

**DEXUS**  
PROPERTY GROUP

DEXUS Funds Management Limited  
ABN 24 060 920 783  
Australian Financial Services Licence Holder  
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19 March 2008

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

Dear Sir / Madam

**DEXUS Property Group (ASX: DXS): Half Year Report for period ending 31 December 2007**

DEXUS Funds Management Limited, as responsible entity for DEXUS Property Group, provides a copy of the December 2007 Half Year Report and an introductory letter to investors.

For further information, please contact:

Fund Manager, DEXUS Property Group:	Ben Lehmann	(02) 9017 1266
Investor Relations:	Karol O'Reilly	(03) 8611 2930
Media Relations:	Emma Parry	(02) 9017 1133

Yours sincerely

Tanya Cox  
Company Secretary



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14 March 2008

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AFSL: 238163

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Royal Exchange NSW 1225

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[www.dexus.com](http://www.dexus.com)

Dear Investor,

### DEXUS Property Group December 2007 Half Year Report

I am pleased to present the half year report for DEXUS Property Group for the period ending 31 December 2007.

As we announced on 21 February 2008, DB RREEF rebranded to DEXUS Property Group (ASX: DXS). Simultaneously, the Group acquired Deutsche Bank's 50 percent interest in DB RREEF Holdings Pty Limited and became 100 percent internally managed.

This half year report has been prepared reflecting the new brand and name, DEXUS Property Group. If you have any questions, please contact Investor Relations on (02) 9017 1330 or visit our new website at [www.dexus.com](http://www.dexus.com)

On behalf of the Board, I would like to thank you for your continued support during this exciting transition period. I look forward to bringing you future updates on the development of DEXUS Property Group.

Yours sincerely,

Victor P Hoog Antink  
Chief Executive Officer  
DEXUS Property Group

# DEXUS Property Group

Half Year Report 2007



**DEXUS**  
PROPERTY GROUP

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DEXUS. Redefining the property skyline.

## Welcome to DEXUS

On February 21 2008, DB RREEF acquired Deutsche Bank's 50 percent interest in DB RREEF Holdings Pty Ltd and rebranded to DEXUS Property Group.

This strategic move fully aligns interests with DEXUS investors to deliver 100 percent investment return and better positions the group to expand internationally in its own right and name in the long-term. The acquisition maintains the continuity and expertise of the management team and the Board, and the highest levels of corporate governance.

# Key results

	30 Jun 2007	31 Dec 2007
Closing price (ASX code: DXS)	\$1.97	\$2.00
Net tangible assets per security	\$1.82	\$1.90
Number of securities on issue	2.89bn	2.93bn
Number of security holders	25,925	23,398
	<b>\$bn</b>	<b>\$bn</b>
Market capitalisation	5.7	5.9
Total assets	9.5	9.7
Borrowings	3.4	2.9
Gearing (look through basis)	35.6%	31.3%
Net assets	5.7	5.8
Third party funds under management	4.6	6.2
Total funds under management	13.6	15.2
<b>Property</b>	<b>30 Jun 2007</b>	<b>31 Dec 2007</b>
Number of property investments (DXS)	198	205
Portfolio occupancy	96.7%	95.1%
Portfolio average lease duration	5.3 years	4.9 years
	<b>31 Dec 2006</b>	<b>31 Dec 2007</b>
Distributions (\$m)	160	173
Distributions (cents per security)	5.60	5.90



As we enter this new phase of the group's evolution, we will continue to maintain a strategic relationship with RREEF Alternative Investments and Deutsche Bank, while continuing to build on our track record and new brand identity.

A new brand, the same team of specialists, to find out more visit [www.dexus.com](http://www.dexus.com)

FRONT COVER: Governor Phillip and Governor Macquarie Towers, Sydney NSW

ABOVE: 383–395 Kent Street, Sydney NSW; Axxess Corporate Park, Cnr Ferntree Gully & Gilby Roads, Mount Waverly VIC; The Zenith, 821–843 Pacific Highway, Chatswood NSW

# Chief Executive Officer's report

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View from Governor Phillip and Governor Macquarie Towers, Sydney NSW

I AM PLEASED TO PRESENT THIS HALF YEAR REPORT  
TO SECURITY HOLDERS OF DEXUS PROPERTY GROUP  
FOR THE SIX MONTHS TO 31 DECEMBER 2007

Our high quality portfolio and proactive management approach to property and financial fundamentals continued to deliver consistent earnings growth, resulting in a strong performance during the half year period.

## Portfolio performance

### Delivering growth

Total income was \$691.7 million, with profit attributable to security holders of \$432.7 million. DEXUS Property Group paid distributions for the half year of \$173.0 million. This represented 5.90 cents per security, an increase of 5.4 percent for the same period last year.

At 31 December 2007, total assets were \$9.7 billion, up 2.2 percent. Net tangible assets increased during the half year by 4.4 percent to \$1.90 per stapled security.

### Strong property fundamentals

Our continued focus has been to enhance and maintain our high quality portfolio in Australia and overseas and progress our development pipeline, thereby attracting and retaining quality tenants with long-term covenants. Key fundamentals of the portfolio have remained strong throughout the half year.

During the period, DEXUS Property Group continued its leasing success resulting in an overall occupancy rate of 95.1 percent and an average lease duration of 4.9 years.

### Domestic and international expansion

Acquisitions in the half year included land in Australia for development and industrial properties and development land in the US. In addition, we have approximately A\$259 million of future acquisition commitments in the US through the Whirlpool investment program.

# Chief Executive Officer's report (continued)

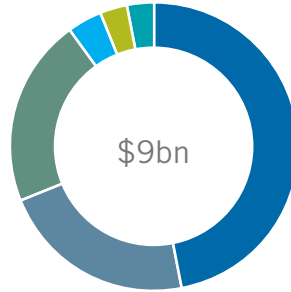
Together these acquisitions build on our strategy for Australian and international expansion, and provide investors with exposure to quality property assets diversified across geographic regions.

In addition, we have delivered on our strategy to enhance our development pipeline with 10 development projects underway in the industrial and office portfolios, at an estimated cost of \$971 million. Total developments, including future pipeline, have an estimated cost on completion of more than \$2.1 billion.

## Diversification

Our portfolio is diversified across the office and industrial sectors in Australia and internationally, as shown in the adjacent pie chart.

Portfolio diversification as at 31 December 2007



Office AUS/NZ <sup>1</sup>	47%
Industrial North America	22%
Industrial AUS	21%
Industrial Europe	4%
Retail AUS	3%
Cash/Other	3%

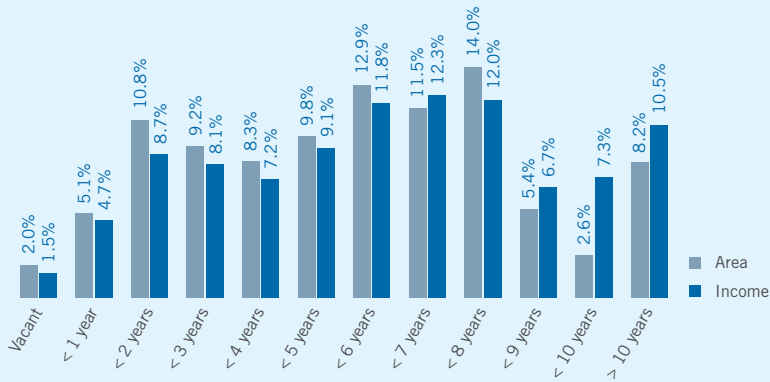
1 Office includes car parks.

L-R: One Margaret Street, Sydney NSW; CTC at Valwood 13755 Hutton Drive, Dallas TX; 44 Market Street, Sydney NSW





### Australian/New Zealand office lease expiry profile as at 31 December 2007



## Office

### Australia/New Zealand

Our very high quality office portfolio, which is 92 percent Premium and A-grade, is valued at \$4.3 billion, up 7.5 percent. Revaluations during the period contributed \$293 million to the portfolio's increased value.

The Australian/New Zealand office portfolio consists of 26 office buildings, including four car parks. The portfolio contributed \$116 million or 44.6 percent to net property income, with like for like property income increasing by 5 percent over the period. As at 31 December 2007 the portfolio was 9 percent under rented, providing scope for future income growth.

We continue to actively manage our portfolio and as a result of strong leasing activity throughout the half year, our office portfolio

occupancy rate was 98 percent (compared to the average market occupancy rate of 96.1 percent<sup>1</sup>) and the average lease duration was 5.9 years, compared to 6.2 years at 30 June 2007.

In the office sector we are currently progressing three development opportunities with an estimated cost on completion of \$771 million. These include:

- Space 1 Bligh Sydney, NSW – a 42,000 square metre, 6 Star Green Star office tower located in the heart of the CBD. Construction works will begin in March 2008 with an estimated cost on completion of \$393<sup>2</sup> million. Discussions with potential tenants are ongoing.

1 Source: Jones Lang LaSalle.

2 DEXUS Property Group's interest.

# Chief Executive Officer's report (continued)

## Office (continued)

- 123 Albert Street Brisbane, QLD – a 38,667 square metre, 6 Star Green Star office tower located in the Brisbane CBD. Global mining group Rio Tinto signed on as the major tenant in February 2008, occupying 67 percent of the building. Demolition works have commenced on the existing car park and construction of the new building is scheduled for completion in late 2010. 123 Albert Street has an estimated cost on completion of \$350 million.
- Victoria Cross North Sydney, NSW – an extension to the existing lower five levels is underway creating an additional 4,826 square metres of office space. The development has an estimated cost of \$27.6 million and an estimated yield on cost of 7.6 percent when complete in early 2009.

## Retail

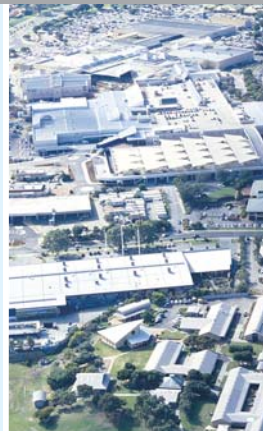
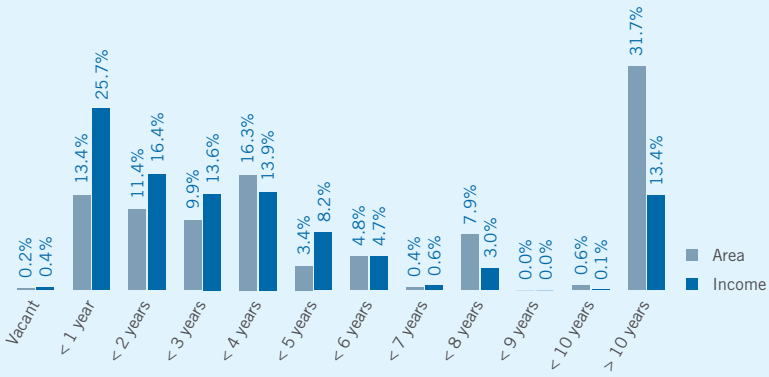
### Australia

In October 2007, DEXUS Property Group divested its 50 percent interest in five shopping centres to the DEXUS Wholesale Property Fund.

The remaining retail asset, Whitford City, Perth WA, is scheduled for sale in the 2008/09 financial year, thereby fully focusing the portfolio in the office and industrial sectors.

Westfield Whitford City Shopping Centre, Whitford Avenue & Lot 6 Endeavour Road, Hillarys WA

### Australian retail lease expiry profile as at 31 December 2007



## Industrial

Our industrial portfolio performed well during the period in Australia and the US as a result of strong property fundamentals with continued high occupancy levels and strong retention rates.

The portfolio is well diversified with a strong weighting to Australia and the US, delivering strong returns during the period.

While we expect to see a continued softening in the European and US markets, the quality and diversification of our portfolio stands us in good stead to deliver consistently strong returns.

### Australian portfolio

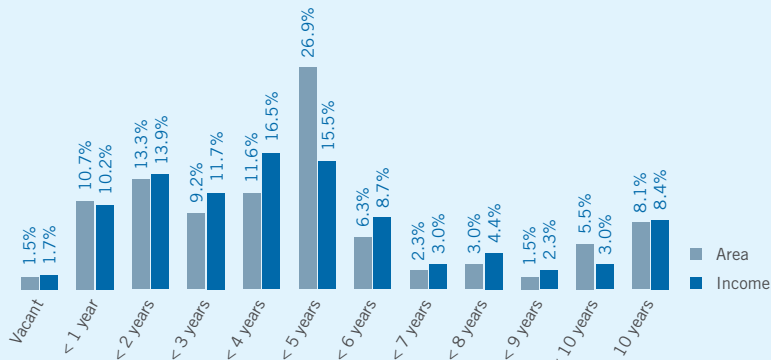
The Australian industrial portfolio was valued at \$1.9 billion at 31 December 2007, up 5.6 percent from 30 June 2007. Revaluations during the period were \$88 million representing an increase of 5.0 percent.

The portfolio consists of 41 industrial properties and contributed \$59 million or 22.7 percent of total net property income for the half year. Occupancy remained high at 98.5 percent, up from 98.3 percent at 30 June 2007, with an average lease duration of 4.5 years.

The Australian industrial development pipeline was further increased by the acquisition of 47.6 hectares of land at Greystanes, NSW in December 2007. The total acquisition price of the Greystanes Industrial Estate will be \$157.7 million, to be paid in instalments over the next three to five years as the serviced land is delivered. The total cost of developing the estate is estimated to be \$268 million.

Top to bottom: 11 Talavera Road, Macquarie Park NSW; 1 Foundation Place, Greystanes NSW

### Australian industrial lease expiry profile as at 31 December 2007



# Chief Executive Officer's report (continued)

## Industrial (continued)

The Australian industrial portfolio has three developments underway costing \$25.1 million.

There are five developments in the future pipeline which will be delivered in the next three to five years for an estimated cost of \$970 million.

In December 2007, we sold a 50 percent interest in the Coles Chilled Distribution Centre at the DEXUS Industrial Estate in Laverton North to the Group's AXA mandate for A\$58 million. This sale is consistent with our continued focus on crystallising value from the development process for investors.

## European portfolio

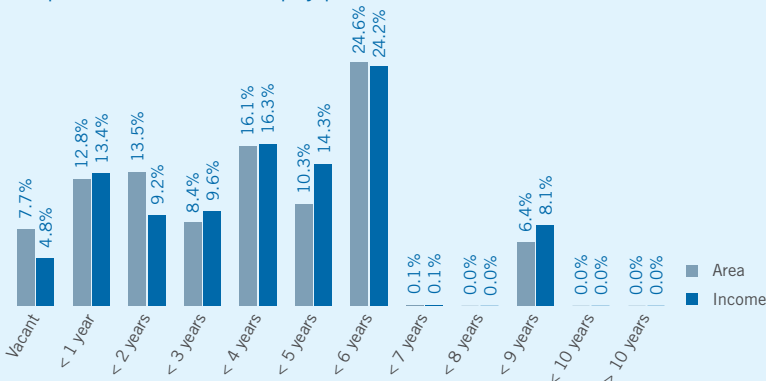
The DEXUS Property Group's European portfolio comprises 20 industrial properties in France and Germany, with a combined book value of \$329.6 million, representing 3.7 percent of the DEXUS Property Group portfolio.

Revaluations during the period were down \$34 million as a result of the softening conditions in the European property markets.

DEXUS Property Group's European industrial portfolio contributed \$11 million or 4.2 percent to net property income. Occupancy remains stable at 92.0 percent, with an average lease duration of 3.9 years.

Top to bottom: Liverpooler/Kopenhagener/Osloer Straße, Duisburg Germany; Former Straße, Unna Germany

European industrial lease expiry profile as at 31 December 2007



## North American portfolio

The North American industrial portfolio of 117 properties is valued at approximately \$2.0 billion, an increase of \$495.9 million or 34 percent from 30 June 2007. Revaluations during the period declined moderately by \$10 million or 0.5 percent.

The portfolio delivered another strong performance, contributing \$54 million or 20.8 percent to net property income, with like on like growth of 7 percent. Occupancy stands at 92.3 percent, with an average lease duration of 3.6 years.

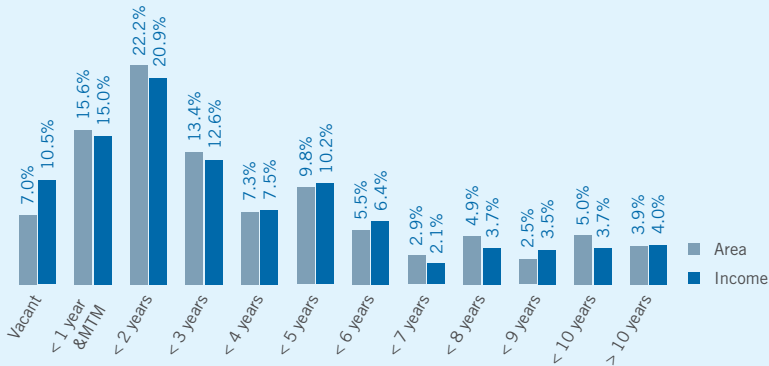
The North American industrial development pipeline was further expanded with acquisitions in San Antonio, Texas and Chicago, Illinois.

The North American industrial portfolio has four developments underway for a total cost of \$174.7 million.

There are three developments in the future pipeline which will be delivered in the next three to five years for an estimated cost of \$63 million.

2210 Oak Ridge Way, San Diego CA

### North American industrial lease expiry profile as at 31 December 2007



# Chief Executive Officer's report (continued)

## Third party funds

The DEXUS Property Group's third party funds management business comprises \$6.2 billion in the DEXUS Wholesale Property Fund, two property syndicates and two direct property mandates.

During the period, the third party funds management business raised in excess of \$1 billion of equity from Australian and international investors in support of a number of acquisitions. As a result of this activity, the Group's third party funds grew by 34 percent to \$6.2 billion, providing a strong recurring earnings base.

The business, comprising wholesale funds, mandates and syndicates, continued to deliver strong performance during the period and on a combined basis outperformed the external benchmark index over both three and five years.

## Financial and capital management

Our focused and prudent approach to financial and capital management continues to serve us well, particularly in the current market conditions. Our overall level of debt is \$2.9 billion, which represents gearing of 31.3 percent, as measured by interest bearing debt to total tangible assets (both net of cash).

DEXUS Property Group has continued to be proactive in the area of capital management by recycling over \$950 million of assets and the early refinancing of the majority of 2008 debt maturities in 2007.

DEXUS continues to maintain a prudent financial risk management profile. A high proportion of forecast interest rate exposure is 88 percent hedged with a weighted average duration of approximately 7.2 years. In addition, our foreign exchange income is conservatively hedged with 94 percent of exposure hedged in 2008, and a hedging program in place for the next five years.

L-R: Gateway Sydney, NSW; Pound Road West Dandenong, VIC; Artist's impression – 123 Albert Street Brisbane, QLD



DEXUS Property Group continues to maintain and enhance its strong balance sheet, as supported by a Standard and Poors (S&P) long-term corporate credit rating of BBB+.

## Sustainability

We continued to develop our sustainability programs during the period and are progressing the various projects outlined in our Corporate Responsibility and Sustainability Report contained in the 2007 Annual Report.

Highlights include achieving membership of both FTSE4Good Index and Australian SAM Sustainability Index.

In addition, DEXUS Property Group became a founding signatory to the Green Star Business Partnership, continuing our track record of supporting industry and community initiatives.

Post balance date, we have commenced construction of the next generation of sustainable buildings with 123 Albert Street in Brisbane and Space 1 Bligh in Sydney underway. Both buildings have been designed to achieve world's best practice 6 Star Green Star and 5 Star Australian Building Greenhouse Rating (ABGR) ratings, further demonstrating our capability and commitment to developing sustainable properties.

## Outlook

In summary, during the half year the group has delivered a solid performance across all sectors, underpinned by our strong operating platform and our proactive property management approach.

We are continuing to expand our premium quality, diversified portfolio through our development pipeline, delivering world-class sustainable properties and maximising returns.

The decision to fully internalise our management structure, combined with our solid capital base and prudent financial management approach, positions us well to take advantage of future opportunities arising from this more volatile market.

DEXUS Property Group reconfirms full year distribution guidance of 11.9 cents per stapled security, representing a 5.3 percent increase over the year to 30 June 2007.



**Victor P Hogg Antink**  
Chief Executive Officer

14 March 2008



# Financial reports

THE FOLLOWING FINANCIAL STATEMENTS FOR DEXUS PROPERTY GROUP ARE A SUMMARY OF THE INCOME STATEMENT, BALANCE SHEET, STATEMENT OF CHANGES IN EQUITY AND CONSOLIDATED CASH FLOW STATEMENT

The full financial statements, together with the notes to the financial statements and the Directors' Report can be obtained from the DEXUS website at [www.dexus.com](http://www.dexus.com) or by contacting the Infoline on 1800 819 675.

## Income statement

	31 December 2006	31 December 2007
	(\$'000)	(\$'000)
Property revenue	348,286	339,304
Interest revenue	4,865	5,234
Contribution from equity accounted investments	29,564	1,472
Property revaluations	340,904	336,090
Other income	4,705	9,572
<b>Total income</b>	<b>728,324</b>	<b>691,672</b>
Financing costs	(91,629)	(144,776)
Other expenses	(113,554)	(115,511)
<b>Total expenses</b>	<b>(205,183)</b>	<b>(260,287)</b>
<b>Profit before tax</b>	<b>523,141</b>	<b>431,385</b>
Income and withholding tax benefit/(expense)	(3,839)	6,232
<b>Net profit</b>	<b>519,302</b>	<b>437,617</b>
Other minority interests (including RENTS)	(8,820)	(4,937)
<b>Net profit to stapled security holders</b>	<b>510,482</b>	<b>432,680</b>



## Balance sheet

	30 June 2007	31 December 2007
	(\$'000)	(\$'000)
Cash and receivables	95,992	134,067
Investment properties	9,151,993	8,752,172
Other (including derivative financial instruments)	238,851	806,489
<b>Total assets</b>	<b>9,486,836</b>	<b>9,692,728</b>
Payables and provisions	289,501	286,474
Interest bearing liabilities	3,353,327	2,876,271
Other (including derivative financial instruments)	139,065	738,509
<b>Total liabilities</b>	<b>3,781,893</b>	<b>3,901,254</b>
<b>Net assets</b>	<b>5,704,943</b>	<b>5,791,474</b>
Less minority interest	438,173	206,021
<b>Net assets (after minority interest)</b>	<b>5,266,770</b>	<b>5,585,453</b>

## Statement of changes in equity

	31 December 2006	31 December 2007
	(\$'000)	(\$'000)
Total equity at the beginning of the half year	4,715,513	5,704,943
Exchange differences on translation of foreign operations	(164)	(5,174)
<b>Net profit</b>	<b>519,302</b>	<b>437,617</b>
Contribution of equity	71,680	70,687
Distributions provided for or paid	(159,646)	(172,992)
Minority interest movements during the half year	(20,119)	(243,607)
<b>Total equity at the end of the half year</b>	<b>5,126,566</b>	<b>5,791,474</b>



# Financial reports (continued)

## Consolidated cash flow

	31 December 2006	31 December 2007
	(\$'000)	(\$'000)
Net cash inflow from operating activities	144,425	159,666
Net cash outflow from investing activities	(492,709)	399,794
Net cash inflow from financing activities	312,426	(531,408)
Net increase/(decrease) in cash and cash equivalents	(35,858)	28,052
Cash and cash equivalents at the beginning of the period	106,428	59,603
Effects of exchange rate changes on cash and cash equivalents	121	1
<b>Cash and cash equivalents at the end of the half year</b>	<b>70,691</b>	<b>87,656</b>

# Investor information

DEXUS Property Group is listed on the Australian Stock Exchange (ASX). The ASX code is DXS.

Security holders will need to use the services of a stockbroker or online broking facility to be able to trade your DEXUS Property Group securities.

## Distribution payments

Distributions are paid for the six months to December and June each year. You can receive your distribution by direct credit into your nominated bank account or receive additional DEXUS securities via the distribution reinvestment plan (DRP).

If you wish to change your method of payment or your DRP participation, you should contact the DEXUS Infoline on 1800 819 675.

## Annual tax statement

Each financial year security holders will receive a tax statement. This statement summarises the distributions paid to you during the year and includes information required to complete your tax return.

## Apportionment percentages

Apportionment percentages for DEXUS Property Group stapled securities since stapling can be found on the tax information page on our website at [www.dexus.com](http://www.dexus.com) or by contacting the Infoline on 1800 819 675.

## Website

Information relating to the DEXUS Property Group can be found at [www.dexus.com](http://www.dexus.com)

The website contains information on our funds, property portfolio and corporate information. The site also provides access to your investment details, fund reports and ASX announcements.

## Complaints handling

Any security holder wishing to lodge a complaint should do so in writing and forward it to DEXUS Funds Management Limited at the address shown in the Directory on page 18. DEXUS Funds Management Limited is a member of Financial Industry Complaints Service Limited (FICS), an independent dispute resolution scheme who may be contacted at:

Financial Industry Complaints Services Limited  
PO Box 579 Collins Street West  
Melbourne VIC 8007

Phone: 1300 780 808  
Fax: +61 3 9621 2291  
Email: [fics@fics.asn.au](mailto:fics@fics.asn.au)  
Website: [www.fics.asn.au](http://www.fics.asn.au)

# Directory

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

## Registered office of responsible entity

Level 9, 343 George Street  
Sydney NSW 2000

PO Box R1822  
Royal Exchange  
Sydney NSW 1225

Phone: +61 2 9017 1100  
Fax: +61 2 9017 1101

## Directors of the responsible entity

Christopher T Beare, Chair  
Elizabeth A Alexander AM  
Barry R Brownjohn  
Stewart F Ewen OAM  
Victor P Hoog Antink  
Charles B Leitner III (Alternate Andrew J Fay)  
Brian E Scullin

## Secretaries of the responsible entity

Tanya L Cox  
John C Easy

## Investor enquiries

Registry Infoline:  
1800 819 675 or +61 2 8280 7126  
Investor Relations: 02 9017 1330  
Email: [ir@dexus.com](mailto:ir@dexus.com)  
Website: [www.dexus.com](http://www.dexus.com)

## Auditors

PricewaterhouseCoopers  
Chartered Accountants  
201 Sussex Street  
Sydney NSW 2000

## Security registry

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

Locked Bag A14  
Sydney South NSW 1235

Registry Infoline:  
1800 819 675 or +61 2 8280 7126  
Fax: +61 2 9287 0303  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

For enquiries regarding your holding you can either contact the Security Registry, or access your holding details via the Investor Centre on our website [www.dexus.com](http://www.dexus.com) and follow the Investor log-in links to the security registry page.

Australian Stock Exchange ASX Code: DXS

Infoline: 1800 819 675, Monday to Friday  
between 8.30am and 5.30pm (Sydney time).



WOOD FIBRE FROM  
SUSTAINABLE FORESTS



ENVIRONMENTAL  
MANAGEMENT SYSTEMS



BLEACHING PROCESS

Consistent with DEXUS Property Group's commitment to sustainability, this report is printed with soy inks on Australian made paper, manufactured under the highest level of international environmental standards. The paper pulp is Elemental Chlorine Free (ECF) and is sourced from sustainable forests. The principal energy source (92 percent) of the mill is hydroelectric and wind farm and waste from the mill is recycled for compost. The mill is certified under ISO14001 environmental management systems.

[www.dexus.com](http://www.dexus.com)

