2012 DEXUS HALF YEAR REPORT

DEXUS
PROPERTY GROUP

The DEXUS Property Group 2012 half year report provides an overview of our operations, including financial and non-financial performance for the period ending 31 December 2011.

Reporting scope

In line with our move to integrated reporting, this half year report covers our financial and non-financial performance at all locations, including Australia, New Zealand, the United States and Europe. Environmental data includes only properties under our operational control as defined under the National Greenhouse and Energy Reporting System (NGERS). All figures contained in this half year report are as at 31 December 2011 and all $ amounts are in Australian dollars, unless otherwise specified. All resource graphs display consumption on an intensity (per square metre) basis which enables like-for-like comparisons.

Cover: Governor Phillip & Macquarie Tower Complex, 1 Farrer Place and 1 Bligh Street, Sydney, NSW

This page: 4 Military Road, Matraville, NSW

DXS KEY RESULTS

FUNDS FROM OPERATIONS[1]

$184.3m

PER SECURITY **3.81c**

DISTRIBUTION

$129.2m

PER SECURITY **2.67c**

TOTAL SHAREHOLDER RETURN[2]

10.8%

NET TANGIBLE ASSETS PER SECURITY

$1.01

(JUN 11: $1.01 DEC 10: $0.98)

STATUTORY PROFIT

$145.7m

(DEC 10: $294.4m)

GEARING

29.0%

(JUN 11: 28.4%)

	31 Dec 2011	30 Jun 2011
Closing price (ASX code: DXS)	$0.83	$0.88
Number of securities on issue	4,839m	4,839m
Number of security holders	19,749	20,694
Market capitalisation ($bn)	4.0	4.3
Total assets ($bn)	8.1	8.0
Interest bearing liabilities ($bn)	2.3	2.2
Third party funds under management ($bn)	6.3	6.2
Total funds under management ($bn)	**14.0**	**13.7**
Number of property investments	173	175
Portfolio occupancy (by area)	92.0%	88.7%
Portfolio weighted average lease expiry (years)	4.8	5.0

	31 Dec 2011	31 Dec 2010
Funds From Operations ($m)	184.3	179.0
Funds From Operations (cents per security)	3.81	3.70
Distribution ($m)	129.2	125.3
Distribution (cents per security)	2.67	2.59

1 Refer to page 23 for Funds from Operations' definition.

2 12 months to December 2011.

ABOUT DEXUS

DEXUS is one of Australia's leading property groups specialising in superior quality office, industrial and retail properties with total funds under management of $14 billion.

All our properties either form part of our $7.6 billion[1] direct property portfolio, one of the largest listed Australian Real Estate Investment Trusts (A-REIT) (ASX: DXS), or our $6.3 billion third party investment management business including DEXUS Wholesale Property Fund (DWPF) which invests in office, industrial and retail properties on behalf of third party investors.

In Australia, DEXUS is a market leader in office and industrial properties and a leading manager and developer of shopping centres. Operating in the US since 2004, we specialise in owning, managing and developing high quality industrial properties focused on the west coast.

We have three core activities; property ownership, portfolio and property management and select property development. Our key principles for each of these activities are provided on the right.

OWN

We invest in superior quality property in strategic locations in Australia and the US. We build financial strength through active capital management and informed investment decisions.

MANAGE

Through our fully integrated property management model we provide superior service to our tenants, investors and partners. We are committed to engaging with and responding to our key stakeholders to achieve leading property and environmental performance.

DEVELOP

We undertake selective development to create value for investors and deliver the highest quality workspaces incorporating leading sustainable design principles.

1 Excludes cash.

DEXUS Group structure

$14bn FUM | 238 properties | 5.9 million square metres net lettable area

DEXUS Property Group (DXS)

$7.7bn[1]

DXS Australia $6.3bn

OFFICE $4.6bn

INDUSTRIAL $1.7bn

DXS United States $1.3bn

US INDUSTRIAL $1.3bn

Third Party Investment Management

$6.3bn

DWPF $3.8bn

OFFICE $1.4bn
INDUSTRIAL $0.5bn
RETAIL $1.9bn

AXA & STC Mandates $2.3bn

OFFICE $0.6bn
INDUSTRIAL $0.4bn
RETAIL $1.3bn

US Mandates $0.2bn

US INDUSTRIAL $0.2bn

1 Includes cash and Europe.

OUR INTEGRATED APPROACH

OUR CORPORATE RESPONSIBILITY AND SUSTAINABILITY PRINCIPLES

› **Holistic approach**
Taking a holistic view of every aspect of our operations and incorporating Corporate Responsibility and Sustainability (CR&S) initiatives throughout our business

› **Alignment**
Aligning our CR&S initiatives with stakeholders expectations, corporate objectives and values

› **Transparency**
Providing transparent reporting on our CR&S activities and progress

› **Leadership**
Demonstrating leadership in CR&S by maintaining the highest standards of corporate governance, ethics, environmental and social responsibility

Our strategic focus is on achieving success in six key stakeholder areas; our investors, tenants, suppliers, people, community and environment. These six pillars encapsulate the key aspects of our approach to CR&S.

CORPORATE

OUR INVESTORS	OUR TENANTS	OUR SUPPLIERS	OUR PEOPLE	OUR COMMUNITY	OUR ENVIRONMENT
Maximising returns	**Delivering sustainable property solutions**	**Creating shared value**	**Being a preferred employer**	**Ensuring a positive impact**	**Minimising resource consumption**

Our 2011 Annual Review details our commitments for our six key stakeholders for the year to 30 June 2012. We will report on these commitments further in the 2012 Annual Review.

LETTER FROM THE CHAIR

Dear investors

I am pleased to report on DEXUS Property Group's performance for the six months ending 31 December 2011. Funds from Operations (FFO) increased 3% to $184.3 million (3.81 cents per security), reflecting sound operational performance of the Group while Net Tangible Assets (NTA) remained stable at $1.01.

While last financial year saw broad based improvements across most markets, the first six months of this year has seen increased global volatility, with US indicators mixed and uncertainty increasing regarding Europe and China's future growth. We expect to see a two speed economy continue in Australia in the near term with tempered outlooks particularly for the finance, government, education and manufacturing sectors.

While this has resulted in tenants showing increased caution and taking longer to make decisions at the real estate level, the low level of supply has resulted in market occupancy and rent levels remaining stable over the period.

Remuneration Report

Every year the Board Nomination and Remuneration Committee takes a critical look at the structure and quantum of both Director and Executive remuneration to make sure our remuneration remains competitive, while not paying out of line with our peers. The executive remuneration framework at DEXUS differs from many of our peers, but we believe it has effectively aligned executive behaviour to returns for our investors. However at the AGM in October 2011 the DEXUS Remuneration Report received a dissenting vote of 28.2%.

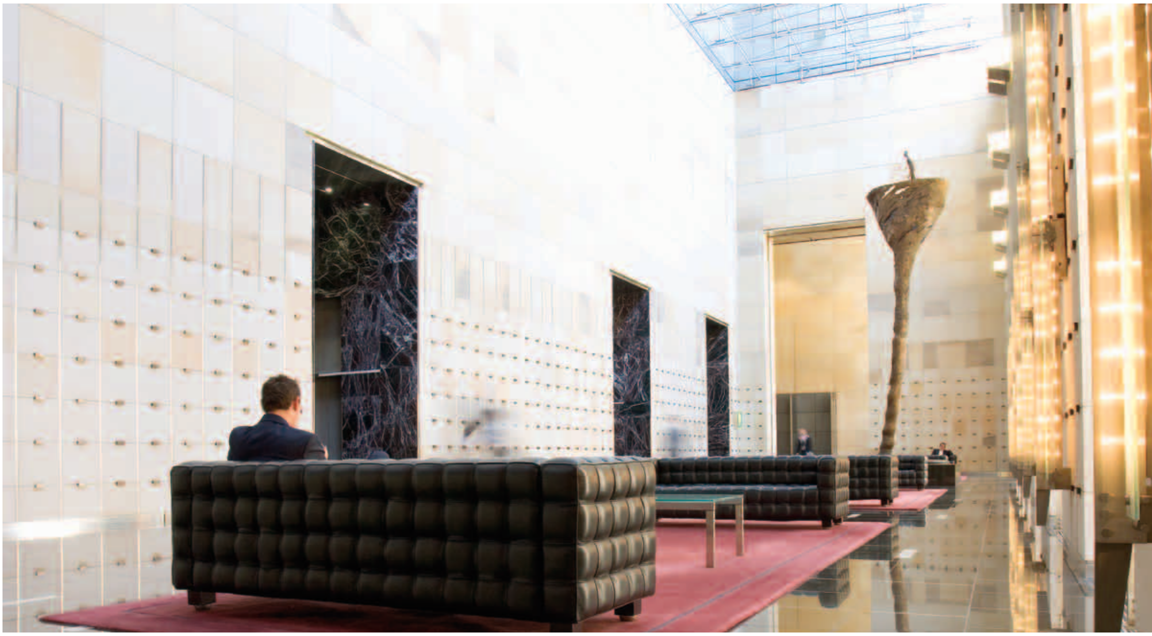
We committed at that time to consult widely with investors. The Nomination and Remuneration Committee has since taken advice on our remuneration structure and is considering a number of possible changes. We plan to consult with major investors about these changes in March and April 2012 after the commencement of our new CEO.

Board of Directors

On 1 January 2012, we welcomed Richard Sheppard to our Board of Directors. In December 2011, Richard retired as Managing Director and Chief Executive Officer of Macquarie Bank Limited and Deputy Managing Director of Macquarie Group Limited following 36 years with the Group. Richard brings a broad range of financial and business skills to the DEXUS Board as well as his experience as a Director and Chairman of the responsible entities of Macquarie Bank's listed and unlisted property trusts.

CEO transition

After eight years leading DEXUS to become one of Australia's leading property groups, our Chief Executive Officer, Victor Hoog Antink is retiring on 1 March 2012. Victor's contribution to the Group has been substantial, from the stapling of the individual trusts in 2004 to the repositioning of the listed group to an office and industrial focused trust in 2007, the progressive buyout of Deutsche Bank and subsequent management internalisation, and rebranding to DEXUS in 2008. Victor has overseen the expansion of the business, both listed and unlisted, from $10 billion to $14 billion of funds under management. Most notable was Victor's excellent stewardship of the Group during the difficult period of the Global Financial Crisis



Governor Phillip Tower, 1 Farrer Place, Sydney, NSW

which saw DEXUS emerge with one of the strongest balance sheets and capital management frameworks in the sector, and he is leaving us confident that our business is well positioned for the future.

The quality of the Group's property portfolio and reputation as a leading owner, manager and developer of commercial property is testament to Victor's drive and determination. In the past few years the development of some of the country's best and most sustainable office properties, such as 1 Bligh Street in Sydney and 123 Albert Street in Brisbane, have resulted from his vision and foresight.

The Board and the DEXUS team wish Victor every success in his future endeavours and thank him sincerely for his contribution in shaping DEXUS Property Group.

As announced in November 2011, the Board has appointed Darren Steinberg as the new Chief Executive Officer and a Director of DEXUS Funds Management Limited. Darren will commence on 1 March 2012 and brings excellent credentials to the role. The Board and management team look forward to working with him to continue to deliver enhanced performance for our investors, tenants and key stakeholders.

Thank you for your continued support over the last six months. We remain focused on driving performance from our properties and the third party portfolios we manage to maximise returns for investors and look forward to reporting our annual results to you later in the year.

Christopher T Beare
Chair

29 February 2012

CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to present this half year report to investors of DEXUS Property Group for the six months ended 31 December 2011.

As advised I will be retiring as CEO of DEXUS effective 1 March 2012. It has been an honour to lead DEXUS since 2003 and I am very proud of what we have achieved together. I leave confident in the knowledge that the Group is well positioned to build on the successes achieved to date with a great team and great properties to continue to create value for investors.

Key financial results

	Dec 2011	Dec 2010
Funds from Operations	$184.3 million	$179.0 million
Funds from Operations per security	3.81 cents	3.70 cents
Distribution per security	2.67 cents	2.59 cents
Total assets	$8.1 billion	$7.9 billion

Our results are in line with guidance and are underpinned by like-for-like Net Operating Income (NOI) growth of 2.4%. Our focus on leasing has seen us already secure more than 99% of rental revenue for the year to 30 June 2012.

Net profit attributable to stapled security holders after tax is $145.7 million for the six months ended 31 December 2011 (31 December 2010: $294.4 million). The change on the prior period primarily reflects unrealised mark-to-market movements in hedging contracts as a result of lower market interest rates. Our balance sheet remains strong with gearing at 29% and limited short term refinancing requirements. Net tangible assets were stable at $1.01.

We continue to operate with, and benefit from, a strong capital and risk management framework. During the period, approximately $800 million of debt was refinanced. This activity has reduced our refinancing requirement with $178 million of expiries by June 2013. At 31 December 2011, headroom was $643 million and the average term to maturity of the debt portfolio is 4.3 years. The Group is comfortably inside all covenant limits and credit ratings of Baa1 and BBB+, both with stable outlooks, were reaffirmed during the period.

Key performance highlights include:

- Overall portfolio occupancy has increased to 92% reflecting improvements in our office, and particularly our US portfolios. Like-for-like NOI growth is 2.4%, driven primarily by the Australian office sector. Following our leasing success in the first half we now have less than $4 million or 1% of total portfolio rent at risk for this financial year
- The office team has proactively managed forward lease expiries and made significant progress on rental targets for our two recently completed premium office towers in Brisbane and Sydney. 123 Albert Street is now 100% leased and 1 Bligh Street, including current exclusive negotiations, is on track to be 82% leased by 30 June 2012. In Melbourne, we continue to progress our office developments and are seeking pre-lease commitments
- In industrial, we continue to be active in developing prime quality warehouses to meet tenant demand. At the beginning of the financial year we targeted 80,000 square metres of industrial development for the year to 30 June 2012. To date we have completed or have under construction developments totalling 113,000 square metres

View of 1 Bligh Street and Gateway from Governor Phillip Tower, Sydney, NSW

- In the US, the internalisation of portfolio and leasing management has delivered significant operational success. Our focus on leasing in the Central portfolio has resulted in an increase of approximately 13% exceeding our target of 6%. Total portfolio occupancy is now 90.2%, up 5.8% in the period
- DWPF was ranked the top performing wholesale property fund for the year to December 2011[3]
- We completed $600 million of property transactions for our third party investors

DXS portfolio highlights

	Office	Industrial	Industrial US	Total
Occupancy by area (%)	97.2	96.1	90.2	92.0
Tenant retention[1] (%)	73	77	50	–
Weighted average lease expiry (WALE) (years)	5.1	4.3	4.4	4.8
Like-for-like NOI growth (%)	5.1	(1.7)	0.0	2.4[2]
Average cap rate (%)	7.3	8.6	7.3	7.5[2]
Total return – 1 year (%)	9.3	9.3	13.0	10.0

1 Rolling 12 month.

2 Excludes Europe.

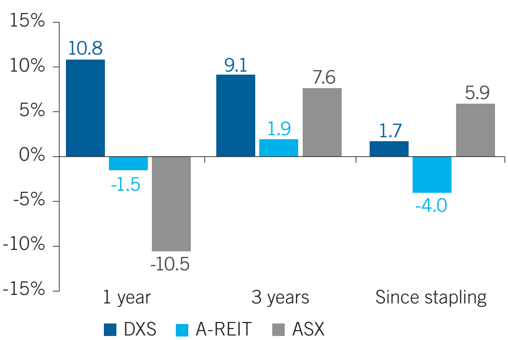
3 Mercer IPD Australian Pooled Property Fund Index (net returns, net asset weighted).

Quarry Industrial Estate, 8 Basalt Road, Greystanes, NSW

DEXUS employee volunteering

In a challenging operating environment, our focus on the fundamentals of asset management and development together with our conservative capital management approach resulted in a total shareholder return[1] for the calendar year to 31 December 2011 of 10.8%; 12.3% ahead of our A-REIT peers and 21.4% ahead of the ASX 200 Standard & Poor's index. This extends DEXUS's record of above market returns having outperformed our A-REIT peers on a rolling three year basis to December every year since stapling, on average by 5.7% per year.

Total security holder returns to 31 December 2011



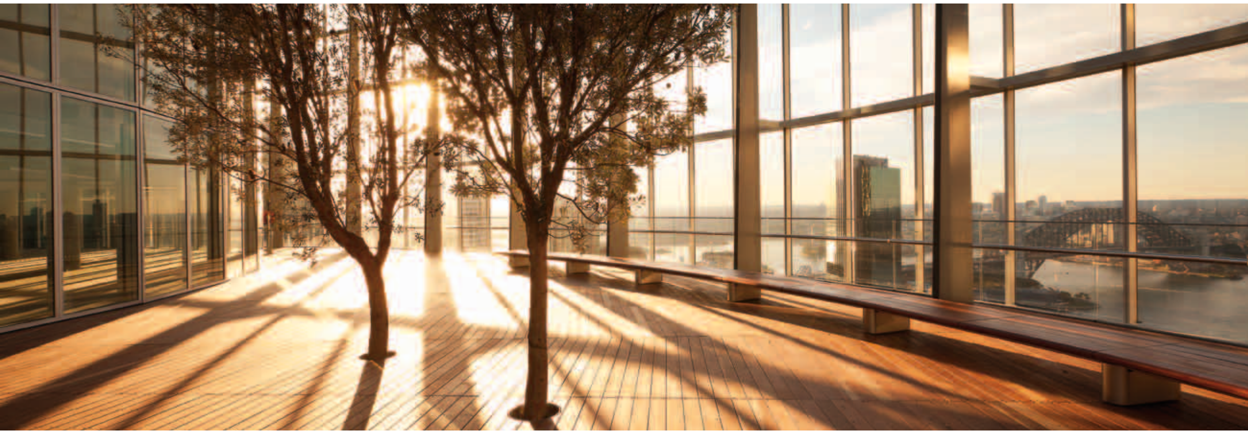
Our people

In November 2011, we held our second volunteering month to further increase participation in our community programs. Participation for the half year was high with a total of 665 volunteering hours undertaken in Australia, representing 75% of the previous financial year's total volunteering hours. We remain on track to achieve our volunteering objectives for the full year.

Corporate Responsibility and Sustainability

DEXUS continues to deliver improvements in resource consumption and progress our NABERS Energy rating upgrade program. At 31 December 2011, our office portfolio was rated an average 3.5-star NABERS Energy rating (by area). The program is estimated to cost $32 million, is 79% complete and we are on track to complete works and re-rate our portfolio to 4.5-stars in line with our program objectives by the end of 2012.

1 ASX share price appreciation plus dividends paid. Source: UBS and Standard & Poor's.



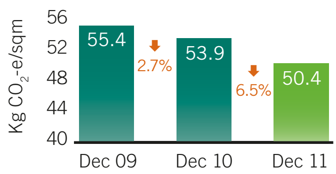
Level 28, 1 Bligh Street, Sydney, NSW

We have continued to deliver reductions in resource consumption. As at 31 December 2011, greenhouse gas emissions on a per square metre basis for the Group's Australia and New Zealand total portfolio are down by 9.2%, energy consumption is down by 7.4% and water consumption is down by 6.6% over the last two years. We are pleased to report that our US portfolio has recorded an 11.6% reduction in energy use for the six months to December 2011 compared to the same period in 2010.

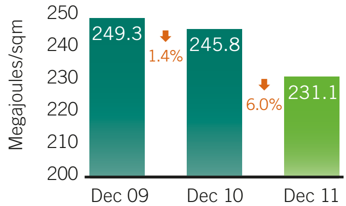
The Group's two 6 Star Green Star design rated developments at 1 Bligh Street, Sydney and 123 Albert Street, Brisbane are expected to achieve 6 star as built ratings later in 2012. We also continue to progress sustainability innovation in our industrial business with biodiversity initiatives incorporated into our new developments. Consistent with our commitment to operating sustainably we are undertaking further carbon reduction initiatives in our head office operations and are proud to be the first Australian REIT to have its head office certified carbon neutral by Low Carbon Australia.

We participated in the 2011 Carbon Disclosure Project (Energy) and increased our score to 81 up from 67 in 2010. Consequently we have achieved listing in the 2011 ASX200 Carbon Disclosure Leadership Index.

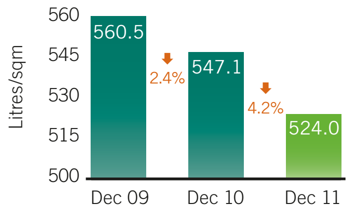
Total Group GHG intensity



Total Group energy intensity



Total Group water intensity



123 Albert Street, Brisbane, QLD

One Margaret Street, Sydney, NSW

PORTFOLIO VALUE
$4.6bn (JUNE 2011: $4.5bn)

LIKE-FOR-LIKE NOI
5.1% (DEC 2010: 3.1%)

OCCUPANCY (BY AREA)
97.2% (JUNE 2011: 96.2%)

LEASE DURATION (BY INCOME)
5.1 years (JUNE 2011: 5.3 years)

Our office portfolio performed well during the period delivering total returns of 9.3%. Despite declining business sentiment, we achieved an NOI increase of 10.8% to $141.0 million over the period (December 2010: $127.2 million). This result was underpinned by 5.1% growth in like-for-like NOI and completion of our two 6 Star Green Star premium office developments at 1 Bligh Street, Sydney and 123 Albert Street, Brisbane.

During a period of limited current lease expiry, our focus was on future expiries and progressing leasing of our recently completed developments.

In total, 31 leases were signed for approximately 26,284 square metres (DXS share) at rates on average 4.0% higher than expiring rent levels and with average incentives remaining stable over the last six months at 16.5%.

We secured lease renewals over 19,572 square metres, 91% of which were leases expiring in future periods and 6,712 square metres of new leases were signed. In addition, 5,688 square metres of leases were finalised at the two recently completed developments at 1 Bligh Street, Sydney and 123 Albert Street, Brisbane.

At 1 Bligh Street (33% owned by DXS), in addition to the previously announced three floor lease, we are currently in exclusive negotiations for a further four floors. This will take the building to 82% leased on execution.

123 Albert Street in Brisbane (100% owned by DXS) is now 100% leased following the signing of a seven year lease over the last 10% of net lettable area.

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

Following this activity, the portfolio was 97.2% leased at 31 December 2011 with a WALE of 5.1 years. During the period, the weighted average capitalisation rate for the portfolio tightened by six basis points to a weighted average rate of 7.3%. This resulted in a 0.7% increase in office property book values.

We are currently seeking lease commitments from tenants prior to commencing a 20,000 square metre development at 172 Flinders Street, Melbourne and a 21,000 square metre development on behalf of DWPF, also in Melbourne.

Reducing resources

As part of our commitment to achieve a portfolio average of a 4.5-star NABERS Energy rating in 2012, four upgrade projects commenced this year and five were completed with upgrade commissioning and fine tuning in progress.

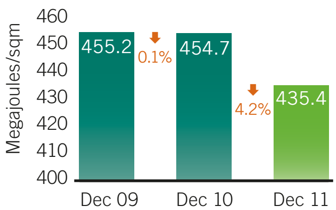
The results of our energy efficiency focus over the last two years is now being demonstrated by overall decreases in energy consumption of 7.0% and an increase in the average NABERS Energy rating of the office portfolio from 3.2-stars in 2010 to 3.5-stars in 2011.

A number of achievements in our NABERS Energy rating program include:

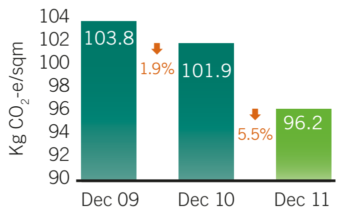
- One Margaret Street, Sydney: currently being upgraded from a 3.5-star to a 4.5-star energy rating and is already showing significant improvement in energy consumption with a reduction of 29.9% in the six months to December 2011 compared to the six months to December 2010
- 321 Kent Street, Sydney: upgrade works were completed in 2011 and electricity consumption has been reduced by 30% in the six months to December 2011 compared to the six months to December 2010

Over the last two years, we have achieved reductions on a per square metre basis in energy consumption of 4.3%, greenhouse gas emissions of 7.4%, and water consumption of 6.2%.

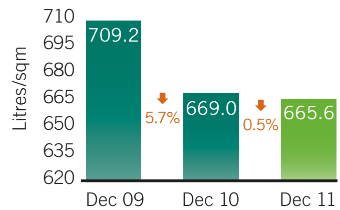
DXS office energy intensity



DXS office GHG intensity



DXS office water intensity



INDUSTRIAL

PORTFOLIO VALUE
$1.7bn (JUNE 2011: $1.6bn)

LIKE-FOR-LIKE NOI
(1.7%) (DEC 2010: 1.6%)

OCCUPANCY (BY AREA)
96.1% (JUNE 2011: 96.2%)

LEASE DURATION (BY INCOME)
4.3 years (JUNE 2011: 4.7 years)

2-10 Distribution Drive, Laverton North, VIC

During the period, we continued to proactively manage future lease expires in our core Australian industrial portfolio. Headline NOI increased to $58.4 million (December 2010: $56.8 million), primarily as a result of the completion of developments.

In the six months to 31 December 2011, 32 leases covering 109,525 square metres were completed. This comprised 68,350 square metres of leases signed on new developments and 41,175 square metres of leases signed on existing properties. Leases on existing properties were struck at an average rent of $145 per square metre and with an average incentive of 6.7%. Tenant retention during the period increased 17% to 77%. Like-for-like NOI during the period was down 1.7% and was impacted by the lease expiry at Garigal Road in Sydney, a property we earmarked for sale to an owner occupier[1].

113,000 square metres of developments have either been completed or are underway for an estimated total cost of $136 million. Three developments totalling 55,000 square metres reached practical completion during the period with a total cost of $71 million delivering a yield on cost of 9.5%. Development on 70% of this space commenced on a speculative basis and was subsequently leased. Four developments totalling 58,000 square metres are currently underway with a total cost of $65 million and an average forecast yield on cost of 8.6%. Two of these projects totalling 28,000 square metres remain to be leased. In addition, we sold a 3.5 hectare parcel of land and a 6,534 square metre recently developed industrial facility, resulting in a $2.7 million trading profit.

The total Australian industrial portfolio capital value remained stable during the period with the capitalisation rate unchanged at 8.6%.

1 Excluding this property, portfolio like-for-like NOI was up 0.6%.

Reducing resources

We continue to implement a range of innovative sustainability upgrades including the incorporation of energy efficient lighting, new building management systems, water harvesting and biodiversity initiatives that reduce reliance on water and the use of recycled materials. Our overall energy consumption across the Australian industrial portfolio has decreased by 8.9% over the last two years.

Partnering with our tenants and suppliers

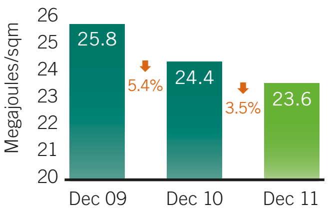
We are partnering with our tenants and construction partners to reduce energy consumption through a number of innovative approaches to resource management, refurbishment for stabilised properties and new developments.

Projects underway include:

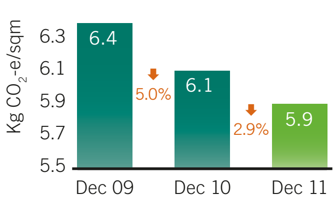
- The installation of rainwater harvesting and bio retention swales, photosensitive lighting and recycled crush concrete for the slab base at our newly developed properties at Laverton, in Melbourne
- Installation of variable refrigerant flow air conditioning units, water efficient fixtures and more efficient lighting in the warehouse at 114 Old Pittwater Road, Brookvale

We are working in partnership with our tenants to use these tools to assist with managing their own resource consumption.

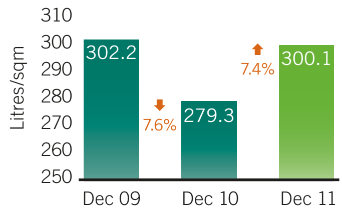
DXS industrial energy intensity



DXS industrial GHG intensity



DXS industrial water intensity



L to R: Quarry Industrial Estate, 6 Bellevue Circuit, Greystanes, NSW; 94-106 Lenore Drive, Erskine Park, NSW

INDUSTRIAL US

3691 North Perris Boulevard, Perris, CA

PORTFOLIO VALUE (US$)
$1.3bn (JUNE 2011: $1.3bn)

LIKE-FOR-LIKE NOI
0.0% (DEC 2010: DOWN 8.3%)

OCCUPANCY (BY AREA)
90.2% (JUNE 2011: 84.4%)

LEASE DURATION (BY INCOME)
4.4 years (JUNE 2011: 4.4 years)

Headline NOI declined US$0.8 million to US$38.6 million (December 2010: US$39.4 million) largely due to the impact of net property sales. During the period, the team achieved a significant increase in occupancy of 5.8% to 90.2%. This was primarily due to a 12.8% increase in Central portfolio occupancy to 87% and followed internalisation of leasing management in June 2011. In the six months 3.3 million square feet of new and expiring space was leased in 117 transactions.

During the period, four properties were sold for US$32 million at approximately 30.2% above book value. In addition, two properties valued at US$37 million were acquired in our core markets on an average capitalisation rate of 7.2%.

Overall the US portfolio value increased by 1.9% (US$25 million) with capitalisation rates decreasing on average by 26 basis points since June 2011 to 7.3%. US$14 million of this increase was from the Central portfolio where our efforts were focused on leasing, in order to realise greater value as part of the repositioning program.

Major solar power initiative

In August 2011, we signed a milestone 20 year lease with Southern California Edison (SCE) for the use of the rooftop of our Whirlpool facility in Perris to house a major solar power system encompassing 36,000 solar panels covering 1.5 million square feet. Construction on this, the world's largest solar rooftop, has commenced and is expected to take six months. This innovative project delivers sustainability and social benefits as well as additional lease income.

Reducing resource consumption

Following our 2011 assessment of our energy consumption reporting boundaries to ensure a consistent approach is used in the US, Australia and New Zealand, we are pleased to report that US energy consumption is down 11.6% and greenhouse gas emissions are down 10.6% for the half year period compared to the same period last year.

Supporting our community

Our team volunteered at two US Veterans' events in Long Beach and a member of our team has now joined the US Veterans' newly formed advisory Board. Going forward we are seeking the engagement of a number of our tenants to help support the US Veterans by way of in-kind donations of food, supplies and services.

EUROPEAN INDUSTRIAL

PORTFOLIO VALUE

€70m (JUNE 2011: €129m)

OCCUPANCY (BY AREA)

75.5% (JUNE 2011: 79.7%)

LEASE DURATION (BY INCOME)

2.1 years (JUNE 2011: 3.0 years)

The European portfolio valued at €70 million or A$89 million (June 2011: €129 million or A$174 million), contributed €4.1 million (December 2010: €5.8 million) or 2.2% of the Group's NOI. Consistent with our stated strategy, during the period, six of our remaining 18 properties were sold for €56 million. In the remaining 12 properties, 36,000 square metres of space was leased. This resulted in occupancy of these properties increasing by 4.8% to 75.5% at period end.

8005 South 266th Street, Kent, Seattle, WA

THIRD PARTY INVESTMENT MANAGEMENT

Gateway, 1 Macquarie Place, Sydney, NSW

FUNDS UNDER MANAGEMENT
$6.3bn (JUNE 2011: $6.2bn)

NUMBER OF PROPERTIES
OFFICE 15 (JUNE 2011: 15)
INDUSTRIAL 39 (JUNE 2011: 38)
RETAIL 15 (JUNE 2011: 15)

Third Party investment performance

Period to 31 Dec 2011 (pre fees)	1 year %	3 years %	5 years %
Third Party	11.0	5.7	5.8
Benchmark[1]	8.8	3.6	6.3

1 Mercer IPD Pre Fee Gross Asset Weighted to 31 December 2011 and annualised.

The Group's third party investment management platform comprises DEXUS Wholesale Property Fund at $3.8 billion, two Australian mandates totalling $2.3 billion and $0.2 billion of US industrial mandates where we provide property management services.

Activity for DWPF during the period was significant with the acquisition of $298 million of properties including 452 Flinders Street in Melbourne and two industrial properties located in New South Wales and Queensland. In addition, DWPF raised $231 million of new equity and was named the top performing wholesale fund for the year to December 2011. Our third party mandates (STC and AXA) also outperformed their benchmarks contributing to the outperformance of our third party investment management business on a one and three year basis. During the period, we sold STC's half share of QV1 in Perth for $310 million and we were given notice that the AXA mandate will be withdrawn effective May 2012, following its change of ownership.

Reducing resources

We have been actively upgrading our third party office properties to achieve an average 4.5-star NABERS Energy rating, with improvements now being realised and an average NABERS Energy rating of 3.7 stars (including GreenPower) being reached.

In retail, our NABERS assessments are nearing completion and the average NABERS Energy rating (by area) is currently 2.5-stars[1].

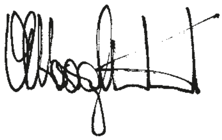
In industrial, we are partnering with a major tenant at Aquatica Business Park in Port Melbourne to install a 27kw solar panel system which will result in substantial energy savings and offset of 44 tonnes of carbon per annum.

As a result of our focus over the last two years, the third party portfolio's total greenhouse gas emissions have decreased by 13.0%, total energy consumption is down by 11.8% and total water consumption is down 7.4%.

1 Includes retail properties under our operational control.

OUTLOOK

While the broader economic outlook and subsequent impact on markets remains uncertain, we are confident that our business is well positioned to respond to these conditions. Occupancy remains high and with more than 99% of 2012 rental revenue already secured, our portfolio is substantially protected from adverse impacts should economic conditions deteriorate. As a result, we are reconfirming guidance of forecast earnings FFO for the year ending 30 June 2012 at 7.65 cents per security and distributions, being 70% of FFO, at 5.35 cents per security.



Victor P Hoog Antink
Chief Executive Officer

29 February 2012

123 Albert Street, Brisbane, QLD

OPERATING AND FINANCIAL REVIEW

Financial summary

DEXUS Property Group's financial performance for the six months to 31 December 2011 is detailed below. To fully understand our results, please refer to the Interim Report for the half year ended 31 December 2011.

Total revenue from ordinary activities for the six months to 31 December 2011 increased by $28.1 million to $371.4 million (2010: $343.3 million). The key drivers include:

- A 5.1% increase in like-for-like property income from the Australian office portfolio
- Rental income commencing at recently completed office and industrial developments
- The proceeds from the sale of property totalling $21.8 million (2010: nil)
- Offset by unfavourable movements in the US dollar exchange rate

Net profit attributable to stapled security holders is $145.7 million or 3.01 cents per security, a decrease of $148.7 million from the prior corresponding period (2010: $294.4 million). The key drivers are:

- Unrealised net fair value losses on derivatives totalling $74.6 million (2010: gain of $53.5 million) primarily as a result of lower market interest rates
- Deferred tax expense of $12.3 million (2010: $1.2 million) associated primarily with the positive revaluation of our US industrial property assets

Operational result

DEXUS Property Group focuses on Funds from Operations (FFO[1]) which is often used as a measure of real estate operating performance after finance costs and taxes.

DEXUS Property Group's FFO for the six months to 31 December 2011 is $184.3 million, an increase of 3.0% on the prior corresponding period. FFO per security is 3.81 cents (31 December 2010: 3.70 cents per security). The key drivers impacting FFO are:

- The Australian office portfolio's NOI of $141.0 million increased by $13.8 million (10.8%) driven by strong like-for-like growth of 5.1% and the commencement of rent following the completion of developments at 1 Bligh Street, Sydney and 123 Albert Street, Brisbane. Occupancy[2] for the Australian office portfolio remains high at 97.2% (2010: 96.5%). The retention rate for the rolling 12 months to 31 December 2011 was 73%
- The Australian industrial portfolio's NOI of $58.4 million increased by $1.6 million largely as a result of the completion of three developments at Greystanes during 2010 and 2011, valued at $95.3 million. The industrial portfolio ended the period with occupancy[2] at 96.1% (2010: 97.4%) and a rolling 12 month tenant retention rate of 77%
- The US industrial portfolio's NOI of $37.6 million decreased by $4.0 million, predominantly as a result of translation of stable underlying portfolio income at higher Australian dollar exchange rates. The internalisation of portfolio management for the Central portfolio has contributed to strong leasing success helping to lift total US occupancy[2] to 90.2% (2010: 86.4%). The retention rate for the rolling 12 months to 31 December 2011 was 50%

- Financing costs for distributable earnings increased by $8.9 million primarily driven by the completion of office developments at 1 Bligh Street, Sydney, 123 Albert Street, Brisbane and within our industrial portfolio
- Management business EBIT increased by $2.0 million including $2.7 million of industrial trading profits and one off costs

Based on our current distribution policy of 70% of Funds from Operations, the distribution payable for the six months to 31 December 2011 is 2.67 cents per security (2010: 2.59 cents per security).

Set out below is a reconciliation of profit attributable to stapled security holders to FFO and how the Group's distribution has been calculated.

	31 Dec 2011 ($m)	**DPS (cents)**	**31 Dec 2010 ($m)**	**DPS (cents)**
Profit for the period attributable to stapled security holders	**145.7**		294.4	
Net fair value gain of investment properties[3]	**(60.0)**		(67.9)	
Net gain on sale of investment properties	**(2.9)**		(4.7)	
Net fair value loss/(gain) of derivatives	**74.6**		(53.5)	
Impairment of inventories	**2.0**		–	
Incentive amortisation and rent straight-line[3,4]	**16.7**		14.5	
Deferred tax expense	**12.3**		1.2	
RENTS capital distribution	**(5.3)**		(5.3)	
Impairment of goodwill and other	**1.2**		0.3	
Funds from Operations[1]	**184.3**	**3.81**	179.0	3.70
Retained earnings[5]	**(55.1)**		(53.7)	
Distributions	**129.2**	**2.67**	125.3	2.59

1 The DEXUS Property Group's FFO comprises profit/loss after tax attributable to stapled security holders measured under Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark-to-market impacts, amortisation of certain tenant incentives, gain/loss on sale of certain assets, straight-line rent adjustments, deferred tax expense/benefit and DEXUS RENTS Trust capital distribution. A full reconciliation of FFO is contained in our 2012 half year results appendices and is also available at www.dexus.com/dxs/propertyreports

2 Occupancy by area.

3 Including DXS's share of equity accounted investments.

4 Includes cash and fitout incentives amortisation.

5 Based on the current distribution policy of 70% of FFO.

FINANCIAL SUMMARY

Consolidated Statement of Comprehensive Income

	31 December 2011 ($'000)	31 December 2010 ($'000)
Property revenue	323,078	314,428
Management fee income	25,667	28,179
Proceeds from sale of inventory	21,830	–
Interest revenue	799	717
Total revenue from ordinary activities	**371,374**	**343,324**
Net fair value gain of investment properties	59,956	55,022
Net gain on sale of investment properties	2,905	4,697
Contribution from equity accounted investments	3,108	12,870
Other income	795	1,132
Total income	**438,138**	**417,045**
Property expenses	(77,999)	(75,268)
Cost of sale of inventory	(19,110)	–
Finance (costs)/income	(132,239)	2,424
Impairment of inventories	(2,014)	–
Impairment of goodwill	(563)	(74)
Employee benefits expense	(35,664)	(36,093)
Depreciation, amortisation and other expenses	(10,547)	(12,584)
Net fair value (loss)/gain on derivatives	(517)	1,932
Total expenses	**(278,653)**	**(119,663)**
Profit before tax	**159,485**	**297,382**
Total tax expense	(12,765)	(2,032)
Profit after tax	**146,720**	**295,350**
Exchange differences on translating foreign operations	(1,949)	(6,995)
Total comprehensive income for the period	**144,771**	**288,355**
Profit attributable to stapled security holders	**145,712**	**294,426**
Other non-controlling interests	1,008	924
Total profit for the period	**146,720**	**295,350**
Total comprehensive income attributable to stapled security holders	**143,763**	**287,431**
Other non-controlling interests	1,008	924
Total comprehensive income for the period	**144,771**	**288,355**

Consolidated Statement of Financial Position

	31 December 2011 ($'000)	30 June 2011 ($'000)
Cash and receivables	103,162	109,921
Property assets[1]	7,626,081	7,487,082
Other (including derivative financial instruments)	410,050	390,641
Total assets	**8,139,293**	**7,987,644**
Payables and provisions	262,895	274,346
Interest bearing liabilities	2,294,888	2,215,056
Other (including derivative financial instruments)	265,705	191,401
Total liabilities	**2,823,488**	**2,680,803**
Net assets	**5,315,805**	**5,306,841**
Non-controlling interests	204,136	204,028
Stapled security holders' interests	**5,111,669**	**5,102,813**

Consolidated Statement of Changes in Equity

	31 December 2011 ($'000)	31 December 2010 ($'000)
Opening balance at 1 July	5,306,841	5,006,447
Total comprehensive income	144,771	288,355
Total transactions with owners in their capacity as owners	(135,807)	(118,235)
Closing balance at 31 December	**5,315,805**	**5,176,567**

Consolidated Statement of Cash Flows

	31 December 2011 ($'000)	31 December 2010 ($'000)
Net cash inflow from operating activities	166,869	106,522
Net cash outflow from investing activities	(27,975)	(186,565)
Net cash (outflow)/inflow from financing activities	(134,476)	63,602
Net increase/(decrease) in cash and cash equivalents	**4,418**	**(16,441)**
Cash and cash equivalents at the beginning of the period	73,746	64,419
Effects of exchange rate changes on cash and cash equivalents	(1,132)	(3,904)
Cash and cash equivalents at the end of the period	**77,032**	**44,074**

The Interim Report for the half year ended 31 December 2011 is available on our website at www.dexus.com or by contacting the Infoline on 1800 819 675.

1 Property assets include investment properties, non-current assets classified as held for sale, inventories and DXS's share of the investment property accounted for using the equity method of accounting.

INVESTOR INFORMATION

Investor information

DEXUS Property Group is listed on the Australian Securities Exchange (ASX). The ASX code is DXS. Investors will need to use the services of a stockbroker or online broking facility to trade in DEXUS Property Group (DXS) securities.

Distribution payments

Distributions are paid for the six months to December and June each year. You can receive your distribution by direct credit into your nominated bank account or by cheque. DEXUS suspended the distribution reinvestment plan in December 2010.

Non-resident tax information

Estimates that make up the DEXUS Property Group's 2012 financial year distributions are published on our website in the Investor Centre at www.dexus.com/dxs/tax These estimates are updated for each distribution period prior to the distribution payment and are for non-resident investors and custodians of non-resident security holders.

Annual tax statement

Each financial year investors will receive a tax statement. This statement summarises the distributions paid during the year and includes information required to complete your tax return. If you have misplaced your tax statement you can download a copy at www.dexus.com

Apportionment percentages

Apportionment percentages for DEXUS Property Group's stapled securities since stapling are available in the Investor Centre at www.dexus.com/dxs/tax or by contacting the Infoline on 1800 819 675.

Website

Information relating to DEXUS Property Group can be found at www.dexus.com including details on our property portfolio, the Board of Directors, Corporate Governance, Corporate Responsibility and Sustainability and other Group information. You can also access your investment details, investor reports and ASX announcements.

Complaints handling

If you wish to lodge a complaint please 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 which may be contacted at:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Phone: 1300 780 808
Phone: +61 3 9613 7366
Fax: +61 3 9613 6399
Email: info@fos.org.au
Website: www.fos.org.au

DIRECTORY

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DEXUS Industrial Trust
ARSN 090 879 137

DEXUS Office Trust
ARSN 090 768 531

DEXUS Operations Trust
ARSN 110 521 223

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DEXUS provides an investor login facility at www.dexus.com where you can view your investment details and download past distribution and tax statement forms.

Australian Securities Exchange
ASX Code: DXS

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

2012 DEXUS HALF YEAR REPORT

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