2012, DEXUS used the proceeds of its sale of the US central portfolio in FY13 to acquire 137 million securities for \$128.5 million at an average price of \$0.9371.

Following the reinvestment of capital into Australian markets on the back of improved share market performance, the DXS security price performance stabilised and DEXUS chose not to extend the buy-back, having completed 64% of the targeted \$200 million.

Post balance date on 2 July 2013, a buy-back of up to 5% of DXS securities was reinstated as a result of share market volatility, providing the flexibility for DEXUS to acquire DXS securities on-market with a focus on enhancing value and returns to investors.

## FY14 focus

In the coming year, DEXUS will maintain its active approach to capital management, optimising cost of funds. DEXUS will focus on utilising the on-market securities buy-back where accretive to investor returns.

“In what is a very pleasing endorsement of our active capital and risk management strategy, the USPP offering was five times oversubscribed from the initial US\$125 million offering, resulting in the decision to increase the issuance to US\$300 million, supported by 14 investors.”

**Craig Mitchell**, Chief Financial Officer

## CASE STUDY

### USPP enhances debt diversity and duration

During the year, DEXUS priced its third issue in the USPP market, improving diversification of funding sources, increasing the average duration of debt, and supporting the Group's strong investment grade credit ratings.

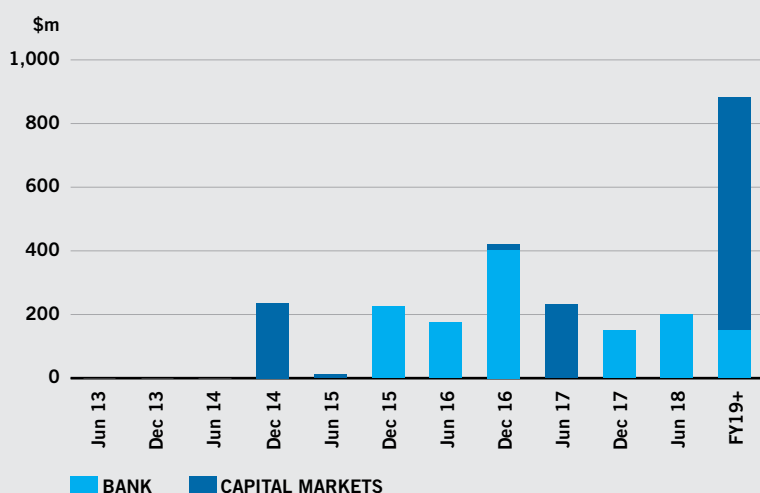
The USPP increased the debt capital markets proportion of DXS's debt to 49% and extended the average duration of debt to greater than five years.

Initiated to refinance the short term three year bridge facility put in place for the acquisition of interests in three Sydney properties in December 2012, the USPP issuance comprised three tranches of notes totalling US\$300 million at an average duration of 13 years.

After converting the US dollar amounts into Australian dollars, the issue represented an average margin of 185 basis points over BBSW at the time of pricing.

The issue was settled in July 2013 and therefore had no impact on FY13 cost of debt or earnings guidance.

## Debt maturity profile



# FINANCIAL HIGHLIGHTS

INCREASE IN NTA OF

**5.2 cents**

PER SECURITY

DISTRIBUTION OF

**6.0 cents**

PER SECURITY

TOTAL RETURN OF

**11.2%**

The Group delivered a solid financial performance for the year ended 30 June 2013.

A strong focus on leasing and transactions during the year has driven a solid financial result with improved operational performance and strong property revaluations. Capital management initiatives have underpinned our balance sheet and reduced cost of debt which, together with a focus on cost management, have provided profit and FFO<sup>1</sup> growth.

In accordance with Australian Accounting Standards, net profit includes a number of non-cash adjustments including fair value movements in asset and liability values. FFO is a global financial measure of real estate operating performance after finance costs and taxes, and is adjusted for certain non-cash items.

The Directors consider FFO to be a measure that reflects the underlying performance of the Group. The following table reconciles between profit attributable to stapled security holders, FFO and distributions paid to stapled security holders.

To fully understand our results, please refer to the full Financial Statements in the 2013 DEXUS Annual Report.

	30 June 2013 (\$m)	30 June 2012 (\$m)
Net profit for the year attributable to stapled security holders	514.5	181.1
Net fair value gain of investment properties <sup>2</sup>	(220.6)	(82.8)
Impairment of inventories	2.2	14.9
Net fair value loss of derivatives	17.7	97.1
Net loss on sale of investment properties	3.6	32.6
Finance break costs attributable to sales transaction	18.8	44.3
Foreign currency translation reserve transfer on disposal of foreign operations	21.5	41.5
Incentive amortisation and rent straight-line <sup>2,3</sup>	30.5	31.7
RENTS capital distributions	–	(10.2)
Deferred tax and other <sup>4</sup>	(22.8)	17.6
<b>Funds from Operations (FFO)</b>	<b>365.4</b>	<b>367.8</b>
<b>Retained earnings<sup>5</sup></b>	<b>(83.3)</b>	<b>(110.4)</b>
<b>Distributions</b>	<b>282.1</b>	<b>257.4</b>
FFO per security (cents)	7.75	7.65
Distribution per security (cents)	6.00	5.35
Net tangible asset backing per security (\$)	1.05	1.00

1. DEXUS's FFO 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, amortisation of certain tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees and coupon income.
2. Including DXS's share of equity accounted investments.
3. Including cash and fit out incentives amortisation.
4. FY13 includes reversal of impairment of management rights of \$27.8 million.
5. Based on payout ratio of 77.4%. DXS's current policy is to distribute 70-80% of FFO, in line with free cash flow.
6. Including impairments.
7. 30 June 2012 includes RENTS distributions of 12.0 million (30 June 2013: nil).

Net profit after tax was \$514.5 million or 10.9 cents per security, an increase of \$333.4 million from the prior year (2012: \$181.1 million). The key drivers of this increase included:

- Net revaluations<sup>6</sup> from investment properties were \$218.4 million, representing a 3.1% increase across the portfolio (2012: \$67.9 million)
- Net fair value loss of derivatives of \$17.7 million, significantly lower than the prior year (2012: losses of \$97.1 million)
- The reversal in FY13 of a prior year impairment of management rights of \$20.5 million

Operationally, FFO decreased 0.7% to \$365.4 million (2012: \$367.8 million) including the impact of the sale of non-core offshore properties. FFO per security increased 1.3% to 7.75 cents (2012: 7.65 cents).

## Key drivers included:

- Office NOI of \$317.4 million, up 9.5% from \$289.9 million in 2012, was underpinned by 1.8% growth in like-for-like NOI together with income from properties acquired during the year
- Industrial NOI of \$117.1 million, a decrease of 2.4% (2012: \$120.0 million) reflecting the sale of a 50% interest in 17 properties to the Australian Industrial Partnership. Like-for-like NOI growth was 1.1%
- Finance costs (net of interest revenue) were \$111.2 million, down \$21.1 million<sup>7</sup> from the prior year. Average cost of debt reduced from 6.1% to 5.9%
- Operational expenses reduced \$11.1 million following the sale of the US portfolio and an internal restructure

Distributions per security for the year were 6.0 cents per security, an increase of 12.1% (2012: 5.35 cents). The payout ratio for the year to 30 June 2013 was 77.4% in accordance with DXS's current policy is to distribute 70-80% of FFO, in line with free cash flow.



## Five Year Financial Summary

	2009 \$m	2010 \$m	2011 \$m	2012 \$m	2013 \$m
<b>Consolidated Statement of Comprehensive Income</b>					
<b>Profit and loss</b>					
Property revenue	708.5	663.1	629.1	535.7	546.6
Management fees	63.7	51.6	50.6	50.3	48.5
Proceeds from sale of inventory	–	–	3.3	49.8	24.4
Property revaluations	–	–	148.4	43.0	185.9
Reversal of previous impairment	–	13.3	–	–	20.5
Contribution from equity accounted investments	–	(26.2)	34.1	13.8	37.9
Other income	5.7	10.1	5.5	1.7	1.2
<b>Total income</b>	<b>777.9</b>	<b>711.9</b>	<b>871.0</b>	<b>694.3</b>	<b>865.0</b>
Property expenses	(174.5)	(169.8)	(151.9)	(133.5)	(134.9)
Cost of sale of inventory	–	–	(3.4)	(44.0)	(22.9)
Finance costs	(384.2)	(190.7)	(52.7)	(118.0)	(98.6)
Net gain/(loss) on sale of investment properties	(1.9)	(53.3)	7.1	–	(3.7)
Property devaluations and impairments	(1,685.7)	(209.4)	–	(14.9)	(2.2)
Other expenses	(107.2)	(87.1)	(93.7)	(76.4)	(79.5)
<b>Total expenses</b>	<b>(2,353.5)</b>	<b>(710.3)</b>	<b>(294.6)</b>	<b>(386.8)</b>	<b>(341.8)</b>
Profit/(loss) before tax	(1,575.6)	1.6	576.4	307.5	523.2
Income and withholding tax benefit/(expense)	120.2	30.0	(21.3)	18.9	(1.7)
<b>Profit/(loss) after tax from continuing operations</b>	<b>(1,455.4)</b>	<b>31.6</b>	<b>555.1</b>	<b>326.4</b>	<b>521.5</b>
Loss from discontinued operations	–	–	–	(143.5)	(7.0)
<b>Net profit/(loss)</b>	<b>(1,455.4)</b>	<b>31.6</b>	<b>555.1</b>	<b>182.9</b>	<b>514.5</b>
Other non-controlling interests (including RENTS)	(3.7)	(0.2)	(2.1)	(1.8)	–
<b>Net profit/(loss) to stapled security holders</b>	<b>(1,459.1)</b>	<b>31.4</b>	<b>553.0</b>	<b>181.1</b>	<b>514.5</b>
<b>Operating EBIT</b>	<b>514.5</b>	<b>461.3</b>	<b>437.2</b>	<b>467.9</b>	<b>443.3</b>
Funds from operations (cents per security)	10.43	7.30	7.40	7.65	7.75
Distributions (cents per security)	7.30	5.10	5.18	5.35	6.00 <sup>1</sup>
<b>Consolidated Statement of Financial Position</b>					
Cash and receivables	120.7	89.4	109.9	90.0	44.7
Property assets <sup>2</sup>	7,735.9	7,306.6	7,487.1	6,922.7	7,258.4
Other (including derivative financial instruments and intangibles)	494.5	475.0	390.7	351.4	449.5
<b>Total assets</b>	<b>8,351.1</b>	<b>7,871.0</b>	<b>7,987.7</b>	<b>7,364.1</b>	<b>7,752.6</b>
Payables and provisions	289.6	281.2	274.3	277.0	275.8
Interest bearing liabilities	2,509.0	2,240.1	2,215.1	1,940.8	2,167.1
Other (including financial instruments)	406.3	343.3	191.4	139.0	118.0
<b>Total liabilities</b>	<b>3,204.9</b>	<b>2,864.6</b>	<b>2,680.8</b>	<b>2,356.8</b>	<b>2,560.9</b>
Net assets	5,146.2	5,006.4	5,306.9	5,007.3	5,191.7
Minority interest	206.8	205.2	204.0	–	–
<b>Net assets (after non-controlling interest)</b>	<b>4,939.4</b>	<b>4,801.2</b>	<b>5,102.9</b>	<b>5,007.3</b>	<b>5,191.7</b>
NTA per security (\$)	1.01	0.95	1.01	1.00	1.05
Gearing ratio <sup>3</sup> (%)	31.2	29.8	28.4	27.2	29.0
<b>Consolidated Statement of Changes in Equity</b>					
Total equity at the beginning of the year	5,835.1	5,146.2	5,006.4	5,306.9	5,007.3
Net profit/(loss)	(1,455.4)	31.6	555.1	182.9	514.5
Other comprehensive income/(loss)	(53.5)	(7.0)	(4.9)	41.8	29.7
Contributions of equity, net of transaction costs	1,129.9	90.3	14.6	–	–
Buy back of contributed equity, net of transaction costs	–	–	–	(51.0)	(77.5)
Acquisition of non-controlling interest	–	–	–	(204.0)	–
Distributions provided for or paid	(296.6)	(244.4)	(250.7)	(257.4)	(282.1)
Other transactions with equity holders	–	–	–	0.1	(0.2)
Other non-controlling interest movements during the year	(13.3)	(10.3)	(13.6)	(12.0)	–
<b>Total equity at the end of the year</b>	<b>5,146.2</b>	<b>5,006.4</b>	<b>5,306.9</b>	<b>5,007.3</b>	<b>5,191.7</b>
<b>Consolidated Statement of Cash Flows</b>					
Net cash inflow from operating activities	359.6	340.2	239.3	348.4	193.5
Net cash inflow/(outflow) from investing activities	(212.5)	90.6	(227.0)	659.6	(84.9)
Net cash inflow/(outflow) from financing activities	(170.2)	(444.4)	4.9	(1,019.9)	(155.6)
Net increase/(decrease) in cash and cash equivalents	(23.1)	(13.6)	17.2	(11.9)	(47.0)
Cash and cash equivalents at the beginning of the year	99.2	84.8	64.4	73.7	59.2
Effects of exchange rate changes on cash and cash equivalents	8.7	(6.8)	(7.9)	(2.6)	2.7
<b>Cash and cash equivalents at the end of the year</b>	<b>84.8</b>	<b>64.4</b>	<b>73.7</b>	<b>59.2</b>	<b>14.9</b>

1. 77.4% of FFO in FY13.

2. Property assets include investment properties, non-current assets held for sale, inventories and investment property accounted for using the equity method.

3. Includes cash.







# THIRD PARTY FUNDS MANAGEMENT

Attracting over \$2 billion of capital since 2010, DEXUS's Third Party Funds Management business is performing well and is positioned for growth in FY14.

DEXUS partners with like-minded investors who value investment and property management expertise with best practice corporate governance principles. At 30 June 2013, DEXUS's Third Party Funds Management business comprises:

## ■ DEXUS Wholesale Property Fund (DWPF)

Established as a wholesale fund in 1995, DWPF has \$4.3 billion of diversified investments in office, industrial and retail property

## ■ A dedicated Australian property mandate

With \$1.6 billion under management, the Australian property mandate has diversified investments of scale in office, industrial and retail

## ■ The Australian Industrial Partnership (AIP)

A \$0.5 billion industrial joint venture held 50/50 with DXS, the AIP was established in 2012 and has grown to comprise 18 prime industrial properties

## Delivering on strategy

DEXUS places value in the strength of its partnerships, aiming to be the wholesale partner of choice in office, industrial and retail.

A key initiative for DEXUS in FY13 was to further develop its Third Party Funds Management business through partnering with wholesale investors on investment opportunities and developing new capital partnerships.

Over the year, DEXUS achieved this initiative growing funds under management by 9.5% from \$5.6 billion to \$6.1 billion. DEXUS demonstrated its ability to further diversify its capital sources, through establishing and growing a new capital partnership, the AIP, and partnering with DWPF to further invest in Australian office markets.

Further information on DWPF's achievements and delivery on strategy is detailed on pages 50-52.

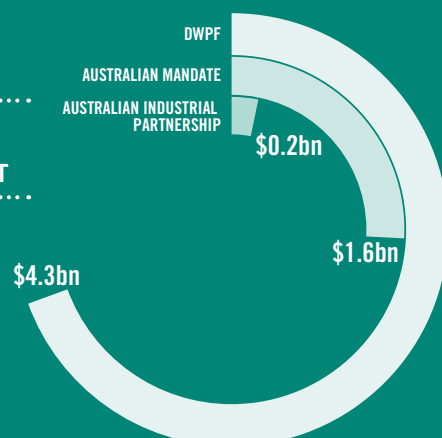
## Improving sustainability

A focus on sustainability is reaping results with an improved average NABERS Energy rating of 4.1 stars for third party office properties (2012: 4.0 stars) and 3.6 stars for DEXUS managed retail properties (2012: 3.0 stars).

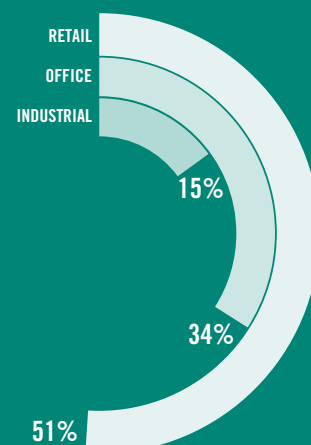
Improvements in sustainability have contributed to cost savings for tenants and reduced environmental impacts, with greenhouse gas emissions decreasing by 7.8% and total energy consumption down by 8.6% over the past 12 months.

**\$6.1bn**

THIRD PARTY FUNDS MANAGEMENT



THIRD PARTY FUNDS MANAGEMENT SECTOR ALLOCATION



## THIRD PARTY FUNDS MANAGEMENT

DEXUS manages Willows Shopping Centre, Townsville, a sub-regional centre owned by DWPF.



A high quality  
industrial  
facility  
developed by  
DEXUS.



### CASE STUDY

## A leading manager and developer of Australian shopping centres

On behalf of third party partners, DEXUS is involved in the management of 12 retail properties valued at \$3.2 billion located along the eastern seaboard of Australia. The Group's retail capability aligns with DEXUS's strategic objective of being the wholesale partner of choice.

DEXUS specialises in managing neighbourhood and sub-regional community based shopping centres within strong trade areas. Partnering with tenants in retail campaigns increases the effectiveness of the marketing and improves retention rates, with total retail portfolio occupancy at 98% (by income) at 30 June 2013.

DEXUS managed retail centres have a strong connection with the community in which they operate. DEXUS works with local communities to create centres that deliver the right mix of retail outlets and services, meeting the needs of the trade area.

On behalf of its capital partners, DEXUS delivers performance through redeveloping centres that have expansion potential with the ability to gain dominance in a centre's trade area. DEXUS has developed around \$275 million of retail space over the past five years, with a current retail development pipeline of approximately \$1.1 billion across 171,747 square metres.

With over 25 years of experience in retail property management, DEXUS offers a platform of property expertise, institutional rigour and entrepreneurial spirit, with a focus on customer service that maximises returns for its wholesale capital partners.

"Our retail expertise allows us to drive returns on behalf of third party wholesale investors and also enhances our ability to drive performance of the retail outlets located beneath the majority of our office buildings."

**Craig Mitchell**, Chief Financial Officer





## CASE STUDY

### Growth in Australian Industrial Partnership

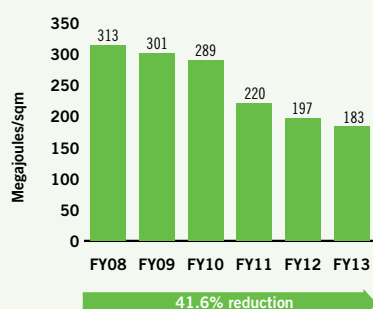
This year DEXUS formed the Australian Industrial Partnership (AIP), a joint venture partnership with one of the world's largest pension funds, leveraging DEXUS's strong track record in industrial development and asset management.

Since its establishment in October 2012, AIP's initial \$360 million portfolio of 13 properties has grown to over \$487 million with five further acquisitions at The Quarry at Greystanes and the DEXUS Industrial Estate at Laverton North.

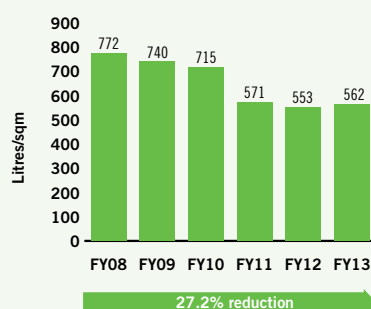
There is potential to significantly enhance the scale of the partnership to a \$700-\$800 million joint venture through activating the remaining development opportunities.

Securing and growing a new partnership with a like-minded investor enhances DEXUS's reputation as a wholesale partner of choice and strengthens DEXUS's commitment to investing in the Australian industrial sector through leveraging access to third party capital.

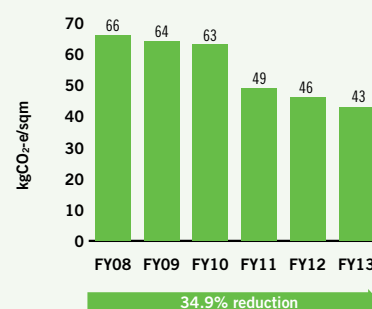
#### Third Party energy consumption/ intensity



#### Third Party water consumption/ intensity



#### Third Party greenhouse gas emission/ intensity





# DEXUS WHOLESALE PROPERTY FUND

In an active year, DWPF achieved outperformance against its benchmark, enhanced the quality of its portfolio through acquisitions and raised over \$820 million of equity.

DWPF's investment objectives are underpinned by:

- A prime quality property portfolio with \$4.3 billion of diversified interests in office, industrial and regional retail properties with a \$650 million development pipeline
- An active investment strategy to enhance returns to investors
- Adherence to best practice corporate governance
- A strong track record of top quartile performance

**\$4.3bn**

DWPF PORTFOLIO  
(BY VALUE)

RETAIL  
OFFICE  
INDUSTRIAL

12%

41%

47%



## Delivering on strategy

DWPF had a successful 12 month period, continuing to outperform its benchmark and attract investor support. The Fund remained focused on driving performance and delivering on its investment plan, improving portfolio quality through strategic acquisitions and the activation of its development pipeline.

## Attracting strong investor support

During the year, DWPF proved attractive to investors, with over \$820<sup>1</sup> million of equity raised, including \$348 million from a pro-rata offer and \$290 million from a new major investor.

DWPF further diversified its investor base, welcoming six new unitholders to the Fund and bringing the total number of investors to 44.

The pro-rata offer was a capital management initiative focused on improving investor diversification and satisfying liquidity requirements. DWPF was able to pre-empt unitholder demand for liquidity, with the offer fully subscribed by existing and new investors and excess demand for new equity.

This successful equity raising, undertaken in a competitive market, builds on DWPF's track record of attracting over \$2 billion of capital since 2010 from domestic and international investors.

## Diversifying the portfolio through property acquisitions

During the year, DWPF moved towards a more balanced portfolio allocation, facilitated through \$728 million of strategic office and industrial acquisitions, including partnering with DXS in four office investments.

DWPF entered the tightly held Perth office market through the joint acquisition of Kings Square with DXS. Along with the other DXS-DWPF joint acquisitions in Brisbane and Sydney, the investment is a strong strategic fit with DWPF's Investment Plan which aims to broaden exposure to core Australian capital CBD markets.

The office acquisitions further consolidate DWPF's position as one of the highest quality unlisted office portfolios in Australia, complementing the Fund's significant development pipeline, predominantly comprised of retail projects.

## Continued strong performance

DWPF has a track record of superior performance through consistent long term benchmark outperformance, and over the last 12 months it maintained this form, continuing to outperform its benchmark over one, three and five year periods.



Artist's impression of Kings Square, Perth.

Key portfolio statistics	30 June 2013	30 June 2012
Total properties	34	30
Portfolio value (\$bn)	4.3	3.8
Lease duration by income (years)	3.8	3.9
Occupancy by area (%)	95.9	96.6
Weighted average capitalisation rate (%)	6.87	6.97

## Performance (pre fees)

To 30 June 2013	One year	Three years	Five years
Fund return	9.27%	10.69%	4.57%
<b>Benchmark to 30 June 2013</b>			
Benchmark return <sup>1</sup>	8.93%	9.64%	3.45%
Variance	0.34%	1.05%	1.12%

## Performance (post fees)

To 30 June 2013	One year	Three years	Five years
Fund return	8.56%	9.92%	3.83%
<b>Benchmark to 30 June 2013</b>			
Benchmark return <sup>2</sup>	8.28%	8.96%	3.18%
Variance	0.28%	0.96%	0.65%

### Notes

1. Mercer IPD Pre Fee Gross Asset Weighted Index (Gross returns, Gross Asset weighted).
2. Mercer IPD Australian Pooled Property Fund Index (Net returns, Net Asset weighted).

1. Includes DRP and unitholder liquidity requirements.

## Sustainability leader

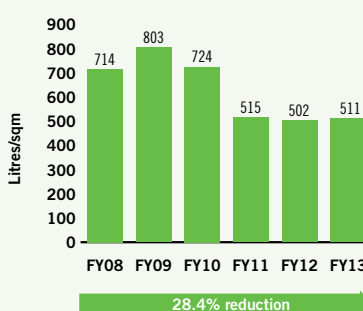
DWPF recognises a property's sustainability performance can underpin long term returns. As part of its commitment to energy efficiency, the Fund is investing in building upgrades to improve the sustainability aspects of its portfolio including at Gateway, Sydney which was awarded a 5.0 star NABERS Energy Rating (with GreenPower) in FY13.

DWPF is one of the world's top ranking performers on sustainability. In a field of 455 global real estate funds, DWPF was ranked No. 5 in the 2012 Global Real Estate Sustainability Benchmark survey and was ranked No. 1 against its peer group of diversified funds in Australia.

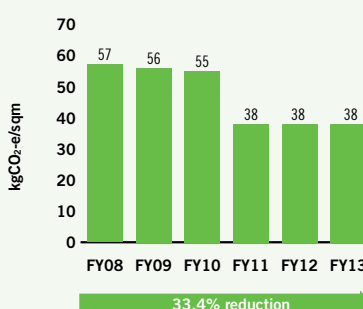
### DWPF energy consumption/intensity



### DWPF water consumption/intensity



### DWPF greenhouse gas emission/intensity



## Progressing the Fund's substantial development pipeline

The Fund's strong balance sheet enabled DWPF to continue investment in its \$650 million development pipeline.

Delivering on its retail strategy of improving portfolio quality and performance through development, DWPF and its partners commenced the \$45 million expansion of Westfield West Lakes in Adelaide and the \$408 million redevelopment of Westfield Miranda (DWPF's 50% share: \$204 million). The Westfield Miranda redevelopment is a transformational project which will firmly position the centre as the leading super regional shopping centre in the southern suburbs of Sydney and enhance its status as one of the strongest performing centres in Australia on a total sales basis.

Also commencing construction was the large scale, prime quality \$77 million industrial development at Archerfield Road, Richlands. Richlands is a core industrial market and will prove attractive to tenants seeking proximity to key transport and employment hubs.

"DWPF has successfully raised over \$820 million of total equity over the past 12 months and is well positioned to pursue its development pipeline and targeted acquisitions as part of its investment strategy."

Graham Pearson, Fund Manager, DWPF

## Debt capital management

DWPF's record in debt capital management speaks for itself. The Fund remains the only diversified Australian wholesale fund to be awarded an A or A+ rating with Standard & Poor's. The Fund's A/Stable long term credit rating was also reaffirmed in September 2012.

### FY14 focus

DWPF will continue its active investment strategy over the next three years. The Fund's strategic initiatives include the active development pipeline and fund-through investments which will increase the size of the Fund to approximately \$5 billion by FY16.

This larger scale portfolio will provide the Fund with many benefits, including improved access to capital and assets, improved diversification and stability, improved capital liquidity and economies of scale.

## CASE STUDY

### DWPF's success in raising equity

DWPF has a successful track record of securing equity from investors, reflected through its ability to raise in excess of \$2 billion of total equity since 2010.

In an effort to ensure DWPF had sufficient capital to support the investment objectives in its Investment Plan, the Fund embarked on a substantial marketing and equity raising program during the year.

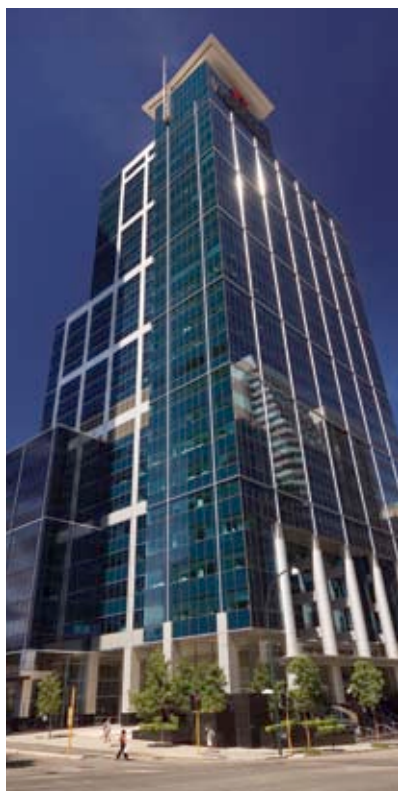
DWPF was successful in securing over \$820 million of total equity demonstrating the investor demand and strong investor support of the Fund's growth.

The equity raised included securing a new investor, matching liquidity with investor demand for equity, involving a pro-rata offer that was subsequently scaled back and the Fund's Distribution Reinvestment Plan which has a participation rate of approximately 69%.

As a result of the equity raised, DWPF's gearing has reduced to 10.1% at 30 June 2013, which is at the lower end of the Fund's long term target gearing range of 10-20%. This low level of gearing enables DWPF to have sufficient capacity to undertake its substantial development pipeline and fund acquisitions that may arise.



# MARKET OUTLOOK



## Investment climate

The Australian economy is well placed amid an uncertain global environment. It is forecast to grow by 2.5% in FY13 and 2.2% in FY14, with current population growth at 1.8% per annum and an unemployment rate of 5.7%.

As mining investment eases, the economy is transitioning towards reliance on more traditional growth drivers such as exports, non-mining investment and housing.

The soft economic conditions that impacted consumer and business confidence over the past year are expected to continue to FY15, after which stronger growth should benefit leasing inquiry and occupancy levels.

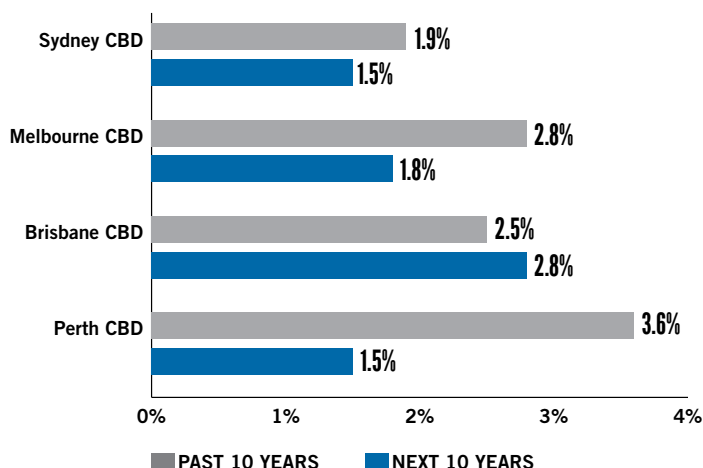
Further easing in monetary policy should stimulate consumption, non-mining investment and confidence from late FY14. The recent depreciation of the Australian dollar will positively impact economic growth, particularly in the eastern states, making Australian export industries more internationally competitive.

## Considerations for investors

There is a risk that the forecast strengthening in non-mining sectors will not coincide with and offset the projected slowing in mining investment. However, the capacity to further ease fiscal or monetary policy is likely to allow authorities to dampen the impact of such an outcome.

**1 Bligh Street,  
Sydney, NSW  
(above) and  
Woodside Plaza,  
Perth, WA (left).**

## White collar employment growth – past and future



Source: DEXUS Research, Deloitte Access Economics

Australian real estate markets are relatively free of oversupply, giving them capacity to sustain fluctuations in demand. However, in a slower economy some properties will perform better than others, with a flight to quality from tenants taking advantage of competitive leasing conditions.

Over the next year, valuations for well located and leased real estate are expected to be supported by sustained demand from investors attracted to the relatively stable income returns offered by Australian properties.

### Office outlook

Australian office markets are expected to experience cyclically slow tenant demand in the next six to nine months, improving in late FY14.

This improvement hinges on business activity responding to an easing of monetary policy, a lower Australian dollar and the potential for greater political stability after the 2013 Federal election.

The turnaround is likely to come from sectors such as business services, finance, IT, health and education. Demand in Sydney and Melbourne is expected to move ahead of Brisbane and Perth which will be negatively influenced by slowing mining investment.

Vacancy rates in the major CBD office markets remain relatively close to their 20 year average except for Brisbane. In the short term, the average vacancy rate in the four main Australian CBDs, which rose by 2.8 percentage points to 10.5% over the past year,

**Tenant demand is expected to improve as business confidence and activity responds to easing monetary policy.**

is expected to put some downward pressure on effective rents over the next six months. In the medium term, modest levels of new construction across these markets will help keep vacancy rates relatively stable, with new supply in FY14 estimated to be just one third of the average level of the past five years.

In Sydney, DEXUS's largest office market, demand from larger tenants is subdued, with reasonable enquiry at the smaller end of the market. Demand is forecast to improve prior to completion of new office buildings in the Barangaroo precinct in FY16, with DEXUS's western corridor office properties benefitting from additional infrastructure and amenity created in the area.

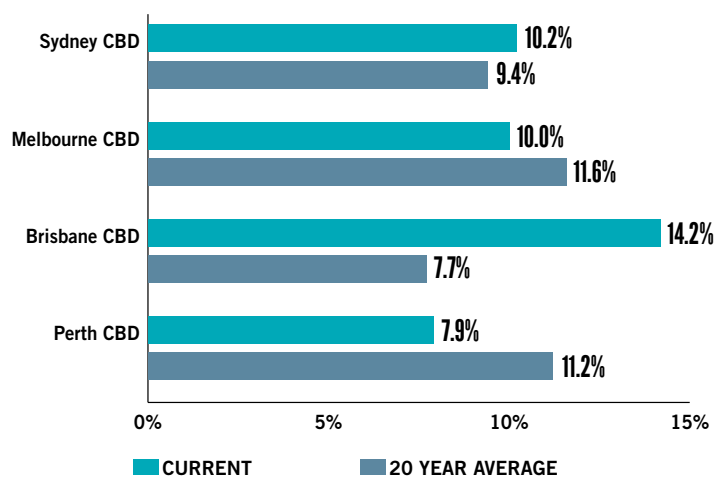
In Melbourne, new supply under construction is higher than other capital cities, however Melbourne's diverse tenant base is expected to respond well to stimulus provided by lower interest rates and the dollar.

In Brisbane, tenant demand is expected to remain weak over the next year due to government consolidation and reduced activity within the mining sector with some benefit from a lack of new product in the market in FY14.





### Office vacancy rates compared to the long-term average



Source: DEXUS Research, Jones Lang LaSalle

Modest new supply levels across the four main CBD office markets will help keep vacancy rates relatively stable in FY14.

In Perth, the short term outlook is clouded by a pause in mining sector activity as major projects transition from the investment to production phase. This transition involves a shift in employment from the engineering services sector to a broader mix of business and financial services. Over the next two years the impact of this transition will be cushioned by a low level of new supply.

### Industrial outlook

Industrial indicators such as merchandise import growth are soft in Victoria, New South Wales and Queensland. Consequently, occupier demand is expected to remain subdued in the short-term, then improve from late FY14 as easing monetary policy encourages retail sales and import growth.

A considerable level of leasing activity is coming from logistics providers who are benefiting from companies outsourcing their supply chains and from major retailers as they continue to consolidate their multiple warehouses.

In Sydney, fundamentals are expected to remain reasonably balanced over the next year with supply levels remaining modest at around the ten year average. The outer western market will continue to benefit from occupiers migrating from inner suburbs.

In Melbourne, construction levels are moderate, but the availability of serviced land is expected to keep pre-committed development quite competitive over the next year.

In Brisbane, occupier demand has softened, however rents appear to be holding steady with incentives at relatively low levels compared to other Eastern Seaboard markets.

### Retail outlook

It is anticipated that a further easing in monetary policy will assist retail turnover growth in FY14 as employment markets and confidence improve.

While retail turnover growth has been stronger in Queensland and Western Australia than the other states in FY13, growth is likely to rebalance in favour of New South

Wales and Victoria as adjustment in the mining sector influences sales growth in regional areas dependent on the resource sector.

Over the longer term, rising household incomes are expected to support the retail sector, however the rate of long term turnover growth is likely to remain below the average of the past decade due to cost of living pressures and expansion in online retailing. Furthermore, the fall in the Australian dollar is on balance likely to be positive for retailing. While a falling dollar inflates the cost of imported goods, potentially squeezing margins, it is likely to reduce competition from overseas online retailers.

On average, market rents in shopping centres have eased mildly, although rental performance varies greatly between individual shopping centres.

# FY14 COMMITMENTS

DEXUS's vision is to be globally recognised as Australia's leading real estate company. DEXUS remains dedicated to outlining its commitments in order to measure its performance each year.

DEXUS's FY14 commitments are focused on the Group's overarching strategy to deliver superior risk-adjusted returns for its investors from high quality real estate and drive ethical and responsible performance in all areas of its operations. In addition, DEXUS is committed to consistently delivering strong financial performance which enables it to invest in operational initiatives that result in improved sustainable performance.

DEXUS developed its FY14 commitments following the identification of material issues from across the Group, taking into consideration business plans, tenant surveys, materiality workshop results, the DEXUS employee opinion survey, and the GRI Sustainability Reporting Guidelines (version 3.1).

The FY14 commitments are based on material issues which have the greatest impact on its stakeholders to ensure the outcomes delivered are aligned to the interests of stakeholders.

## INVESTOR COMMITMENTS

PURPOSE: Market leadership, sustainable growth, financial performance and capital management

- Deliver FFO earnings of 8.15 cents per security
- Deliver a return on equity of 9-10%
- Deliver long-term top quartile return performance relative to DXS's target peer group, industry benchmarks and global indices

## CAPITAL MANAGEMENT

- Maintain strong credit rating metrics
- Optimise cost of funds
- Utilise on-market securities buy-back, where accretive to investor returns

## OFFICE AND INDUSTRIAL

- Deliver like-for-like income growth of circa 4% in the office portfolio
- Reduce the Sydney office portfolio lease expiries in FY15 and FY16 to under 7.5% and 10.0% respectively
- Deliver like-for-like income growth of circa 2% in the industrial portfolio
- Deliver over 75,000sqm of industrial developments and complete over 65,000sqm of industrial development leasing
- Deliver trading profits of circa \$4-5 million
- Generate additional income of \$1.5 million from alternative income opportunities
- Maintain a focus on selectively divesting non-strategic properties when supported by investment fundamentals

## THIRD PARTY FUNDS MANAGEMENT

- Continue to drive the performance of capital partners
- Seek further investment opportunities with capital partners
- Attract additional sources of capital for long-term co-investment



## TENANT/CUSTOMER COMMITMENTS

PURPOSE: Tenant attraction and retention

- Launch initiatives to enhance the tenant experience
- Implement initiatives that develop tenant loyalty
- Increase total portfolio retention rate from 70% to 75%

## SUPPLIER COMMITMENTS

PURPOSE: Fairness and efficiency

- Conduct tenders in accordance with DEXUS Business Procedures for Procurement and Code of Conduct
- Develop supplier partnerships in line with DEXUS sustainability procurement guidelines and determine levels of enhanced value
- Increase the use of sustainability efficient materials and lighting for all office fit-outs

## COMMUNITY COMMITMENTS

PURPOSE: Community relationships

- Continue commitment to employee volunteering across the community, specifically with organisations committed to the support and care of the homeless
- Conduct a review of DEXUS's relationships and types of support activity in the community in order to refresh and align the corporate responsibility program to the DEXUS culture

## EMPLOYEE COMMITMENTS

PURPOSE: Board and employee capabilities, remuneration and talent retention

- Implement a DEXUS leadership program to enhance the capabilities of leaders in the Group aligned to DEXUS's objective to develop a high performance culture
- Continue to enhance the link between performance and reward through alignment of Group objectives with individual KPIs
- Implement a best-in-class human resources technology model to improve the abilities of individual managers to lead
- Facilitate education and training events for Directors that will satisfy up to 10 Continuing Professional Development points per annum
- Continue to target 33% female participation in DEXUS Board and senior management by 2015

## ENVIRONMENTAL COMMITMENTS

PURPOSE: Resource efficiency and sustainability

- Maintain an average 4.5 star NABERS Energy rating across the DXS office portfolio while reducing consumption of GreenPower
- Continue to deliver energy savings across the total DXS property portfolio in FY14, the second year of a three year program, to deliver a 10% reduction
- Expand waste reporting to the retail portfolio and deliver a reduction in waste to landfill over the next three years across our office and retail portfolio
- Achieve a 4.5 star NABERS Energy rating for DEXUS's new head office at Australia Square
- Create and transact Energy Saving Certificates through participation in the NSW Energy Savings Scheme by continually improving asset performance



# BOARD OF DIRECTORS

**Stewart F Ewen OAM**  
**Independent Director**

Stewart Ewen is an Independent Director of DEXUS Funds Management Limited and a member of the Board Nomination, Remuneration & Governance Committee. Stewart has extensive property sector experience and started his property career with the Hooker Corporation in 1966.

**John C Conde AO**  
**BSc, BE (Hons), MBA**  
**Independent Director**

John Conde is an Independent Director of DEXUS Funds Management Limited and is the Chair of the Board Nomination, Remuneration & Governance Committee. John brings to the Board extensive experience across diverse sectors including commerce, industry and government.

**Elizabeth A Alexander AM**  
**BComm, FCA, FAICD, FCPA**  
**Independent Director**

Elizabeth Alexander is an Independent Director of DEXUS Funds Management Limited, Chair of DEXUS Wholesale Property Limited and a member of the Board Audit, Risk & Sustainability Committee. Elizabeth brings to the Board extensive experience in accounting, finance, corporate governance and risk management and was formerly a partner with PricewaterhouseCoopers.

**Richard Sheppard**  
**BEc Hons**  
**Independent Director**

Richard Sheppard is an Independent Director of DEXUS Funds Management Limited and a member of the Board Finance and Board Audit, Risk & Sustainability Committees. Richard brings to the DEXUS Board extensive experience in banking and finance and as a director and Chairman of listed and unlisted property trusts.

**Chris Beare**  
**BSc, BE (Hons), MBA, PhD, FAICD**  
**Chair and Independent Director**

Chris Beare is both the Chair and an Independent Director of DEXUS Funds Management Limited. He is also a member of the Board Nomination, Remuneration & Governance Committee and the Board Finance Committee. Chris has significant experience in international business, technology, strategy, finance and management.





**Darren J Steinberg**  
BEC, FRICS, FAPI

**Chief Executive Officer  
and Executive Director**

Darren Steinberg is the CEO of DEXUS Property Group and an Executive Director of DEXUS Funds Management Limited. Darren has overall responsibility for the operations of DEXUS. Darren has more than 25 years' experience in the property and funds management industry.

**Peter B St George**  
CA(SA), MBA

**Independent Director**

Peter is an Independent Director of DEXUS Funds Management Limited and the Chair of the Board Finance Committee. Peter has more than 20 years' experience in senior corporate advisory and finance roles within NatWest Markets and Hill Samuel & Co in London.

**Tonianne Dwyer**  
BJuris (Hons), LLB (Hons)  
**Independent Director**

Tonianne Dwyer is an Independent Director of DEXUS Funds Management Limited and DEXUS Wholesale Property Limited, and a member of the Board Compliance Committee. Tonianne brings to the Board significant experience as a company director and executive working in listed property, funds management and corporate strategy across a variety of international markets.

**Craig D Mitchell**  
BComm, MBA (Exec), FCPA

**Chief Financial Officer  
and Executive Director**

Craig is the Group's CFO and an Executive Director of DEXUS Funds Management Limited (appointed 12 February 2013). Craig is responsible for operational and strategic finance, accounting, tax, treasury and third party funds including management of the retail property portfolio. Craig has more than 20 years of financial management and accounting experience, including over 15 years in property.

**Barry R Brownjohn**  
BComm

**Independent Director**

Barry Brownjohn is an Independent Director of DEXUS Funds Management Limited and is Chair of the Board Audit, Risk & Sustainability Committee. Barry has over 20 years' experience in Australia, Asia and North America in international banking.

# GROUP MANAGEMENT COMMITTEE

L to R:

Ross Du Vernet

Tanya Cox

David Yates

John Easy

Deborah Coakley

Craig Mitchell

Kevin George

Darren Steinberg

## Darren Steinberg

**Chief Executive Officer and  
Executive Director**

Darren has overall responsibility for the operations of DEXUS. Darren has more than 25 years' experience in the property and funds management industry with an extensive background in office, industrial and retail property investment and development.

## Deborah Coakley

**Executive General Manager,  
People & Culture**

Deborah is responsible for setting the culture and leadership direction of the organisation, working with the business leaders in the areas of remuneration and reward, engagement and culture, performance and resourcing. Deborah has 18 years' experience in human resources and recruitment including the development of human resources operations from initial concept, implementing improvement changes and processes to existing business units and is an experienced business coach.

## Tanya Cox

**Executive General Manager, Property  
Services and Chief Operating Officer**

Tanya is responsible for the tenant and client service delivery model and sustainability practices, information technology solutions and company secretarial services for DXS. Tanya has over 25 years' experience in the finance industry, including 10 years' experience in the property industry.



## Ross Du Vernet

**Executive General Manager,  
Strategy, Transactions & Research**

Ross is responsible for corporate strategic planning and execution, corporate and property transactions and property research across the Group. Ross has more than 10 years' experience in real estate funds management, capital management and mergers and acquisitions in Australia and abroad.

## John Easy

**General Counsel and  
Company Secretary**

John is responsible for the legal function and compliance, risk and governance systems and practices across the Group, as well as company secretarial services. John's career spans over 25 years with the majority of this time in the property and funds management industry. John has experience in the establishment and public listing of trusts and property portfolio acquisition.





### **Kevin George**

#### **Executive General Manager, Office & Industrial**

Kevin is responsible for the performance of property, asset and development management across the Group's office and industrial portfolios. Kevin has over 25 years' real estate experience with extensive knowledge of the Australian office market. Kevin has a strong track record for implementing plans focused on sustainable revenue growth and driving best practice initiatives both in Australia and globally.

### **Craig Mitchell**

#### **Chief Financial Officer and Executive Director**

Craig is responsible for the Group's operational and strategic finance, accounting, tax, treasury and third party funds, including the management of the retail property portfolio. Craig has more than 20 years of financial and accounting experience including over 15 years in property.

### **David Yates**

#### **Executive General Manager, Investor Relations, Marketing & Communications**

David is responsible for the investor relations, marketing and communications function across the Group combined with managing the relationships and information flow to the investment community. David has more than 14 years' of investor relations and communications experience specifically in the Australian commercial property industry.



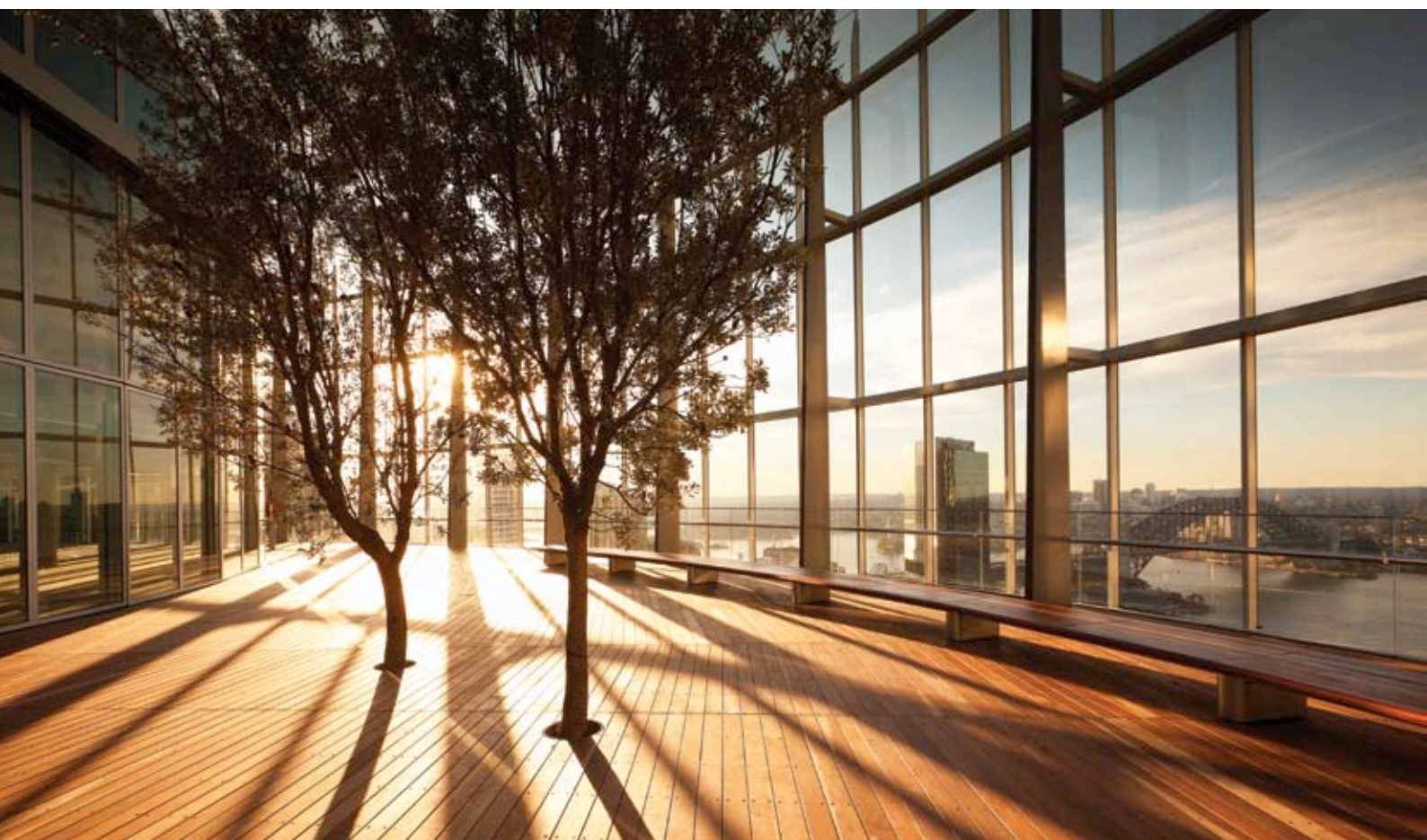
# CORPORATE GOVERNANCE

DEXUS strives to meet the highest ethical, efficiency and governance standards through continually reviewing its processes to deliver enhanced performance and benefits to its stakeholders.

## Leading practice corporate governance

DEXUS believes that good corporate governance benefits not only its investors and the broader community but also its employees. Good corporate governance requires transparency and the right people making the best decisions based on quality information. DEXUS ensures its people are involved in upholding the highest standards of corporate responsibility.

ASX Corporate Governance Principles and recommendations	Complies	DEXUS Annual Report
<b>Principle 1</b> Lay solid foundations for management and oversight	√	Page 7
<b>Principle 2</b> Structure of the board to add value	√	Pages 8–11
<b>Principle 3</b> Promote ethical and responsible decision making	√	Pages 11–12
<b>Principle 4</b> Safeguard integrity in financial reporting	√	Pages 13–14
<b>Principle 5</b> Make timely and balanced disclosure	√	Page 14
<b>Principle 6</b> Respect the rights of shareholders	√	Page 15
<b>Principle 7</b> Recognise and manage risk	√	Pages 16–17
<b>Principle 8</b> Remunerate fairly and responsibly	√	Page 17





## Board performance

During the year, an independent consultant was engaged to facilitate a review of the Board and Board committees addressing:

- The role of the Board
- Board interaction with management
- Board composition and the contribution of each Director
- Board meeting effectiveness and interaction
- Effectiveness of sub committees

The review concluded that DEXUS has a “very strong and capable Board” and made several recommendations for incremental improvement that included:

- Investigating opportunities to optimise the Board’s contribution to DEXUS’s future growth
- Develop a more formal board renewal and transition process
- Consider changes to business performance monitoring and reporting in relation to strategy execution

## Board and Board committee membership

In February 2013, Craig Mitchell, Chief Financial Officer of DEXUS Property Group was appointed to the Board of Directors. Craig has been with DEXUS for more than five years and has more than 20 years of financial management and accounting experience with more than 15 years specialising in property. Craig’s knowledge and experience further strengthens the expertise of the Board. Craig also contributes to the Board Finance and the Board Audit, Risk & Sustainability Committees. The Board now comprises ten directors, eight independent and two executive directors.

## Executive and Board Trading

In 2012, the Board determined that Independent Directors should hold a minimum number of DXS securities to enhance alignment of interests. The Board deemed a minimum holding of 50,000 securities to be acquired by 30 June 2015.

At 30 June, 2013, Independent Directors’ holdings in DXS were:

Name	Securities
Chris Beare	100,000
Elizabeth Alexander	100,000
Barry Brownjohn	50,000
John Conde	100,000
Tonianne Dwyer	100,000
Stewart Ewen	100,000
Peter St George	104,000
Richard Sheppard	100,000

## Group Management Committee responsibilities

The Group Management Committee (GMC) comprises eight senior executives. Their biographies are provided on pages 60–61 of this Annual Review. The GMC is responsible for achieving DEXUS’s objectives, including ensuring the prudent financial and risk management of the Group. In 2013, Kevin George and Deborah Coakley joined DEXUS and the GMC. Kevin joined as Executive General Manager, Office & Industrial and is responsible for the performance of property, asset and development management across the Group’s office and industrial portfolios. Deborah is the Executive General Manager, People & Culture and is responsible for setting the culture and leadership direction of the Group. Pat Daniels who was the Executive General Manager, Human Resources retired from DEXUS on 30 June 2013.

## DEXUS Funds Management committees and policies

DEXUS has a number of Board and Management committees that are responsible for the overall corporate governance function of the Group. These committees monitor the performance of their respective parts of the business.

### Board Committees

Audit, Risk & Sustainability Committee  
Compliance Committee  
Finance Committee  
Nomination, Remuneration & Governance Committee

### Management Committees

Group Management Committee  
Capital Markets Committee  
Compliance, Risk & Ethics Committee  
Continuous Disclosure Committee  
Investment Committee  
Project Steering Committee

### Key risk and governance policies

Selection and appointment of Directors  
Performance evaluation  
Directors’ code of conduct  
Diversity policy (including targets)  
Employees’ code of conduct  
Good faith reporting  
Securities trading  
Communications  
Continuous disclosure  
Selection and appointment of external auditor  
Auditor independence  
Risk management  
Environmental management  
Workplace health and safety  
Anti-bribery

DEXUS Board committee terms of reference and governance policies are available at [www.dexus.com/corporategovernance](http://www.dexus.com/corporategovernance)

**1 Farrer Place  
is one of Sydney's  
leading premium  
grade office  
buildings.**

## CASE STUDY

### A new risk management tool benefits property management

DEXUS has revolutionised the way it manages and reports property risk through the development of "Periskope", a new risk management tool.

Focusing on its core capability objective of having the most efficient systems, DEXUS developed a new online real time risk platform that benefits DEXUS's building management services utilising iPads and tablets, and assists insurers to accurately underwrite DEXUS's risk.

The new system provides more accurate and timely data on DEXUS's risk profile, enabling strategic targeting of risk initiatives across the property portfolio.

Designed to facilitate works between DEXUS, CBRE and contractors, the system was also introduced to minimise the costs of risk-related works and potentially drive down insurance premiums. Efficiency gains mean that the CBRE FM Plus team spends more time on providing service excellence to tenants.

The system has the capacity to assist DEXUS when investigating investment opportunities by selectively zoning natural hazard areas and in the property divestment process by providing immediately accessible buyer due diligence data.

The first of its kind, Periskope has the potential to be marketed to other property managers.





## Risk management

DEXUS actively reviews and manages the risks faced by its business over the short, medium and long-term, overseen by the Board Audit, Risk & Sustainability Committee.

In 2013, DEXUS's focus was on its Risk Management Framework, reinforcing its approach to risk identification and management.

DEXUS's key risks and how it responds to them are detailed below.

Key risk	Management strategy
<b>Investment</b>	DEXUS's high quality portfolio is maintained and improved through appropriate quality guidelines and a clear and focused investment strategy
	Direct property market returns are achieved through an effective portfolio diversification strategy together with conservative use of debt capital
	Risk is managed through portfolio diversification, including sector and geographic targets, and by effectively managing the development activity within the portfolio
	All investment decisions (over \$20 million) are endorsed by the Investment Committee and approved by the Board
<b>Leasing</b>	Leasing risk is managed by the Office & Industrial Leadership team and monitored weekly by the Group Management Committee
<b>Liquidity</b>	DEXUS has broadened its capital sources to include domestic and international debt capital markets, as well as local and international financial institutions
	DEXUS has maintained its debt duration of greater than four years
	Liquidity management practices are reviewed quarterly by the Capital Markets Committee and reviewed annually by the Board Finance Committee
<b>Health, Safety &amp; Environment</b>	DEXUS has in place comprehensive programs outlining its obligations and expectations in relation to workplace health and safety, and environmental management
	These programs are subject to annual external audit and improvement plans are monitored by the Office & Industrial Leadership team and the Compliance, Risk and Governance team
	Health, Safety and Environment is also overseen by the Board Audit, Risk & Sustainability Committee
<b>Talent</b>	To ensure effective talent management DEXUS undertakes a semi-annual review of employee performance and corresponding development plans
	DEXUS reviews annually its remuneration framework and compensation to market
	An Employee Opinion Survey is undertaken annually to assess employee engagement and organisation culture and succession plans are in place for all senior executives
	Talent management is owned by the Group Management Committee and overseen by the Board Nomination, Remuneration & Governance Committee
<b>Regulatory risk</b>	DEXUS has a dedicated team responsible for the identification of legislation and regulations that may affect its operations
	Policies are developed and employees trained
	Monitoring of compliance with key obligations is undertaken internally and by independent experts
	The Compliance, Risk & Ethics Committee monitors these programs and the Board Audit, Risk & Sustainability Committee and the Board Compliance Committee oversees their effectiveness

## Executive remuneration – actual cash received

The amounts shown in this table are prepared in accordance with AASB 124 Related Party Disclosures and do not represent actual cash payments received by Executives for the year ended 30 June 2013. Amounts shown under Long-Term Benefits reflect the accounting expenses recorded during the year with respect to prior year deferred remuneration and awards that have or are yet to vest. For performance payments and awards made with respect to the year ended 30 June 2013, refer to the Performance Pay Outcomes section in the 2013 DEXUS Annual Report.

Executive	Year	Short-Term Benefits			Post-Employment Benefits		Share Based & Long-Term Benefits				Total
		Cash Salary	STI Cash Award <sup>1</sup>	Other Short-Term Benefits <sup>2</sup>	Pension & Super Benefits <sup>3</sup>	Termination Benefits	Deferred STI Plan Accrual <sup>4</sup>	DDPP Plan Accrual <sup>5</sup>	Transition Plan Accrual <sup>6</sup>	LTI Plan Accrual <sup>7</sup>	
Darren J Steinberg	2013	1,383,530	1,312,500	500,000	16,470	–	182,284	–	105,000	204,200	3,703,984
	2012	461,409	360,000	1,500,000	5,258	–	–	–	105,000	–	2,431,667
Craig D Mitchell	2013	733,530	562,500	–	16,470	–	78,122	172,790	125,000	64,349	1,752,761
	2012	734,225	500,000	–	15,775	–	–	328,664	125,000	–	1,703,664
Kevin L George <sup>8</sup>	2013	338,954	247,500	634,383	12,008	–	219,374	–	–	59,029	1,511,248
	2012	–	–	–	–	–	–	–	–	–	–
Ross G Du Vernet <sup>8</sup>	2013	424,305	288,750	–	16,470	–	40,103	–	50,000	42,899	862,527
	2012	–	–	–	–	–	–	–	–	–	–
Sub Total	2013	2,880,319	2,411,250	1,134,383	61,418	–	519,883	172,790	280,000	370,477	7,830,520
	2012	1,195,634	860,000	1,500,000	21,033	–	–	328,664	230,000	–	4,135,331
<b>Former Key Management Personnel (KMP)</b>											
Tanya L Cox	2013	433,530	201,000	–	16,470	–	27,916	75,408	50,000	23,166	827,490
	2012	434,225	200,000	–	15,775	–	–	149,140	50,000	–	849,140
John C Easy	2013	426,530	281,250	–	23,470	–	39,061	76,234	50,000	23,166	919,711
	2012	427,225	200,000	–	22,775	–	–	158,013	50,000	–	858,013
Other former KMPs <sup>9</sup>	2013	–	–	–	–	–	–	791,650	–	–	791,650
	2012	1,879,415	1,175,000	923,834	31,550	2,300,000	–	2,479,864	–	–	8,789,663
<b>Total</b>	<b>2013</b>	<b>3,740,379</b>	<b>2,893,500</b>	<b>1,134,383</b>	<b>101,358</b>	<b>–</b>	<b>586,860</b>	<b>1,116,082</b>	<b>380,000</b>	<b>416,809</b>	<b>10,369,371</b>
	<b>2012</b>	<b>3,936,499</b>	<b>2,435,000</b>	<b>2,423,834</b>	<b>91,133</b>	<b>2,300,000</b>	<b>–</b>	<b>3,115,681</b>	<b>330,000</b>	<b>–</b>	<b>14,632,147</b>

1. FY13 annual cash STI performance award, payable in August 2013.

2. Mr Steinberg's sign-on conditions included access to an additional \$500,000 subject to performance in FY13.

Mr George received a cash sign-on payment of \$250,000, a cash payment of \$170,000 as compensation for foregone remuneration and various relocation benefits.

3. Includes employer contributions to superannuation under the superannuation guarantee legislation and salary sacrifice amounts.

4. Reflects the accounting expense accrued during the financial year for Deferred STI awards made with respect to FY13 performance. Refer to Note 36 of the DXS Financial Statements.

Mr George's accrual also includes accounting for Performance Rights detailed later in this report as Special Terms.

5. FY10 and FY11 DDPP legacy plan only applicable to Mr Mitchell and former KMP Ms Cox and Mr Easy. Reflects the accounting expense accrued during the financial year.

6. FY13 Transition plan applicable to all KMP and former KMP, excluding Mr George. Reflects the accounting expense accrued during the financial year.

7. Reflects the accounting expense accrued during the financial year for LTI grants made with respect to FY13. Refer to Note 36 of the DXS Financial Statements.

8. Mr Du Vernet joined the Group on 7 May 2012 and was appointed KMP with effect 1 July 2013. No prior year remuneration is disclosed on that basis.

Mr George joined the Group on 10 December 2012 and was appointed KMP with effect 10 December 2012. No prior year remuneration is disclosed on that basis.

9. Other former KMPs, Mr Hoog Antink and Mr Say are disclosed for completeness. Refer to the 2012 Remuneration Report for more detail.



## Non-Executive Director's Statutory Accounting Table

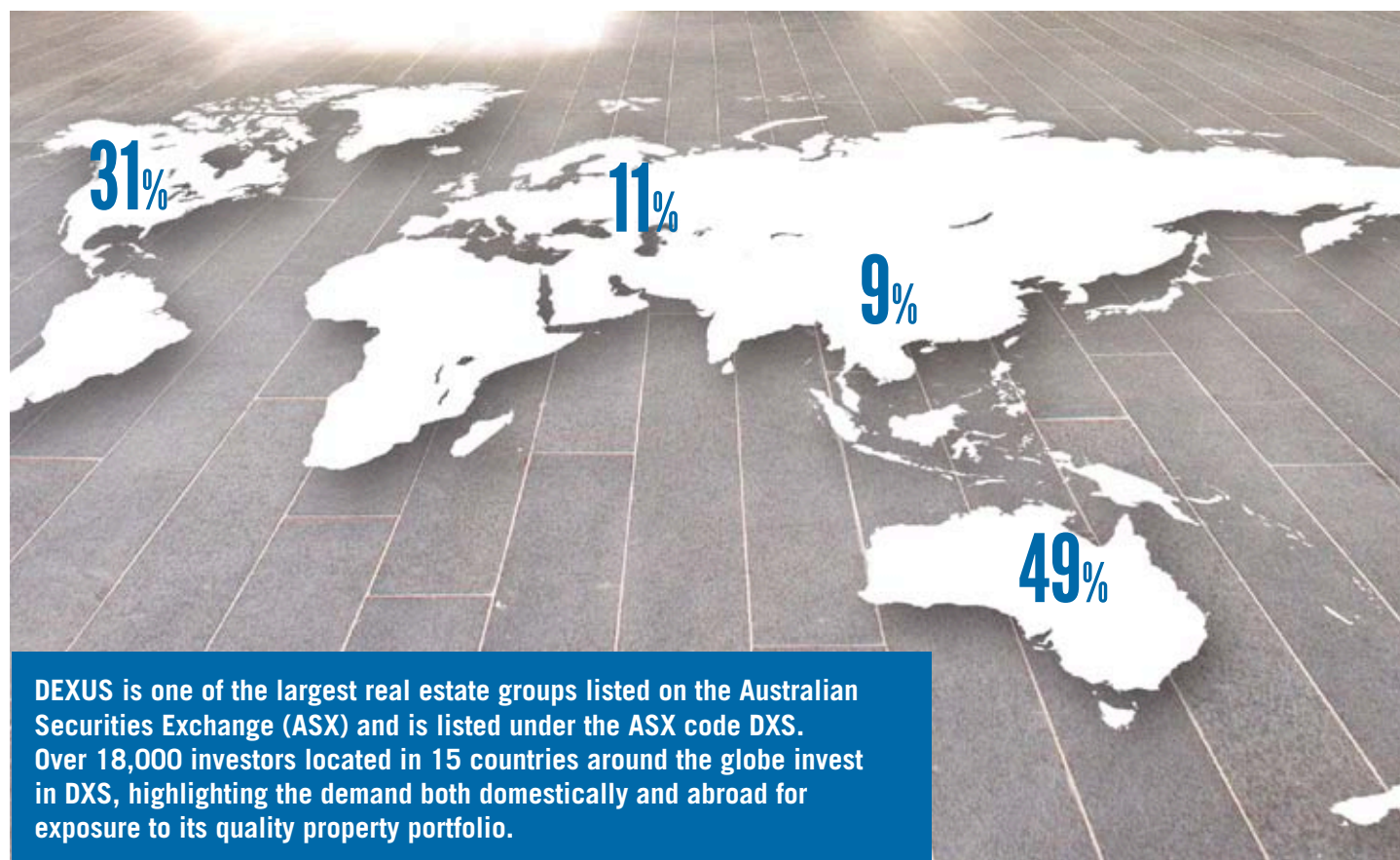
The amounts shown in this table are prepared in accordance with AASB 124 Related Party Disclosures. The table is a summary of the actual cash and benefits received by each Non-Executive Director for the year ended 30 June 2013.

Executive	Year	Short Term Benefits	Post-Employment Benefits	Other Long Term Benefits	Total
Christopher T Beare	2013	333,530	16,470	–	350,000
	2012	334,225	15,775	–	350,000
Elizabeth A Alexander AM	2013	178,899	16,101	–	195,000
	2012	170,539	24,461	–	195,000
Barry R Brownjohn	2013	165,138	14,862	–	180,000
	2012	172,018	15,482	–	187,500
John C Conde AO	2013	165,138	14,862	–	180,000
	2012	158,257	14,243	–	172,500
Tonianne Dwyer <sup>1</sup>	2013	158,257	14,243	–	172,500
	2012	132,225	11,900	–	144,125
Stewart F Ewen OAM	2013	141,000	24,000	–	165,000
	2012	109,052	48,448	–	157,500
W Richard Sheppard <sup>2</sup>	2013	158,257	14,243	–	172,500
	2012	74,541	6,709	–	81,250
Peter B St George	2013	151,376	13,624	–	165,000
	2012	165,138	14,862	–	180,000
<b>Total</b>	<b>2013</b>	<b>1,451,595</b>	<b>128,405</b>	<b>–</b>	<b>1,580,000</b>
	<b>2012</b>	<b>1,315,995</b>	<b>151,880</b>	<b>–</b>	<b>1,467,875</b>

1. Ms Dwyer was appointed on 24 August 2011.

2. Mr Sheppard was appointed on 1 January 2012.

# INVESTOR RELATIONS



DEXUS's Investor Relations team drives and facilitates communication with existing and potential institutional investors, sell-side analysts and retail investors. The team, alongside DEXUS senior management, maintains a strong rapport with the investment community through proactive and regular investor engagement initiatives.

**DEXUS is committed to ensuring equal access to information for all investors.**

DEXUS strives to ensure high levels of transparency and disclosure by:

- Releasing accurate and relevant information to investors to ensure they can make informed investment decisions
- Providing regular access to senior management through one-on-one presentations, meetings, site tours, conferences, dedicated investor road shows, conference calls and webcasts

During FY13, DEXUS hosted a number of investor conferences, property tours and participated in investor roadshows in Singapore, Hong Kong, London and the United States.

DEXUS is committed to ensuring all investors have equal access to information about its investment activities. In line with the Group's commitment to long term integration of sustainable business practices, investor communications are provided via various electronic methods.

A wide range of information including ASX announcements, the annual reporting suite, presentations, corporate governance policies, Board of Directors and Executive team information is available at [www.dexus.com](http://www.dexus.com)

In addition, DEXUS has various communication tools available on its website, including:

#### **ONLINE ENQUIRY**

[www.dexus.com/contact](http://www.dexus.com/contact) including an online enquiry form

#### **INVESTOR LOGIN**

[www.dexus.com/dxs](http://www.dexus.com/dxs) allowing investors to update their details and choose delivery methods for their communications

#### **SUBSCRIBE TO ALERTS**

[www.dexus.com/media](http://www.dexus.com/media) enables investors to receive ASX and media releases as they are released

#### **CREATE YOUR PROPERTY REPORT**

[www.dexus.com/properties](http://www.dexus.com/properties) enables investors to download individual or Group property information



DEXUS commissions an independent investor perception study twice a year to gather feedback from the institutional investment community. The study involves an independent consultant conducting interviews with institutional investors and sell-side analysts to gauge investor thoughts on a number of attributes and report on the findings. The results help DEXUS's Board and Executive team understand the investment community's perceptions and concerns and assists in the development of DEXUS's communications and enhancing the effectiveness of the Group's Investor Relations efforts.

### Annual General Meeting

On Tuesday, 29 October 2013, DEXUS's Annual General Meeting (AGM) will be held at DEXUS's Head Office, Level 25 Australia Square, 264 George Street, Sydney commencing at 2.00pm. Investors are encouraged to attend the AGM in person and to meet the Board of Directors and the Executive team. The AGM will be webcast at [www.dexus.com](http://www.dexus.com) for investors who are unable to attend in person.

### Distribution payments

DEXUS's payout policy is to distribute between 70%–80% of Funds From Operations (FFO), in line with free cash flow, with the expectation that the average payout ratio will be 75% of FFO. Distributions are paid for the six month period to 31 December and 30 June each year. Distribution statements are available in print and electronic formats and distributions are paid via direct credit into nominated bank accounts or by cheque. To change the method of receiving distributions, please use the investor login facility at [www.dexus.com/dxs](http://www.dexus.com/dxs)

### Unclaimed distribution income

If you believe you have unrepresented cheques or unclaimed distribution income, please contact the DXS Infoline on 1800 819 675. For monies outstanding greater than seven years, please contact the NSW Office of State Revenue on 1300 366 016, use their search facility at [osr.nsw.gov.au](http://osr.nsw.gov.au) or email [unclaimedmoney@osr.nsw.gov.au](mailto:unclaimedmoney@osr.nsw.gov.au)

### Annual taxation statements

An annual taxation statement is sent to investors in August each year. The statement summarises distributions provided during the financial year and includes information required to complete your tax return. Annual taxation statements are also available online at [www.dexus.com/dxs](http://www.dexus.com/dxs) via the investor login facility.

### Making contact

If you have any questions regarding your security holding or wish to update your personal or distribution payment details, please contact the Registry by calling the DXS Infoline on 1800 819 675. This service is available from 8.30am to 5.30pm (Sydney time) on all business days. All correspondence should be addressed to:

DEXUS Property Group  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1234

DEXUS is committed to delivering a high level of service to all investors. Should there be some way you feel that DEXUS could improve its service or you want to make a suggestion or complaint, your feedback is appreciated. DEXUS's contact details are:

Investor Relations  
DEXUS Property Group  
PO Box R1822  
Royal Exchange NSW 1225  
[ir@dexus.com](mailto:ir@dexus.com)

DEXUS Funds Management Limited is a member of Financial Ombudsman Service (FOS), an independent dispute resolution scheme. If you are not satisfied with the resolution of your complaint by DEXUS, you may refer your complaint to FOS.

### 2014 distribution calendar

Period end	ASX announcements	Ex-distribution date	Record date	Payment date
31 Dec 2013	19 Dec 2013	23 Dec 2013	31 Dec 2013	28 Feb 2014
30 Jun 2014	19 Jun 2014	24 Jun 2014	30 Jun 2014	29 Aug 2014

Please note that these dates are indicative and are subject to change without prior notice. Any changes in our key dates will be published on our website.

### CASE STUDY

## DEXUS Investor Relations App for iPhone, iPad and Android



During the year the DEXUS Investor Relations App for iPhone, iPad and Android mobile devices was launched. The IR App allows users to navigate investor relations communications as well as receive a DXS stock quote and other important stock information. The DEXUS IR App provides current and future investors with instant access to the latest stock price, ASX announcements, presentations, reports, webcasts and more. The IR App was launched to help ensure that investors have instant access to corporate and stock information. DEXUS was one of the early adopters of this mobile technology which assists in creating broader awareness of the Group throughout the investment community. The DEXUS IR App is available to download for free at Apple's App Store and at Google Play.



### 2014 reporting calendar

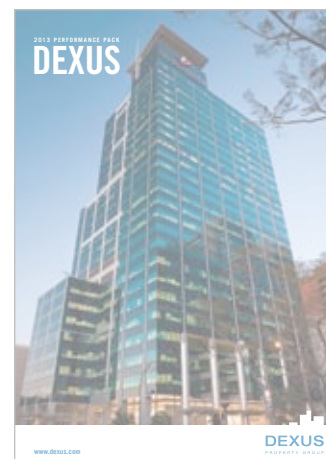
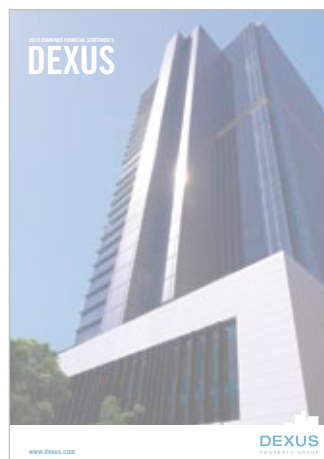
2013 Annual General Meeting	29 October 2013
2014 Half year results	12 February 2014
2014 Annual results	14 August 2014
2014 Annual General Meeting	29 October 2014

## GLOSSARY

TERM	MEANING
<b>AGM</b>	Annual General Meeting
<b>AIFRS</b>	Australian International Financial Reporting Standards
<b>A-REIT</b>	Australian Real Estate Investment Trust
<b>ASX</b>	Australian Securities Exchange Limited
<b>Baa1 rating</b>	A Moody's credit rating
<b>BBB+ rating</b>	A Standard & Poor's credit rating
<b>Buy-back</b>	The repurchase of stock by the company that issued it
<b>Carbon neutral</b>	Achieving net zero carbon emissions by balancing a measured amount of carbon released with an equivalent amount sequestered or offset
<b>Capitalisation rate</b>	Cap rate: ratio between the net operating income produced by an asset and its capital cost
<b>CBD</b>	Central Business District
<b>CO<sub>2</sub></b>	Carbon Dioxide
<b>CPI</b>	Consumer Price Index
<b>CR&amp;S</b>	Corporate Responsibility and Sustainability
<b>DEXUS Property Group, DEXUS Group, DEXUS or the Group</b>	DXS and the Third Party Funds Management business
<b>DXS or the Trusts</b>	The four Trusts that comprise DEXUS Property Group stapled security: DEXUS Diversified Trust (DDF), DEXUS Industrial Trust (DIT), DEXUS Office Trust (DOT) and DEXUS Operations Trust (DXO)
<b>DJSI</b>	Dow Jones Sustainability Indexes: which track the stock performance of the world's leading companies in terms of economic, environmental and social criteria
<b>DRP</b>	Distribution Reinvestment Plan
<b>Duration of debt or debt duration</b>	The average term to maturity of all amounts drawn down under debt facilities
<b>DWPF</b>	DEXUS Wholesale Property Fund
<b>DXFM</b>	DEXUS Funds Management Limited, the Responsible Entity for each of the four Trusts that comprise DEXUS Property Group
<b>EBIT</b>	Earnings Before Interest and Tax
<b>Effective Rent</b>	The rental rate of a lease taking into account tenant fit-out incentives, cash incentives and rent free periods
<b>FFO</b>	Funds from Operations. This term is often used as a measure of real estate operating performance after finance costs and taxes. At DEXUS it 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 market to market impacts, amortisation of certain tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees and coupon income
<b>FOS</b>	Financial Ombudsman Service, an independent dispute resolution scheme
<b>FY12/FY13/FY14</b>	Financial year to 30 June 2012/Financial year to 30 June 2013/Financial year to 30 June 2014
<b>Green lease</b>	Clauses inserted into a lease reporting both parties to minimise their impact upon the environment and their use of resources
<b>Green Star</b>	A comprehensive, national, voluntary environmental rating system that evaluates the environmental design and construction of buildings and communities
<b>Green Star – Office As Built v2</b>	A rating tool that assesses the delivery of the same environmental design criteria as in Green Star – Office Design v2, but at construction completion
<b>GRI</b>	Global Reporting Initiative – a non-profit organisation that promotes economic sustainability. It produces standards for sustainability reporting by corporations
<b>Headroom</b>	The total of all amounts under debt facilities not yet drawn but available to be drawn plus cash
<b>Heads of Agreement</b>	An agreement between tenant and landlord of the commercial terms and conditions of a lease
<b>Hedged debt</b>	The amount of drawn debt subject to a contracted fixed or capped interest rate (this includes fixed rate bonds and bank debt not converted by interest rate swaps to floating rate debt)



<b>TERM</b>	<b>MEANING</b>
<b>IPD</b>	Investment Property Databank, a world leader in performance analysis for owners, investors, managers and occupiers of real estate
<b>Intensity</b>	Graph data is provided on an “intensity per square metre” basis which enables like-for-like comparisons year-on-year, excluding property acquisitions, disposals and developments during the period. Note: all environmental data includes only properties under our operational control as defined under NGERS
<b>Internal rate of return (IRR)</b>	A rate of return used in capital budgeting to measure and compare the profitability of investments
<b>KPI</b>	Key Performance Indicators
<b>KMP</b>	Key Management Personnel
<b>Lease duration</b>	The remaining term to expiry of a lease
<b>Like-for-like</b>	A comparison using a consistent group of properties
<b>LTI</b>	Long term incentive
<b>Megajoule</b>	A measurement of energy
<b>NABERS</b>	National Australian Built Environment Rating System
<b>NLA</b>	Net lettable area
<b>NGERS</b>	National Greenhouse and Energy Reporting System
<b>NOI</b>	Net operating income
<b>NTA</b>	Net tangible assets
<b>Operational control</b>	A company is deemed to have operational control of premises when it has the authority to introduce and implement operating, health and safety and/or environmental policies
<b>Pre-lease</b>	To obtain lease commitments in a building or complex prior to it being available for occupancy
<b>Premium/A-grade/B-grade etc</b>	A quality rating, developed by the Property Council of Australia for office buildings
<b>REIT</b>	Real Estate Investment Trust
<b>RENTS</b>	Real-estate perpetual Exchangeable Step-up Securities – DEXUS RENTS Trust (ASX code: DXRPA)
<b>Responsible entity</b>	An Australian public company holding an Australian Financial Services Licence who holds the dual role of trustee and manager of a managed investment scheme, as prescribed by the Commonwealth Corporations Act (2001)
<b>Sector/(s)</b>	Property investment sectors, specifically, office, industrial and retail
<b>S&amp;P</b>	Standard & Poor’s rating agency
<b>Sqm</b>	Square metres
<b>STI</b>	Short term incentive
<b>Tenant incentive</b>	A property industry standard practice. Tenants may be offered incentives by property owners who pay a given amount towards the tenant’s fit-out and/or a rent free period at commencement of the lease
<b>UNPRI</b>	United Nations Principles for Responsible Investment, a network of international investors working together to put the six Principles for Responsible Investment into practice
<b>WALE</b>	Weighted Average Lease Expiry. The weighted average lease term remaining to expire across a portfolio, it can be weighted by rental income or square metres
<b>Yield (initial/passing)</b>	The annualised rents of a property expressed as a percentage of the property value



DEXUS Property Group presents its 2013 Annual Reporting Suite and supporting material for the year ended 30 June 2013:

1. This 2013 DEXUS Annual Review – an integrated report summarising our financial, operational and Corporate Responsibility and Sustainability (CR&S) performance.
2. The 2013 DEXUS Annual Report – provides DEXUS's Consolidated Financial Statements, Corporate Governance Statement and Board of Directors information. This document should be read in conjunction with the 2013 DEXUS Annual Review.
3. The 2013 DEXUS Combined Financial Statements – the Financial Statements of DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust. This document should be read in conjunction with the 2013 DEXUS Annual Report and Annual Review.
4. The 2013 DEXUS Performance Pack – provides the data and detailed information supporting the results outlined in the 2013 DEXUS Annual Review and will be available in our online Annual Reporting Suite from early September 2013.

In these reports, DEXUS demonstrates how it manages its financial and non-financial performance in line with its strategy. Further CR&S information can be found on our website at [www.dexus.com/crs](http://www.dexus.com/crs)

The Annual Reporting Suite is available in hard copy by email request to [ir@dexus.com](mailto:ir@dexus.com) or by calling 1800 819 675. The online Annual Reporting Suite is available at [www.dexus.com](http://www.dexus.com) and will be online from early September 2013.

### Report scope

The Annual Review covers our financial performance at all locations. Environmental data only includes properties under our operational control as defined under the National Greenhouse and Energy Reporting System (NGER Act). All resource graphs in this report display consumption and GHG emissions on an intensity (per square metre) basis. Absolute consumption and additional information is provided in the Performance Pack in our online reporting suite at [www.dexus.com](http://www.dexus.com) available from early September 2013.

### Independent assurance

In addition to auditing our Financial Statements, PricewaterhouseCoopers (PwC) has provided limited assurance over select data from Australia and New Zealand within our integrated online reporting suite. This covers the 12 months to 30 June 2013 in accordance with our reporting criteria ([www.dexus.com/crs](http://www.dexus.com/crs)). The assurance statement, the GRI verification report and associated reporting criteria documents will be available from our online reporting suite from early September 2013.



**DEXUS Diversified Trust**  
ARSN 089 324 541

**DEXUS Industrial Trust**  
ARSN 090 879 137

**DEXUS Office Trust**  
ARSN 090 768 531

**DEXUS Operations Trust**  
ARSN 110 521 223

### Responsible Entity

**DEXUS Funds Management Limited**  
ABN 24 060 920 783  
AFSL 238163

### Directors of the Responsible Entity

Christopher T Beare, Chair  
Elizabeth A Alexander AM  
Barry R Brownjohn  
John C Conde AO  
Tonianne Dwyer  
Stewart F Ewen OAM  
Craig D Mitchell, CFO  
W Richard Sheppard  
Darren J Steinberg, CEO  
Peter B St George

### Secretaries of the Responsible Entity

Tanya L Cox  
John C Easy

### Registered office of the Responsible Entity

Level 25, Australia Square  
264 George Street  
Sydney NSW 2000

PO Box R1822  
Royal Exchange  
Sydney NSW 1225

Phone: +61 2 9017 1100  
Fax: +61 2 9017 1101  
Email: [ir@dexus.com](mailto:ir@dexus.com)  
[www.dexus.com](http://www.dexus.com)

### Auditors

**PricewaterhouseCoopers**  
Chartered Accountants  
201 Sussex Street  
Sydney NSW 2000

### Investor enquiries

Registry Infoline: 1800 819 675  
Investor Relations: +61 2 9017 1330  
Email: [ir@dexus.com](mailto:ir@dexus.com)  
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Open Monday to Friday between 8.30am and 5.30pm (Sydney time).

For enquiries regarding your holding you can contact the security registry, or access your holding details at [www.dexus.com](http://www.dexus.com) using the Investor login link.

### Australian Securities Exchange

ASX Code: DXS

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