

DEXUS Property Group (ASX: DXS)

ASX release

29 October 2014

2014 Annual General Meeting

Chair's address

Good afternoon ladies and gentlemen. Welcome to those of you in the room and everyone joining us via the webcast. I would also like to welcome those Security holders that were previously Unitholders in the Commonwealth Property Office Fund (CPA).

My name is Chris Beare and I'm the Chair of the Board of Directors of DEXUS Funds Management Limited. I'll table my appointment as Chair of today's meeting and open the meeting.

Today we will be adopting a similar format to last year's AGM. As well as covering all the formal aspects relating to the resolutions, instead of covering the detail you may have read in the Annual Review I will briefly talk through the progress we have made on our strategy since 2012 and how the business is performing.

DEXUS today is a real estate company with \$18 billion of funds under management. This includes the \$9.1 billion of office and industrial property assets which you as an investor have a direct interest in - and with the completion of the CPA transaction we now have more than 32,000 investors from 20 countries.

We also manage \$8.9 billion of office, industrial and retail property on behalf of our third party funds and capital partners, of which we have 48 investors from five countries.

Our primary focus remains Australian CBD office, but we do have a significant presence in both the Australian industrial property sector and, through our third party funds management business, the Australian retail sector.

Consistent delivery of strategic objectives since 2012

We are now moving into the third year of implementation of the strategy we announced in 2012. Over the next few slides I will take you through the progress we have made on delivering our strategic objectives since they were adopted. Our strategic objectives focus on being the leading owner and manager of Australian office, having the best people, tenant relationships and most efficient systems and being the wholesale partner of choice, while actively managing our capital and risk.

Looking closely at what we have achieved in relation to being a leader in office. Over the past two years we have undertaken \$5.8 billion of transactions to transform the DEXUS portfolio and today we benefit from a leading market share in Australian office.

We divested our offshore properties in the US and Europe and reinvested back in Australia, at a good time in the cycle, which has significantly rebalanced our portfolio. We evolved our approach to transactions, acquiring core properties, value-add product for repositioning, a closed end fund, fund-through developments from developers in partnership with our diversified wholesale fund, and then undertaking the takeover of Commonwealth Property Office Fund, or CPA, jointly with the Canada Pension Plan Investment Board (CPPIB).

This time last year the CPA transaction was uncertain but we maintained our focus on enhancing returns for DEXUS investors. Pleasingly we completed the acquisition in April this year and the overall integration of 20 properties onto the DEXUS platform has gone very smoothly.

The CPA transaction took only nine months to complete and added \$3.4 billion of prime grade office property to our portfolio. From a value perspective, the properties were bought well and since the acquisition, we have sold five assets either identified in the transaction agreement or pre-empted by co-owners for more than \$30 million above our underwrite assumptions.

Since April our team has also been able to deliver some excellent results which we announced in our quarterly update last week.

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This included:

- At 175 Pitt Street here in Sydney we have been able to add a café to the lobby of that building which was identified as an additional income opportunity in the due diligence process
- At 385 Bourke Street in Melbourne we have generated some strong leasing enquiry across 10,000 square metres of space and have completed the \$35 million redevelopment of the space that was previously occupied by the Commonwealth Bank, on time and on budget
- At the QV building in Melbourne the office component is now 100% occupied up from 96.9% at April 2014

Turning to our core capabilities where we have been focused on developing a high performing culture. We embarked on a goal of becoming a high performing organisation 18 months ago. This is about building the capability of our systems and of our people. It started with the refresh of the DEXUS values and our team has enthusiastically adopted these values in their day-to-day activities. We launched a leadership program for our top 50 leaders which is now almost 50% complete and has been highly successful.

We have also focused on inclusion and developing a diverse employee base. Looking at our progress against our diversity targets, at Board level we have exceeded our 33% target for female participation; however we still have a gap in our target of 33% of females in senior management. Despite this we have demonstrated some recent success in rebalancing the Group's composition by sourcing and hiring high quality female employees at a greater rate than males.

Turning to our objective of being a wholesale partner of choice, we now have a sizeable \$8.9 billion third party funds business which has attracted several new partners and grown more than 50% over the past two years. Since 2012 we have undertaken \$4.4 billion of transactions on behalf of our third party funds and capital partners.

Our third party platform is important to us as it enables us to access property opportunities through joint ventures and partnerships, gives us scale in key markets, and importantly delivers additional revenue. We manage 92 properties on behalf of our third party funds and capital partners across the office, industrial and retail sectors.

Last year we attracted new capital to our platform and secured two new partnerships. With CPPIB we jointly acquired CPA to form an office partnership and with the Future Fund we formed an industrial development partnership. Along with these partnerships, we also satisfied the investment objectives of DEXUS Wholesale Property Fund which is our diversified unlisted fund, and were able to increase this fund to \$5.3 billion.

Over the year we delivered outperformance for all of our funds and successfully delivered on their strategies through undertaking transactions and progressing the large pipeline of developments.

Notably we have grown the retail portfolio which comprises approximately 40% of our third party funds under management and have consequently increased the retail team managing those investments and properties to more than 100 people.

Turning to Capital Management, we have been able to undertake all of this activity over the past few years while maintaining our strong balance sheet which pleasingly was recognised this year through upgrades to our credit ratings.

We have actively managed our debt, keeping our gearing at the lower end of our target range of 30 to 40% and have maintained a diversified debt book with domestic bank debt and offshore capital markets facilities.

Recently we announced that we were initiating an on-market securities buy-back of up to 5% of DEXUS securities on issue, following recent market volatility. This buy-back provides us with the flexibility to acquire DEXUS securities on-market with a focus on enhancing returns for investors.

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ASX release

Putting all this together, it is reassuring to see these achievements being reflected in the performance of the DEXUS security price and growth in distributions.

For the 12 months to September 2014 DEXUS's total security holder return was 17% and in FY14 we were able to deliver a 4.3% increase in distributions. Taking into account our distribution guidance for FY15 we are on track to deliver an average 8.3% growth per annum in distributions per security since FY12.

DEXUS has worked hard over the past few years to ensure the Group has the capabilities and diversified business model to deliver long term sustainable earnings growth for investors, despite underlying market conditions.

A strong start to FY15

Turning to progress for FY15, we are off to a strong start. The team has successfully leased nearly 100,000 square metres of space across the DEXUS portfolio, increasing occupancy in our office and industrial portfolio to 94.9% at 30 September 2014. They have identified strategic opportunities for early renewals, and together with improved occupancy, have reduced our forward leasing risk.

Pleasingly since August, we have contracted on our entire forecast FY15 trading profits of approximately \$40 million and the revenue from our funds management and property services business is on track to deliver approximately \$35-\$40 million this year.

Before I conclude, I would like to announce an initiative we are undertaking to reduce the number of securities on issue.

One-for-six DEXUS security consolidation

Today we have announced a one for six security consolidation of DEXUS Stapled Securities. This means that for every six Securities you hold prior to the Consolidation, you will hold one Security following the Consolidation.

The Consolidation should not change the underlying value of your consolidated Security holding in DEXUS.

There are two key reasons why we are undertaking this Consolidation. One is to reduce the total number of DEXUS Securities on issue to more closely align with our peers. Today we have more than 5.4 billion Securities on issue due to historical transactions and the recent Commonwealth Property Office Fund transaction. The Consolidation will reduce the total number of Securities on issue to approximately 905 million Securities.

We also believe that the Consolidation has the potential to reduce the volatility in DEXUS's security trading price because securities with a lower price can experience undesirable volatility.

As a Security holder, you do not need to do anything and the Consolidation does not require Security holder approval. All Security holders will receive correspondence informing them of the Consolidation and that is being mailed today.

Trading in Securities will not be restricted as a result of the Consolidation. However, in accordance with the ASX Listing Rules, Securities will trade on a deferred settlement basis from 5 to 14 November when the Consolidation is implemented. Following the completion of the Consolidation, normal trading is expected to resume from 17 November.

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Summary

We've come a long way since the launch of our new strategy in 2012 and DEXUS is in a solid position. Our vision is backed by a quality property portfolio, a strong operational platform and a high performing team of people that is delivering results.

We have demonstrated capabilities across the platform and have the scope through our diversified platform to deliver sustainable earnings growth.

For the Group, barring unforeseen changes to operating conditions, I reaffirm our guidance¹ for the 12 months ending 30 June 2015 is 8.5% growth in funds from operations, and a distribution of 6.79 cents per security on a pre-consolidation basis, or 40.74 cents per security on a post one-for-six consolidation basis, which represents an 8.5% increase from FY14².

I would like to thank you, our Security holders, for your continued support, my fellow Directors for their guidance and, in particular, Darren and the DEXUS team for their commitment and effort in delivering on our strategy and driving returns for investors.

A webcast of the Annual General Meeting will be available at www.dexus.com commencing at 2.00pm.

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About DEXUS

DEXUS Property Group is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With \$18.0 billion of assets under management, the Group also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. The Group manages an office portfolio of 1.7 million square metres located predominantly across Sydney, Melbourne, Brisbane and Perth and is the largest owner of office buildings in the Sydney CBD, Australia's largest office market. DEXUS is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange under the stock market trading code 'DXS' and is supported by more than 32,000 investors from 20 countries. With nearly 30 years of expertise in property investment, development and asset management, the Group has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for its investors. www.dexus.com

Download the DEXUS IR app to your preferred mobile device to gain instant access to the latest stock price, ASX Announcements, presentations, reports, webcasts and more.



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

1 Assumptions: Targeting positive like-for-like income growth across the office and industrial portfolios, weighted average cost of debt of 5.4%, trading profits of approximately \$40m, Management Operations revenue of approximately \$35-40m, and excluding any buy-back of DEXUS securities.

2 On a one-for-six consolidation basis.

DEXUS PROPERTY GROUP

2014 ANNUAL GENERAL MEETING



DEXUS Funds Management Limited
ABN 24 060 920 783
AFSL 238163 as responsible entity for DEXUS Property Group

DEXUS
PROPERTY GROUP

DEXUS BOARD OF DIRECTORS



OVERVIEW – DEXUS Property Group today

\$18.0bn

Total funds under management

\$9.1bn

DEXUS portfolio

OFFICE

INDUSTRIAL

\$8.9bn

Third Party Funds Management

OFFICE

INDUSTRIAL

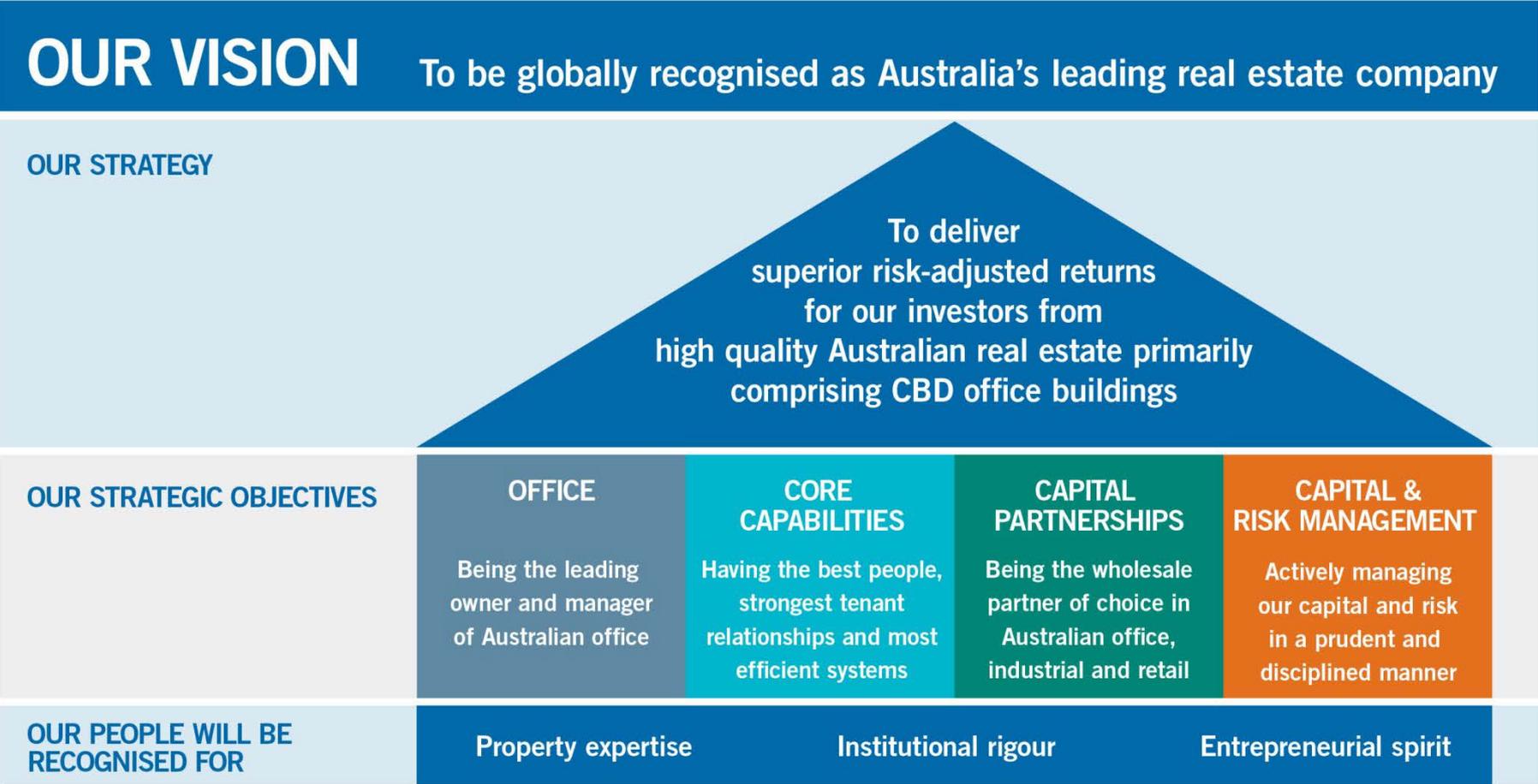
RETAIL

>32,000
investors from
20
countries



48
investors from
5
countries

STRATEGY – Consistent delivery of strategic objectives since 2012



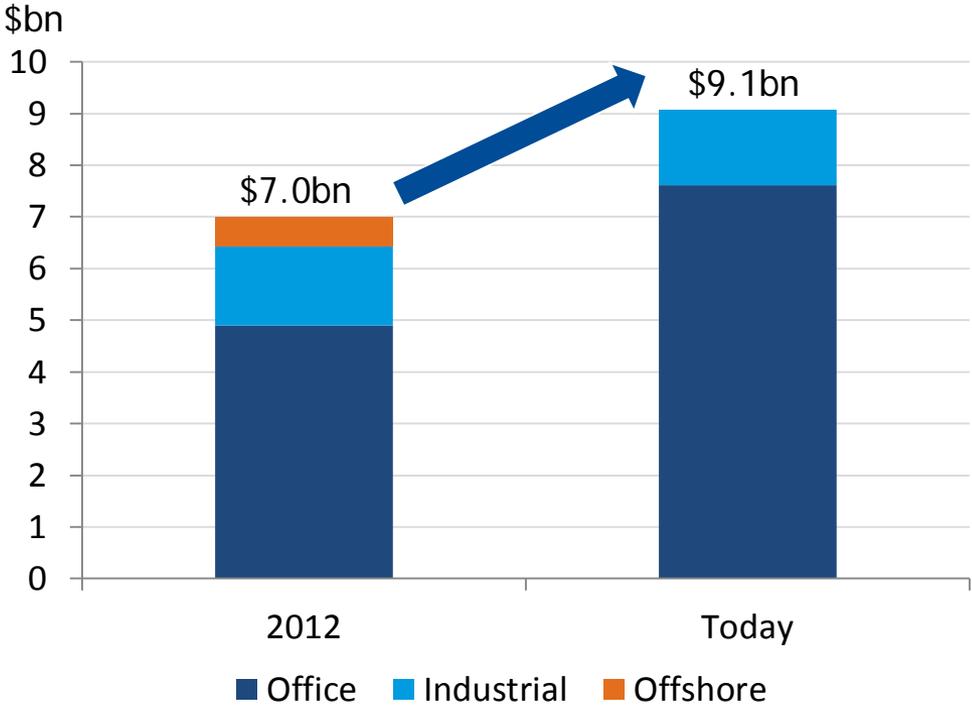
DELIVERING ON STRATEGY – Transformation of DEXUS portfolio

OFFICE
Being the leading owner and manager of Australian office

Completed
\$5.8bn
in transactions

Fully divested
offshore markets

Increased scale in
office



DELIVERING ON STRATEGY – Successful off-market takeover of CPA completed



Commonwealth Property Office Fund (CPA)

Transaction completed in
9 months
and introduced CPPIB as a
new capital partner

\$3.4bn
transaction significantly
increased
the Group's office market share

Successfully completed the
integration of
20 properties
onto the DEXUS platform

Now manage circa
25%
of prime properties in
the Sydney CBD



DELIVERING ON STRATEGY – Developing a high performing culture



Female participation as at 30 September 2014



DEXUS Values



DELIVERING ON STRATEGY – Significant growth of third party funds platform

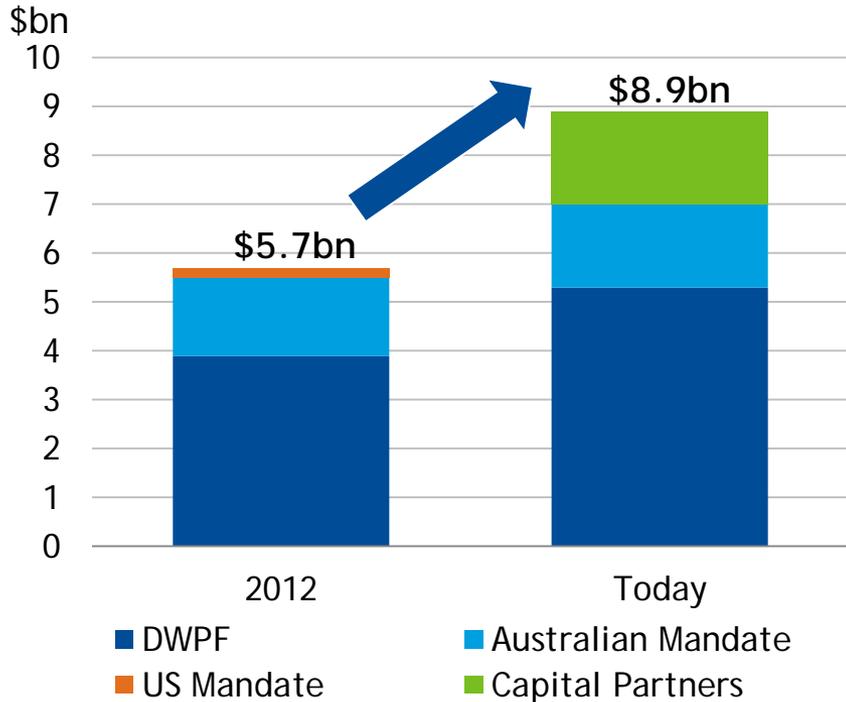
CAPITAL PARTNERSHIPS
 Being the wholesale partner of choice in Australian office, industrial and retail

Increased funds under management by **>50%**

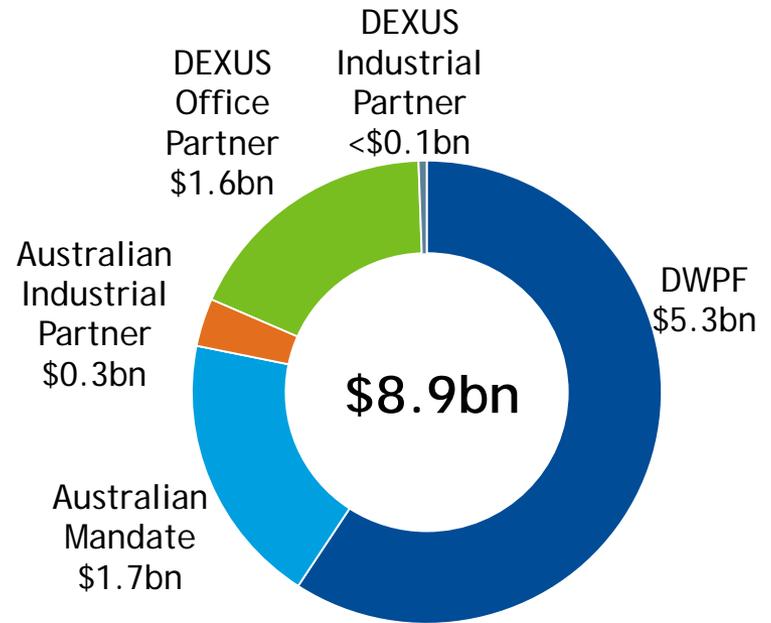
Delivered continued outperformance

Completed **\$4.4bn** in transactions

Growing investor/fund base



Diversity of investor/fund base



DELIVERING ON STRATEGY – Strong capital management outcomes

CAPITAL AND RISK MANAGEMENT

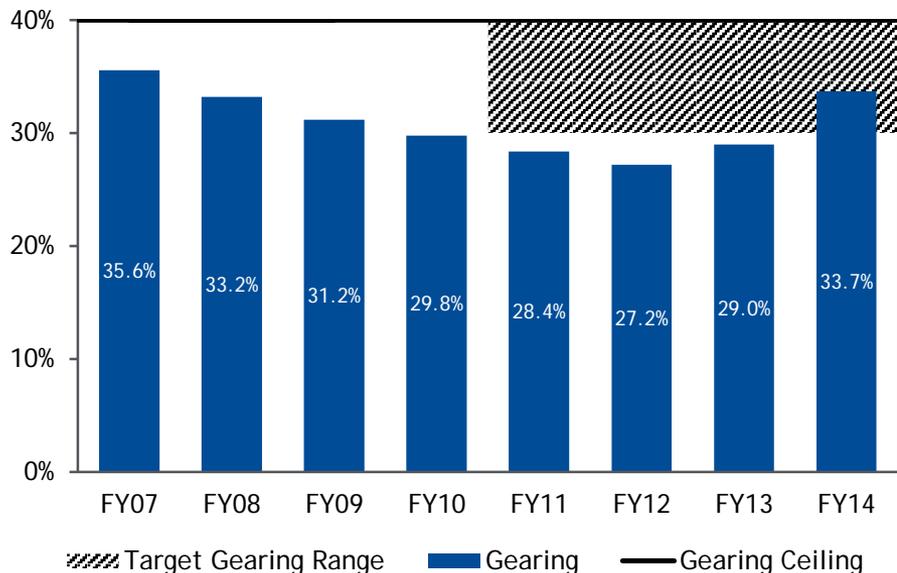
Actively managing our capital and risk in a prudent and disciplined manner

Achieved upgrades to credit ratings

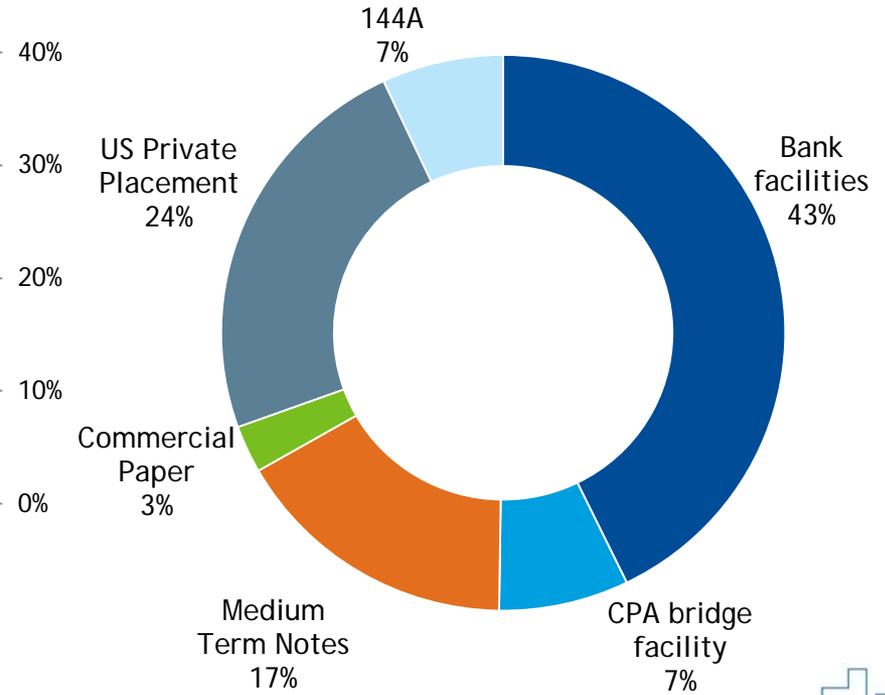
Maintained a solid balance sheet

Improved debt duration and diversity

Gearing history



Diversified mix of debt facilities¹

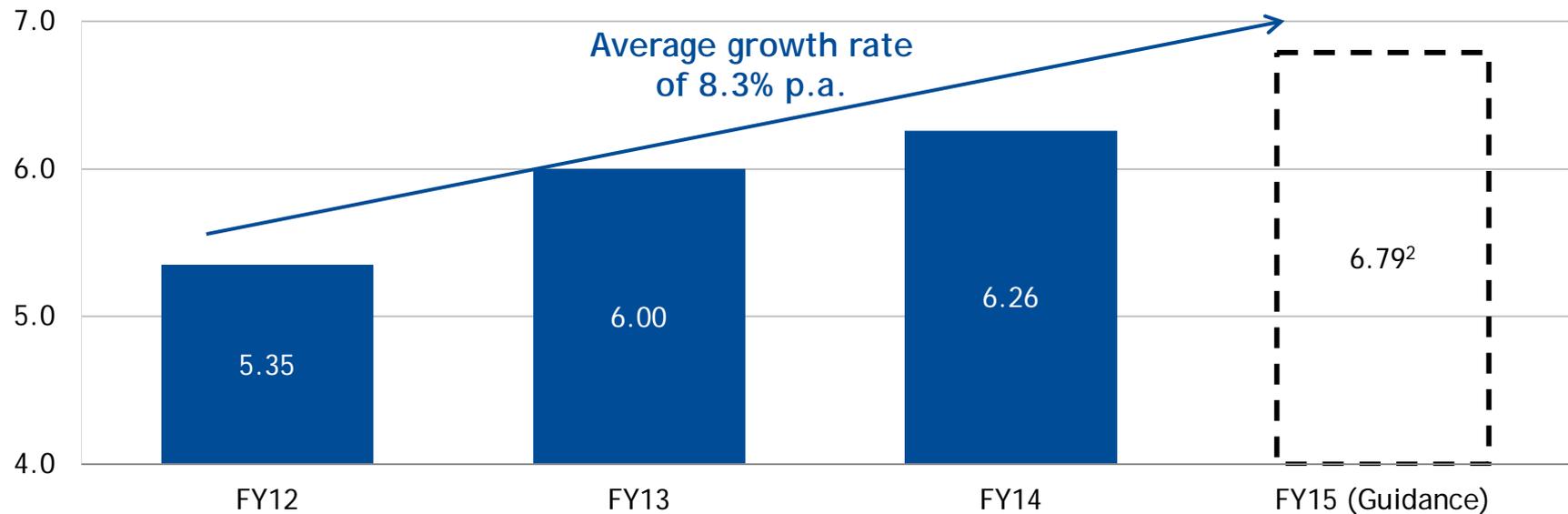


1. Pro-forma debt forecast for December 2014 following USPP secured in September 2014.

INVESTOR RETURNS AND DISTRIBUTIONS

- Total Security holder return of 17.0%¹ for the 12 months ended 30 September 2014
- FY14 distribution per security grew by 4.3%
- FY15 distribution per security guidance of 6.79 cents² represents growth of 8.5%
- Strong platform with levers for future distribution growth

Distribution growth - cents per security



1. DEXUS security price appreciation plus distributions paid. Source UBS.
2. On a pre-consolidation basis.

A STRONG START TO FY15

PROPERTY PORTFOLIO

99,296sqm

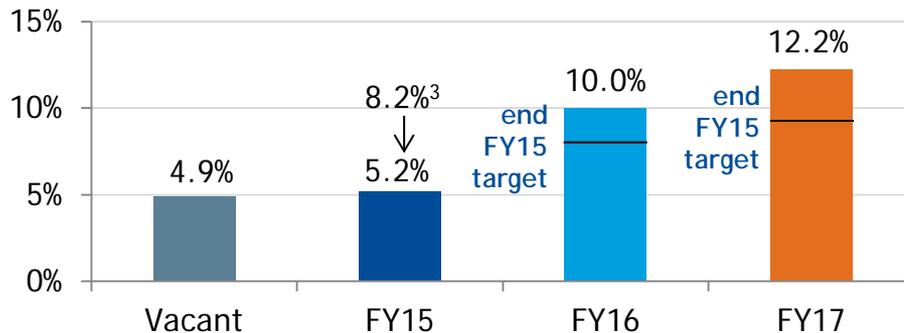
Leased¹ across
DEXUS office & industrial
portfolio

94.6%

Occupancy² across
DEXUS office & industrial
portfolio

- Continued momentum in office leasing enquiry
- Focus on de-rising forward lease expiries on track

DEXUS Office portfolio lease expiry²

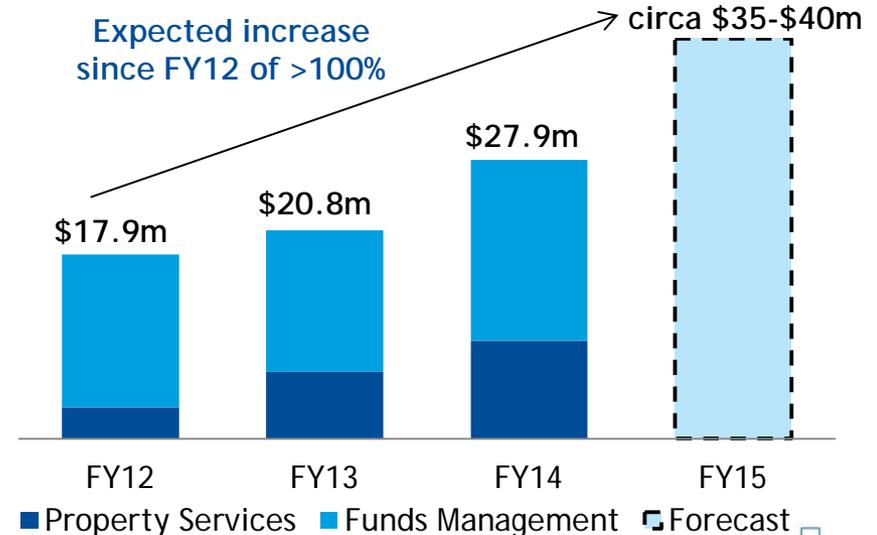


TRADING

- Contracted forecast FY15 trading profits of approximately \$40m
- Established confidence in trading capability across the Group

FUNDS MANAGEMENT & PROPERTY SERVICES

Funds management & property services profit



1. At 100%, including Heads of Agreement for the quarter ended 30 September 2014.
 2. By income at 30 September 2014.
 3. By income at 30 June 2014.

ONE-FOR-SIX SECURITY CONSOLIDATION

- Undertaking a one-for-six consolidation to reduce the total number of DEXUS Securities on issue to be in line with DEXUS's peers
- Consolidation has the potential to reduce volatility in DEXUS's Security trading price
- Consolidation should not change the underlying value of a Security holder's consolidated Security holding
- Security holders **do not need to do anything**
- **4 November 2014:** Last day for ASX trading of Securities on a pre-consolidated basis
- **5-14 November 2014:** Trading in consolidated Securities on a deferred settlement basis
- **17 November 2014:** Consolidation completes and normal trading in consolidated Securities commences

Prior to Consolidation	Post Consolidation
6 Securities	1 Security
5.4bn DEXUS Securities on issue	905m DEXUS Securities on issue

SUMMARY

- Demonstrated capability across the platform delivering significant results since 2012
- DEXUS has sufficient scope through its diversified platform to deliver sustainable earnings growth
- Reaffirming FY15 guidance¹ on a one-for-six consolidation basis:
 - PCA FFO² of 59.04 cents per security, reflecting 8.5% growth³ from FY14
 - Distribution of 40.74 cents per security, reflecting 8.5% growth³ from FY14



1. Assumptions: Targeting positive like-for-like income growth across the office and industrial portfolios, weighted average cost of debt of 5.4%, trading profits of approximately \$40m, Management Operations revenue of approximately \$35-40m, and excluding any buy-back of DEXUS securities.

2. PCA FFO: Property Council of Australia Funds From Operation.

3. On a one-for-six consolidation basis.

DISCUSSION AND QUESTIONS



FORMAL BUSINESS



RESOLUTION 1

Resolution 1: Adoption of the Remuneration Report

To consider and if thought fit pass the following Resolution as an ordinary resolution:

“That the Remuneration Report for the financial year ended 30 June 2014 be adopted”

Proxy votes

Resolution		For	Open	Against
1. Adoption of remuneration report	%	86.88%	0.26%	12.86%
	Votes	3,637,593,737	10,736,172	538,631,305

RESOLUTION 2.1

Resolution 2.1: Approval of Independent Director

To consider and if thought fit pass the following Resolution as an ordinary resolution:

“That the initial appointment of Penny Bingham-Hall as Director of DEXUS Funds Management Limited be ratified”

Proxy votes

Resolution		For	Open	Against
2.1 Approval of Independent Directors	%	99.59%	0.26%	0.15%
2.1 Penny Bingham-Hall	Votes	4,194,730,765	10,891,144	6,483,209

PENNY BINGHAM-HALL



RESOLUTION 2.2

Resolution 2.2: Approval of Independent Director

To consider and if thought fit pass the following Resolution as an ordinary resolution:

“That the continuing appointment of Elizabeth Alexander AM as Director of DEXUS Funds Management Limited be ratified”

Proxy votes

Resolution		For	Open	Against
2.2 Approval of Independent Director	%	99.37%	0.26%	0.37%
2.2 Elizabeth Alexander AM	Votes	4,185,825,341	10,879,743	15,456,351

ELIZABETH ALEXANDER AM



RESOLUTION 2.3

Resolution 2.3: Approval of Independent Director

To consider and if thought fit pass the following Resolution as an ordinary resolution:

“That the continuing appointment of Tonianne Dwyer as Director of DEXUS Funds Management Limited be ratified”

Proxy votes

Resolution		For	Open	Against
2.3 Approval of Independent Director	%	99.58%	0.27%	0.15%
2.3 Tonianne Dwyer	Votes	4,194,283,607	11,401,708	6,459,302

TONIANNE DWYER



RESOLUTION 3

Resolution 3: Approval for an increase in the remuneration pool for Non-Executive Directors

To consider and if thought fit pass the following Resolution as an ordinary resolution:

“That the increase in the remuneration pool for the Non-Executive Directors of DEXUS Funds Management Limited and its holding company DEXUS Holdings Pty Limited as set out in the Explanatory Memorandum to the 2014 Notice of Annual General Meeting be approved.”

Proxy votes

Resolution		For	Open	Against
3	Approval of an increase in the remuneration pool for Non-Executive Directors	% 58.08%	0.25%	41.67%
		Votes 2,438,471,025	10,638,128	1,749,206,767

RESOLUTION 4

Resolution 4: Approval of amendments to the Constitutions

To consider and if thought fit pass the following Resolution as a special resolution:

“That:

(a) the Constitutions of each of DEXUS Diversified Trust, DEXUS Office Trust, DEXUS Industrial Trust and DEXUS Operations Trust (together, “Trusts”) be amended in accordance with the provisions of the supplemental deeds poll tabled at the Meeting and initialed by the Chair for the purposes of identification; and

(b) DEXUS Funds Management Limited, as Responsible Entity of each of the Trusts, be authorised to execute the supplemental deeds poll in the same form as the supplemental deeds poll referred to in (a), and to lodge them with ASIC to give effect to the amendments to the Trusts’ Constitutions.”

Proxy votes

Resolution		For	Open	Against
4. Approval of amendments to the Constitutions	%	95.57%	0.27%	4.16%
	Votes	4,024,408,669	11,395,423	175,098,755

DISCUSSION AND QUESTIONS



THANK YOU FOR ATTENDING OUR ANNUAL GENERAL MEETING



PROPERTY TOUR – 1 Bligh Street and 1 Farrer Place, Sydney



DISCLAIMER

- This presentation is issued by DEXUS Funds Management Limited (DXFM) in its capacity as responsible entity of DEXUS Property Group (DEXUS) (ASX code: DXS). It is not an offer of securities for subscription or sale and is not financial product advice.
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- The repayment and performance of an investment in DEXUS is not guaranteed by DXFM or any of its related bodies corporate or any other person or organisation. This investment is subject to investment risk, including possible delays in repayment and loss of income and principal invested.

DEXUS PROPERTY GROUP

2014 ANNUAL GENERAL MEETING



DEXUS Funds Management Limited
ABN 24 060 920 783
AFSL 238163 as responsible entity for DEXUS Property Group

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