2012 DEXUS ANNUAL REVIEW

DEXUS
PROPERTY GROUP

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FY12 DXS HIGHLIGHTS

DISTRIBUTION PER SECURITY UP

3.3%

TOTAL SECURITY HOLDER RETURN

12.2%

GEARING AT 30 JUNE 2012

27.2%

OFFICE LIKE-FOR-LIKE NOI GROWTH

5.4%

US CENTRAL PORTFOLIO SOLD

US$770m

OFFICE AVERAGE NABERS ENERGY RATING

3.9 STARS

MAY 2012

DEXUS's organisational restructure implemented

JUN 2012

DEXUS RENTS repurchased

Sale of the US central portfolio completed

JUL 2012

1 Bligh Street reached 90% occupancy

DEXUS Head Office was certified carbon neutral for the second successive year

AUG 2012

New remuneration framework announced

DXS announced acquisition of two quality office properties in Sydney and Brisbane

New industrial capital partnership announced

Revised strategy announced

SEP 2012

The FY12 annual reporting suite was submitted to GRI for accreditation

Maintained DJSI listing for the 7th consecutive year

FY12 GROUP HIGHLIGHTS

TOTAL TRANSACTIONS COMPLETED
$1.6bn

TOTAL OCCUPANCY
94.5%

TOTAL AREA LEASED
1,061,425sqm

AUSTRALIAN PORTFOLIO ENVIRONMENTAL PERFORMANCE

8.9%
ENERGY CONSUMPTION

7.1%
WATER CONSUMPTION

6.8%
GHG EMISSIONS

$420m+
CAPITAL RAISED FOR DWPF

$360m
NEW CAPITAL PARTNERSHIP

85%
EMPLOYEE ENGAGEMENT

82%
TENANT SATISFACTION

TIMELINE

DEXUS's achievements for July 2011 to September 2012 are summarised in this timeline. For a full history of DEXUS, visit www.dexus.com

JUL 2011
1 Bligh Street reached practical completion and anchor tenant Clayton Utz moved in

AUG 2011
Tonianne Dwyer joined the DEXUS Board

SEP 2011
A major innovative lease is signed to install the largest solar rooftop facility in the US at our Whirlpool property

DXS completed five industrial developments totalling $106.9m

OCT 2011
DEXUS achieved an A+ rating from GRI for our FY11 annual reporting suite

NOV 2011
DEXUS announced the retirement of Victor Hoog Antink and the appointment of Darren Steinberg as the new CEO

DEC 2011
DWPF ranked as the top performing wholesale property fund for the year

JAN 2012
Richard Sheppard joined the DEXUS Board

FEB 2012
DEXUS Head Office was certified carbon neutral for FY11

MAR 2012
Darren Steinberg commenced as Chief Executive and Executive Director

APR 2012
DXS announced the sale of the US central portfolio for US$770m

DXS commenced an on market securities buy-back

DXS announced revised distribution payout policy to 70-80% of FFO from FY13

FY12 DXS HIGHLIGHTS

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3.3%

TOTAL SECURITY HOLDER RETURN
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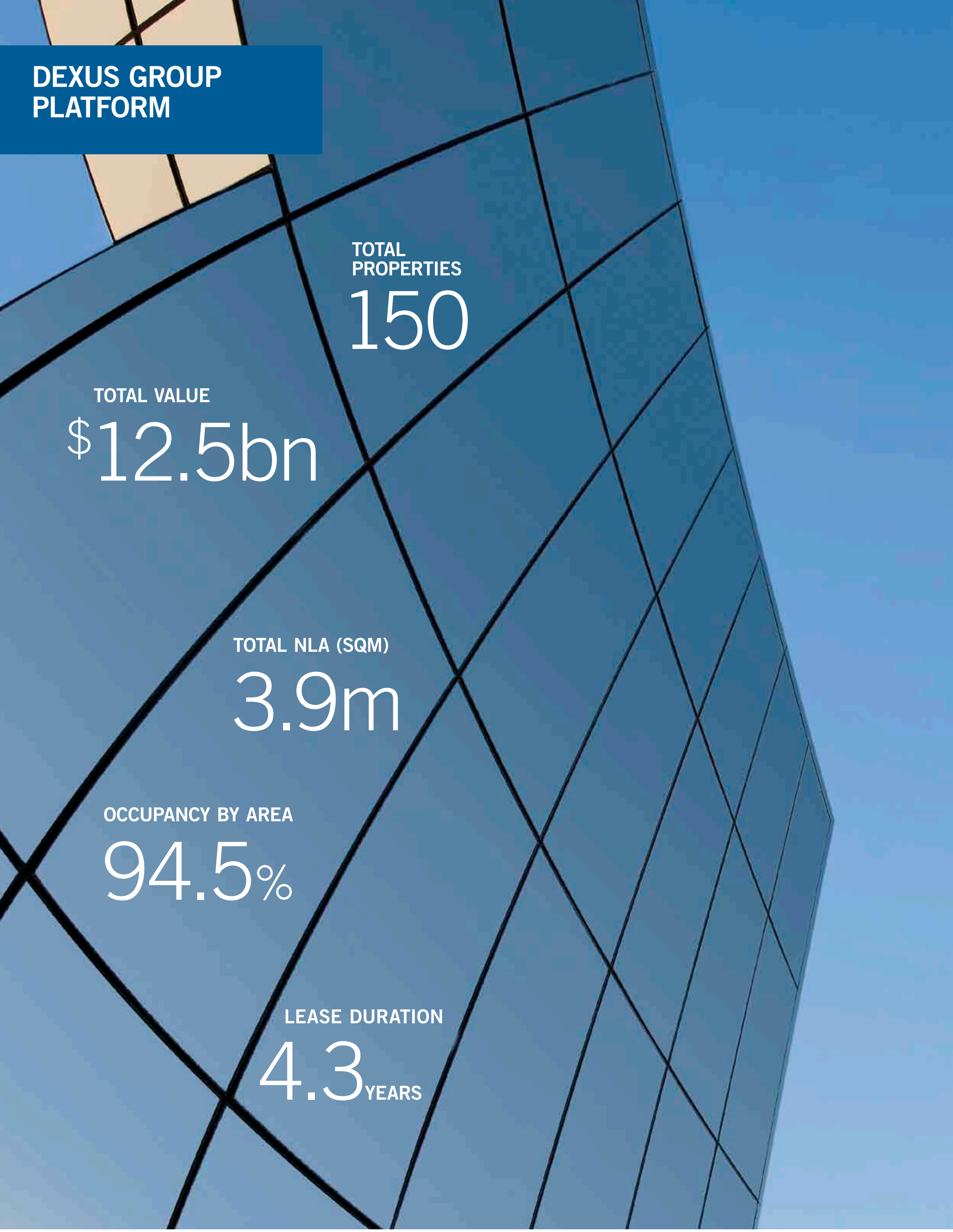


DEXUS GROUP PLATFORM

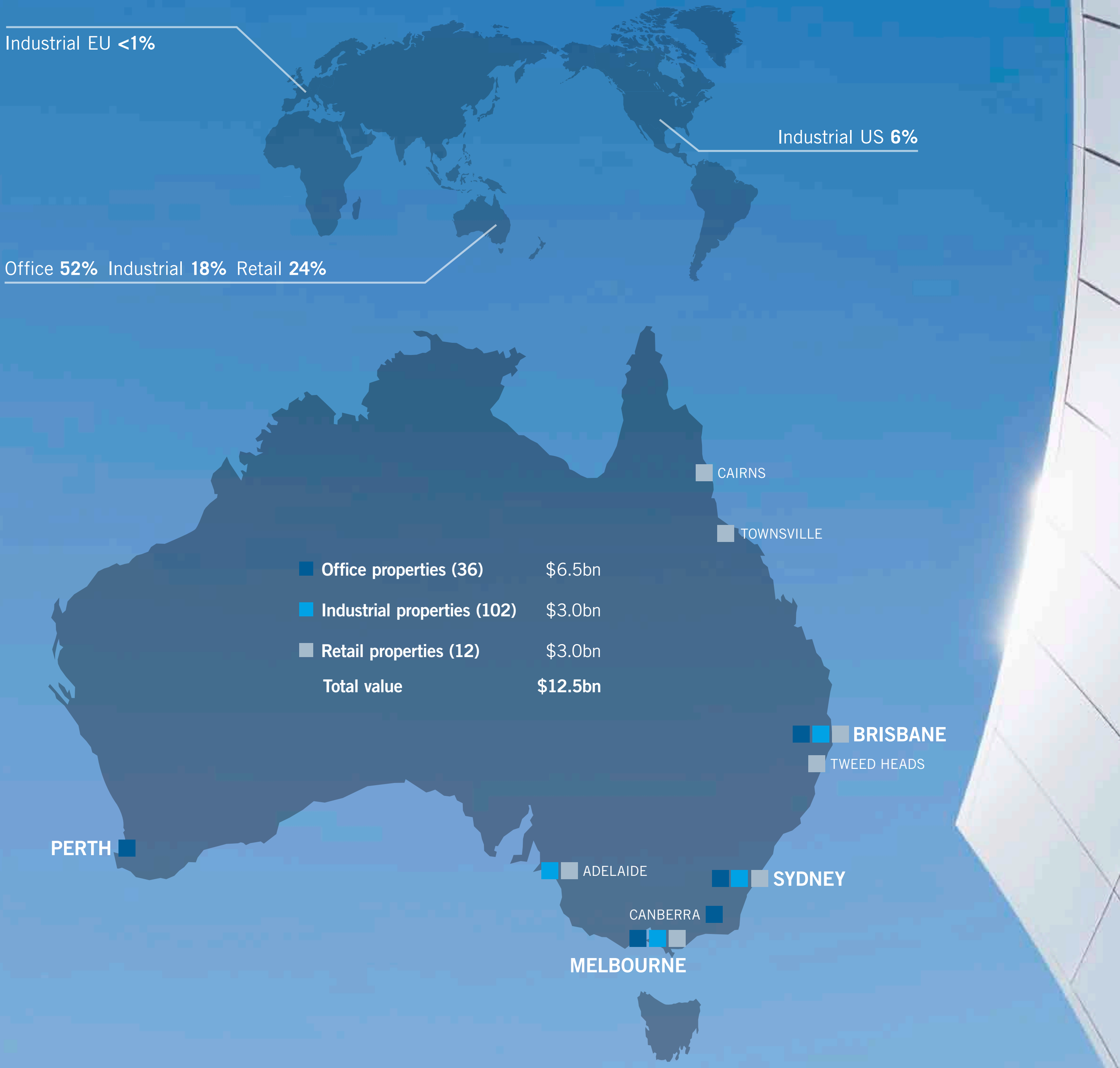
TOTAL PROPERTIES
150

TOTAL VALUE
$12.5bn

TOTAL NLA (SQM)
3.9m

OCCUPANCY BY AREA
94.5%

LEASE DURATION
4.3 YEARS



Office properties (36)	$6.5bn
Industrial properties (102)	$3.0bn
Retail properties (12)	$3.0bn
Total value	**$12.5bn**

DEXUS GROUP

A$12.5bn[1] FUM

DXS portfolio $6.9bn

Office
$4.7bn

Industrial
$1.7bn

Industrial US
$0.5bn

Third Party Funds Management $5.6bn

Office
$1.8bn

Industrial AU & US
$0.8bn

Retail
$3.0bn

1 Excluding cash as at 30 June 2012.

OUR STRATEGY

Our strategy is to deliver superior risk-adjusted returns for our investors from high quality Australian real estate, primarily comprising CBD office buildings.

DEXUS is one of Australia's leading real estate groups with $13 billion of funds under management and a proven track record spanning over 25 years in commercial property investment and management.

We own high quality office and industrial properties and have an established and successful third party funds management business that invests in the office, industrial and retail sectors.

We have a strong corporate team and experienced property professionals with core capabilities in office, industrial and retail investment and development management.

We take a prudent approach to capital and risk management and seek to create strategic partnerships with major capital partners and investors.

In August 2012, following a six month review of business operations and capabilities, the operating environment and the competitive landscape, we announced a revised vision statement and strategy.

Our competitive strengths

During the past six months we undertook a strategic review which reinforced several key competitive strengths:

- the highest quality listed office portfolio in Australia
- core capabilities in office, industrial and retail asset management with a strong track record in development
- strong and diversified relationships with tenants and intermediaries including leasing agents and tenant representatives
- established third party investment partners and the expertise to grow this business
- an excellent record of performance delivering consistent long term investor returns

Opportunities to excel

We plan to build on these competitive strengths in order to achieve our vision of being globally recognised as Australia's leading real estate company.

As there is no clear market leader and limited differentiation in the office sector, this is a clear opportunity for DEXUS.

We have the right structure and strategy to be the leading real estate company in the Australian office market, but we recognise we need to further enhance our core capabilities to achieve this.

We will effectively redeploy capital from non-core markets such as the US and Europe over the next 12 to 24 months into our core Australian markets and leverage access to capital through our third party funds management business.

OUR VISION

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

OUR STRATEGY

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

OUR STRATEGIC OBJECTIVES	OFFICE	CORE CAPABILITIES	CAPITAL PARTNERSHIPS	CAPITAL AND RISK MANAGEMENT
	Being the leading owner and manager of Australian office	Having the best people, strongest tenant relationships and most efficient systems	Being the wholesale partner of choice in Australian office, industrial and retail	Actively managing our capital and risk in a prudent and disciplined manner

OUR PEOPLE WILL BE RECOGNISED FOR			
	Property expertise	Institutional rigour	Entrepreneurial spirit

Achieving our vision

DEXUS will continue to invest in Australian office and industrial properties, focusing on office investments in the listed trust, while seeking to expand industrial, office and retail off balance sheet to service third party investors.

Our people are key to the success of our vision and a culture of service excellence and high performance will ensure we are recognised for our property expertise, institutional rigour and entrepreneurial spirit.

To achieve our vision we will focus on attaining our strategic objectives as follows:

We will demonstrate leadership in Australian **office** by:

- having advanced asset and tenant deal flow and superior market intelligence
- pre-empting and satisfying tenant needs
- having the lowest operating cost model relative to our peers

We will demonstrate leading **core capabilities** by:

- having the best people, systems and processes, and strongest tenant relationships
- actively managing properties and recycling through the cycle to drive returns
- being recognised for our culture of service excellence and high performance

We will demonstrate our leadership in **capital partnerships** as the wholesale partner of choice by:

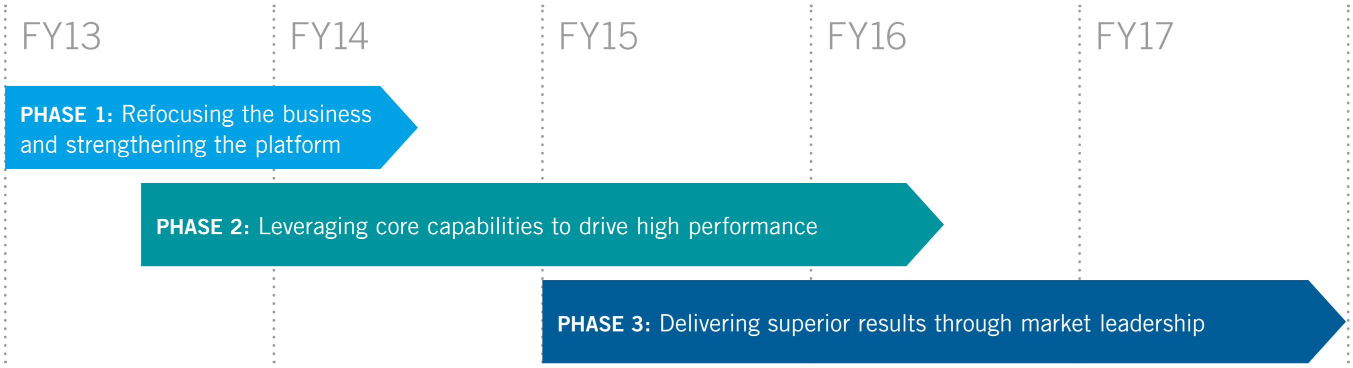
- increasing our access to long term capital partnerships to invest through the cycle
- developing high quality investment grade properties with our capital partners

We will demonstrate our leadership in **capital and risk management** by:

- having the most competitive cost of equity relative to our peers
- having a better cost and access to debt funding through the cycle relative to our peers
- actively managing our capital and risk in a prudent and disciplined manner

Implementing our strategy

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



In FY13 our objective is to refocus the business and strengthen the platform via the initiatives detailed below.

OFFICE

Initiatives

- Proactively managing and driving the performance of the office portfolio
- Redeploying excess capital into core Australian office markets
- Enhancing tenant relationships through implementing new systems and practices

CORE CAPABILITIES

Initiatives

- Implementing processes and systems to enhance core property capabilities
- Embedding a culture of service excellence and high performance
- Creating operational efficiencies and reducing costs

CAPITAL PARTNERSHIPS

Initiatives

- Growing third party funds management business through:
  - Partnering with third party funds on investment opportunities
  - Developing new capital partnerships

CAPITAL & RISK MANAGEMENT

Initiatives

- Reducing the cost and improving access to capital
- Progressing the exit of non-core offshore markets
- Progressing the recycling of non-core Australian properties

We have already made early progress on several of our FY13 objectives which we detail in the CEO's Report on page 10.

Clear operational and financial targets

To ensure the success of our revised strategy, senior personnel have clear and enhanced performance objectives to achieve DEXUS's operational and financial KPIs, with additional KPIs aligned to strategic initiatives.

Operational KPIs

Property specific targets

- Total return and IRR focus on stabilised properties
- Return on cost, IRR and margin for developments

Portfolio specific targets

- Like-for-like NOI growth
- Reducing leasing risk

Corporate and capital specific targets

- Cost of funds
- Management expense ratio

Financial KPIs	Target
FFO growth per security	3-5% per annum through the cycle
Return on equity	9-10% per annum through the cycle
Total security holder return	Long term top quartile performance relative to peer group

DELIVERING SUPERIOR RISK-ADJUSTED RETURNS FOR INVESTORS

Corporate Responsibility & Sustainability – delivering on strategy

DEXUS has been developing and implementing leading practice in Corporate Responsibility & Sustainability for more than 15 years. We remain committed to continual improvement and market leadership in this important area.

As a signatory to the United Nations Principles of Responsible Investment, we are committed to delivering value to our investors from all of our activities while respecting and supporting our various stakeholders.

While our investment strategy seeks to deliver enhanced performance and maximise returns from our properties through providing world-class sustainable property solutions for our tenants, our commitment extends to all our operations to ensure that we remain an ethical and responsible organisation.

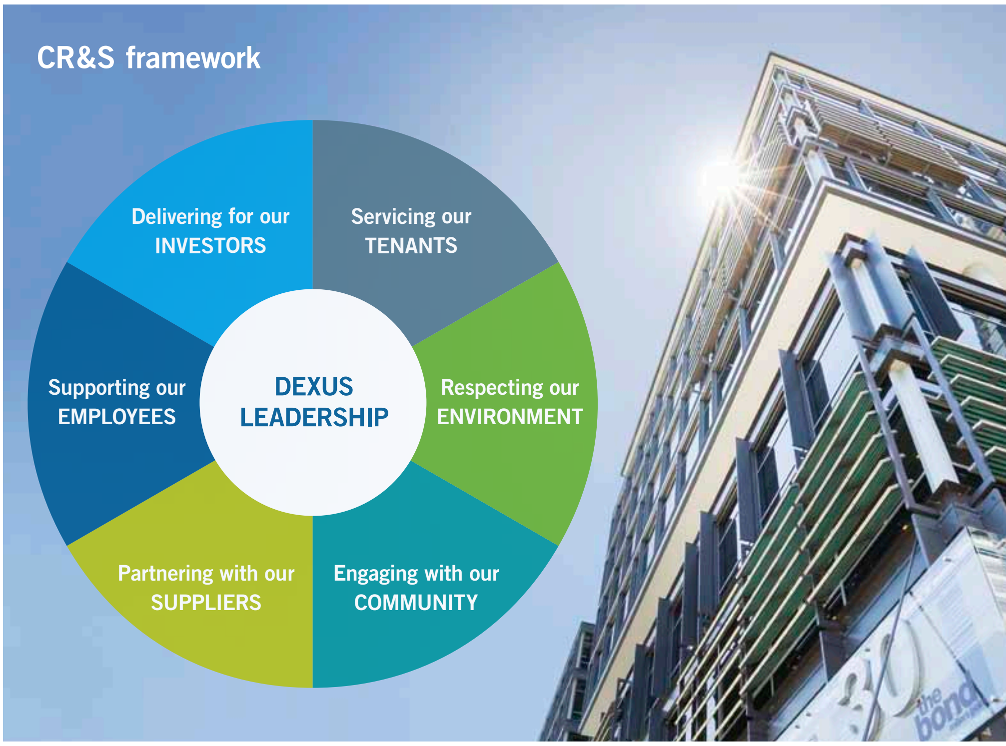
Our strategy and strategic objectives will be implemented through our CR&S framework. Being recognised as the leading real estate company in Australia in office, core capabilities, capital partnerships and capital and risk management requires us to fulfil our commitments to:

- our investors
- our tenants
- our employees
- our suppliers
- our community
- our environment

To achieve this we will use our property expertise, institutional rigour and entrepreneurial spirit to deliver the best outcomes for all of our stakeholder groups. Our FY13 commitments against our stakeholder groups are detailed starting on page 42.

Stakeholder engagement

DEXUS has a robust stakeholder engagement strategy in place that allows us to measure, assess and respond to material issues, using the framework outlined under the AA1000 standard.



30 The Bond, Sydney, NSW

We also engage with policy makers, industry bodies and investor groups regarding changes to regulations and industry trends.

This allows us to:

- assess and mitigate financial, social and environmental risks cognisant of regulatory frameworks
- understand the expectations of our stakeholders through transparent and inclusive engagement and respond effectively to material issues
- be a preferred employer in the real estate sector
- have a positive impact upon the communities in which we operate

We aim to respond to the material needs of each of our stakeholders while ensuring that we minimise our impact on the environment.

We will create shared value through partnering with our stakeholders to achieve our objectives and deliver on our social responsibilities.

Managing risk

The Board and the Group Management Committee continuously review and actively evaluate risk to ensure that it is appropriately managed.

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

When determining the residual rating for each identified risk, we consider DEXUS's appetite to risk. Additional controls are then implemented to reduce the residual risk rating to a level acceptable to management.

The property industry is a dynamic and challenging environment, a prudent and robust approach to risk management is an essential part of our ongoing success.

For more information on our approach to risk management, see the Corporate Governance section on page 47.

LETTER FROM THE CHAIR

2012 was a year of transition and refocus for DEXUS

The last 12 months saw the appointment of a new CEO, a review of our business and property portfolio and the development of a revised strategy for DEXUS.

Uncertain market, but increasing opportunity

Operating conditions continue to be challenging as a result of ongoing global economic uncertainty.

This has continued to impact business confidence in FY12, with mixed indicators in the US and uncertainty about future growth in the economies of Europe and China.

This uncertainty has contributed to subdued tenant demand. We expect these conditions to continue into FY13 but longer term market fundamentals remain sound.

The flight to quality continues and investment appetite for prime properties in key locations – DEXUS's speciality – remains robust. We are cautiously optimistic about the prospects of our core markets, particularly in the office sector.

Australia continues to be an attractive destination for investment by foreign pension funds due to our growing economy, and the property sector stands to benefit.

New CEO, new focus

In November 2011 the Board appointed Darren Steinberg, who commenced on 1 March 2012 as the new Chief Executive Officer and Executive Director of DEXUS Funds Management Limited.

Darren brings a wealth of property sector experience to DEXUS with a background in listed and unlisted property, asset management and development.

Over the past six months, Darren has streamlined operations, improved efficiencies and progressed strategic initiatives such as the sale of the US central portfolio.

He has led the review and development of our revised strategy which is designed to reinforce DEXUS's position as Australia's leading real estate company.

Our objective of exiting non-core markets and focusing on core CBD office properties will enable us to enhance performance and ultimately achieve our goal of being the leader in office property in Australia.

An active year for DEXUS

While DEXUS's core business is property investment management, we do not just own property. In 2012 we:

- completed the development of two major office towers valued at over $1 billion
- re-financed $850 million of debt
- raised over $420 million of equity in our wholesale fund
- sold US$770 million of US industrial property at book value
- substantially exited European markets through the sale of 71% of our portfolio for €82 million

Property is a long term business. We are proud of the results we have achieved through prudent risk management and sound governance.

We continue to manage operating cash flow carefully with the objective that distributions are fully funded from free cash flow.

Operating cash flows have benefited from reduced capital expenditure as a result of the US central portfolio sale and the completion of our office portfolio's NABERS Energy upgrade program in 2012.

DEXUS's strong financial position has enabled us to improve distributions to investors. Further:

- from 1 July 2012, a new distribution policy was introduced broadening the distribution range to between 70% and 80% of FFO, in line with free cash flow (we expect this to average 75% over the medium term)
- in April 2012, we commenced a $200 million strategic on-market securities buy-back

Our investment philosophy, which seeks to maximise returns through investment in superior quality properties in core markets, continues to realise benefits for DEXUS investors.

A new executive remuneration framework

Following the 28.2% unfavourable response to our remuneration report at last year's AGM, we fully reviewed our remuneration framework.

I personally met with many of our major investors to get a better understanding of their concerns and the Board has reflected on that feedback in addition to advice from proxy advisors and remuneration consultants.

The result is a proposed new remuneration framework subject to investor approval at the AGM on 5 November 2012. The framework focuses on equity interests for executives, applies a clearer balanced scorecard approach to short term incentives (STI) with caps on STI awards, introduces a long term incentive (LTI) grant as well as hurdles that are appropriate for the long term nature of our business.

The full remuneration report starts on page 16 in the 2012 Annual Report. A summary can be found on page 49 of this Annual Review.

> “Our objective of exiting non-core markets and focusing on core CBD office properties will enable us to enhance performance and ultimately achieve our goal of being the leader in office property in Australia.”

L to R: Chris Beare, Chair; Darren Steinberg, CEO

Our new remuneration framework is aligned more closely to conventional market practice and seeks to attract the best talent and reward strong performance, as we firmly believe this will deliver better results for our investors.

Good corporate citizenship

This year we have continued to build upon the significant successes that we have achieved in CR&S.

We are incorporating the United Nations' Principles of Responsible Investment as performance metrics for our investment decision making.

Our $31 million NABERS Energy upgrade program is now complete, improving the value, performance and appeal of our office properties.

We have led by example, being the first Australian property trust with our Sydney head office certified carbon neutral by Low Carbon Australia for the second successive year (see case study on page 18).

Our commitment is to maintain the highest standards of corporate governance, ethics and environmental and social responsibility. We do this in order to increase investor value, provide excellent service to our tenants, support our people, partner with our suppliers, engage with our communities and respect our environment.

Changes to the Board of Directors

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

On 1 January 2012 we welcomed Richard Sheppard to the Board, replacing Brian Scullin who left on 31 October 2011.

Richard is the former Managing Director and Chief Executive Officer of Macquarie Bank Limited and former Deputy Managing Director of Macquarie Group Limited, spending 36 years with the group. He brings a range of financial and business skills to the DEXUS Board, including valuable experience as a Director and Chairman of Macquarie Bank's listed and unlisted property trusts.

Darren Steinberg and Richard Sheppard have now joined the Board and I welcome them and the skills and experience they bring to the table.

Diversity target progress

DEXUS is committed to employee diversity as we believe it enables organisations to make better informed decisions.

We set a target last year of 33% female participation at senior management level by 2015 and I am pleased to report as at 30 June 2012 we are at 30%.

Looking forward

The Board of Directors of DEXUS Funds Management Limited is committed to developing a high performing organisation that creates superior value for investors and stakeholders.

Our commitment to transparency and disclosure is fundamental to our operations and is reflected in this Annual Review.

The financial year to 30 June 2012 has proven to be very successful for the Group in a difficult market environment and FY13 shows significant promise, with the launch of our revised strategy and early achievement of a number of strategic objectives.

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

Chris Beare
Chair

26 September 2012

CHIEF EXECUTIVE OFFICER'S REPORT

DEXUS ended the year in a strong position as a result of our proactive approach to asset management combined with strategic decisions to exit non-core markets and reinvest in our core office markets in Australia

A year of achievements

Over the year to 30 June 2012 we achieved:

- a statutory net profit of $181.1 million
- a 3.3% increase in distributions per security to 5.35 cents
- Funds From Operations (FFO)[1] of $367.8 million or 7.65 cents per security, up 3.4%
- net tangible assets per security of $1.00
- a strong result in our office portfolio with like-for-like NOI growth of 5.4%
- total portfolio occupancy (by area) of 94.5%, including 97.1% occupancy in the DXS office portfolio
- over one million square metres of space leased across the Group
- $1.6 billion of transactions, including the sale of the US central portfolio – the single largest US property transaction for the year
- $5.8 million in trading profits from industrial developments

In addition:

- our wholesale fund, DWPF, raised more than $420 million of equity and ended the year as a top quartile performer, outperforming the one and three year benchmarks
- we implemented a business restructure and associated management changes which will deliver approximately $10 million in savings

Overall, our balance sheet remains strong and we continue to manage our operating cash flows prudently. Our gearing at 30 June 2012 was 27.2% and we have no debt refinancing requirements until September 2013. We also maintained our Moody's and Standard & Poor's credit ratings of Baa1 and BBB+ respectively.

Our full year result reflects the dedication and efforts of the DEXUS team driving net operating income across our property portfolios.

Solid returns in an uncertain market

In an uncertain market, DXS achieved a solid total security holder return of 12.2%, out-performing the A-REIT index over one, three and five years.

	1 year %	3 years %	5 years %
DEXUS Property Group	12.2	14.1	-6.8
S&P/ASX 200 (GICS) Prop Acc. Index	11.0	12.3	-12.3
Variance	1.2	1.8	5.5

Source: UBS Securities Australia.

Proactive leasing

Across the Group, we leased over one million square metres of space during the year.

Some of our standout leasing achievements included:

- substantially leasing our flagship properties at 123 Albert Street, Brisbane and 1 Bligh Street, Sydney which are 99% and 90% committed respectively
- securing a new Government tenant at Garema Court in Canberra with no downtime. This has placed the property in a strong position for sale during FY13
- securing DB Schenker on a seven year lease for 21,000 square metres in Erskine Park. This was one of the largest industrial leases in the Australian market in the past year

"FY12 was an active year with a total of $1.6 billion of transactions completed, comprising 95 properties across the Group including the US$770 million sale of the US central portfolio."

Strategic transactions improve the quality of our portfolio

In August 2012 we announced the acquisition of two high quality office properties:

- 50 Carrington Street in Sydney, a 15 level office property with strong repositioning potential where we will use our real estate expertise to enhance value. It was acquired for $58.5 million representing an acquisition capitalisation rate of 8.0% and a target three year IRR of 11.2%

1 Refer to page 36 for reconciliation and the Glossary for FFO definition.

12 Creek Street, Brisbane, QLD

50 Carrington Street, Sydney, NSW

1 Bligh Street, Sydney, NSW

- 12 Creek Street in Brisbane was purchased jointly with DEXUS Wholesale Property Fund as a core office market investment. It cost $241.6 million representing an acquisition capitalisation rate of 7.75% and a target 10 year IRR of 10.2%

Both of these properties will be funded from existing debt facilities.

Our success in transactions during the year (up to August 2012) resulted in the composition of our office holdings increasing to 70% in the DXS portfolio and 52% across the Group.

Maximising profitability from development and trading

We demonstrated our strong capabilities in industrial development and trading in FY12, delivering projects on time and budget and realising $5.8 million of trading profits, exceeding our target by $1.8 million.

A new capital partner

We actively engaged with prospective capital partners and gained strong interest from like-minded investors during the year.

In August 2012, we announced the establishment of a new partnership with one of the world's largest pension funds, the National Pension Service of Korea (NPS), who were advised by the real estate investment manager Heitman.

NPS will co-invest alongside DXS in a selection of industrial properties at Greystanes in NSW, and Laverton North and Altona in VIC. The initial portfolio of $360 million[1] includes 50% ownership of 13 industrial properties and has the potential to double over a five year period with NPS having the exclusive option to partner in 50% of the future development pipeline at Quarry and Laverton at the prevailing market value.

This partnership provides an enhanced return on equity for DXS investors through fee income at the property and partnership level and further diversifies our capital sources.

Driving environmental performance

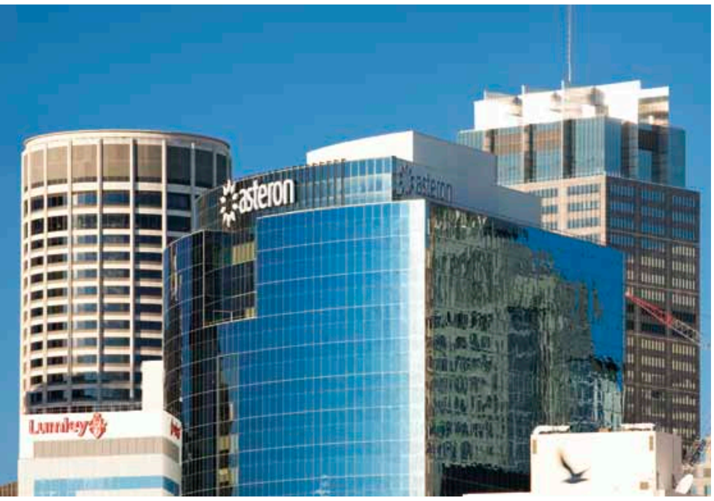
We are committed to being a market leader in Corporate Responsibility & Sustainability.

Our goal is to deliver high quality, operationally efficient buildings to provide best in class workspace for our tenants, maximise rental income and reduce operating costs.

This year we completed our $31 million NABERS Energy upgrade program. The DXS portfolio average is currently 3.9 stars and we are on track to achieve an average 4.5 star rating across our portfolio by 31 December 2012. At the date of this Annual Review, we have 11 buildings rated at 5 stars or higher across the Group.

1 Bligh Street, Sydney and 123 Albert Street, Brisbane received several design, development and sustainability awards during the year (see page 28). 1 Bligh Street also achieved its 6 star Green Star As Built v2 rating.

1 Initial partnership amount includes DXS's 50% interest in these properties.



Australia Square, 309-321 Kent Street, GPT, Sydney, NSW

2-6 Basalt Road, Greystanes, NSW

We continue to benchmark our performance internationally, maintaining our listing on the FTSE4Good Index for the 6th year running and achieving a Sustainability Leader position in the global real estate sector on the 2012 SAM Corporate Sustainability Assessment.

A revised strategy for DEXUS

As detailed earlier, we revised our vision and strategy following an extensive review.

Our revised strategy capitalises on our key competitive strengths and takes advantage of opportunities both within the Australian real estate sector and within the Group itself.

Our strategy is focused on delivering superior risk-adjusted returns for investors.

We will concentrate on investment in the core Australian office and industrial markets and progress our offshore exit over the next 12 to 24 months ensuring that we maximise returns for investors.

Looking ahead

As we enter the 2013 financial year, we are already achieving early momentum and delivering on our strategic objectives. We are fortunate to be one of the best positioned A-REITs and it is an exciting time for the team at DEXUS as we work together to refocus the business and build upon our strengths.

Our portfolio is 94.5% occupied and we have demonstrated our ability in forward solving leasing risks.

> "Our balance sheet is strong and we are well positioned to respond to changes in debt markets and to redeploy funds into value enhancing acquisitions."

Although challenging conditions and market volatility are expected to continue, we expect both the Australian office and industrial markets to be positioned for growth from FY14 as detailed in the Market Outlook section on pages 20-21. In this environment we are confident we have the scale, expertise and strategy to continue to grow earnings.

Barring unforeseen changes to operating conditions, our guidance[1] for earnings or FFO for the year ending 30 June 2013 is 7.75 cents per security, a 1.3% increase over FY12 and a like-for-like increase of 5.2% excluding the sale of the US central portfolio. As a result of our revised payout policy we are targeting a payout ratio of 75% for FY13, and distributions are expected to grow 8.4% to 5.8 cents per security for the year ending 30 June 2013.

I look forward to keeping you updated on the progress of our strategy over the coming year as we strive to achieve our vision of being globally recognised as Australia's leading real estate company, with market leadership in office.

Darren Steinberg
Chief Executive Officer

26 September 2012

1 Assumptions include: delivering 2% like-for-like NOI growth in the office portfolio, $5 million in trading profits, cost of debt remaining at 6.1% and excluding impacts of further on market buy-back.

DELIVERING ON OUR FY12 COMMITMENTS

At DEXUS we are focused on delivering superior returns to our investors while adopting leading CR&S practice. To ensure our activities are relevant and material, both to our overall corporate strategy and to our stakeholders, our FY12 commitments were developed following a materiality assessment workshop. This identified the most material issues for our organisation (which can be found in our 2011 Annual Review and on our website at www.dexus.com/crs). Our performance against these commitments is outlined as follows:

OUR INVESTOR COMMITMENTS

- ☑ FFO earnings per share of at least 7.65 cents per security
- ☑ Distributions of at least 5.35 cents per security
- ➠ As a signatory to the UN Principles of Responsible Investment, develop value-add metrics to incorporate in our investment decision making process

Office

- ☑ Like-for-like income growth >FY11
- ➠ Complete residual leasing at 1 Bligh
- ➠ Secure pre-lease commitments for our developments

Industrial

- ☒ Consistent like-for-like income growth
- ☑ Complete 80,000 square metre developments
- ☑ Realise trading profits >$4 million

Industrial US

- ☑ Increase central portfolio occupancy by >6% and position for sale

Capital Management

- ➠ Increase debt duration
- ☑ Reduce cost of funds

Third Party Funds Management

- ☑ Create partnering opportunities for third party investors which leverage DEXUS's integrated model
- ➠ Improve and expand engagement opportunities with our investors to better understand material and emerging issues and measure their response

Performance on investor commitments is detailed in the CEO's report, DXS portfolio, third party funds management and capital management sections.

OUR TENANT COMMITMENTS

- ☑ Standardise our approach to tenant satisfaction surveys across all sectors with specific focus on analysis and response to material issues
- ☑ Incorporate a standard green lease clause into new leases across the office portfolio
- ☑ Develop standard green leases in our Australian retail and industrial sectors
- ☑ Partner with our tenants to encourage sustainability initiatives within their existing workspaces

Standardised tenant satisfaction surveys

DEXUS included standard questions in tenant surveys for each sector this year, so that satisfaction levels could be benchmarked across the Group. The questions focus on tenant satisfaction with our management performance, building maintenance, sustainability, service delivery and responsiveness. This allows us to develop a more consistent approach to service delivery for our tenants.

Green leases

Updated green lease clauses have been incorporated into all new office, industrial and retail leases for DEXUS's properties.

Our standard leases encourage a collaborative approach to sustainability within the tenants' premises and a joint obligation to maintain environmentally responsible practices within the property.

Sustainability partnerships

Throughout the year we continued to engage with tenants on sustainability initiatives. For example, as part of our involvement with CitySwitch, a local government national tenant energy efficiency program, we hosted presentations with tenants in our properties on environmental initiatives, encouraged tenants to obtain NABERS Energy ratings for their tenancies and suggested ways to reduce energy usage within their workplace.

KEY: ☑ Achieved ➠ Underway ☒ Not achieved

OUR CORPORATE COMMITMENTS

- Develop a stakeholder engagement framework incorporating engagement principles and service excellence standards for all operational areas of the business
- Review our corporate processes and current committee structure to facilitate continued best practice corporate governance
- Further expand the integration of our CR&S platform and program in the US business
- Drive the integration of CR&S into key decision making processes through the introduction of CR&S training modules for our people and greater stakeholder integration into our business planning and performance management

Stakeholder engagement

The stakeholder engagement framework has been completed and will be rolled out across the organisation in FY13. The framework will evolve as we continually review, measure and improve our engagement with all stakeholder groups.

Corporate governance

Committees at both the Board and corporate levels were reviewed and rationalised with the new structure commencing on 1 July 2012. Details can be found in the Corporate Governance section of this Review starting on page 46 and on our website www.dexus.com/corporategovernance

CR&S integration of leading practice in the US

Programs incorporating energy performance, monitoring, team training, renewable energy initiatives, tenant collaboration and community involvement have been developed and implemented in line with corporate objectives.

CR&S training

Revised corporate policies for key areas of CR&S were completed during the year, covering:

- climate change
- carbon neutrality
- biodiversity
- responsible investment
- green leases
- supply chain and procurement
- stakeholder engagement

Ongoing education and engagement continues with employees across the business to embed the policies into our operations.

OUR SUPPLIER COMMITMENTS

- Develop a comprehensive sustainable procurement framework for our corporate supply chain to be extended to all property sectors
- Completed corporate procurement review to reduce consumables and waste and increase quality and value
- Fully embed CR&S principles in standard consultancy agreements and professional services contracts to align with corporate values

Sustainable procurement framework

This year we completed the Sustainable Procurement Policy for our business activities, which is used to contract with suppliers.

Our Supplier Code of Conduct was also completed. The Code specifies engagement practices as well as outlining minimum social and environmental standards to be achieved in the supply of goods and services.

These documents are available on our website at www.dexus.com/crs

Corporate procurement review

In FY12 we completed a gap analysis of our supply contracts to determine where we could realise efficiencies.

As a result of that analysis we are reducing the number of suppliers we use and seeking to source supplies from companies that take a strong approach to CR&S, use more recycled content in their products, consume less energy and water, emit less carbon and satisfy other environmental criteria.

Consultancy agreements

To ensure that there is consistency in service delivery, all professional service providers are now expected to comply with our Supplier Code of Conduct.

OUR PEOPLE COMMITMENTS

- Underway: Further enhance our senior leadership development program with bi-annual 360 degree feedback and a service excellence program
- Achieved: Embed additional CR&S KPIs into our people's performance objectives
- Underway: Increase Green Building and LEED accredited professionals to at least 50% of our development executives in each sector

Leadership development

The senior finance team undertook 360 degree reviews in FY12, which assisted with their leadership development program.

Reviews for the rest of the senior leadership team were deferred due to corporate changes throughout the year, including the restructure of the organisation in May 2012.

A Service Excellence program has been implemented in the office and industrial teams – for details see the case study on page 17.

CR&S KPIs

An expanded set of corporate responsibility and sustainability performance goals, tailored for different roles within the organisation, have been finalised and incorporated into DEXUS's Performance Management assessment for FY12.

Examples of these KPIs include:

- support and enable the integration of the UNPRI into investment decisions
- undertake the investment required to improve NABERS ratings where commercially viable and in line with stakeholder expectations
- property management teams to report monthly on sustainability performance, resource management and implementation of resource reduction projects and manage the properties to achieve their targets
- employee participation in community activities

Green Building and LEED accredited professionals

As at 30 June 2012, 94.7% of our senior development employees have undertaken the Green Star Foundation course in Australia or LEED training in the United States. Of these, 21.1% have so far been accredited.

OUR COMMUNITY COMMITMENTS

- Underway: Embed community charters for each sector into our stakeholder framework
- Achieved: Expand the level of support provided to our community in 2012 with an in kind support target of 1,000 volunteering hours

Community charters

We have expanded the scope of our community engagement charters to align them to each sector.

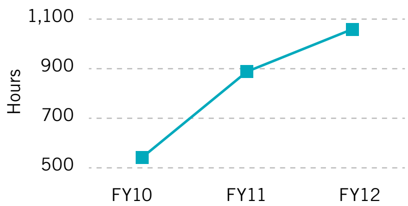
These have been incorporated into the corporate stakeholder engagement framework as part of our ongoing plan to improve our relationships with our stakeholders.

Volunteering

Our volunteering program enables employees to engage with their local communities through our charity partners.

In FY12, a total of 1,058.5 in-kind volunteer hours were contributed by our employees to the community. This represents an increase of 19.3% or 170.9 hours from FY11 and 96% or 518.5 hours on our contribution in FY10.

COMMUNITY SERVICE HOURS VOLUNTEERED BY DEXUS EMPLOYEES



KEY: ☑ Achieved ➠ Underway ☒ Not achieved

OUR ENVIRONMENTAL COMMITMENTS

- ☑ Climate change adaptation strategies to be implemented across the Australian portfolio
- ➠ Develop a waste management strategy including targets to be set for the retail sector
- ☑ LEED ratings program to be further expanded in the US core portfolio
- ☑ Reduce energy consumption by a further 3% across the Group's core property portfolio in 2012
- ☑ Support innovation through the implementation of new technology/renewable energy options in each property sector
- ➠ Establish three and five year management plans for each sector that will outline new reduction targets for energy, greenhouse gas emissions, water and waste

Climate change adaptation

We completed a climate change risk assessment for our Australian portfolio and identified the top ten at risk properties, for which action plans and adaptation strategies have been developed. We also completed similar risk assessment across our US portfolio which identified the top five properties at risk in the US.

Waste management

A strategy for waste management in the retail sector is currently being developed after completion of a portfolio audit. Targets for waste diversion from landfill are being set for commencement in FY13.

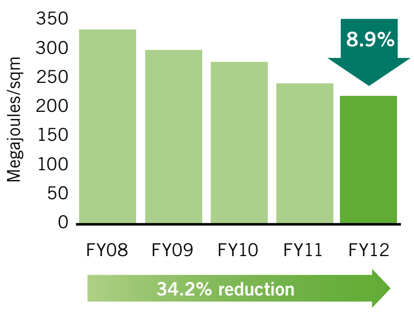
LEED ratings program

As part of our overall strategy to measure and improve building efficiency, a pilot program was initiated at our Kent West property in Seattle using the LEED Existing Building Operations and Maintenance tool. This is the first time this tool has been used for an industrial property in the US.

Energy consumption

Through careful and considered investment and property maintenance and operations, we have reduced energy consumption across the total Australian portfolio by 8.9% over the last 12 months, a reduction of 82,020 GJ, and exceeding our target by 5.9%. We recently completed our NABERS Energy 4.5 star upgrade program in our office portfolio and we expect to realise further savings going forward.

ENERGY CONSUMPTION FOR AUSTRALIA/ NEW ZEALAND (GJ)



Supporting innovation

DEXUS strongly encourages the use of innovation in our properties. Through new technologies and renewable energy solutions, we have worked to minimise our resource consumption and operating costs. The following are examples of innovative projects delivered in FY12.

Solar electricity

We installed solar electricity in two locations:

- a 45 kW system at Garema Court in Canberra (see the case study on page 26)
- a 10 MW solar array – the largest rooftop installation in the US – at our Whirlpool property in Perris, California.

We are currently investigating the potential to install similar solar energy solutions cost effectively on other buildings within our portfolio.

Reflective paint

A thermal management coating has been applied to the roof of Plumpton Marketplace in outer western Sydney to reduce heat load and deliver energy savings. This has lowered electricity costs for the centre, with an estimated reduction in usage of 15,500 kWh per annum, equivalent to 331.9 tonnes of CO_2. The reduced load is also helping to extend the operating life of the mechanical services plant.

Stormwater recycling

At Smithfield Shopping Centre we have engineered a solution to reduce water consumption by installing a bespoke stormwater catchment system utilised in the toilet flushing system. The solution comprised a series of linked tanks with inbuilt pressure pumps that enable the capture and reuse of enough stormwater to fill 30 Olympic swimming pools.

Management plans

Three and five year management plans have been developed to improve environmental performance at select properties within the office and industrial portfolios and are now being prepared for our retail properties.

Minimum targets of 3% reduction in energy, GHG, water and waste, year-on-year have been adopted within each sector and NABERS targets are in place for both energy and water at each property for the next 12 months.

KEY: ☑ Achieved ➠ Underway ☒ Not achieved

OUR PEOPLE AND CULTURE

As one of Australia's leading real estate companies, we are proud to have a strong reputation for DEXUS's culture and employer brand

We recognise the important role our employees play in our ongoing success and seek to develop and motivate our team to outperform.

Our corporate values of respect, excellence, service, integrity, teamwork and empowerment are fundamental to our culture.

Employee Opinion Survey

The 2011 Employee Opinion Survey saw an increased response rate from the previous year and a continued overall improvement in results since 2008.

DEXUS performed well against both global and Australian benchmarks particularly in:

- Communications – employees feel well informed
- Well-being – employees generally enjoy their work

At 85%, our Employee Engagement exceeds both the Australian and international norms and we have seen particular improvement in the Reward and Recognition, Well Being and Performance Management categories.

Although there was a reduction in 2011 in employee perceptions of our approach to service excellence, we believe that this was largely influenced by our focus on this area during the year with internal workshops debating service improvement opportunities.

A new Service Excellence Charter has been developed as a result of these workshops, which is currently being implemented across the organisation and is designed to improve our approach to service delivery.

SERVICE EXCELLENCE CHARTER

Our vision is to be globally recognised as Australia's leading real estate company and to achieve this we focus on delivering the best service in the Australian office and industrial markets.

Service is the critical success factor for our business, as it drives tenant satisfaction and retention. Delivering superior service contributes to our reputation, which in turn helps us to attract new tenants. To improve our service performance we have developed a Service Excellence Charter.

This Charter identifies the behaviours needed to strengthen our high performance culture, provide better service to our customers and deliver higher total returns to our investors.

The Charter has been endorsed by senior management and will be rolled out across the business in the coming year, providing a set of guiding principles to ensure our ongoing success.

In the innovation category, in an otherwise positive response, our employee survey suggested that we could be doing more to support the generation and implementation of new business ideas, a theme which has been picked up in our revised strategy.

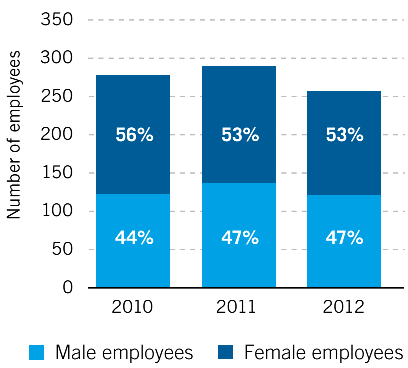
This feedback presents us with a good opportunity to achieve improved results in the 2012 survey.

Gender diversity

DEXUS welcomes employee diversity, which provides a competitive advantage and helps the organisation make better informed decisions. Gender diversity in particular is encouraged at all levels of the organisation.

At 30 June 2012, women constituted 53% of our total workforce, 30% of the senior management and 25% of our Independent Directors. We are proud to say these rates are higher than most of our competitors in the property industry and are amongst the highest in the ASX100.

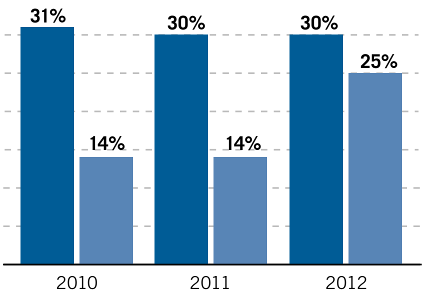
GENDER DIVERSITY AT DEXUS





L to R: Southgate Complex, 3 Southgate Avenue, Southbank, VIC; 1 Bligh Street, Sydney, NSW; 2-6 Basalt Road, Greystanes, NSW

GENDER DIVERSITY IN SENIOR LEADERSHIP



■ Percentage of females in senior management team

■ Percentage of female Independent Directors

Leadership development for our female employees is assisted through our partnership with the National Institute of Dramatic Art (NIDA) Women in Business program, which focuses on strategies and techniques to manage workplace communication challenges.

This program is part of our strategy to achieve a target of 33% female participation at senior management level by 2015.

Our commitment to safety

We recognise the importance of safety at DEXUS and our duty of care to prevent work health and safety risks. In FY12, there were eight incidents reported by employees, with no lost time from injury.

To minimise the risks and protect the health, safety and well-being of our employees, we have comprehensive policies covering:

- Risk management
- Work health, safety and liability
- Employee code of conduct

These are designed to ensure that all employees understand their rights and responsibilities and to guide our response to any safety concerns.

We also hold regular training programs to keep everyone within our organisation up to date with changes to the law and what constitutes acceptable and unacceptable behaviour.

At DEXUS, we pride ourselves on creating safe working environments and these results reflect our successful management of potential hazards.

DEXUS HEAD OFFICE – LEADING CARBON NEUTRALITY

Our commitment to reducing our carbon emissions has been rewarded with recognition from Low Carbon Australia.

In a first for an A-REIT, DEXUS's head office has been certified carbon neutral for the two years to June 2012. Through a combination of energy savings and offsets, our employees led the project to minimise resource consumption in our operations, achieving a 4.5 star NABERS Energy Tenancy rating and reducing greenhouse gas emissions across the business.

Initiatives included:

- saving 70.4 tonnes of CO_2-e (17% of DEXUS head office's energy consumption) through IT projects such as server rationalisation and a reduction in cooling requirements
- a 37% reduction in printing over the six months to 30 June 2012
- implementing recommendations from our NABERS rating assessment report

After savings, our remaining GHG emissions were offset through the purchase of credits in the following projects:

- hydroelectric power generation in China
- wastewater treatment and biogas production in Thailand
- biogas and bagasse-based cogeneration in India

These global projects were selected on the basis of their capacity to produce both greenhouse gas credits and social value by contributing to projects that improve conditions within the local community.

Reward and recognition

As mentioned in our Chair's letter, the Board has undertaken a review of DEXUS's remuneration framework (detailed on page 49), which included extensive consultation with major investors, remuneration consultants and proxy advisors to deliver a policy that focuses on equity and a balanced scorecard approach to performance payments.

DEXUS continues to conduct semi-annual talent management reviews to assess the ongoing performance and potential of all employees.

Our commitment to training

As part of our ongoing compliance training program for all employees, in FY12 an external consultant was engaged to facilitate interactive workplace relations workshops. These included refresher training on DEXUS's expectations of employee conduct in relation to discrimination, harassment, victimisation and bullying. Attendance was mandatory for all Sydney employees and plans for further training in our regional areas are underway.

We also carry out regular training for employees in line with our obligations under our Australian Financial Services Licence. These forums keep employees informed about disclosure requirements, ways to avoid conflicts of interest and compliance with all relevant laws and reporting requirements.

Employees must also successfully complete regular compliance assessments to test that their knowledge is up to date.

Community engagement initiatives

We believe that community engagement is a key part of our culture. Across the Group our people contribute their time and money to worthy causes that benefit the local community.

At a corporate level that support extends to charitable organisations that provide accommodation solutions to a range of less fortunate individuals.

SHARING KNOWLEDGE TO SUPPORT THE COMMUNITY

When the Wayside Chapel moved into new premises this year, they did so under the watchful eye of a DEXUS employee.

Group Risk Manager Joseph Stokes donated his time and considerable expertise to review their OH&S Manual and undertake risk assessments of their new headquarters.

DEXUS values these direct in-kind contributions to community charities, which we believe create valuable experiences for our employees and support for the community, far more than could be achieved through providing a financial donation alone.

As a property company, we believe the provision of accommodation is a critical element in the sustainable development and social fabric of our community.

Over the last 12 months we have maintained an ongoing relationship with a number of key charities:

- Barnardos, our 2012 charity of the year, builds relationships between disadvantaged Australian children, young people, their families and the community and is at the forefront of child welfare services
- The Sir David Martin Foundation, a group whose mission is to help and support homeless and troubled youths who are effected by drug, alcohol and mental health issues
- The Wayside Chapel, a non-denominational service that has been providing support for people on and around the streets of Kings Cross since 1964
- CREATE Foundation, Australia's peak body representing children and young people in out of home care
- The Station, a refuge in the Sydney CBD that provides a range of services for people who are having difficulty attaining and sustaining adequate and secure accommodation, improving their health, personal autonomy and dignity

Other organisations supported by our employees included House with No Steps, Oxfam, Cure Cancer, Green Australia, Fare Share, various local charities in regional areas across Australia and national events such as Daffodil Day, Red Nose Day, Jeans for Genes Day and Australia's Biggest Morning Tea.

As part of our community strategy in the US we held volunteering events and fund raising for the US Vets, an initiative to provide a transition for military veterans back into society through the provision of housing and comprehensive support services.

Triple Care Farm working bee, Sir David Martin Foundation

DEXUS employees working with Fare Share

MARKET OUTLOOK

Global economic uncertainty continued during FY12 with European debt concerns and volatility in global and domestic share markets, resulting in another challenging year for Australian property markets

Investment climate

In 2012 the Australian economy is forecast to grow by 3.3%, a rate close to the long term average.

Despite this solid headline number, there is significant divergence in terms of growth between industries and states, with Western Australia and Queensland clearly leading New South Wales and Victoria. While the global economic outlook remains uncertain, Australia is well placed with an unemployment rate of 5.1% and the capacity for authorities to ease fiscal and monetary policy if required.

In recent months employment growth has weakened and consequently tenant demand for space is expected to remain soft in FY13, after which we expect easing monetary policy to stimulate a cyclical improvement in activity.

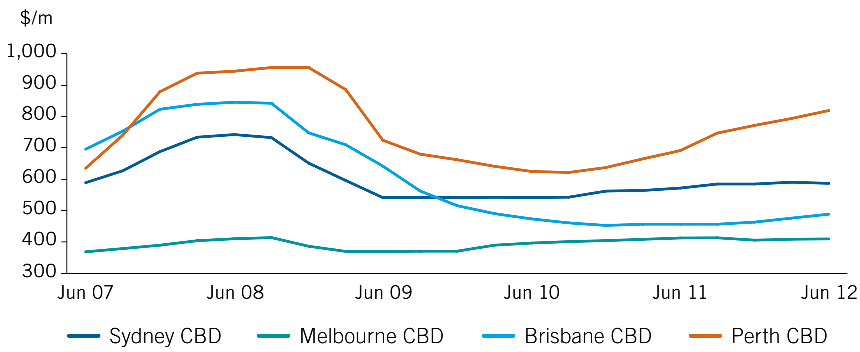
Australian office markets

The Australian office markets are forecast to experience cyclically slow tenant demand in FY13. This is expected to improve in FY14, driven by increased business confidence and the positive influence of lower interest rates on employment growth.

In addition, the overall modest levels of new construction across the core Australian CBD office markets will also help in keeping vacancy rates relatively stable over the next two years.

At 30 June 2012 the national CBD vacancy rate was 7.8%, only a slight increase on the previous year. This has helped to keep effective rents relatively stable across Australia in the past year, except in Brisbane and Perth which experienced mild growth.

GROSS EFFECTIVE OFFICE RENTS



Source: Jones Lang LaSalle, DEXUS Research

In Sydney, our largest office market, tenant demand for space remains subdued and we anticipate that this will continue for the next 18 months, with incentives expected to remain elevated. Supply will remain below average over the next two years, rising to above average levels in 2015-16 as the first office buildings in the Barangaroo precinct are completed.

As with any significant new addition to supply, the development at Barangaroo will contribute to a more competitive leasing market. However we believe that our office exposure in the western corridor will actually benefit from the additional infrastructure and amenity that will be created for the project and its surroundings.

Furthermore, as the development is pitched at higher than average rents, there will be a flow-on benefit to quality properties in the area, such as 30 The Bond and One Margaret Street in Sydney, with likely increased rents and valuations as a result.

In Melbourne, tenant demand has weakened and is expected to remain subdued over the next 12 months, due to low levels of employment growth. Adding to this is the ongoing construction of significant new supply, which is likely to result in vacancy rates rising in FY14. The availability of backfill space is expected to keep incentives elevated, which may result in new projects being delayed until the next cycle.

In Brisbane, tenant demand is expected to ease off the highs of last year but remain positive, due to continued employment growth driven in part by the mining and business service sectors. There is little new supply under construction at present, so the market vacancy rate is expected to tighten further in FY13.

In Perth, although tenant demand is expected to weaken from the current strong levels due to lower commodity prices and slowing resource investment, it should still remain positive. A lack of new supply in the next two years will result in the market vacancy rate remaining low until FY15 at which point new supply may begin to enter the market.

Governor Phillip Tower, 1 Bligh Street, Gateway, Sydney, NSW

51 Eastern Creek Drive, Eastern Creek, NSW

Westfield Miranda, NSW

Australian industrial markets

In recent months, demand for prime industrial space has been subdued, in line with weaker business confidence. This is expected to continue in FY13, but conditions are expected to improve in FY14 as easing monetary policy encourages retail sales and imports.

A forecast 30% to 40% increase in import volumes over the next five years should also help to improve demand. For example imports in New South Wales are forecast to grow by 6.2% per annum over the next five years, driving demand for warehousing and distribution space.

In Sydney, there is a declining trend in vacant prime space in key sub-markets, mainly due to a supply of new industrial space remaining below the 10-year average. In some areas the supply of quality prime space is unlikely to satisfy the expected demand, resulting in a level of speculative development in some areas.

In Melbourne, although take-up has been below the 10-year average over the last few years the major markets continue to have low levels of supply. Consequently, the level of prime space available for lease in key sub-markets has declined. Conditions are expected to be subdued in FY13 before improving in line with economic activity.

In Brisbane, take up has been mainly through renewals rather than pre-lease activity. Market vacancy for existing prime space is falling, due to below average levels of new supply throughout the market. Supply is constrained for larger industrial facilities, which is resulting in some speculative development.

Australian retail markets

The retail sector continues to face challenging conditions, but these are expected to improve in FY13.

National retail turnover grew by 4.1% for the year to 30 June 2012 but remained variable across states and categories. Consumer sentiment remains fragile as a result of rising costs of living and easing house prices, so spending on non-discretionary items has grown faster than discretionary purchases.

Retailer margins have been squeezed by the combined effect of subdued turnover growth and cost increases. This has kept market rents in shopping centres flat, although rental performance has varied between individual shopping centres.

In FY13, retail spending is expected to benefit from the recent cuts in official interest rates. Other positive influences include falling fuel prices, a stabilising household savings rate and the introduction of the government's carbon price stimulus package.

Expansion in online retailing is a long term issue for the retail sector leading to changes in tenant mixes in shopping centres and the adoption of multichannel strategies by retailers.

US industrial markets

The US economy is experiencing a period of slow, but positive, economic growth. First quarter GDP growth was 1.9% per annum, well above the 0.4% recorded for the previous year.

Nationally, net absorption of industrial space was positive in the second quarter of 2012, although absorption has varied across markets. Vacancy rates are steadily declining. In Q2 2012 the national vacancy rate was 13.4%, down from the peak of 15.3% following the global financial crisis. Vacancy rates in the main west coast markets are generally below the national average, reflecting stronger conditions in the port cities and markets which serve as regional trade hubs.

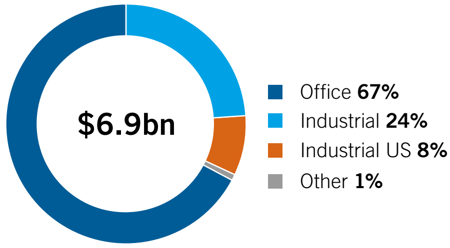
In FY13, declining retail sales and weak consumer confidence are likely to result in a slowing of growth in business investment and imports, constraining net absorption.

However modest construction levels mean that there is a relative scarcity of large and modern industrial space which should help to prevent vacancy from increasing significantly.

DXS PORTFOLIO

HIGHLIGHTS

	FY12	FY11	FY10
Total value	$6.9bn[1]	$7.5bn	$7.3bn
Total properties	106[1]	175	179
Net lettable area (sqm)	2.5m[1]	4.2m	4.5m
Occupancy (by area)	93.4%	88.7%	89.9%
Occupancy (by income)	95.8%	93.6%	93.2%
Lease duration (by income)	4.7 years	5.0 years	5.1 years
Weighted average capitalisation rate	7.5%	7.7%	8.0%



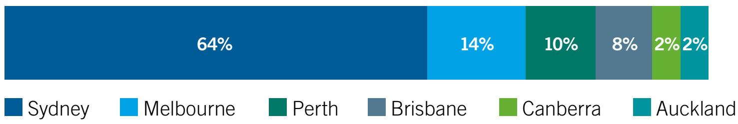
DXS portfolio focus on Australia

DXS will concentrate on the domestic market and make a full exit from all offshore markets within the next 12 to 24 months, focusing management attention back to Australia.

We will increase our investment in our core markets, focusing on the ownership and management control of properties.

Our overall philosophy for development will be to develop properties for both our listed trust and for our third party funds.

AU/NZ OFFICE PORTFOLIO



INDUSTRIAL AU PORTFOLIO

DXS invests in high quality properties in Sydney, Melbourne, Brisbane and Perth.

SYDNEY

17 OFFICE
$3.0bn PORTFOLIO VALUE

28 INDUSTRIAL
$0.9bn PORTFOLIO VALUE

MELBOURNE

6 OFFICE
$0.7 bn PORTFOLIO VALUE

12 INDUSTRIAL
$0.5 bn PORTFOLIO VALUE

BRISBANE

1 OFFICE
$0.4bn PORTFOLIO VALUE

4 INDUSTRIAL
$0.1bn PORTFOLIO VALUE

PERTH

1 OFFICE
$0.5bn PORTFOLIO VALUE

CANBERRA

2 OFFICE
$0.1bn
PORTFOLIO VALUE

ADELAIDE

1 INDUSTRIAL
<$0.1bn
PORTFOLIO VALUE

INTERNATIONAL

1 NZ OFFICE
$0.1bn
PORTFOLIO VALUE

27 US INDUSTRIAL
$0.5bn
PORTFOLIO VALUE

6 EU INDUSTRIAL
<$0.1bn
PORTFOLIO VALUE

1 Reduction is due to the sale of the US central portfolio.

DXS PORTFOLIO TARGET CORE MARKETS AND PROPERTIES

Australian office

Target markets

- Concentrate on core CBD office markets of Sydney, Melbourne, Brisbane and Perth
- Pursue selective recycling of non-core properties and markets

Target asset quality and type

- Premium grade properties
  - which attract quality tenants to deliver secure cash flows and low capital expenditure requirements
- A or B-grade properties
  - repositioning value-add opportunities
- Development
  - develop product of scale and quality suitable for long term ownership

Australian industrial

Target markets

- Concentrate on key industrial metropolitan markets of Sydney, Melbourne and Brisbane
- Located close to intermodal, infrastructure and employment hubs

Target asset quality and type

- Modern, functional high quality distribution and warehouse facilities
- Development
  - undertake selective value-add opportunities

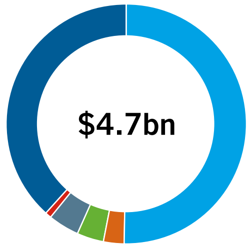
OFFICE

DEXUS Property Group owns a leading office portfolio of high quality properties located predominantly in Sydney, Melbourne, Brisbane and Perth CBDs

HIGHLIGHTS

	FY12	FY11	FY10
Portfolio value (A$)	**$4.7bn**	$4.5bn	$4.1bn
Total properties	**28**	28	28
Net lettable area (sqm)	**596,111**	558,000	542,400
NOI (A$)	**$289.8m**	$255.2m	$245.1m
Like-for-like income growth	**5.4%**	3.3%	0.4%
Occupancy (by area)	**97.1%**	96.2%	95.7%
Occupancy (by income)	**96.8%**	95.3%	96.2%
Lease duration (by income)	**4.9 years**	5.3 years	5.4 years
Average capitalisation rate	**7.3%**	7.4%	7.6%
1 year total return	**9.5%**	9.0%	6.9%
Tenant retention rate	**66%**	53%	56%
Tenant satisfaction scores	**76%**	73%	73%

PROPERTY TYPE (BY VALUE)



Leadership in office

Increasing investment in our core office markets is central to our revised strategy. Our strategy seeks to increase DXS portfolio exposure to quality office properties to 80-90% within a three to five year timeframe.

Our goal is to become the clear leader in the Australian office market in terms of:

- our investment performance
- the capability and expertise of our team
- the quality and range of our properties
- our ability to access capital
- the quality of our service to tenants
- the scale of our investments

Capital inflows

Australia is an attractive destination for foreign and super fund investment, due to its stable, growing economy and market transparency.

Due to the traditional stability of the Australian property market and the reliability of returns, we are well positioned to attract this capital, which can be used to support our investment strategies.

Strong operational performance

Our high quality office portfolio and proactive leasing approach has resulted in the portfolio continuing to deliver strong performance.

Leasing efforts have resulted in increased net operating income of $289.8 million, up 13.6% from $255.2 million in 2011. This was underpinned by 5.4% growth in like-for-like NOI and the completion of developments at 1 Bligh Street, Sydney and 123 Albert Street, Brisbane in July 2011.

The office portfolio delivered a one year total return of 9.5% (2011: 9.0%) driven by higher occupancy, strong rental growth and improved property values.

Improving valuations

The weighted average capitalisation rate for the portfolio tightened by 7 basis points to 7.3% (June 2011: 7.4%). This contributed to a 3.7% ($168.7 million) increase in the office portfolio value to $4.7 billion (2011: $4.5 billion).

The resource-led markets of Brisbane and Perth performed strongly as evidenced by the increase in property value for Woodside Plaza, which increased $18.6 million or 4.2%.

In Melbourne, the valuation of Southgate increased $16.5 million or 4.1%, following the successful redevelopment of the retail area.

Leasing progress

As a result of global economic uncertainty, tenant demand has remained subdued in the Sydney and Melbourne office markets.

Longer lead time has resulted in some upward pressure on incentives for new leases, but our active leasing approach has resulted in only a slight increase in incentives (an average 17.3%) on leases secured during the year.

Despite these challenges, the office team achieved excellent leasing traction, increasing occupancy from 96.2% to 97.1% compared with a national average of 92.2%[1], securing average rental increases on new leases and renewals of 4.6% and achieving a weighted average lease duration of 4.9 years (2011: 5.3 years) across the portfolio. The team also increased tenant retention to 66% (2011: 53%).

In the year to 30 June 2012, we secured leases covering 75,600 square metres, representing 13% of the portfolio. This included:

- 42 new leases over 30,600 square metres
- 36 lease renewals over 45,000 square metres

1 Bligh Street is 90% committed with the finalisation of leases with Bloomberg, Oil Search and the Commonwealth Parliamentary Offices.

1 Source: Jones Lang LaSalle.

L to R: One Margaret Street, Sydney, NSW; Woodside Plaza, 240 St Georges Terrace, Perth, WA; 123 Albert Street, Brisbane, QLD

At One Margaret Street, Sydney we actively managed our future expiries, renewing PKF for 10 years increasing their lease expiry to 2025 across 6,756 square metres.

Another stand-out example of our active leasing approach is Garema Court in Canberra. Following the decision by the government tenant to relocate, our office team successfully secured the Department of Regional Australia, Local Government, the Arts and Sport as a replacement tenant for a 12 year term over 10,873 square metres. This new tenancy was secured with no loss in rent and no downtime, as a result of active engagement with the Government (see the case study below).

In addition to ensuring good renewal rates, strong relationships with our tenants allow us to meet tenant needs within the portfolio, as demonstrated by MYOB moving from a tenancy in 383 Kent Street to 45 Clarence Street, Sydney.

Leasing risks for FY13 are posed by:

- 8 Nicholson Street, Melbourne: we are in negotiation with the tenant to take up their five year option over 23,528 square metres
- 14 Moore Street, Canberra: we are currently negotiating with tenants over 9,876 square metres
- 309 Kent Street, Sydney: we have commenced extensive on-floor refurbishments and are marketing 4,372 square metres of available space
- 201 Elizabeth Street, Sydney: we have renewed 70% of potential FY13 expiries, representing 6,527 square metres and are actively negotiating the remaining exposure

Strategic transactions

Consistent with our strategy to invest in quality office properties in key CBDs, in August 2012 we exchanged contracts to acquire:

- 50 Carrington Street in Sydney, for $58.5 million, a 15 level office tower

GAREMA COURT: SEAMLESS AND SUSTAINABLE

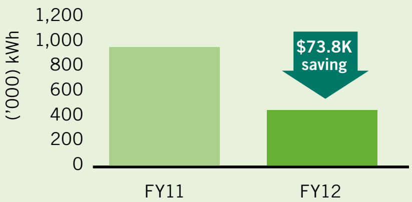
Garema Court in Canberra is an example of our success in actively managing office properties.

The building was faced with vacancy with the departure of the major tenant, the Department of Education, Employment and Workplace Relations. However, through strong relationships and proactive engagement with the Federal Government, this vacancy was quickly filled by the Department of Regional Australia, Local Government, Arts and Sport, with no downtime.

Part of the reason for this success was the decision to upgrade the property's NABERS Energy rating in alignment with the lease expiry from 3 stars to 5 stars by:

- upgrading the chiller plant
- installing a new Building Management and Controls System
- installing sub-metering for energy monitoring
- upgrading lighting in selected areas
- introducing carbon monoxide monitoring in the car park

As a result of this work, savings in electricity consumption of 510,000 kWh or $73,800 were realised during the year.

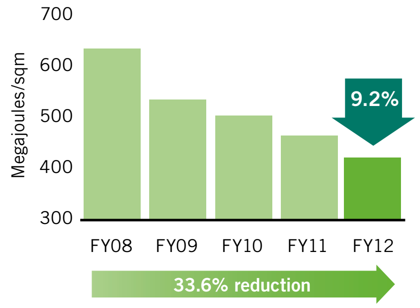


In addition, gas consumption decreased by over 1.34 million MJ or 43%. A 45 kW solar array was installed, further reducing the property's reliance upon grid electricity. These upgrades have resulted in the number of service requests for air conditioning decreasing and the building operating at optimal comfort levels.

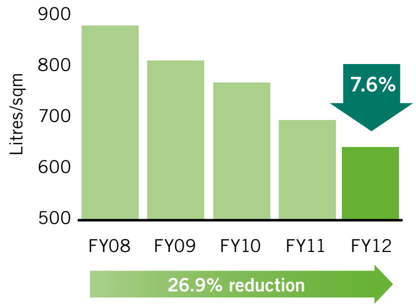
The work on Garema Court has made it an attractive property for both tenants and investors.

SUSTAINABILITY HIGHLIGHTS

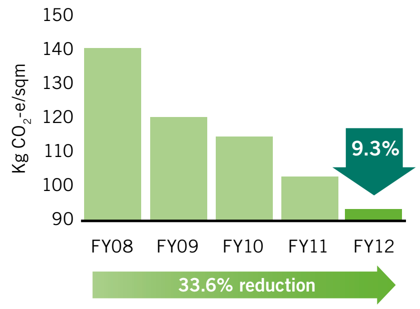
DXS OFFICE ENERGY CONSUMPTION/ INTENSITY



DXS OFFICE WATER CONSUMPTION/ INTENSITY



DXS OFFICE GHG EMISSIONS/ INTENSITY



- 12 Creek Street in Brisbane, for $241.6 million, jointly with DEXUS Wholesale Property Fund

These acquisitions provide us with potential value-add opportunities where we can reposition both properties through more effective leasing and refurbishment and improve their NABERS Energy ratings.

Better returns through resource efficiency

The DXS office portfolio continues to deliver improved sustainability performance.

Through active management of our properties, we have achieved annual savings on energy and water consumption and greenhouse emissions on an intensity basis of 9.2%, 7.6% and 9.3% respectively in the past year.

This reduction in consumption has resulted in tangible financial savings across our office portfolio and demonstrates our credentials as a market leader in resource efficiency.

The consequent reduction in outgoings for tenants improves the appeal of our properties and helps to reduce overall vacancy rates.

Our NABERS Energy and NABERS Water upgrade programs have been very successful with an increase in the average DXS NABERS Energy rating to 3.9 stars across the portfolio and 3.3 stars for NABERS Water as at 30 June 2012. This is in line with our target (see the case study above). When ratings are certified by 31 December 2012, we expect to reach our stated goals of a 4.5 star average NABERS Energy rating and a 3.5 star average NABERS Water rating.

These programs have been matched by the success of our most recent developments – 1 Bligh Street, Sydney and 123 Albert Street, Brisbane. 1 Bligh Street has been awarded a 6 Star Green Star As Built v2 rating while 123 Albert is currently being assessed, in addition to their respective 6 Star Design ratings. These buildings have been locally and internationally recognised as two of the world's most sustainable office buildings.

1 Bligh Street's performance resulted in it being awarded the best development in Asia by the Chicago-based Council on Tall Buildings and Urban Habitat (CTBUH) – the first time an Australian building has won the award. This is one of the many awards won by 1 Bligh and 123 Albert Street (see "Award winning performance" on page 28).

We will be taking the learnings and best practice from these buildings into our future development projects.

REACHING FOR THE STARS

In 2009, DXS embarked on a NABERS upgrade program to improve the average NABERS Energy rating performance of the DXS office portfolio from 3.0 stars to 4.5 stars.

A target of 4.5 stars was seen as both achievable, necessary and consistent with our positioning as a leader in sustainability.

A growing interest amongst tenants in environmental performance and increasing energy prices were key drivers.

DEXUS invested a total of $31 million to deliver the program with additional funding by grants from the Australian Government's Green Building Fund. The upgrade programs have been completed and ratings are due by 31 December 2012.

The project has already resulted in some significant improvements – for example, six buildings were newly certified 5 star this year: 309 and 321 Kent Street, Sydney; One Margaret Street, Sydney; 45 Clarence Street, Sydney; 130 George Street, Parramatta and Garema Court, Canberra.

This program commenced in advance of the introduction of the Government's Commercial Buildings Disclosure program, which mandates the disclosure of a building's NABERS Energy rating at point of sale or lease of office space over 2,000 square metres.

The upgrade program demonstrates leading practice energy management and has reduced both our energy cost and CO_2 emissions across all properties in the program.

A 3.5 star NABERS Water upgrade program is also underway and is delivering similar results across our portfolio.

REDEVELOPMENT OF SOUTHGATE

Located on the banks of the Yarra River in the arts and leisure precinct of Southbank, the Southgate Complex is one of the major office and retail properties in Melbourne, comprising two high quality office towers, a three level retail plaza and a large underground car park.

In FY12, DXS took the opportunity to redevelop the retail areas of the Complex to address increased competition from newer facilities, improve turnover and attract new retail and restaurant tenants.

The refurbishment led to:

- a new food and retail mix better catering to market segments including a number of iconic restaurants and retailers
- upgraded facilities and finishes that enhanced ambience, appeal and customer circulation around the three level complex
- a program of festivals and events leveraging Southgate's food and arts heritage
- a relaunched Southgate brand, positioning it as the leading food/leisure precinct

As a result of the redevelopment monthly traffic increased by an average of approximately 38% and over 63,000 visitors to the updated website celebratesouthgate.com.au, an increase of 55%.

Maintaining tenant satisfaction

The satisfaction of our tenants is measured through annual tenant surveys, which in the 12 months to 30 June 2012 demonstrated a high satisfaction level of 76% across our Australian office portfolio. In FY12, in line with our commitment, we standardised scoring across all sectors. This score represents satisfaction regarding our responsiveness to tenant queries, building services, our environmental initiatives, our overall performance and their tenancy.

Tenant surveys allow us to identify areas requiring specific attention, to improve the tenants' experience and increase overall retention rates. We do this through identifying areas for improvement, developing an action plan and linking it to the KPIs of our property teams.

We have also developed two new methods for improving our relationships with tenants – a revised Service Excellence Charter, and a new customer database to support our Customer Relationship Management program. These programs are designed to assist the property teams in understanding and servicing our tenants.

Award winning performance

Our latest office developments have been locally and internationally recognised. Over the last 12 months, we have achieved the following accolades:

- UDIA QLD 2011 Awards for Excellence
  Environmentally Sustainable Development – Built Form
  123 Albert Street, Brisbane
- UDIA NSW Awards for Excellence 2011
  Retail/Commercial Development
  1 Bligh Street, Sydney
- API NSW Excellence in Property Awards 2011
  Property Development Award
  1 Bligh Street, Sydney
- Asia Pacific 2011 Property Awards
  Best Office Development Australia
  123 Albert Street, Brisbane
  Highly Commended Office Development Australia
  Highly Commended Office Architecture Australia
  1 Bligh Street, Sydney
- Council on Tall Buildings and Urban Habitats (CTBUH)
  Best Tall Building – Asia & Australasia
  1 Bligh Street, Sydney
- 2012 Australian Institute of Architects (NSW) Awards
  Urban Design Architecture Award
  Commercial Architecture Award
  Sustainable Architecture Award
  1 Bligh Street, Sydney
- UDIA NSW Awards for Excellence 2012
  Design & Innovation
  1 Bligh Street, Sydney

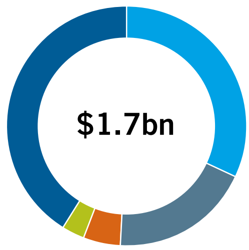
INDUSTRIAL AUSTRALIA

L to R: 8 Basalt Road and 2-6 Basalt Road, Greystanes, NSW; 2-4 Military Road, Matraville, NSW

HIGHLIGHTS

	FY12	FY11	FY10
Portfolio value (A$)	**$1.7bn**	$1.6bn	$1.5bn
Total properties	**45**	35	34
Net lettable area (sqm)	**1,194,309**	1,125,300	1,175,200
NOI (A$)	**$120.0m**	$116.4m	$109.9m
Like-for-like income growth	**(1.6%)**	1.1%	1.6%
Occupancy (by area)	**91.7%**	96.2%	98.4%
Occupancy (by income)	**92.8%**	95.1%	97.9%
Lease duration (by income)	**4.4 years**	4.7 years	4.9 years
Average capitalisation rate	**8.6%**	8.6%	8.8%
1 year total return	**8.0%**	9.4%	7.9%
Tenant retention rate	**59%**	61%	80%
Tenant satisfaction scores	**85%**	74%	66%

PROPERTY TYPE (BY VALUE)



Our Australian industrial portfolio is one of the largest in the country with 45 quality properties located in key growth markets, predominantly in Sydney and Melbourne

Our strategy is to invest in modern, functional high quality facilities that deliver superior risk-adjusted returns to our investors.

Stable performance in a difficult market

In an active year we successfully completed eight new industrial facilities through our trading and development business and leased over 300,000 square metres. In FY12, the industrial portfolio delivered an 8% total return which was below our long term target of 10%, impacted by a negative capital return of 0.8%.

Valuations in Sydney's northern and inner west markets were adversely affected by increased vacancy. This was partially offset by outperformance of our more modern buildings in outer western Sydney, Melbourne and Brisbane.

Over the past 12 months, NOI increased 3.1% to $120.0 million (2011: $116.4 million), driven by the completion of developments, but this was offset by a reduction in like-for-like NOI of 1.6% primarily as a result of the vacancy at Garigal Road, Belrose.

Valuations

The book value of the industrial portfolio increased 1.7% to $1.7 billion at 30 June 2012. This was a result of the completion of eight developments, offset by negative revaluations of 3.4% across the portfolio.

The negative variance on valuations reflects lower occupancy across the Sydney portfolio and lower land values. Capitalisation rates have not firmed as quickly as anticipated, while short term rental growth is lower and incentives are still at 2011 levels. The portfolio's weighted average capitalisation rate remained steady at 8.6%.

L to R: Pound Road West, Dandenong, VIC; 1 Foundation Place, Greystanes, NSW; Axxess Corporate Park, Mount Waverley, VIC

Leasing progress

The industrial team actively leased over 300,000 square metres in FY12, in 91 transactions, including:

- 143,800 square metres in renewals with 54 existing tenants
- 51,900 square metres in new leases for existing buildings with 29 new tenants
- 105,200 square metres in new leases for our development projects with eight new tenants

Our leasing activity saw tenant retention remain reasonably steady at 59%. While a correction to over-renting in previous years has seen a fall in rental income from retained tenants of 5.0%, incentives remained stable at 5.6%.

Occupancy of 91.7% at 30 June 2012 (2011: 96.2%) did not truly represent average occupancy during the year, with a tenant at 15-23 Whicker Road, Gillman, South Australia vacating 72,115 square metres (6% of total area) on 30 June 2012. Weighted average lease duration was down slightly at 4.4 years (2011: 4.7 years).

Increased transaction activity in key markets

In FY12 we purchased two strategic properties totalling 11 hectares in Wacol, Queensland and Erskine Park, NSW.

At the same time, we sold a total of 58,277 square metres and 3.5 hectares of land at three locations for $90 million, made up of:

- $38.1 million for land and a completed development at Erskine Park in NSW realising a trading profit of $4.5 million
- $11.7 million for a completed development at Laverton North in July 2012 realising a profit of $1.3 million
- $40.5 million for a property at Brookvale. As the property was originally acquired in September 1997 for $28 million (excluding acquisition costs), the sale price realised an unlevered IRR of 10.4%

Despite adverse economic conditions over the last few years, investment demand is likely to increase in the coming 12 months as a result of a bigger appetite from offshore investment and superannuation funds, leading to increased transactional activity.

A leading developer of industrial property

During the past two years, DXS has been recognised as one of the most active developers in the industrial space, having completed 10 properties covering 156,500 square metres since June 2010.

In FY12 alone, we completed eight industrial facilities covering 120,102 square metres on an average yield on cost of 9.1%, exceeding our target of 80,000 square metres.

Currently, approximately 75,285 square metres of developments are underway, for an estimated total cost of $99.1 million, with a further $205.5 million in the development pipeline.

ERSKINE PARK DEVELOPMENT AND TRANSACTION STRATEGIES

Erskine Park in NSW demonstrated our core capabilities of property development, leasing and transaction management:

- in July 2011 we sold 3.5 hectares of surplus land for a profit of $1.4 million
- in March 2012 we leased a 21,143 square metre speculative warehouse to DB Schenker, which we subsequently sold for $28 million, generating an IRR of 18.1% and a trading profit of $3.1 million
- in June 2012 we acquired a new land bank at 57-75 Templar Road, Erskine Park, which is now being developed

Despite ongoing global economic uncertainty, these transactions demonstrate that there are still opportunities available in our core industrial markets.

LEADING EDGE LOGISTICAL FACILITIES

We have an ongoing strategic relationship with the Toll Group, Asia-Pacific's leading provider of integrated logistics solutions.

Our relationship with Toll has evolved from a facility within our Rydalmere industrial estate in Sydney's inner west, which Toll operates for one of their major pharmaceutical contracts.

They have now moved into a brand new purpose built facility designed to service their major client Adidas within our Laverton North industrial estate in Melbourne's west.

We leveraged our expertise and close relationships with tenants to maximise portfolio value:

- At Erskine Park (see case study on page 30) we continue to realise development and speculative investment opportunities
- At the 4.7 hectare site in Wacol, QLD we have entered into a pre-lease with a leading car manufacturer for a 10 year term and have commenced construction of a $10.6 million, 7,830 square metre warehouse. An adjoining $7.4 million, 5,800 square metre warehouse facility is also under construction, with both facilities due to complete in December 2012
- At Laverton North we completed four fully-leased developments covering 53,165 square metres
- At Greystanes, we completed three developments for a total 45,794 square metres and commenced a development that has been pre-leased to Brady Australia for 13,310 square metres for a 10 year term with two five year options

Supporting sustainable outcomes

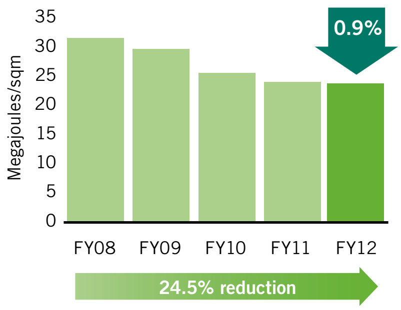
Leading environmental performance from our industrial properties is an important goal for us.

Energy and greenhouse gas efficiency strategies have seen reductions in intensity by 0.9% and 1.1% respectively over the last 12 months.

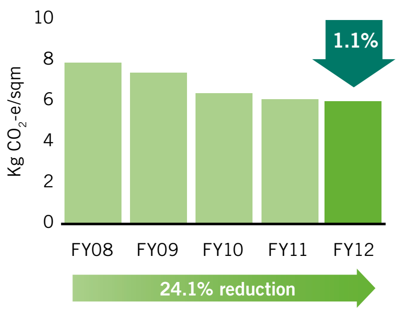
Unlike the office sector, water consumption in our industrial portfolio is primarily under the control of our tenants and, while we have worked with our tenants to encourage better performance, we have seen an increase in water consumption intensity of 0.4% over the last 12 months, a rise of 7.2% since FY08. We will continue to engage with our tenants on water savings.

SUSTAINABILITY HIGHLIGHTS

INDUSTRIAL AU ENERGY CONSUMPTION/ INTENSITY



INDUSTRIAL AU GHG EMISSIONS/ INTENSITY



RECYCLING AND REUSE IN INDUSTRIAL

Wherever possible, we seek to implement sustainable practices and recycled materials to reduce the environmental impact of our new developments.

At Greystanes, the Fujitsu facility was constructed using reclaimed ironbark beams that were recycled from Brisbane's decommissioned Hornibrook Bridge.

Opened in 1935 Hornibrook Bridge was one of three bridges crossing Queensland's Bramble Bay and, at 2.6 kilometres, was Australia's longest bridge.

It was carefully dismantled and the timber was shipped out of Brisbane just prior to the big floods early last year.

The reuse of the timber as structural columns successfully added aesthetic value to the building and removed the need for steel beams.

INDUSTRIAL US AND EUROPE

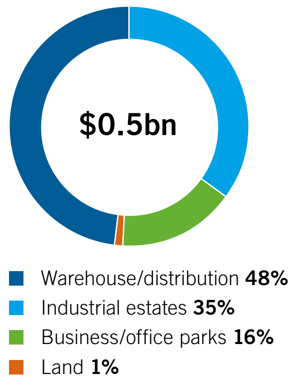


L to R: 1777 S Vintage Avenue, Ontario, CA; 19700 38th Avenue East, Spanaway, Seattle, WA; Riverbend Commerce Park, 8005 South 266th Street, Kent, WA

HIGHLIGHTS

	US west coast FY12	US west coast FY11	Total US FY11	Total US FY10
Portfolio value (US$)	**$549.5m**	$490.8m	$1.3bn	$1.2bn
Total properties	**24**	23	94	98
Net lettable area (sf)	**6.8m**	6.4m	23.7m	24.7m
NOI (US$)	**$77.1m**[1]	N/A	$78.6m	$87.3m
Like-for-like income growth	**3.8%**	3.3%	(4.5)%	(12.3)%
Occupancy (by area)	**97.1%**	97.7%	84.4%	86.4%
Occupancy (by income)	**98.2%**	97.4%	87.9%	84.3%
Lease duration (by income)	**4.4 years**	4.5 years	4.4 years	4.9 years
Average capitalisation rate	**6.3%**	6.6%	7.6%	8.4%
1 year total return	**10.0%**	17.6%	14.3%	N/A
Tenant retention rate	**66%**	58%	55%	56%

US PROPERTY TYPE (BY VALUE)



During the year we progressed exit plans in our non-core markets of the United States and Europe

In what are still very challenging conditions in the United States, with the local economy still in recession, the US industrial team managed to achieve some notable success.

Sale of the US central portfolio

In the 12 months since we internalised leasing management, we increased the occupancy rate in the central portfolio by 10.3% to 89.7%, through the leasing of 3.7 million square feet in 136 transactions, which supported the portfolio sale.

Consistent with our strategy to exit non-core markets, in June 2012 the US central portfolio, comprising 65 properties, including three properties leased to Whirlpool, was sold to affiliates of Blackstone Real Estate Partners VII.

The sale price of US$770 million, before transaction costs, was in line with book value.

The team also sold a further five non-core properties totalling US$34.6 million.

DXS now has 24 properties in the US west coast industrial market and three land parcels in Texas.

In line with our revised strategy, our US portfolio is now considered to be a non-core investment. Over the next 12-24 months, we plan to exit this market.

In the meantime our focus is to maximise the performance of these properties in order to achieve the best return for our investors.

1 Includes income from the US central portfolio.

Strong leasing results

In a very active year, over 5.4 million square feet was leased in the US including 1.7 million square feet in the west coast portfolio, in 49 transactions. Occupancy for the west coast portfolio remained relatively steady at 97.1% (2011: 97.7%). We retained 22 tenants resulting in a tenant retention rate of 66% including early renewal of leases in Los Angeles covering 460,000 square feet.

Tightening capitalisation rates and improved valuations

The west coast portfolio benefited from a valuation uplift of 7.3% driven by a 30 basis point capitalisation rate compression and strong occupancy levels. The values of our properties in Los Angeles, Inland Empire and Seattle increased.

Improving confidence delivers strong operational performance

The US industrial team has improved the overall performance of the portfolio in recovering markets.

NOI for the portfolio declined by US$1.5 million to US$77.1 million (2011: US$78.6 million) following the sale of 70 properties during the year. Notwithstanding this result the portfolio recorded strong like-for-like NOI growth of 3.8%.

The total return for the year to 30 June 2012 of 10.0%[1], down from 17.6%.

3691 North Perris Boulevard, Perris, CA

Sustainability leadership

DXS has a track record of success in sustainability in the United States, setting a high standard in the industrial sector. We are the first company to undertake a full LEED Existing Buildings: Operations and Certification on a multi tenant facility at Kent West Corporate Park in Seattle. This pilot demonstrates both the benefits and opportunities created by developing a strong working relationship with our tenants.

Following a 20 year lease agreement signed with Southern California Edison (SCE) in September 2011, the solar installation of 36,000 panels on our Whirlpool facility in Perris went live in August 2012.

The installation is the largest rooftop solar array in the US and is expected to generate enough electricity to power over 5,000 homes.

US environmental performance data

As the US central portfolio has been sold, and we have signalled our intention to exit all offshore investment over the next 12-24 months, we will no longer collect, assure or report on the energy and water consumption data and greenhouse gas emissions of the remaining portfolio. We will continue our commitment to the LEED pilot program and manage our operations in line with our commitment to environmental and financial performance.

EUROPEAN PORTFOLIO SALE

Our strategy to exit non-core properties is on track, with the sale of all but six of our European properties completed in FY12. These sales delivered proceeds of €82 million (A$107.5 million), leaving one building in Germany and five in France still in the portfolio with a value of €36.7 million and an NLA of 100,600 square metres. Occupancy by area of these remaining properties is 68.9% with a lease duration of 3.2 years.

We expect that the remainder of our European portfolio will be sold in FY13.

1 West coast portfolio only.

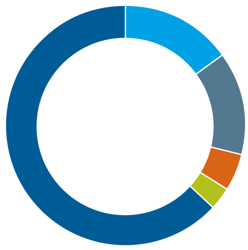
CAPITAL MANAGEMENT

We have maintained our active and prudent approach to capital management during the year with a focus on reducing the cost of debt and increasing duration

HIGHLIGHTS

	FY12	FY11	FY10
Cost of debt[1]	6.1%	6.6%	6.6%
Duration of debt[1]	4.2 years	4.2 years	3.2 years
Hedged debt	73%	82%	90%
Gearing[2]	27.2%	28.4%	29.8%
Headroom (approximately)[3]	$0.6bn	$0.6bn	$1.2bn
S&P/Moody's credit rating	BBB+/Baa1	BBB+/Baa1	BBB+/Baa1

DIVERSIFIED MIX OF DEBT FACILITIES[4]



In the year to 30 June 2012:

- $850 million of debt facilities were refinanced at margins below 2%
- a $200 million on-market buy-back of our securities commenced in April 2012, with 35% of this target completed by 16 August 2012
- the $204 million Real-estate perpetual ExchanNgeable sTep-up Securities (RENTS) was repurchased in June 2012, prior to the Step-up Date
- the weighted average cost of debt reduced from 6.6% to 6.1% and the average debt duration was maintained at 4.2 years as at 30 June 2012

DXS sits comfortably inside all its covenant limits and the Group's S&P and Moody's credit ratings of BBB+ and Baa1 respectively, both with stable outlooks, were reaffirmed during the year.

Redeploying capital into value-enhancing initiatives

Following the sale of the US central portfolio, a restructure of our US debt was undertaken, including the repayment and cancellation of bank credit facilities, US bonds and US mortgage notes together with associated hedging.

Our proactive capital management approach resulted in gearing being reduced by 120 basis points to 27.2%, well below our target of 30-40% and providing headroom of approximately $600 million.

Across the DXS debt platform, $850 million of facilities were refinanced during the year at average margins below 2% with a reduction of 50 basis points in the average cost of funds. Our debt duration was maintained at 4.2 years, exceeding our four-year target.

In total, we had an average of 73% of our debt hedged during FY12, with a weighted average interest rate of 4.3% and a weighted average maturity of 4.9 years. This has enabled us to take better advantage of a lower interest rate environment while managing currency and interest rate risks.

We remain in a strong position to respond to any changes in debt markets and have the capacity to redeploy funds into value enhancing acquisitions.

On market securities buy-back

On 16 April 2012 DXS announced that part of the surplus capital from the sale of the US central portfolio would be allocated to a $200 million on market buy-back of approximately 5% of our securities on issue.

At 30 June 2012 we had achieved 25.5% of our target, repurchasing 55.2 million securities for $51.0 million. By 16 August, this had reached 76.5 million securities or 35.3% of the buy-back for a total cost of $70.6 million.

The average price for all securities purchased by 16 August 2012 was $0.923, representing a 7.7% discount to NTA price per security of $1.00 as at 30 June 2012.

We believe that the buy-back is a sensible use of surplus capital when DXS securities trade at a discount to their underlying value and it is accretive to investor returns.

RENTS repurchase

On 30 March 2012 we announced our decision to repurchase and delist our $204 million RENTS hybrid securities, prior to the Step-up Date when the RENTS margin was to increase by 200 basis points to 3.3%.

1 Weighted average.

2 Refer to glossary for gearing definition.

3 Undrawn facilities plus cash.

4 Including $30 million of medium term notes that were secured post 30 June 2012.

DEXUS's TREASURY TEAM OF THE YEAR

The DEXUS Treasury Team took out the prestigious Corporate Treasury Team of the Year award at the Annual Capital/CFO Magazine awards, published by *The Australian Financial Review.*

Up against three other finalists – the Commonwealth Bank of Australia, Arrium (formerly OneSteel) and Bendigo and Adelaide Bank – the DEXUS team impressed the judges with the quality of our achievements in a challenging market and the level of teamwork demonstrated.

Particular recognition was given to the execution of the complex US central portfolio sale, with the smooth settlement of the US$770 million sale including repayment of bonds, mortgage loans and bank debt and the simultaneous release of various entities as guarantors from DXS's lending platform.

The DEXUS Treasury Team's ability to overcome challenges was demonstrated through their creative thinking and problem solving skills.

The award couldn't have been achieved without the collective efforts of the wider finance, legal, tax, property and funds teams supporting our capital management initiatives during the year.

The decision to repurchase was based on our liquidity requirements, availability of capital and our weighted average cost of capital.

The DEXUS RENTS Trust was delisted on 29 June 2012.

Change to our distribution payout policy

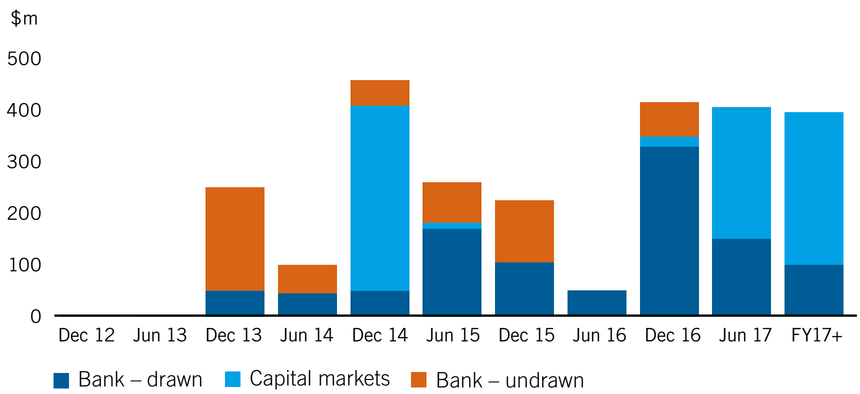
The completion of the NABERS Energy upgrade program and the sale of the capital intensive US central portfolio resulted in the announcement of a change to the distribution policy, effective for FY13.

Under the new policy DXS will distribute between 70% and 80% of FFO, in line with free cash flows, with the expectation that over time the average payout ratio will be around 75% of FFO.

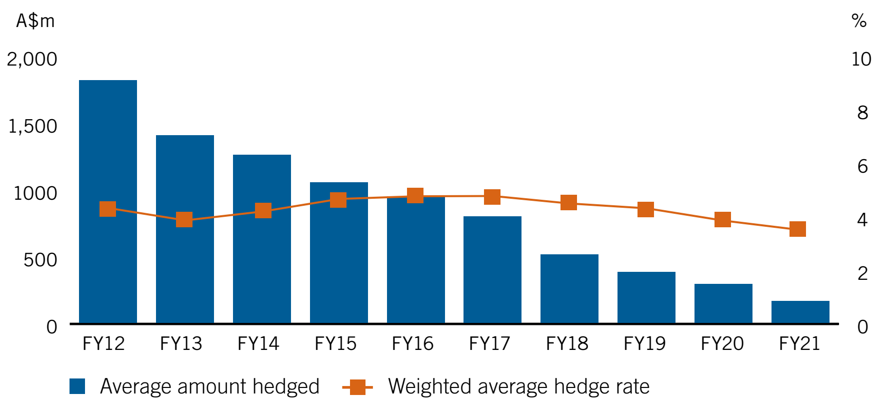
FY13 focus

For FY13 we will remain focused on reducing our cost of funds and maintaining a strong diversity of debt sources and duration of greater than four years. As a result we will maintain our strong credit rating metrics. We will also continue the on market securities buy-back, where it is accretive to investor returns and we will focus on redeploying or reducing our excess headroom.

DEBT MATURITY PROFILE



HEDGING MATURITY PROFILE



DXS REVIEW OF RESULTS AND OPERATIONS

Financial results

DEXUS Property Group's financial performance for the year ended 30 June 2012 is summarised below. To understand our results fully, please refer to the Financial Report in the 2012 Annual Report.

In accordance with Australian Accounting Standards, net profit includes a number of non-cash adjustments including fair value movements in asset and liability values. Funds from Operations[1] (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 table below reconciles between profit attributable to stapled security holders, FFO and distributions paid to stapled security holders.

Net profit attributable to stapled security holders is $181.1 million or 3.75 cents per security, a decrease of $371.9 million from the previous year (2011: $553.0 million), predominantly due to the movement in non-cash items and the impact of selling the US central portfolio. The key drivers are:

- Net fair value loss on derivatives of $102.1 million (2011: gain of $44.2 million) which includes unrealised, non-cash losses resulting from the restating of derivatives to account for lower market interest rates
- Net revaluation gains from investment properties and inventories of $67.9 million, representing an average increase of 1.0% across the portfolio (2011: $182.0 million). This gain is underpinned by a $93.5 million or 2.0% revaluation increase in the office portfolio
- Net loss on sale of investment properties of $72.8 million, primarily relating to the sale of the US central portfolio on 21 June 2012 for US$770 million and 12 European industrial properties sold for €82 million

Operationally, FFO increased 2.7% to $367.8 million (2011: $358 million) underpinned by the strong performance of the office portfolio and a reduced cost of debt. FFO per security increased 3.4% to 7.65 cents (2011: 7.40 cents per security).

Based on the current distribution policy of 70% of FFO, the distribution paid for the year to 30 June 2012 increased 3.3% to 5.35 cents per security (2011: 5.18 cents per security).

Operational results

The total value of investment property at 30 June 2012 was $6.9 billion, comprised of 67% office investments, 24% Australian industrial properties, 8% in the US and 1% in other.

- Office portfolio NOI increased by $34.6 million (13.6%) to $289.8 million (2011: $255.2 million) driven by strong like-for-like NOI growth of 5.4% and the completion of the Bligh and Albert Street developments. Occupancy was strong at 97.1% (2011: 96.2%), 4.4% higher than the national average of 92.2%[2]
- The Australian industrial portfolio's NOI increased by $3.6 million (3.1%) to $120.0 million (2011: $116.4 million) as a result of the completion of eight developments during the year, with a combined cost of $144.1 million. Like-for-like NOI was down 1.6% primarily due to the vacancy of Garigal Road, Belrose which had been identified for sale but was subsequently postponed. Occupancy by area for the portfolio fell to 91.7% (2011: 96.2%) with the departure of the tenant at 15-23 Whicker Road, Gillman. However at 16 August 2012, 57% of this space has subsequently been leased or is under Heads of Agreement
- On a constant currency basis, NOI from the industrial US portfolio declined $1.4 million to $74.7 million (2011: $76.1 million) due to property transactions including the sale of the central portfolio. Like-for-like NOI growth for the remaining west coast portfolio was strong at 3.8% (2011: 3.3%). Occupancy was 97.1%, broadly in line with the prior year occupancy of 97.7% for the core west coast portfolio
- Management business EBIT increased $1.2 million driven by $5.8 million of industrial trading profits and increased third party revenue, offset by $6.5 million in one off costs relating to CEO transition costs and redundancies. The management expense ratio for the year ended 30 June 2012 excluding these one off costs was 30 basis points
- Interest is no longer being capitalised on our two premium grade office buildings at 1 Bligh Street in Sydney and 123 Albert Street in Brisbane following their completion. This was the principal driver of the $27.5 million increase in financing costs, which was offset by additional rental income from the new properties. Overall cost of debt reduced 50 basis points to 6.1% for the year ended 30 June 2012 (2011: 6.6%)

The distribution payout policy commencing FY13 is between 70% and 80% of FFO, with FY13 guidance of 75% of FFO representing free cash flow.

	FY12 $m	FY11 $m
Net profit for the year attributable to stapled security holders	181.1	553.0
Net fair value gain of investment properties[3]	(82.7)	(182.0)
Impairment of inventories	14.8	–
Net fair value loss/(gain) of derivatives	102.1	(44.2)
Net loss/(gain) on sale of investment properties[4]	72.8	(7.1)
Foreign currency translation reserve transfer on partial disposal of foreign operations	41.5	–
Incentive amortisation and rent straight-line[3, 5]	31.7	28.6
RENTS capital distribution	(10.2)	(10.4)
Deferred tax and other	16.7	20.1
Funds From Operations (FFO)	**367.8**	**358.0**
Retained earnings[6]	(110.4)	(107.3)
Distributions	257.4	250.7
FFO per security (cents)	7.65	7.40
Distribution per security (cents)	5.35	5.18
Net tangible asset backing per security (cents)	100.0	100.8

1 DXS'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 assets, straight-line rent adjustments, deferred tax expense/benefit and DEXUS RENTS Trust capital distribution.
2 Source: Jones Lang LaSalle.
3 Including DXS's share of equity accounted investments.
4 Including tax and finance cost impacts of the US central portfolio sale.
5 Including cash and fit-out incentives amortisation.
6 Based on the distribution policy for the financial year ended 30 June 2012 of 70% of FFO.

FIVE YEAR FINANCIAL SUMMARY

	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000
Consolidated Statement of Comprehensive Income					
Profit and loss					
Property revenue	664,831	708,506	663,068	629,072	653,582
Management fees	26,760	63,663	51,588	50,655	50,712
Proceeds from sale of inventory	–	–	–	3,359	49,847
Property revaluations	184,444	–	–	148,433	75,227
Reversal of previous impairment	–	–	13,307	–	–
Contribution from equity accounted investments	2,467	31	(26,243)	34,053	13,784
Other income	12,829	5,739	10,144	5,486	3,933
Total income	**891,331**	**777,939**	**711,864**	**871,058**	**847,085**
Property expenses	(159,565)	(174,485)	(169,753)	(151,865)	(154,901)
Cost of sale of inventory	–	–	–	(3,353)	(43,998)
Finance costs	(213,233)	(384,241)	(190,685)	(52,744)	(261,869)
Net gain/(loss) on sale of investment properties	2,297	(1,880)	(53,342)	7,052	(32,566)
Employee benefit expense	(23,340)	(59,282)	(58,978)	(67,417)	(74,366)
Impairments and property devaluations	(61)	(1,685,733)	(209,367)	–	(14,846)
Other expenses	(44,266)	(47,970)	(28,132)	(26,298)	(23,601)
Total expenses	**(438,168)**	**(2,353,591)**	**(710,257)**	**(294,625)**	**(606,147)**
Foreign currency translation reserve transfer	–	–	–	–	(41,531)
Profit/(loss) before tax	453,163	(1,575,652)	1,607	576,433	199,407
Income and withholding tax (expense)/benefit	(7,902)	120,236	29,983	(21,313)	(16,526)
Net profit/(loss)	**445,261**	**(1,455,416)**	**31,590**	**555,120**	**182,881**
Other non-controlling interests (including RENTS)	(6,984)	(3,695)	(170)	(2,108)	(1,811)
Net profit/(loss) to stapled security holders	**438,277**	**(1,459,111)**	**31,420**	**553,012**	**181,070**
Operating EBIT	485.9	514.5	461.3	437.2	467.9
Funds from operations (cents per security)	11.90	10.43	7.30	7.40	7.65
Distributions[1] (cents per security)	11.90	7.30	5.10	5.18	5.35
Consolidated Statement of Financial Position					
Cash and receivables	135,671	120,661	89,429	109,921	90,035
Property assets[2]	8,731,773	7,735,859	7,306,585	7,487,082	6,922,722
Other (including derivative financial instruments and intangibles)	481,543	494,590	475,014	390,641	351,350
Total assets	**9,348,987**	**8,351,110**	**7,871,028**	**7,987,644**	**7,364,107**
Payables and provisions	322,528	289,561	281,230	274,346	276,970
Interest bearing liabilities	3,006,919	2,509,012	2,240,082	2,215,056	1,940,762
Other (including financial instruments)	184,487	406,320	343,269	191,401	139,049
Total liabilities	3,513,934	3,204,893	2,864,581	2,680,803	2,356,781
Net assets	5,835,053	5,146,217	5,006,447	5,306,841	5,007,326
Minority interest	205,998	206,772	205,275	204,028	–
Net assets (after non-controlling interest)	**5,629,055**	**4,939,445**	**4,801,172**	**5,102,813**	**5,007,326**
NTA per security ($)	1.77	1.01	0.95	1.01	1.00
Gearing ratio[3] (%)	33.2	31.2	29.8	28.4	27.2
Consolidated Statement of Changes in Equity					
Total equity at the beginning of the year	5,704,943	5,835,053	5,146,217	5,006,447	5,306,841
Net profit/(loss)	445,261	(1,455,416)	31,590	555,120	182,881
Other comprehensive income/(loss)	77,929	(53,478)	(7,034)	(4,973)	41,864
Contributions of equity, net of transaction costs	243,524	1,129,971	90,360	14,528	–
Buy-back of contributed equity, net of transaction costs	–	–	–	–	(50,950)
Acquisition of non-controlling interest	–	–	–	–	(204,000)
Distributions provided for or paid	(355,380)	(296,648)	(244,411)	(250,662)	(257,408)
Other transactions with equity holders	402	–	–	–	113
Other non-controlling interest movements during the year	(281,626)	(13,265)	(10,275)	(13,619)	(12,015)
Total equity at the end of the year	**5,835,053**	**5,146,217**	**5,006,447**	**5,306,841**	**5,007,326**
Consolidated Statement of Cash Flows					
Net cash inflow from operating activities	374,445	359,577	340,174	239,342	348,391
Net cash inflow/(outflow) from investing activities	11,065	(212,459)	90,592	(227,039)	659,567
Net cash (outflow)/inflow from financing activities	(342,514)	(170,190)	(444,382)	4,949	(1,019,837)
Net (decrease)/increase in cash and cash equivalents	42,996	(23,072)	(13,616)	17,252	(11,879)
Cash and cash equivalents at the beginning of the year	59,603	99,214	84,845	64,419	73,746
Effects of exchange rate changes on cash and cash equivalents	(3,385)	8,703	(6,810)	(7,925)	(2,674)
Cash and cash equivalents at the end of the year	99,214	84,845	64,419	73,746	59,193

1 70% of FFO commencing FY09.

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.

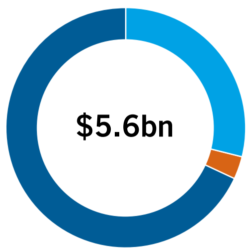
THIRD PARTY FUNDS MANAGEMENT

DEXUS is one of the leading managers of unlisted property funds in Australia, responsible for over $5.6 billion of funds under management

HIGHLIGHTS

	FY12	FY11	FY10
Portfolio value	**$5.6bn**	$6.2bn	$5.9bn
Number of properties	**46**	68	46
Office	**10**	15	18
Industrial	**24**	38	12
Retail	**12**	15	16
Average NABERS Energy ratings			
Office	**4.0**	3.9	3.3
Retail	**3.0**	2.9	N/A
Average NABERS Water ratings			
Office	**3.0**	2.7	2.5
Retail	**3.5**	2.9	N/A

THIRD PARTY FUNDS MANAGEMENT (BY VALUE)



- DWPF **68%**
- STC **29%**
- US mandate **3%**

DEXUS aims to be the partner of choice in commercial property for like-minded wholesale investors. During the year we built on our strong record of performance and our reputation for specialist property and investment skills and best practice corporate governance.

As at 30 June 2012, the third party funds management business was made up of the $3.8 billion DWPF that has 42 institutional investors, an Australian external mandate, SAS Trustee Corporation, totalling $1.6 billion and a $0.2 billion mandate in the US.

Overview

Despite current economic conditions, investor demand for unlisted property investments remains strong. Australian and international superannuation and pension funds continue to provide ready capital for investment in stable markets such as Australia.

Our active approach to property funds management continues to deliver strong performance in terms of investor returns and CR&S achievements for our third party investors. For DXS investors, the third party business introduces like-minded capital partners, who value expert investment and property management skills and provide DXS with investment management fees. This in turn supports our investment in experienced, specialist property and investment managers.

During the year the composition of the funds management business changed with the transfer of management of the AXA portfolio to AMP on 31 May 2012, following AMP's acquisition of the AXA business.

New capital partner

During the year, we focused on rebalancing the portfolios of our third party funds in line with their investment strategies and seeking new investment partnerships. In August 2012 we entered a new $360 million[1] joint venture partnership with the National Pension Service of Korea, who were advised by the real estate investment manager Heitman (see case study on page 39).

During the financial year, we sold a half share of QV1 in Perth for $310 million, as well as other smaller properties. In total, over $650 million of property was transacted on behalf of third party investors.

Delivering outperformance

In FY12, our third party business continued to outperform their benchmarks on a one, three and five year basis.

Third Party performance

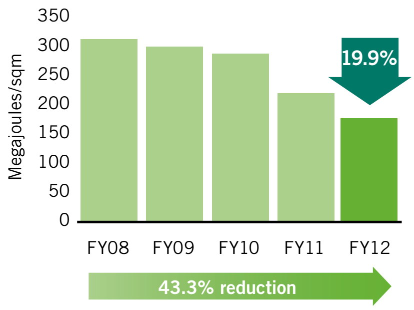
Period to 30 June 2012 (pre fees)	1 year %	3 years %	5 years %
Third Party	9.86	9.23	5.00
Benchmark[2]	9.44	7.47	4.52
Variance	0.42	1.76	0.48

2 Mercer IPD Pre Fee Gross Asset Weighted Index to 30 June 2012 and annualised.

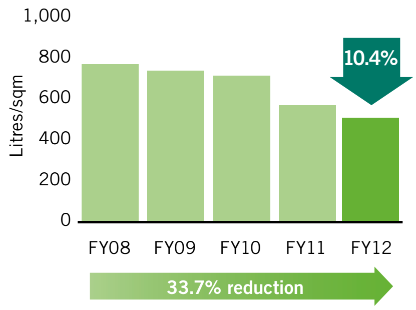
1 Initial partnership amount includes DXS's 50% interest in these properties.

SUSTAINABILITY HIGHLIGHTS

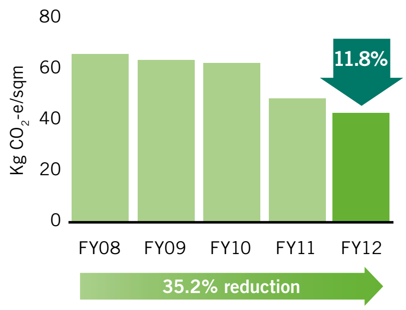
THIRD PARTY ENERGY CONSUMPTION/ INTENSITY



THIRD PARTY WATER CONSUMPTION/ INTENSITY



THIRD PARTY GHG EMISSIONS/ INTENSITY



Strong sustainability performance

We have been actively upgrading office properties in the third party business to increase NABERS ratings in line with agreed strategic improvement plans (SIPs).

Now that the majority of upgrades have been completed this has resulted in office properties in the third party business having an average NABERS Energy rating of 4.0 stars as at 30 June 2012.

In our retail properties our NABERS assessments were completed, achieving an average NABERS Energy rating of 3.0 stars for internally managed properties as at 30 June 2012, with additional investment planned to further increase efficiency.

The result of all sustainability initiatives across the third party funds portfolio is a reduction in energy and water consumption and greenhouse gas emissions on an intensity basis of 19.4%, 10.4% and 11.8% respectively over the last 12 months.

NEW CAPITAL PARTNERSHIP

Over the past year DEXUS has focused on securing new partnerships with like-minded wholesale investors.

In August 2012, we formalised a new long term capital partnership with one of the world's largest pension funds, NPS who were advised by the real estate investment manager Heitman, which will see NPS co-investing with DXS in selected industrial properties.

The initial portfolio is valued at $360 million[1] and includes a 50% joint ownership of 13 industrial properties at the Quarry in Greystanes, Sydney, NSW and the DEXUS Industrial Estate in Laverton North and Altona in Melbourne, VIC.

The partnership also has the potential to double over a five year period, with NPS having the exclusive option to partner in 50% of the future development pipeline at Quarry and Laverton North at the prevailing market value.

1 Initial partnership amount includes DXS's 50% interest in these properties.

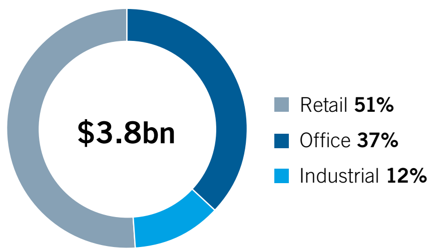
DEXUS WHOLESALE PROPERTY FUND

DWPF is an open-ended unlisted wholesale property fund which invests in a diversified portfolio of core and core plus retail, office and industrial properties

HIGHLIGHTS

	FY12	FY11	FY10
Total value	**$3.8bn**	$3.3bn	$2.8bn
Weighted average lease expiry (by income)	**3.9 years**	4.1 years	4.2 years
Occupancy (by area)	**96.6%**	95.8%	95.8%
Weighted average cap rate	**6.97%**	7.00%	6.91%
Number of properties	**30**	27	13
Portfolio quality – prime office, prime industrial and regional shopping centres	**82%**	80%	82%

DWPF ASSET MIX[1]



DWPF has consistently delivered outperformance and was the top performing wholesale fund in the Mercer IPD Unlisted Pooled Property Fund Index for the 12 months to 31 December 2011.

Overall FY12 has been very successful for the Fund, which:

- outperformed its benchmark over the quarter, one and three year periods to 30 June 2012
- acquired three high quality office and industrial properties during the year, totalling $298 million[2]
- increased its portfolio weighting towards the office and industrial sectors, from 33.8% to 37.4% and from 10.6% to 11.9% respectively, in accordance with the Fund's strategy
- raised over $420 million of equity, including a distribution reinvestment plan (DRP), from both new and existing investors
- satisfied $90 million of redemption requests, with no outstanding requests at the end of the financial year
- had an occupancy rate across the portfolio of 96.6% as at 30 June 2012. Particularly strong performance was delivered at 1 Bligh Street (33% co-owned with DXS), with occupancy increasing from 54.4% to be 90% committed at 30 June 2012

Stand-out performance

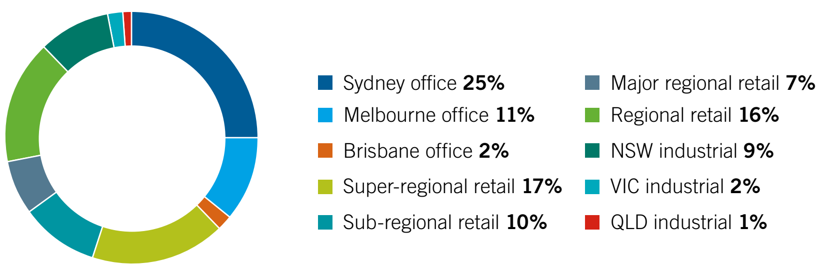
DWPF has continued its success, outperforming its benchmark over the quarter, one and three year periods, on both a pre and post fees basis.

DWPF PERFORMANCE

Period to 30 June 2012 (post fees)	1 year %	3 years %	5 years %
Fund return	9.68	8.96	3.79
Benchmark[3]	8.80	7.23	4.15
Variance	0.88	1.73	-0.36

3 Mercer IPD Australian Pooled Property Fund Index (net returns net asset weighted).

DWPF ASSET CATEGORY[1]



Strong capital management position

The Fund secured over $420 million of equity from both new and existing investors and an increased DRP participation rate. This investor support brings total equity raised since the start of the 2010 calendar year to approximately $1.4 billion.

The Fund has successfully managed unitholder liquidity requirements during the year, satisfying three redemption requests totalling $90 million.

As a result of this activity, the Fund enters FY13 in a stable capital management position with gearing at 15.6%, no outstanding redemption requests and strong interest from potential new investors.

1 Based on book value at 30 June 2012. Includes properties acquired during the year.

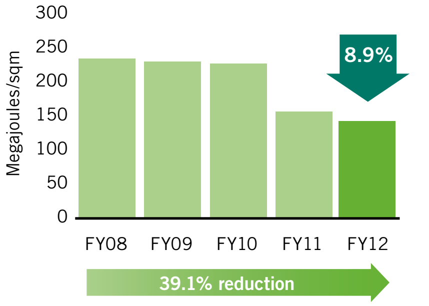
2 Purchase price, excludes acquisition costs.



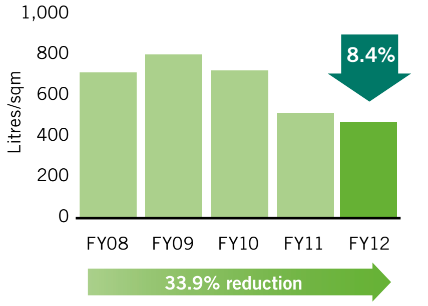
L to R: View from Governor Macquarie Tower, Sydney, NSW; Willows Shopping Centre, Townsville, QLD; Acquatica Business Park, Port Melbourne, VIC

SUSTAINABILITY HIGHLIGHTS

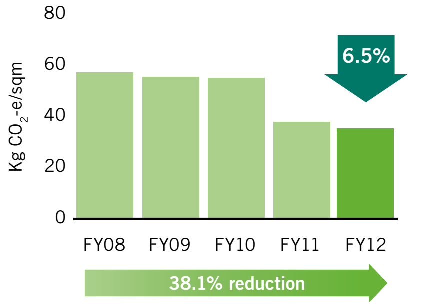
DWPF ENERGY CONSUMPTION/INTENSITY



DWPF WATER CONSUMPTION/INTENSITY



DWPF GHG EMISSIONS/INTENSITY



Strategic acquisitions and targeted divestments

DWPF completed three acquisitions during the year. This has enhanced portfolio returns and property valuations of each have increased:

- 452 Flinders Street, Melbourne is a high quality office asset in the western CBD core. It was acquired substantially below estimated replacement cost and was 99.7% leased at 30 June 2012
- Sir Joseph Banks Corporate Park, Botany is a modern prime industrial estate located in the south Sydney industrial precinct. It benefits from excellent road infrastructure and close proximity to Sydney's air and sea ports
- 34 Manton Street, Morningside is well situated within close proximity both to the Port of Brisbane and Brisbane airport. It was 100% leased at 30 June 2012. The acquisition included an attractive value-add opportunity with additional development potential on the site

In addition, in August 2012, DWPF exchanged contracts to acquire 12 Creek Street in Brisbane for $241.6 million jointly with DXS.

Development plans

Planning and design work continues on a number of development opportunities within the portfolio, including:

- planning permit approved to develop a rear plaza annex of 21,000 square metres at 360 Collins Street, Melbourne. Marketing is underway to secure tenant pre-commitment
- development application approved by Townsville City Council (pending a public appeal) for a supermarket relocation and additional specialty shops in Willows Shopping Centre
- plans for development work at Westfield Miranda and Westfield West Lakes

Reducing resource consumption

DWPF continues its commitment to sustainability performance through a process of proactive property management, prudent risk management and a commitment to continuous improvement.

While not mandatory for the retail sector, NABERS ratings were again completed for our entire retail portfolio and targets set for continual improvement.

Through a combination of focused management and the use of SIPs, the Fund has been enhancing the performance of its properties. Two of the Fund's landmark office buildings, Gateway, Sydney and 360 Collins Street, Melbourne have increased by 1.5 stars each under the NABERS Energy rating system to 4.5 stars and 3.5 stars respectively.

On a smaller scale, the Fund is in discussions for a potential partnership with a major tenant at Aquatica Business Park in Port Melbourne to install a 27kW solar panel system, which will result in substantial energy savings and offset 44 tonnes of CO_2 per annum.

Across the Fund in FY12, our energy consumption reduced by 8.9%, water consumption fell 8.4% and greenhouse gas emissions trended down by 6.5% on an intensity basis.

DWPF will continue to invest in high quality sustainable properties and actively monitor and manage performance to deliver further improvements and returns to investors.

FY13 COMMITMENTS

DEXUS's vision is to be globally recognised as Australia's leading real estate company

The primary goal for our revised strategy in FY13 is to refocus the business on core activities and strengthen the business for growth and outperformance. This will be achieved by delivering on our strategic objectives in office leadership, core capabilities, capital partnerships and capital and risk management.

Our overarching objective is to deliver superior risk-adjusted returns for our investors from high quality Australian real estate and drive ethical and responsible performance in all areas of our operations.

For FY13 we have identified our top 10 material issues, which came from our analysis of:

- business plans from across the organisation
- tenant surveys
- our Employee Opinion Survey
- the FY11 materiality workshop results

This breadth of information has allowed us to consider materiality in terms of our current and future performance, in line with our strategy.

By developing commitments for FY13 based on the most material issues to our stakeholders, we aim to deliver outcomes aligned to the interests of security holders and the wider community.

This is in line with our responsibility as a good corporate citizen.

Top 10 material issues for FY13

Material issue	To manage this issue we will	Refer to
Market leadership	Demonstrate clear market leadership in the quality of our portfolio, the calibre and expertise of our property team, the delivery of service excellence to our tenants and enhanced returns to investors	Our Strategy, page 4 FY13 Commitments – Our Investors
Long term sustainable performance	Invest in, actively manage and develop quality properties in key markets to deliver enhanced returns	Our Strategy, page 4 FY13 Commitments – Our Investors
Cost-effective access to capital	Leverage access to capital through our Third Party Funds Management business and engage with the wider investment community	Our Strategy, page 4 FY13 Commitments – Our Investors
Capability and performance of Board and senior management	Provide effective oversight and implement our revised strategy	Corporate Governance, page 46 FY13 Commitments – Our Employees
Board and executive remuneration	Implement a transparent, performance-based remuneration framework	Corporate Governance, page 49 FY13 Commitment – Our Employees
Competition for tenants	Engage with existing and prospective tenants to ensure delivery of service excellence	FY13 Commitments – Our Tenants
Attraction and retention of employee talent	Engage with our employees and implement appropriate remuneration strategies	FY13 Commitments – Our Employees
Employee skills and capabilities development	Target development and training programs for our employees	FY13 Commitment – Our Strategy
Rising cost of energy and water	Manage and deliver energy and water efficient buildings in line with leading practice	FY13 Commitments – Our Environment
Risk management and regulatory compliance	Implement effective risk management processes and a robust governance structure	Corporate Governance, page 46 and the 2012 Annual Report

OUR INVESTORS

Market leadership, sustainable growth, financial performance and capital management

- Deliver FFO earnings per security of 7.75 cents per security, representing a payout ratio of 75% of Funds From Operations
- Target a return on equity of 9-10% per year through the cycle
- Continue the disposal of non-core properties and recycle capital into core Australian properties and markets
- Deliver long term top quartile performance relative to our peer group, industry benchmarks and global indices

Capital management

- Maintain strong credit rating metrics
- Maintain debt duration of greater than four years

Office

- Actively manage lease expiries and improve portfolio occupancy, with a focus on expiries in Sydney's western corridor
- Increase our office property investments in order to reach a target portfolio composition of 80%-90% of assets over the next 3-5 years

Industrial

- Actively manage lease expiries and improve portfolio occupancy
- Deliver committed development leasing
- Grow industrial exposure in our third party funds

Industrial US and EU

- Maintain leasing focus in the US portfolio
- Progress our exit strategy for the US and European portfolios

Third Party Funds Management

- Continue to achieve investment objectives to enhance returns
- Establish new third party capital partnerships

OUR TENANTS

Tenant attraction and retention

- Service Excellence Charter adopted by office and industrial teams and incorporate service levels into team KPIs
- Improve tenant retention across all portfolios
- Increase response rates and improve tenant satisfaction survey scores through targeted engagement
- Monitor and report on the take up of DEXUS's green lease schedule by tenants across each portfolio
- Rollout the Insurance Affinity program for retail tenants providing access to group discounted rates

OUR SUPPLIERS

Fairness and efficiency

- Work with our 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
- Create strategic alliances with leading suppliers to achieve economies of scale and enhance value

OUR EMPLOYEES

Board and employee capabilities, remuneration and talent retention

- Implement a more transparent and market aligned remuneration strategy and compensation and benefits framework for our employees
- Increase accountability and create a stronger link between performance and reward through alignment to Group and individual KPIs

OUR COMMUNITY

Community relationships

- Increase DEXUS's volunteering commitment with at least 75% of employees contributing to one day's community service during the year
- Evaluate DEXUS's strategic relationships with, and membership of, industry and environmental bodies to ensure they are aligned with our corporate and community goals
- Promote and expand community engagement activity in our office and industrial portfolios

OUR ENVIRONMENT

Resource efficiency and sustainability

- Outperform the IPD Green Building Index through responsible capital investment in environmental initiatives and maintain our average 4.5 star NABERS Energy rating across the office portfolio
- Continue to drive sustainability in our industrial estates, such as Greystanes, through the use of master planning and resource efficiency programs
- Deliver a 10% energy saving over the next three years across our property portfolio
- Expand our Carbon Neutrality program to our other business areas

DEXUS BOARD OF DIRECTORS

L to R: Elizabeth Alexander, John Conde, Barry Brownjohn, Darren Steinberg (CEO), Chris Beare (Chair), Richard Sheppard, Stewart Ewen, Tonianne Dwyer and Peter St George

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 (appointed 4 August, 2004). 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.

Elizabeth Alexander AM

BComm, FCA, FAICD, FCPA
Independent Director

Elizabeth Alexander is an Independent Director of DEXUS Funds Management Limited (appointed 1 January, 2005), 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.

Barry Brownjohn

BComm
Independent Director

Barry Brownjohn is an Independent Director of DEXUS Funds Management Limited (appointed 1 January, 2005) 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.

John Conde AO

BSc, BE (Hons), MBA
Independent Director

John Conde is an Independent Director of DEXUS Funds Management Limited (appointed 29 April, 2009) 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.

Tonianne Dwyer

BJuris (Hons), LLB (Hons)
Independent Director

Tonianne Dwyer is an Independent Director of DEXUS Funds Management Limited (appointed 24 August, 2011) 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.

Stewart Ewen OAM

Independent Director

Stewart Ewen is an Independent Director of DEXUS Funds Management Limited (appointed 4 August, 2004) 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.

Richard Sheppard

BEc (Hons)
Independent Director

Richard Sheppard is an Independent Director of DEXUS Funds Management Limited (appointed 1 January, 2012), a member of the Board Audit, Risk & Sustainability Committee and the Board Finance Committee. Richard brings to the DEXUS Board, extensive experience in the banking and finance industries and as a Director and Chairman of listed and unlisted property trusts.

Darren Steinberg

BEc, FRICS, FAPI
Chief Executive Officer and Executive Director

Darren Steinberg is CEO and Executive Director of DEXUS Funds Management Limited (appointed 1 March, 2012). Darren has overall responsibility for the operations of DEXUS. Darren has an extensive background in office, retail and industrial, property investment and development.

Peter St George

CA(SA), MBA
Independent Director

Peter is an Independent Director of DEXUS Funds Management Limited (appointed 29 April, 2009) and is Chair of the Board Finance Committee. Peter has more than 20 years' experience in senior corporate advisory and finance roles.

GROUP MANAGEMENT COMMITTEE

L to R: Craig Mitchell, Tanya Cox, John Easy, Darren Steinberg (CEO), Ross Du Vernet, Pat Daniels and David Yates

Darren Steinberg

Chief Executive Officer and Executive Director

Darren has overall responsibility for the operations of DEXUS. Darren has an extensive background in office, retail and industrial, property investment and development.

Tanya Cox

Executive General Manager, Property Services and Chief Operating Officer

Tanya is responsible for the tenant and client service delivery model, corporate responsibility and sustainability practices, information technology solutions and company secretarial services across the Group. Tanya has almost 10 years' experience in the property industry and a further 15 years' experience in the finance industry.

Pat Daniels

Executive General Manager, Human Resources

Pat is responsible for leading the Company's human resources function with a strong focus on partnering with the business to attract and retain the calibre of employee required for a leading property group. Pat's career has spanned both government and financial sector roles in a variety of countries – Australia, Indonesia, Lebanon, Japan and Singapore – and she brings extensive experience in human resources management.

Ross Du Vernet

Executive General Manager, Strategy & Research

Ross is responsible for corporate strategic planning and execution, transactions and property research across the Group. Ross has a depth of experience in real estate funds management, capital management and mergers and acquisitions in Australia and abroad.

John Easy

General Counsel

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 20 years with the majority of this time in the property and funds management industry.

Craig Mitchell

Chief Financial Officer

Craig is responsible for the Group's finance, tax and treasury function. In addition, he is also responsible for the funds management business which includes the management of the DEXUS retail portfolio. Craig has more than 20 years of experience with over 15 years specialising in the property industry.

David Yates

Executive General Manager, Investor Relations & Communications

David is responsible for the investor relations and communications function across the Group combined with managing the relationships and information flow to the investment community. David has more than 13 years of investor relations experience specifically in the Australian commercial property industry.

1 EGM, Office & Industrial to be appointed.

CORPORATE GOVERNANCE

At DEXUS, we strive to meet the highest ethical, efficiency and governance standards. We continually review our processes to deliver enhanced performance and benefits to our investors, tenants and stakeholders. Each year we review our approach to corporate governance to ensure best practice

Board and Committee membership

During the year the Chair, Chris Beare, conducted a series of interviews with Independent Directors as part of our Board performance evaluation program, to seek their views regarding Board and Board Committee performance. These discussions led to several improvements to Committee structures and membership, effective 1 July 2012.

The Board currently comprises eight Independent Directors and DEXUS's Chief Executive Officer. DEXUS has determined that the optimal size of the Board should be small enough to be able to act decisively, but large enough to ensure a diverse range of views is provided on any issue. So, while up to ten Directors may be appointed, the Board has decided that its long term target is to reduce its membership to eight.

Board Committees have been streamlined and reduced to a membership of three Independent Directors effective 1 July 2012, impacting for example, the Board Audit, Risk & Sustainability Committee and the Board Finance Committee.

Group Management Committee responsibilities

The Board has appointed a Group Management Committee (GMC) comprising the most senior executives. This committee is responsible for achieving DEXUS's objectives, including ensuring the prudent financial and risk management of the Group.

Members of the GMC in FY12 were the Chief Executive Officer, Chief Investment Officer, Chief Financial Officer, Chief Operating Officer and General Counsel.

From 1 July, 2012, the GMC has been extended to include Executive General Managers heading Human Resources, Investor Relations and Communications and Strategy, Transactions and Research.

DEXUS Funds Management committees and policies

Board
Audit, Risk & Sustainability Committee[1]
Compliance Committee
Finance Committee
Nomination, Remuneration & Governance Committee[2]

Management Committees
Group Management Committee
Capital Markets Committee
Compliance, Risk & Ethics Committee[3]
Continuous Disclosure Committee
Corporate Responsibility and Sustainability Committee
Investment Committee
US Investment Committee
US Management 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
Continuous disclosure
Selection and appointment of external auditor
Risk management
Environmental management
Workplace health and safety
Anti-bribery

1 A combination of the Audit Committee and the Risk & Sustainability Committee.
2 Formerly the Nomination & Remuneration Committee.
3 Formed by the merger of the Compliance Committee, Internal Audit Committee and Risk Committee.

Compliance, risk and ethics

The new Compliance, Risk & Ethics Committee oversees the risk and compliance functions within DEXUS. It has oversight of policies and procedures that encourage and support ethical behaviour by individuals and DEXUS as a company.

The Committee reports regularly to the GMC and the Board Compliance Committee and Audit, Risk & Sustainability Committee.

Risk management

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

During FY12, the Board Audit, Risk & Sustainability Committee focused on strategic risk management, including DEXUS's appetite for risk and its Business Continuity Plan. DEXUS operates in a dynamic and challenging environment which requires a careful and robust approach to risk. We actively review and manage our risks as an integral part of our decision-making process.

The Board and the GMC consider business risks when setting strategies and approving investments.

This process identifies risks and corresponding mitigating controls. Where residual risks fall outside DEXUS's risk appetite, additional controls are identified and implemented.

Business opportunities seen as high risk are not pursued unless risk can be mitigated to an acceptable level. Our key risks and how we respond to them are detailed below.

Key risk	Management strategy
Investment	■ Our 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
Leasing	■ Leasing risk is managed by the Office & Industrial Leadership Team and monitored weekly by the Group Management Committee ■ DEXUS has deepened its tenant engagement activity through the implementation of a Customer Relationship Management system. This increased activity enables us to work more effectively with existing tenants to meet their future accommodation needs long before their lease expires
Liquidity	■ DEXUS has broadened its capital sources to include domestic and international debt capital markets, as well as local and international financial institutions ■ We have maintained our 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
Health, safety & environment	■ 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
Talent	■ To ensure effective talent management DEXUS undertakes a semi-annual review of employee performance and corresponding development plans ■ We review annually our 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
Regulatory risk	■ DEXUS has a dedicated team responsible for the identification of legislation and regulations that may affect our 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

Director and Executive trading

The Board has reconsidered its previous decision that DEXUS Directors and senior executives be prohibited from trading in any security managed by the Group.

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

Directors and employees will only be able to trade DXS securities in defined trading windows and additional procedures have been introduced to further minimise the risk of insider trading or perceived conflicts of interest.

Leading practice corporate governance

DEXUS Funds Management Limited (DXFM) is the Responsible Entity for each of the four Trusts that comprise DEXUS Property Group and for the management of third party mandates.

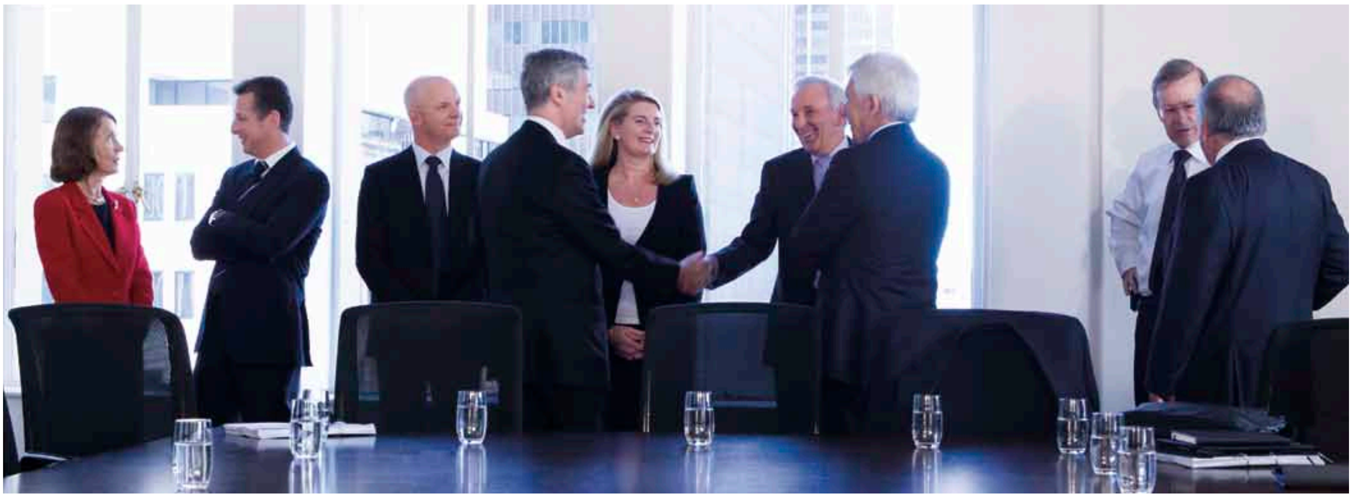
While DXFM is not a publicly listed company, the Board has implemented a corporate governance framework that extends to all DXFM funds and mandates which:

- satisfies the highest standards and procedural requirements of a publicly listed company, including the conduct of an annual general meeting, the appointment of Independent Directors by DEXUS security holders and corporate disclosure, such as the remuneration report
- supports the strategic objectives of the Group
- defines accountability
- sets out a process for managing the risks inherent in its day-to-day operations

The corporate governance framework meets the requirements of *ASX Corporate Governance Principles and Recommendations with 2010 Amendments* (2nd edition) and addresses additional aspects of governance that the Board considers appropriate.

ASX Corporate Governance Principles and Recommendations	Complies	DEXUS Annual Report
Principle 1 Lay solid foundations for management and oversight	✓	Page 7
Principle 2 Structure of the board to add value	✓	Pages 7-9
Principle 3 Promote ethical and responsible decision making	✓	Pages 9-10
Principle 4 Safeguard integrity in financial reporting	✓	Pages 10-11
Principle 5 Make timely and balanced disclosure	✓	Page 11
Principle 6 Respect the rights of shareholders	✓	Page 12
Principle 7 Recognise and manage risk	✓	Pages 12-13
Principle 8 Remunerate fairly and responsibly	✓	Page 13

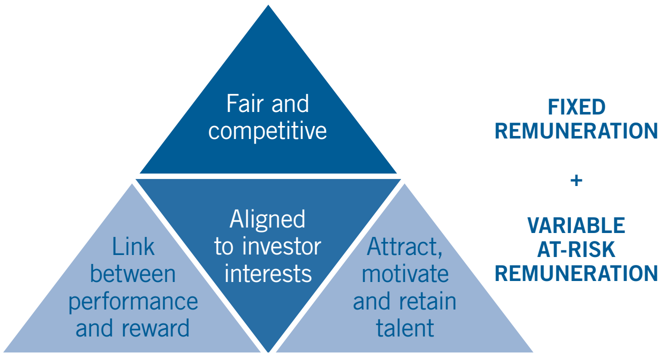
For more information and our performance against the ASX Governance Principles, refer to the full Corporate Governance Statement in the Annual Report starting on page 6, or at www.dexus.com/corporategovernance



Remuneration policy

The Board believes that key executives should be rewarded commensurate with the complexity and risks involved in their position. Incentive awards should be scaled according to the relative performance of the Group, as well as business unit performance and individual effectiveness.

The Group's remuneration principles can be summarised as follows:



The Group requires and needs to retain, a senior management team with significant experience in:

- the office, industrial and retail property sectors
- property management, including securing new tenants under contemporary lease arrangements, asset valuation, financial structuring and property development in its widest context
- capital markets, funds management, fund raising, joint venture negotiations and the provision of advice and support to independent investment partners
- treasury, tax and compliance

In this context the Board's Nomination, Remuneration & Governance Committee reviews trends in employee reward structures and strategies adopted by:

- comparable international funds and asset managers which have an active presence in Australia
- ASX listed entities
- boutique property asset managers and consultants
- private equity and hedge funds which have an increasing exposure to the business interests of the Group

In establishing the new remuneration framework, the Board has been assisted by feedback from remuneration advisors, proxy advisors and institutional investors.

Given that the Group instigated an extensive executive search during 2011, this process provided invaluable input to the Group's deliberations concerning remuneration quantum and structure (fixed and variable) for the position of CEO.

The proposed new remuneration framework is subject to security holder approval at the AGM on 5 November 2012.

New executive remuneration framework

The major outcomes of the review, which are applicable to key DEXUS executives are:

- no increase in fixed remuneration for FY13
- the DEXUS Performance Payment (DPP) Plan will be discontinued
- the DEXUS Deferred Performance Payment (DDPP) Plan, including composite index benchmarking and the availability of a performance multiplier, will become a legacy plan and will be closed to new grants
- for awards earned in prior years under the DDPP Plan, the Board has signalled its intention to discontinue the performance multiplier
- a revised Short Term Incentive (STI) Plan will be introduced reflecting achievement of results against balanced scorecard metrics with:
  - 75% of any award paid in cash
  - 25% deferred into performance rights to DXS securities, subject to clawback and service conditions, vesting in two equal tranches after 12 and 24 months
- a new Long Term Incentive (LTI) Plan will be introduced, in which key Executives will be granted performance rights to DXS securities subject to three performance hurdles which will be relative total security holder return, Funds From Operations per security and Return on Equity related measures
- the new LTI Plan will vest in two equal tranches, three and four years after the grant date and will be subject to service and clawback conditions, with no retesting available

To reflect the introduction of the STI deferral and the new LTI Plan, the remuneration mix for executives will be changed to:

- Stretch target STI as a percentage of fixed remuneration will be:
  - CEO and CFO – 100%
  - Other key executives – 70%
  - For significant outperformance, an additional 25% could be awarded
- LTI grants as a percentage of fixed remuneration will be:
  - CEO – 85%
  - CFO – 50%
  - Other key executives – 30%

The Board considers these weightings to be appropriate, given the nature of DEXUS's business and these have been set to ensure that the Group continues to attract, motivate and retain senior executives who create security holder value.

The Board is committed to providing greater clarity regarding how executive pay outcomes are determined, including more detailed disclosure of balanced scorecard criteria and DEXUS's performance positioning against comparator benchmarks.

The Board is confident that the new framework better supports and drives the achievement of the strategic objectives of the Group and represents an appropriate balance between pay outcomes and the creation of security holder value.

Non-Executive Director remuneration

Board and Committee fees paid to Non-Executive Directors for the years ended 30 June 2011 and 30 June 2012 are outlined in the table below.

Fees are reviewed annually by the Board Nomination, Remuneration & Governance Committee to ensure they reflect the responsibilities of Directors and are market competitive.

Total payments to Non-Executive Directors remain within the aggregate fee pool of $1,750,000 per annum approved by DXS security holders at its Annual General Meeting in October 2008 and reflect a base fee with additional payments for membership of Board Committees for all except the Chair.

This table summarises the actual cash and benefits received by each Non-Executive Director for the year to 30 June 2012.

Non-Executive Director	Year	Short term benefits $	Post-employment benefits $	Other long term benefits $	Total $
Christopher T Beare	**2012**	**334,225**	**15,775**		**350,000**
	2011	334,801	15,199		350,000
Elizabeth A Alexander AM	**2012**	**170,539**	**24,461**		**195,000**
	2011	179,801	15,199		195,000
Barry R Brownjohn	**2012**	**172,018**	**15,482**		**187,500**
	2011	172,301	15,199		187,500
John C Conde AO	**2012**	**158,257**	**14,243**		**172,500**
	2011	158,257	14,243		172,500
Tonianne Dwyer[1]	**2012**	**132,225**	**11,900**		**144,125**
	2011	–	–		–
Stewart F Ewen OAM	**2012**	**109,052**	**48,448**		**157,500**
	2011	109,052	48,448		157,500
Brian E Scullin[2]	**2012**	**55,046**	**4,954**		**60,000**
	2011	165,138	14,862		180,000
W Richard Sheppard[3]	**2012**	**74,541**	**6,709**		**81,250**
	2011	–	–		–
Peter B St George	**2012**	**165,138**	**14,862**		**180,000**
	2011	165,138	14,862		180,000
Total	**2012**	**1,371,041**	**156,834**		**1,527,875**
	2011	1,284,488	138,012		1,422,500

1 Ms Dwyer was appointed on 24 August 2011.
2 Mr Scullin resigned effective 31 October 2011.
3 Mr Sheppard was appointed on 1 January 2012.

Remuneration of DEXUS Executives

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 2012.

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 2012, refer to the performance pay outcomes section of the Remuneration Report contained in the DEXUS 2012 Annual Report.

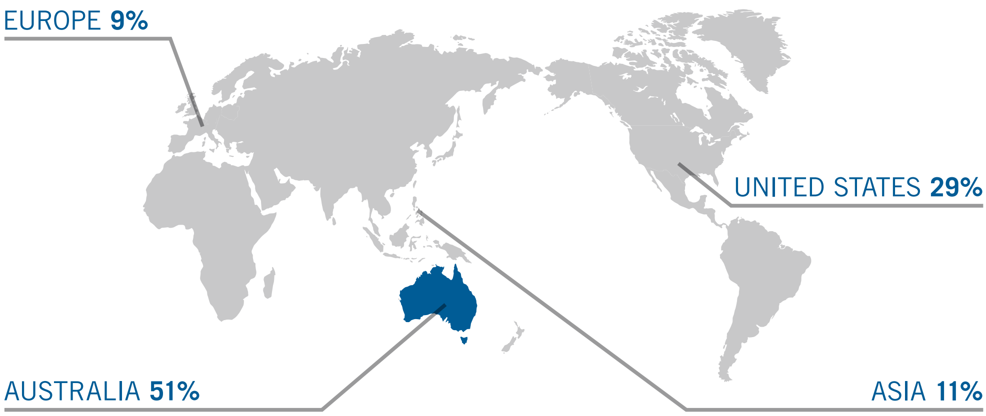
		Short term benefits			Post-employment benefits		Security-based benefits	Long term benefits		
Key Executive	**Year**	**Cash salary $**	**DPP awards[1] $**	**Other short term benefits[2] $**	**Pension & super benefits[3] $**	**Termination benefits[4] $**	**Transition performance rights[5] $**	**DDPP awards[6] $**	**Change in prior DDPP awards[7] $**	**Total $**
Darren J Steinberg	**2012**	**461,409**	**360,000**	**1,500,000**	**5,258**		**105,000**			**2,431,667**
	2011									
Craig D Mitchell	**2012**	**734,225**	**500,000**		**15,775**		**125,000**		**328,664**	**1,703,664**
	2011	684,801	450,000		15,199			450,000	273,781	1,873,781
Tanya L Cox	**2012**	**434,225**	**200,000**		**15,775**		**50,000**		**149,140**	**849,140**
	2011	375,001	195,000		49,999			190,000	161,359	971,359
John C Easy	**2012**	**427,225**	**200,000**		**22,775**		**50,000**		**158,013**	**858,013**
	2011	401,801	190,000		23,199			185,000	131,830	931,830
Sub total	**2012**	**2,057,084**	**1,260,000**	**1,500,000**	**59,583**		**330,000**		**635,817**	**5,842,484**
	2011	1,461,603	835,000		88,397			825,000	566,970	3,776,970
Former Executives										
Victor P Hoog Antink	**2012**	**1,145,191**	**825,000**	**815,978**	**15,775**	**1,550,000**		**975,000**	**938,512**	**6,265,456**
	2011	1,502,801	1,100,000		47,199			1,300,000	900,583	4,850,583
Paul G Say	**2012**	**734,225**	**350,000**	**107,856**	**15,775**	**750,000**		**350,000**	**216,352**	**2,524,208**
	2011	649,801	400,000		50,199			400,000	226,785	1,726,785
Total	**2012**	**3,936,500**	**2,435,000**	**2,423,834**	**91,133**	**2,300,000**	**330,000**	**1,325,000**	**1,790,681**	**14,632,148**
	2011	3,614,205	2,335,000		185,795			2,525,000	1,694,338	10,354,338

1 Annual cash performance payment made in August 2012.
2 Mr Steinberg received a one-off sign on payment, Mr Hoog Antink and Mr Say received payment for accrued but unused leave entitlements upon termination.
3 Includes employer contributions to superannuation under the superannuation guarantee legislation and salary sacrifice amounts.
4 Notice and severance payments made under contractual terms to former Executives Mr Hoog Antink and Mr Say.
5 Reflects the accounting expense accrued during the financial year for transition 3 year performance rights vesting in July 2015. This does not represent an actual payment or potential value.
6 DDPP Legacy Plan only applicable to former Executives Mr Hoog Antink and Mr Say and vesting after 3 years in July 2015.
7 Indicates the movement in value during the financial year of unvested and vesting DDPP grants. This does not represent an actual payment or potential value.

INVESTOR INFORMATION

DXS INVESTORS

DEXUS Property Group is one of the largest real estate groups listed on the Australian Securities Exchange (ASX) and is listed under the ASX code DXS. Over 18,000 investors located in 15 countries around the world invest in DXS, highlighting the investor demand both domestically and abroad for our high quality property portfolio.



Investor Relations

The Investor Relations team drives and facilitates communication with existing and potential institutional investors, financial analysts and retail investors.

The team, alongside DEXUS senior management, maintains strong rapport with the investment community through proactive and regular investor engagement initiatives. During FY12, we participated in investor conferences and roadshows in Singapore, Hong Kong and the United States.

We are committed to ensuring all investors have equal access to information about our investment activities. In line with our commitment to the long term integration of sustainable business practices, we provide investor communications via various electronic methods.

We provide a wide range of information including ASX announcements, our annual reporting suite, presentations, corporate governance policies, Board of Directors and executive team information at www.dexus.com

For a full list of our ASX announcements, visit page 95 of the Annual Report.

In addition, we have communication tools available on our website, including:

- an online enquiry facility at www.dexus.com/contact and a contact directory
- an investor login facility at www.dexus.com/dxs which allows investors to choose the method of delivery for distributions, distribution statements and investor reports
- a subscribe feature at www.dexus.com/media which enables investors to receive ASX announcements as they are released
- a "create your property report" function at www.dexus.com/properties which enables you to select and download individual or group property information

Annual General Meeting information

On Monday 5 November 2012 our Annual General Meeting (AGM) will be held at ASX Exchange Square, 20 Bridge Street, Sydney commencing at 2.00pm.

We encourage investors to attend the AGM in person and to meet our Board of Directors and Executive team. The AGM will be webcast at www.dexus.com for those investors who are unable to attend in person. The Chairman's address and the meeting results will be announced to the ASX and will be available at www.dexus.com/dxs

Distribution payments

DXS revised its distribution policy effective from 1 July 2012. The new payout policy will be to distribute between 70% and 80% of Funds From Operations (FFO), in line with free cash flow, with the expectation that over time the average payout ratio will be around 75% of FFO.

Distributions are paid for the six months to 31 December and 30 June each year. Distribution statements are available in print and electronic formats and are paid by direct credit into a nominated bank account or by cheque. To change the method of receiving distributions or how they are paid, please use our investor login facility at www.dexus.com/dxs

Unclaimed distribution income

If you believe you have unpresented cheques or unclaimed distribution income, please contact the DXS Infoline on 1800 819 675.

For monies outstanding more than seven years, please contact the NSW Office of State Revenue on 1300 366 016, use their search facility at www.osr.nsw.gov.au or email 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 via our investor login facility.

Non-resident information

The notice required by non-resident investors and custodians of non-resident investors for the purposes of Section 12-400 of Schedule 1 to the *Tax Administration Act 1953* is available at www.dexus.com/dxs/tax prior to the payment of each distribution.

Complaints

Investors 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.

DEXUS Funds Management Limited is a member of Financial Ombudsman Service (FOS), an independent dispute resolution scheme who may be contacted at:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Phone: 1300 780 808
Fax: +61 3 9613 6399
Email: info@fos.org.au
Website: www.fos.org.au

2013 Distribution calendar

Period end	ASX announcement	Ex-distribution date	Record date	Payment date
31 Dec 2012	18 Dec 2012	21 Dec 2012	31 Dec 2012	28 Feb 2013
30 Jun 2013	19 Jun 2013	24 Jun 2013	28 Jun 2013	30 Aug 2013

2013 Reporting calendar

Event	Anticipated date
2012 Annual General Meeting	5 Nov 2012
2013 Half-year results	14 Feb 2013
2013 Annual results	15 Aug 2013
2013 Annual General Meeting	31 Oct 2013

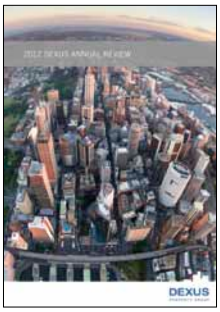
Please note that these dates are indicative and are subject to change without prior notice.

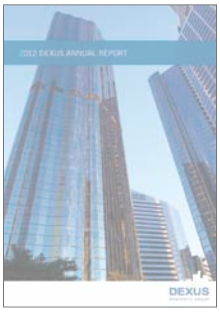
GLOSSARY

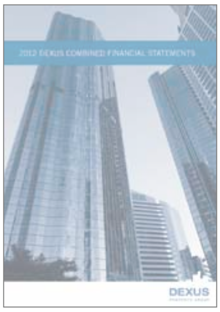
AGM	Annual General Meeting
AIFRS	Australian International Financial Reporting Standards
A-REIT	Australian Real Estate Investment Trust
Baa1	A Moody's credit rating
Bagasse	The fibrous matter that remains after sugarcane or sorghum stalks are crushed to extract their juice, which is used as a biofuel
BBB+	A Standard & Poor's credit rating
Biogas	A gas produced by the biological breakdown of organic matter in the absence of oxygen and converted into an organic fuel (a biofuel)
Buy-back	The repurchase of stock by the company that issued it
Capitalisation rate	Cap rate: ratio between the net operating income produced by an asset and its capital cost
Carbon neutral	Achieving net zero carbon emissions by balancing a measured amount of carbon released with an equivalent amount sequestered or offset
CBD	Central Business District
CO_2	Carbon dioxide
CR&S	Corporate Responsibility and Sustainability
DEXUS Group, DEXUS or the Group	DXS and the Third Party Investment Management business
DEXUS Performance Payment Plan (DPP)	The previous remuneration incentive plan for senior DEXUS executives
DEXUS Property Group, DXS or the Trusts	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)
Distribution Reinvestment Plan (DRP)	The reinvestment of a unit holder's distributions back into DWPF
DJSI	Dow Jones Sustainability Indexes: the Indexes track the stock performance of the world's leading companies in terms of economic, environmental and social criteria
Duration of debt	The average term to maturity of all amounts drawn down under debt facilities
DWPF	DEXUS Wholesale Property Fund
DXFM	DEXUS Funds Management Limited, the Responsible Entity for each of the four Trusts that comprise DEXUS Property Group
EBIT	Earnings Before Interest and Tax
FFO	Funds from Operations. This term is often used as a measure of real estate operating performance after finance costs and taxes. At DEXUS it represents AIFRS profit after tax attributable to stapled security holders, adjusted for property revaluations, impairments, derivative and foreign currency mark to market movements, amortisation of certain tenant incentives, profit and loss on sale of certain assets, straight-line rent adjustments, deferred tax expense and DEXUS RENTS Trust capital distribution
FUM	Funds Under Management
FY11/FY12, etc	Financial years to 30 June 2011, 2012
GHG	Greenhouse gases
GJ	Gigajoule, a measurement of energy
Green lease	Clauses inserted into a lease requiring both parties to minimise their impact upon the environment and their use of resources
Green Star	A comprehensive, national, voluntary environmental rating system that evaluates the environmental design and construction of buildings and communities
Green Star – Office As Built v2	A rating tool that assesses the delivery of the same environmental design criteria as in Green Star – Office Design v2, but at construction completion
GRI	Global Reporting Initiative – a non-profit organisation that promotes economic sustainability. It produces standards for sustainability reporting by corporations
Headroom	The total of all amounts under debt facilities not yet drawn but available to be drawn plus cash
Heads of Agreement	An agreement between tenant and landlord on the commercial terms and conditions of a lease
Hedged debt	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)
Inland Empire	A major market east of Los Angeles, consisting of Inland Empire West and Inland Empire East (also known as Riverside). Inland Empire West includes the sub-markets of Chino, Fontana, Mira Loma, Rancho Cucamonga and Rialto. Inland Empire East includes Riverside up to San Bernardino and the Moreno Valley

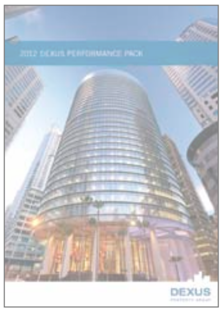
Intensity	Graph data is provided on an "intensity per square metre" basis which enables like-for-like comparisons year-on-year, excluding property acquisitions, disposals and developments during the period. Note: all environmental data includes only properties under our operational control as defined under NGERS
IRR	Internal rate of return: a rate of return used in capital budgeting to measure and compare the profitability of investments
IPD	Investment Property Databank, a world leader in performance analysis for owners, investors, managers and occupiers of real estate
IPD Green Building Index	An index that quantifies the investment performance of buildings with a Green Star, NABERS Energy or NABERS Water rating
KPI	Key Performance Indicators
kW	Kilowatt
kWh	Kilowatt hours
Lease duration	Refer to WALE in this glossary
LEED	Leadership in Energy and Environmental Design, a green building rating system in the US. It is equivalent to Green Star in Australia
Like-for-like	A comparison using a consistent group of properties
LTI	Long term incentive
MBA	Master of Business Administration
MJ	Megajoule, a measurement of energy
NABERS	National Australian Built Environment Rating System, a performance-based environmental impact rating system for existing buildings
NLA	Net lettable area
NOI	Net operating income
NTA	Net tangible assets
Operational control	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
Pre-lease	To obtain lease commitments in a building or complex prior to it being available for occupancy
Premium/A-grade/ B-grade, etc	A quality rating for office buildings, developed by the Property Council of Australia for office buildings
RENTS	Real-estate perpetual ExchaNgeable sTep-up Securities – DEXUS RENTS Trust
Responsible entity	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)*
S&P	Standard & Poor's rating agency
Sector/(s)	Property investment sectors. Specifically, office, industrial, industrial US, retail
Sf/sqm	Square feet/square metres
Step-up date	A one-off increase in the margin payable on RENTS of 2.00% per annum which would apply to any outstanding RENTS from 1 July 2012
STI	Short term incentive
Strategic improvement plans (SIPs)	A plan which identifies projects that will have a positive environmental impact upon the organisation's operations
Tenant incentive	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
UNPRI	United Nations Principles for Responsible Investment, a network of international investors working together to put the six Principles for Responsible Investment into practice
WALE	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
Weighted average cost of capital	A calculation of a firm's cost of capital in which each category of capital is proportionately weighted

2012 ANNUAL REPORTING SUITE









DEXUS Property Group (DXS) presents our 2012 annual reporting suite and supporting material for the year ending 30 June 2012:

1. This 2012 DEXUS Annual Review – an integrated report summarising our financial, operational and Corporate Responsibility and Sustainability (CR&S) performance.
2. The 2012 DEXUS Annual Report – DXS's consolidated financial statements, Corporate Governance Statement and information about our Board of Directors. This document should be read in conjunction with the 2012 DEXUS Annual Review.
3. The 2012 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 2012 DEXUS Annual Report and Annual Review. It is available in hard copy on request by email at ir@dexus.com, phone on 1800 819 675 or online in our annual reporting suite at www.dexus.com/dxs/reports
4. The 2012 DEXUS Performance Pack – the data and information supporting the results outlined in the 2012 DEXUS Annual Review will be available in our online annual reporting suite from mid-October 2012. Further CR&S information can be found on our website at www.dexus.com/crs

Through these reports we demonstrate how we manage our financial and non-financial performance in line with our corporate strategy.

We welcome your feedback, either via the feedback function in our online report at www.dexus.com/dxs/reports or by email at crs@dexus.com

Report scope

The Annual Review covers our financial performance at all locations, including Australia, New Zealand, the United States and Europe. Environmental data only includes properties under our operational control as defined under the National Greenhouse and Energy Reporting System (NGERS). The US has been excluded from our environmental reporting given the sale of a substantial part of the portfolio as detailed in the report and the reclassification of the remaining portfolio as non-core. All figures contained in this Annual Review are as at 30 June 2012 and all $ amounts are in Australian dollars, unless otherwise specified. All resource graphs in this report display consumption and GHG emissions on an intensity basis (per square metre) basis. Absolute consumption and additional information is provided in the Performance Pack in our online reporting suite at www.dexus.com/dxs/reports, available mid October 2012.

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 2012 in accordance with our reporting criteria (www.dexus.com/crs). The assurance statement, the GRI verification report and associated reporting criteria documents will be available from our online reporting suite by mid-October 2012.

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

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
W Richard Sheppard
Darren J Steinberg, CEO
Peter B St George

Secretaries of the Responsible Entity

Tanya L Cox
John C Easy

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Chartered Accountants
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Investor Relations:
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www.linkmarketservices.com.au

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 using the Investor login link.

Australian Securities Exchange

ASX Code: DXS

2012 DEXUS ANNUAL REVIEW

DEXUS PROPERTY GROUP

www.dexus.com