



# 2012 DEXUS PROPERTY GROUP ANNUAL RESULTS & STRATEGIC REVIEW

16 AUGUST



# 2012

## DEXUS Property Group ANNUAL RESULTS and STRATEGIC REVIEW

16 August 2012



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

**DEXUS**  
PROPERTY GROUP

## AGENDA

- Group highlights
- Financial results
- Capital management
- Third party funds management
- Portfolio results
- Market outlook
- Strategic review
- Summary
- Appendices

# GROUP HIGHLIGHTS

For the year ended 30 June 2012

## DXS investor returns

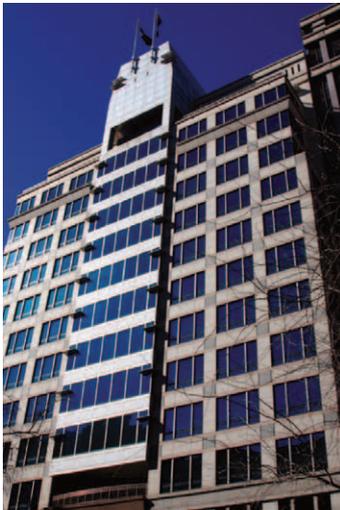
<p><b>12.2%</b> Total security holder return for year and outperformed A-REIT index<sup>1</sup> over 1, 3 and 5 years</p>		<p><b>3.3%</b> Growth in distribution per security</p>		
<p><b>DXS Group</b></p>	<p><b>Property portfolio</b></p>		<p><b>Capital management</b></p>	<p><b>Third party funds management</b></p>
<p><b>3.4%</b> FFO per security growth</p>	<p><b>1 million</b> sqm leased<sup>2</sup> in total</p>	<p><b>\$1.6bn</b> Total transactions across the Group</p>	<p><b>27.2%</b> Gearing at 30 June 2012</p>	<p>Top quartile investment performance for DWPF and STC</p>
<p><b>\$10m</b> in cost savings secured</p>	<p><b>5.4%</b> Office like-for-like NOI growth</p>	<p><b>US\$770m</b> US central portfolio sold</p>	<p><b>70-80%</b> FFO payout ratio from FY13</p>	<p><b>\$420m+</b> Equity raised for DWPF</p>

1. S&P/ASX 200 Property Accumulation index.  
2. Including heads of agreement.



# GROUP HIGHLIGHTS

Achievements post balance date

<p><b>Third party funds management</b></p>	<p><b>Property portfolio</b></p>	
<p><b>\$360m<sup>1</sup></b> New capital partnership secured with the National Pension Service of Korea investing jointly with DXS in existing key industrial estates</p>	<p>Exchanged contracts for the <b>\$58.5m</b> acquisition of 50 Carrington Street, Sydney</p>	<p>Exchanged contracts for the <b>\$241.6m</b> acquisition of 12 Creek Street, Brisbane<sup>2</sup></p>
		
		

1. Initial partnership amount, which includes DEXUS's 50% interest in the properties. The partnership has the potential to grow to \$800 million over the next 5 years.  
2. Acquired jointly owning a 50% interest with DWPF. DXS interest is \$120.8 million.



## GROUP HIGHLIGHTS

Solid financial results in line with guidance

		30 June 2012	30 June 2011
<b>Key financial metrics</b>	Statutory net profit	\$181.1m	\$553.0m
	FFO <sup>1</sup>	\$367.8m	\$358.0m
	FFO per security	7.65c	7.40c
	Distribution per security	5.35c	5.18c
	Gearing	27.2%	28.4%
	NTA per security	\$1.00	\$1.01

1. FFO (Funds from Operations): net profit adjusted to exclude property revaluations, unrealised mark-to-market changes, changes in deferred tax, amortisation of tenant cash and fit-out incentives, gain/loss on sale of certain assets and rent straight-lining. Refer to the glossary for the detailed explanation and the appendices for a reconciliation to net profit.

DEXUS Property Group 2012 Annual Results and Strategic Review – Slide 5



## FINANCIAL RESULTS



DEXUS Property Group 2012 Annual Results and Strategic Review – Slide 6



## FINANCIAL RESULTS

	30 June 2012 \$m	30 June 2011 \$m
<b>Funds From Operations (FFO)</b>	<b>367.8</b>	<b>358.0</b>
(Loss) from the US central portfolio sale	(117.0)	—
(Loss)/gain on sale of investment properties	(11.0)	7.1
Net property revaluation gains	67.9	182.0
Net fair value (loss)/gain of derivatives	(97.1)	44.2
Other	(29.5)	(38.3)
<b>Statutory net profit</b>	<b>181.1</b>	<b>553.0</b>

Further details are included in the appendices.

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## FINANCIAL RESULTS Funds From Operations

		30 June 2012 \$m	30 June 2011 \$m
<ul style="list-style-type: none"> <li>▪ Group operating EBIT up \$30.7m</li> <li>▪ Group like-for-like NOI up 3.3%</li> <li>▪ Office NOI up \$34.6m following completion of Bligh and Albert Street developments and like-for-like NOI growth of 5.4%</li> <li>▪ Interest expense up due to completion of developments (capitalisation of interest ceased)</li> </ul>	Office	289.8	255.2
	Industrial	120.0	116.4
	Industrial US <sup>1</sup>	74.7	76.1
	Non-core <sup>1,2</sup>	8.9	15.2
	Currency impact on NOI	—	4.3
	Net operating costs	(27.7)	(30.6)
	Other operating income	2.2	0.6
	<b>Operating EBIT</b>	<b>467.9</b>	<b>437.2</b>
	Finance costs <sup>1</sup>	(120.3)	(89.0)
	Currency impact on finance costs	—	(3.8)
	Incentive amortisation and straight-lining <sup>3</sup>	31.7	28.8
	RENTS	(12.0)	(12.5)
	Other	0.5	(2.7)
	<b>Funds From Operations (FFO)</b>	<b>367.8</b>	<b>358.0</b>
<b>FFO per security</b>	<b>7.65</b>	<b>7.40</b>	
<b>Distribution per security</b>	<b>5.35</b>	<b>5.18</b>	

1. Constant currency; refer to Appendices for exchange rates.

2. European industrial.

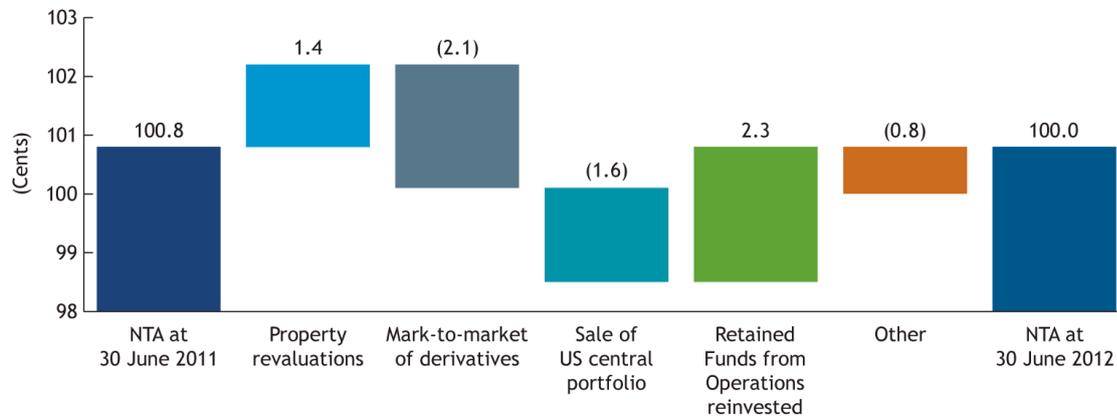
3. Includes cash and fit-out amortisation and straight-line rent adjustment.

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## FINANCIAL RESULTS

### Change in net tangible assets

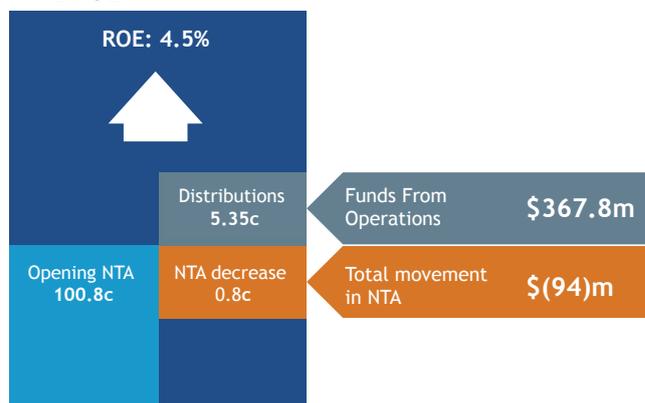


## FINANCIAL RESULTS

### Return on equity (ROE) impacted by strategic exit and interest rate volatility

- FY12 ROE of 4.5%
  - Impacted by US sale transaction costs and mark-to-market interest costs
  - Excluding these impacts ROE would have been 8.2%
- Positioned for more normalised ROE of 9%-10% through the cycle

#### FY12 ROE



## FINANCIAL RESULTS

### Restructure leads to more efficient platform

- \$10m in cost savings through efficiencies<sup>1</sup>
- FY12 net MER<sup>2</sup> of 30bps and forecast to be around 20bps in FY13
- Comparable costs in FY13 expected to be the same as in FY09

FY12	Third party mgt (\$m)	Group property mgt (\$m)	DXS asset mgt (\$m)	DXS development & trading (\$m)	Group corporate (\$m)	Total (\$m)
Revenue	28.3	32.3	–	52.4	–	113.0
Apportioned compensation	(12.0)	(25.0)	(12.5)	(1.9)	(16.5)	(67.9)
CEO transition and redundancies	–	–	–	–	(6.5)	(6.5)
Other expenses	(1.0)	(4.2)	(2.2)	(0.7)	(14.2)	(22.3)
Total operating expenses	(13.0)	(29.2)	(14.7)	(2.6)	(37.2)	(96.7)
Cost of sales – active trading	–	–	–	(44.0)	–	(44.0)
Total operating expenses	(13.0)	(29.2)	(14.7)	(46.6)	(37.2)	(140.7)
Net operating profit/(costs)	15.3	3.1	(14.7)	5.8	(37.2)	(27.7)

FY12 net MER	\$m
Net operating costs	(27.7)
Add back CEO transition and redundancies	6.5
Adj net operating costs	(21.2)
Funds under management	7,023
Net MER	30bps

1. Through the business restructure and cost saving initiatives implemented in 2012. Of the \$10m in cost savings, \$1m represents a reduction in capitalisation, \$2m was saved in FY12 and the remaining \$7m is savings in FY13.

2. Management Expense Ratio: calculated as total net operating profit/(costs) divided by funds under management.

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## CAPITAL MANAGEMENT



# CAPITAL MANAGEMENT

## Key highlights

### FY12 focus

- Reduce cost of funds
- Increase debt duration

### FY12 performance

- Refinanced \$850m of facilities at margins below 2%
- Reduced cost of funds by 50bps
- Successfully redeployed US central portfolio sale proceeds
  - Restructured associated US debt facilities
- Repurchased \$204m of RENTS<sup>1</sup> hybrid securities in June 2012, prior to the step-up, resulting in the wind-up of RENTS
- Commenced \$200m on-market securities buy-back in April 2012 with 35% of target completed as at 16 August 2012
- Announced a change to distribution payout policy from 70% to a range of 70-80% of FFO, effective FY13

1. Real-estate perpetual Exchangeable Step-up Securities.

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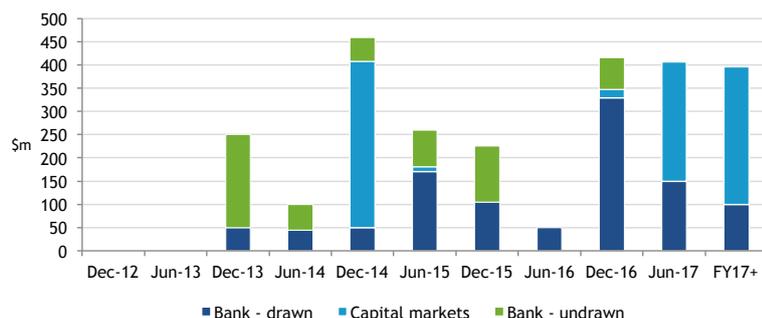


# CAPITAL MANAGEMENT

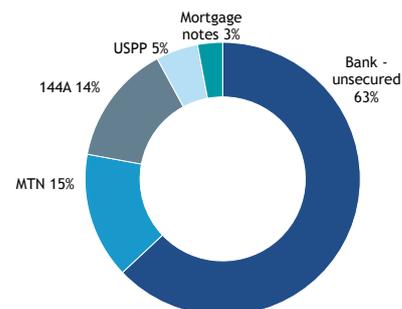
## Reduced cost of debt and maintained duration

	30 June 2012	30 June 2011
Cost of debt <sup>1</sup>	6.1%	6.6%
Duration of debt <sup>1</sup>	4.2 years	4.2 years
Hedged debt	73%	82%
Gearing <sup>2</sup>	27.2%	28.4%
Headroom (approximately) <sup>3</sup>	\$600m	\$600m
S&P/Moody's credit rating	BBB+/Baa1	BBB+/Baa1

### Debt maturity profile<sup>4</sup>



### Diversified mix of facilities<sup>4</sup>



1. Weighted average.

2. Refer to glossary for gearing definition.

3. Undrawn facilities plus cash.

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

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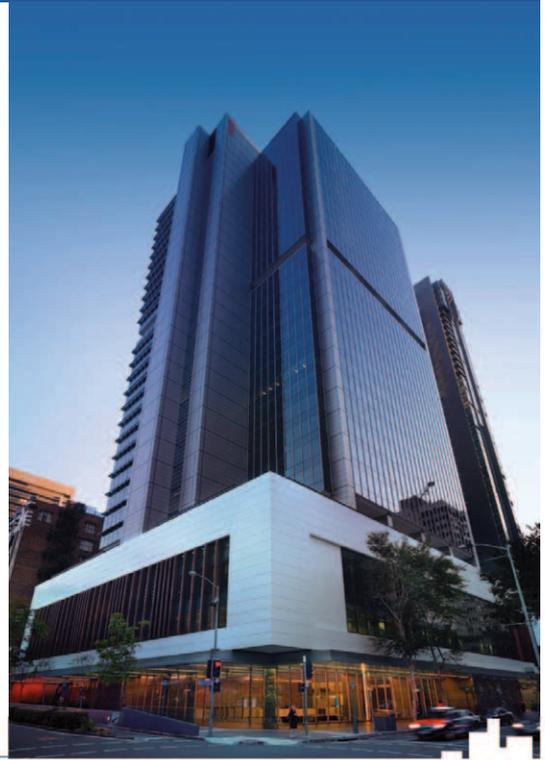


## CAPITAL MANAGEMENT

### FY13 focus

- Reduce cost of funds
- Maintain strong diversity of debt and duration of greater than four years
- Maintain strong credit rating metrics
- Continue on-market securities buy-back, where accretive to investor returns
- Utilise headroom for quality acquisitions or cancel excess facilities

123 Albert Street, Brisbane, QLD



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## THIRD PARTY FUNDS MANAGEMENT



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## THIRD PARTY FUNDS MANAGEMENT

New capital partnership established with leading global pension fund

### FY12 focus

- Establish new capital partnerships

### FY12 performance

- Established a long term capital partnership with the National Pension Service of Korea (NPS)
  - Initial partnership of \$360m
  - 50% ownership of 13 industrial properties
  - Partnership has the potential to grow to \$800m over the next 5 years
  - In line with strategy

Partnership properties	Initial no. properties	Initial partnership total A\$m	Potential partnership total A\$m
Laverton/Altona	8	234	450
Greystanes	5	126	350
<b>Total</b>	<b>13</b>	<b>\$360m</b>	<b>\$800m</b>



Note: JV values shown at 100%.

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## THIRD PARTY FUNDS MANAGEMENT

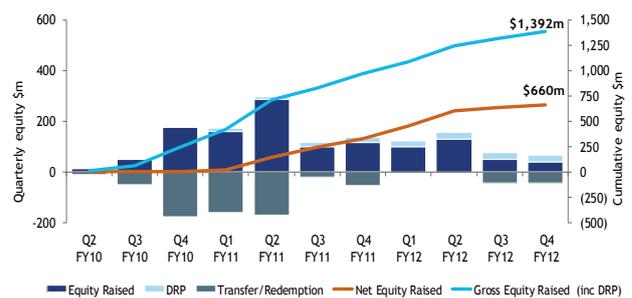
Outperformance in established platform

- Strong support from DWPF investors in an active year
  - Raised over \$420m of equity in FY12
    - Further equity in the pipeline for FY13
  - Top quartile performing fund achieving 9.7% total return<sup>1</sup>
- STC mandate outperformed its benchmark
- AXA mandate concluded on 31 May 2012

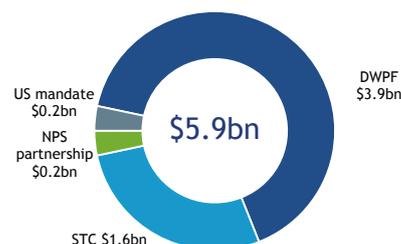
### FY13 focus

- Continue to develop new capital partnerships
- Continue to achieve investment objectives to enhance returns for our established funds

### DWPF equity raised since 2010



### Third party funds management platform<sup>2</sup>



1. 12 month return to 30 June 2012 (post fees).

2. As at 30 June 2012, excludes cash and adjusted for the inclusion of NPS partnership and DWPF's 50% interest in 12 Creek Street, Brisbane.

## PORTFOLIO RESULTS



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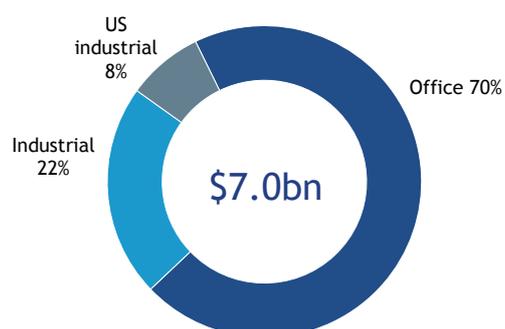
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## PORTFOLIO RESULTS

Total portfolio – improved income and occupancy metrics

Total DXS portfolio	30 June 2012	30 June 2011
Total value <sup>1</sup>	\$7.0bn	n/a
Total value	\$6.9bn	\$7.5bn
Total number of properties	106	175
Total NLA (sqm)	2.5m	4.2m
Income growth (like-for-like)	3.3%	1.9%
Occupancy by area	93.4%	88.7%
Occupancy by income	95.8%	93.6%
Weighted average lease expiry <sup>2</sup>	4.7 years	5.0 years
Weighted average cap rate	7.51%	7.60% <sup>3</sup>

Total DXS portfolio composition<sup>1</sup>



1. Including the acquisitions of 50 Carrington Street, Sydney and a 50% interest in 12 Creek Street, Brisbane and the impact of the new capital partnership on the portfolio.  
2. By income.

3. Adjusted to exclude the US central portfolio. Including the US central portfolio, the WACR was 7.7%.

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## PORTFOLIO RESULTS

### Total portfolio – transactions refocus and rebalance portfolio

- \$1.6bn in transactions, involving 95 properties<sup>1</sup> across the Group
- US industrial:
  - Sold central portfolio comprising 65 properties for US\$770m
  - Sold a further 5 US properties for US\$34.6m
  - Remaining portfolio of 24 west coast properties and 3 land parcels in Texas
- Europe:
  - Sold 71% of the portfolio for €82m
  - Remaining portfolio of 6 properties
- Office:
  - The sales of Garema Court, Canberra and The Zenith, Chatswood, have been postponed and are targeted for sale over the next 12-18 months
- Industrial:
  - Sold 4 properties for \$90m including 1 non-core property and 3 trading properties
  - Acquired Erskine Park and Wacol trading properties
- Third party funds management:
  - DWPF acquired 452 Flinders Street, Melbourne for \$201.5m and 2 industrial properties for \$96.5m
  - STC sold QV1 in Perth for \$310m



452 Flinders Street, Melbourne, Vic

1. Further details relating to divestments and acquisitions during FY12, are included in the appendices.

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## PORTFOLIO RESULTS

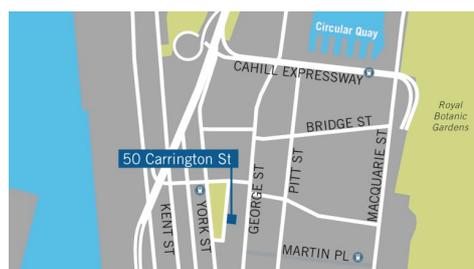
### Total portfolio – post balance date acquisitions

- Post 30 June 2012 we exchanged contracts to acquire:
  - 12 Creek Street, (jointly with DWPF), is located in the “Golden Triangle” in the Brisbane CBD and has strong tenant covenants
  - 50 Carrington Street is located in the core of the Sydney CBD and is a value-add proposition
  - Both acquisitions are accretive to investor returns and improve the office portfolio’s geographic and tenant diversification
- Acquisitions to be funded from existing debt facilities

#### Location of 12 Creek Street, Brisbane



#### Location of 50 Carrington Street, Sydney



Acquisitions	12 Creek Street	50 Carrington Street
Acquisition price (ex costs)	\$241.6m <sup>1</sup>	\$58.5m
Acquisition rate per sqm	\$7,497	\$5,180
Initial yield	7.9%	5.2%
Cap rate	7.75%	8.0%
Target IRR	10.2% <sup>2</sup>	11.2% <sup>3</sup>
Occupancy by area/income	94.6%/95.1%	61.3%/62.3%
Weighted average lease expiry	4.5 years	2.2 years
NABERS Energy rating	2.5 stars	3.0 stars

1. 100% interest acquisition price. DXS ownership interest is 50%.  
2. 10 year IRR including DEXUS funds management fees.  
3. 3 year IRR.

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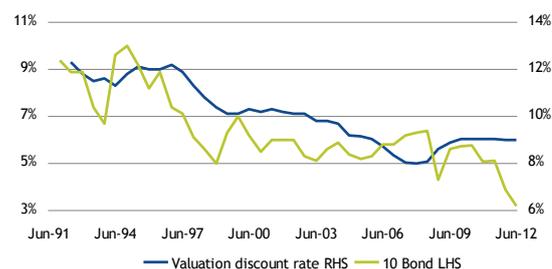
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## PORTFOLIO RESULTS

### Total portfolio – valuation metrics

- Capitalisation rates tightened by an average of 9bps across the portfolio
- Australian office cap rate spreads over bond rates reached the highest on record
- Independent valuers are taking a more subdued view on market rents and short-term growth
  - Pressure on office properties with shorter WALEs as incentives remain elevated

Sydney CBD office discount rate vs. 10 year bond rate



	Cap rate 30 June 12 %	Cap rate 30 June 11 %	Discount rate 30 June 12 %	Discount rate 30 June 11 %	Valuation change <sup>1</sup> %
Office	7.30	7.37	9.18	9.12	2.0
Industrial	8.59	8.64	9.45	9.74	(3.4)
US industrial <sup>2</sup>	6.32	6.62	8.13	8.98	7.3
<b>Total</b>	<b>7.51</b>	<b>7.60</b>	<b>9.16</b>	<b>9.25</b>	<b>1.0</b>

1. Valuation change includes investment property, development property and investments accounted for using the equity method.  
2. Metrics represent the remaining US west cost portfolio only.

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## PORTFOLIO RESULTS

### Office – operating performance

#### FY12 focus

- Like-for-like income growth >FY11
- Residual leasing at 1 Bligh Street
- Secure lease pre-commitments for development at 180 Flinders Street, Melbourne<sup>1</sup>

Office portfolio	30 June 2012	30 June 2011
Occupancy by area <sup>2</sup>	97.1%	96.2%
Occupancy by income	96.8%	95.3%
Average incentive <sup>3</sup>	17.3%	16.0%
Average rental increase <sup>3</sup>	4.6%	4.6%
Over/under rented	3.3% under	3.0% under
Weighted average lease expiry <sup>4</sup>	4.9 years	5.3 years
Weighted average cap rate	7.30%	7.37%
Total return – 1 year	9.5%	9.0%

#### FY12 performance

- Achieved strong like-for-like income growth of 5.4%
- 1 Bligh Street
  - 90% committed with strong enquiry for remaining space
  - Achieved IRR of 10.6% to date
- Secured DA and commenced marketing for lease pre-commitments at 180 Flinders Street, Melbourne
- Achieved average rental increases on new leases of 4.6% with an average fixed increase of 4.1%
- Maintained long WALE of 4.9 years

1. Previously known as Flinders Gate or 172 Flinders Street, Melbourne. 3. Excluding development leasing.  
2. By ownership. 4. By income.

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## PORTFOLIO RESULTS

### Office – key leasing achievements

- Exceeded leasing expectations in FY12
  - Leased 75,668sqm (13% of portfolio) including heads of agreement over 19,078sqm
  - Successfully leased Garema Court to a new Government<sup>3</sup> tenant with no downtime
  - Increased tenant retention from 53% to 66%
- Proactive forward leasing
  - PKF secured for 10 years to 2025
  - Covermore secured for 5 years to 2017
- Reduced FY13 leasing exposure by 29%

Key leases completed	Tenant	Area <sup>1</sup> (sqm)	Income <sup>2</sup> %	Term	Expiry
Garema Court	Government <sup>3</sup>	10,873	1.2	12	Mar 24
1 Bligh Street	Bloomberg	2,643	0.3	12	Dec 24
	Oil Search	4,891	0.5	12	Sep 24
	CPO <sup>4</sup>	4,891	0.5	12.7	Feb 25
1 Margaret Street	PKF	6,756	1.3	10	Jul 25
60 Miller Street	Covermore	4,387	0.6	5	Mar 17
123 Albert Street	QTC	3,813	0.6	7	Mar 19

1. At 100%.  
2. At ownership level.

3. Department of Regional Australia, Local Government, Arts and Sport.  
4. Commonwealth Parliamentary Offices.

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## PORTFOLIO RESULTS

### Office – FY13 focus proactive leasing

#### FY13 focus

- Progress retention and leasing strategies at 8 Nicholson Street, Melbourne and 30 The Bond, Sydney
- Focus on leasing in Sydney western corridor
- Continue recycling non-core properties into core properties and markets

Leasing focus	Tenant	Area <sup>1</sup> (sqm)	Ownership	Expiry status	Progress
<b>FY13</b>					
1 Bligh Street	Vacant	4,482	33%	Available	Marketing
45 Clarence Street	Vacant	3,735	100%	Available	Marketing
Australia Square	Vacant	7,045	50%	Available	Part under negotiation, marketing balance
14 Moore Street	Comcare	7,267	100%	Sep 12-May 13	Marketing
8 Nicholson Street	Government	23,528	100%	Jun 13	Under negotiation for renewal
<b>FY14</b>					
Woodside Plaza	Woodside	4,281	100%	Nov 13	In discussions with current tenant
30 The Bond	Lend Lease	17,547	100%	Mar 14	In discussions with current tenant
GPT, 1 Farrer Place	Corrs	7,371	50%	May 14	Marketing
<b>FY15</b>					
GMT, 1 Farrer Place	NSW Gov	20,406	50%	Dec 14	In discussions with current tenant

1. At 100%.

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## PORTFOLIO RESULTS

### Industrial – operating performance

#### FY12 focus

- Like-for-like income growth in line with FY11
- Complete 80,000sqm of development
- Secure trading profits of \$4.0m

Industrial portfolio	30 June 2012	30 June 2011
Occupancy by area	91.7%	96.2%
Occupancy by income	92.8%	95.1%
Average incentive <sup>1</sup>	5.6%	3.1%
Average rental increase <sup>1</sup>	(5.0%)	(7.3%)
Over/(under) rented	4.8% over	4.6% over
Weighted average lease expiry <sup>2</sup>	4.4 years	4.7 years
Weighted average cap rate	8.59%	8.64%
Total return – 1 year	8.0%	9.4%

1. Excluding development leasing.  
2. By income.

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#### FY12 performance

- Like-for-like income down 1.6% primarily due to postponed sale of Garigal Road, Belrose
- Exceeded development targets
  - Developed 120,102sqm
  - Underway 75,285sqm
- Exceeded trading profit target securing \$5.8m across 3 properties
  - Actively progressing 2 projects \$53.5m/43,800sqm
- Occupancy impacted by departure of Elders at Gillman (72,115sqm) on 30 June 2012
  - 57% now leased or secured heads of agreement at rents 34% higher than prior rents
  - In discussions with prospective tenants for the remaining space



## PORTFOLIO RESULTS

### Industrial – leasing, development and trading contribute to results

- Leased over 300,000sqm of space
  - 195,738sqm representing 17% of the portfolio and an additional 105,201sqm in developments
- Achieved retention rate of 59% retaining 54 tenants
- Maintained 100% occupancy at Kings Park estate through renewals over 37,300sqm (54% of GLA)
- Reduced FY13 leasing exposure by 43%

#### FY13 focus

- Increase occupancy at Sydney properties
- Complete development projects
  - 43,800sqm of trading properties
  - 31,500sqm of projects at the Quarry
- Secure \$5m in trading profits
- Continue recycling non-core properties into core properties and markets



Kings Park Industrial Estate, Vardys Road, Marayong, NSW

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## PORTFOLIO RESULTS

US industrial – driving operational performance while positioning for sale

### FY12 focus

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

### FY12 performance

- Completed sale of central portfolio following a 10.3% increase in occupancy
- Leased 505,192sqm in 184 transactions<sup>1</sup> (over 23% of total area)
- Strong like-for-like income growth of 3.8% across the west coast portfolio
- Nil arrears at 30 June 2012 for west coast portfolio

### FY13 focus

- Maintain leasing focus on the west coast portfolio
- Progress exit strategy

US industrial portfolio <sup>2</sup>	30 June 2012	30 June 2011
Occupancy by area	97.1%	97.7%
Occupancy by income	98.2%	97.4%
Average incentive	7.1%	10.6%
Average rental decrease	(8.5%)	(7.4%)
Over/(under) rented	12.2% over	24.1% over
Weighted average lease expiry <sup>3</sup>	4.4 years	4.5 years
Weighted average cap rate	6.32%	6.62%
Total return – 1 year	10.0%	17.6%

1. Includes the annualised impact of the central portfolio.

2. All statistics in table relate to the remaining west coast portfolio only.

3. By income.

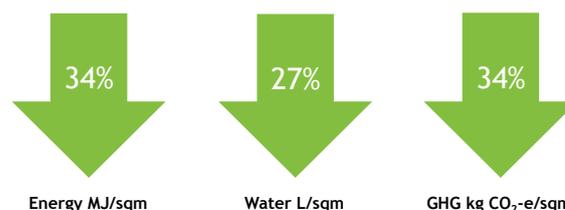
## PORTFOLIO RESULTS

Corporate responsibility and sustainability

- Completed the \$31m NABERS Energy sustainability improvement program
- Four office properties awarded 5 star NABERS Energy ratings during the year
  - Reduced energy usage at these properties by an average of 37%
  - On track to achieve 4.5 star NABERS Energy and 3.5 star NABERS Water ratings by December 2012
- 1 Bligh recognised for sustainability and design credentials through numerous awards
- DEXUS head office achieved carbon neutral status for the 2<sup>nd</sup> year in a row and increased its NABERS Energy rating<sup>2</sup> to 4 stars

DXS office portfolio	Jun 08	Jun 09	Jun 10	Jun 11	Jun 12	Jun 13 <sup>1</sup>
NABERS Energy rating	n/a	n/a	3.2	3.6	3.9	4.5
NABERS Water rating	n/a	n/a	2.6	3.1	3.3	3.5
Energy consumption intensity	636	537	505	466	423	411
Water consumption intensity	881	813	769	696	644	625
GHG emissions intensity	141	121	115	103	93	91

### Office resource consumption<sup>3</sup>



1. Target.

2. Without GreenPower.

3. DXS portfolio reduction in consumption from June 2008 to June 2012.

# MARKET OUTLOOK



DEXUS Property Group 2012 Annual Results and Strategic Review – Slide 31

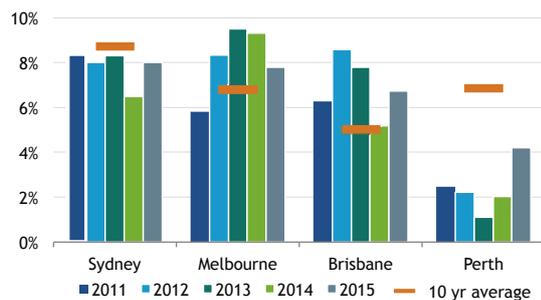


## MARKET OUTLOOK Australian office markets

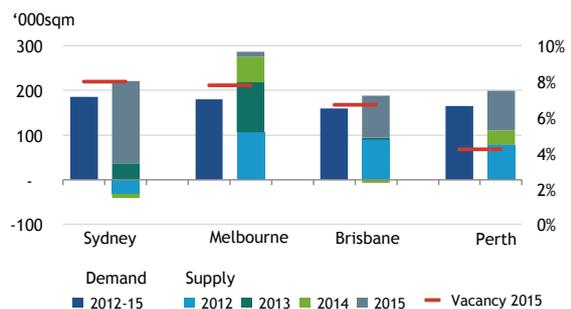
### Relatively stable near term outlook

- Most major markets currently at, or near, equilibrium vacancy
- Expect cyclically slow tenant demand in FY13
- Impact of lower interest rates and employment growth is expected to result in a moderate recovery in tenant demand across most markets from FY14

Vacancy forecast 2011-2015

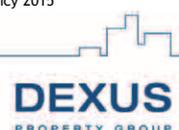


Net supply and demand 2012-2015



Source: Jones Lang LaSalle actual & DEXUS forecast.

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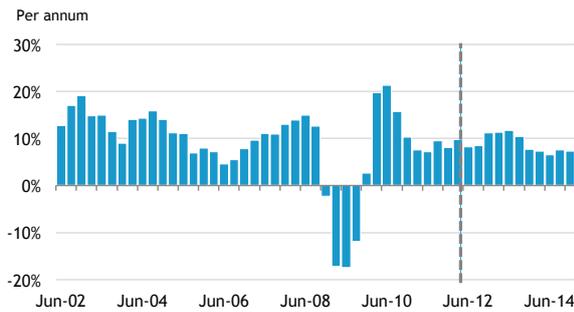
# MARKET OUTLOOK

## Australian industrial markets

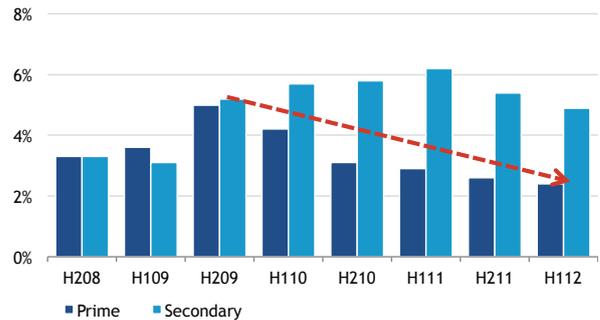
### Key markets well positioned

- Import growth is expected to underpin tenant demand
- Pre-commitment levels have reduced
- National prime vacancy has fallen and is expected to remain low in FY13

#### Imports expected to grow steadily



#### National prime vacancy declining



Source: Jones Lang LaSalle, DEXUS Research, Savills Industrial Stock Survey, Deloitte Access Economics.

DEXUS Property Group 2012 Annual Results and Strategic Review – Slide 33



# MARKET OUTLOOK

## Australian office and industrial – positioned for growth

	Australian office markets	Australian industrial markets
<b>Tenant demand</b>	↑ Improvement from FY14 in line with employment growth projections	↑ Improvement from FY14 in line with projected growth in imports
<b>Supply</b>	↔ National supply levels below average in 2012-14	↔ Supply levels well below 10 year average
<b>Vacancy rates</b>	↔ To remain below average levels over the next three years	↔ For prime properties to remain relatively low over the next three years
<b>Buyer demand</b>	↑ To remain strong for quality properties	↑ To remain strong for quality properties
<b>Cap rates</b>	↓ At or above long term averages and expected to tighten over next two years	↓ Expected to tighten from current levels
<b>Asset values</b>	↑ For prime grade properties expected to increase due to tighter yields	↑ For prime grade properties expected to increase due to tighter yields

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## STRATEGIC REVIEW



DEXUS Property Group 2012 Annual Results and Strategic Review – Slide 35



## STRATEGIC REVIEW

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

- A proxy for high quality Australian office
- Wholesale partner of choice in office, industrial and retail
- Growth in Australian industrial exposure through third party funds
- Offshore exposure now non-core

123 Albert Street, Brisbane, QLD



DEXUS Property Group 2012 Annual Results and Strategic Review – Slide 36



# STRATEGIC REVIEW

## DEXUS's current position

### DEXUS Property Group platform

A\$12.9bn<sup>1,2</sup> AUM

Public and private capital | 259 property professionals | 152 properties | 4.0m sqm NLA

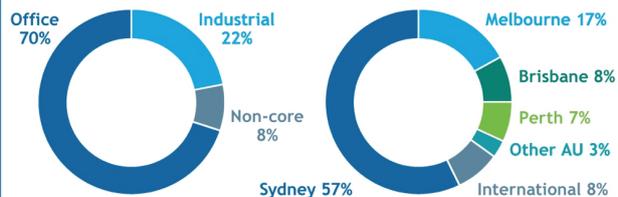
Office AUM A\$6.8bn

Industrial AUM A\$3.1bn

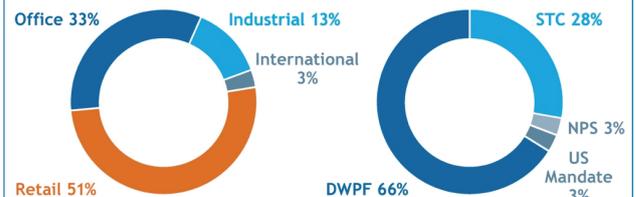
Retail AUM A\$3.0bn

Development pipeline A\$1.2bn

#### DXS portfolio investments A\$7.0bn



#### Third Party Funds Management A\$5.9bn



Asset management & leasing

Development management

Transaction management

Finance & Treasury

Research

Legal & Compliance

Funds management

Group

Sustainability

1. Excluding cash  
2. Including post balance date acquisitions and impact of NPS partnership.

# STRATEGIC REVIEW

## DEXUS's key competitive strengths and opportunities

### Key competitive strengths

- Highest quality listed office portfolio
- Core capabilities in office, industrial and retail asset management and development
- Strong and diversified tenant relationships
- Scalable, high performing third party funds platform
- Track record delivering consistent long term investor returns
- Strong balance sheet and prudent capital management

### Opportunities

- Office sector leadership
- Enhancing our core capabilities and focus at the property level to drive performance and deliver superior returns
- Leveraging access to capital through our third party funds platform
- Redeploying excess capital into core Australian markets

Sydney CBD including GPT, 1 Bligh Street, Gateway, Australia Square, Sydney, NSW



# STRATEGIC REVIEW

## DEXUS intent for market leadership

### CAPABILITY

- The leader in office retaining multi-sector capabilities in industrial and retail
- Best people, systems, processes and strongest tenant relationships
- Actively managing and recycling properties through the cycle to drive returns
- A renowned culture of service excellence and high performance

### CAPITAL

- Most competitive cost of equity relative to peers
- Increased access to long term capital partnerships to invest through the cycle
- Better cost and access to debt funding through the cycle relative to peers

### OPERATIONAL SCALE

- The leading manager of CBD office, concentrated in core Australian markets
- The leader in asset and tenant deal flow with superior market intelligence
- Leading ability to pre-empt and satisfy tenant needs
- Lowest operating cost model relative to peers



# STRATEGIC REVIEW

## A clear and focused strategy

## 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

Being the leading owner and manager of Australian office

#### CORE CAPABILITIES

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

#### CAPITAL PARTNERSHIPS

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

#### CAPITAL & RISK MANAGEMENT

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

### OUR PEOPLE WILL BE RECOGNISED FOR

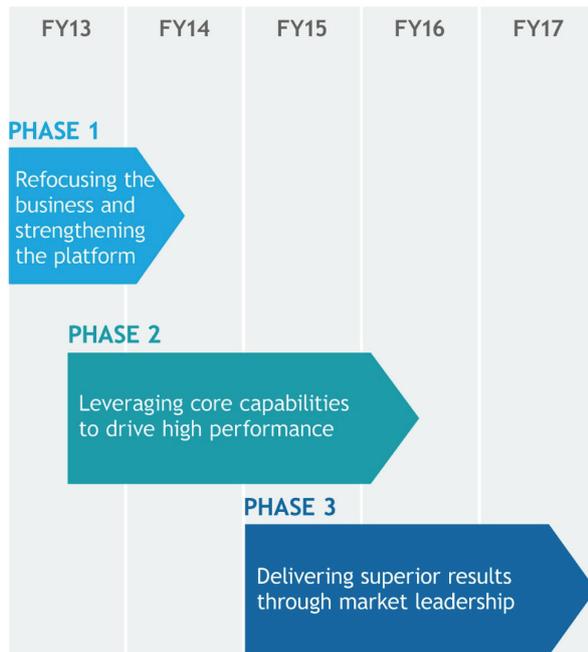
Property expertise

Institutional rigour

Entrepreneurial spirit

# STRATEGIC REVIEW

## Phases of execution and FY13 initiatives



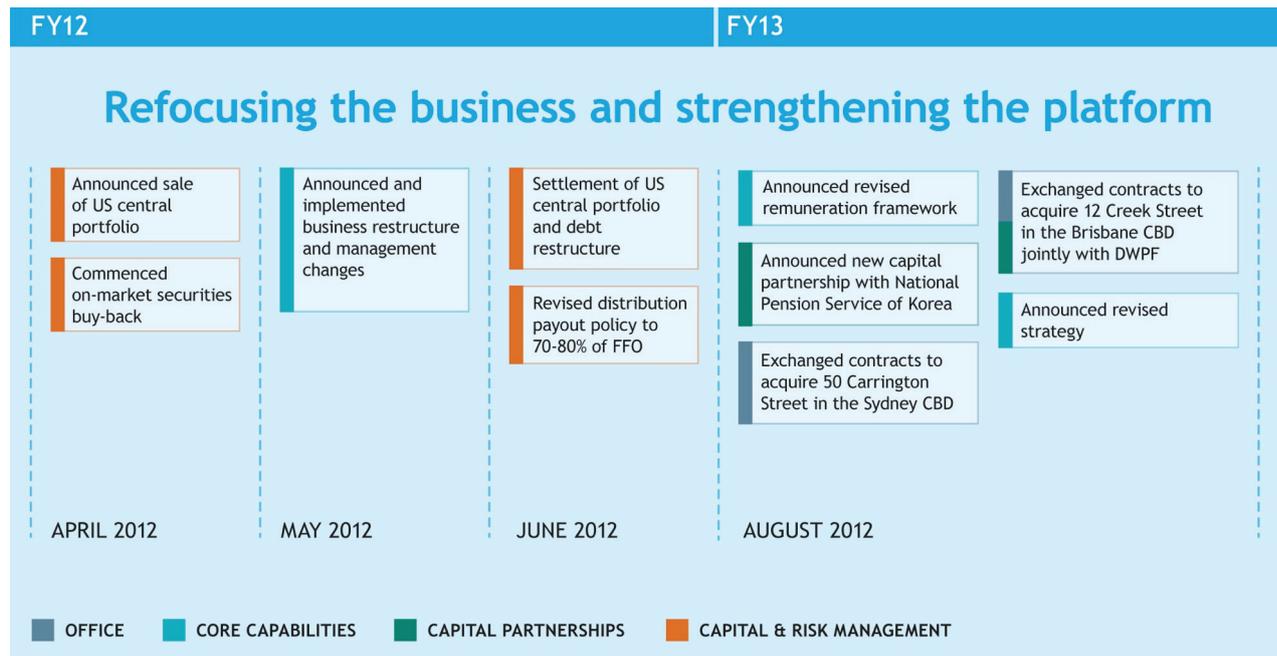
### FY13

#### Refocusing the business and strengthening the platform

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

# STRATEGIC REVIEW

## Execution momentum has been established

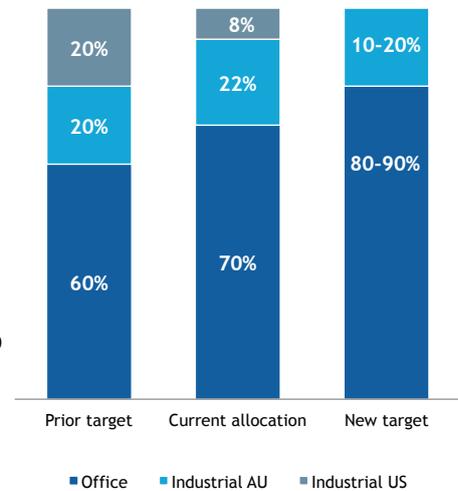


## STRATEGIC REVIEW

### Target composition and focus

#### DXS portfolio<sup>1</sup> composition

- Concentrate on core Australian markets
- Exit from non-core offshore markets
  - US to be exited within next 12-24 months
- Growth in Australian industrial exposure through third party funds
- Increased office exposure in DXS portfolio to enable active trading of office properties through the cycle
- Maximum of 15% development exposure in DXS portfolio



#### Maintain strong DXS balance sheet

- Target gearing range of 30-40%
- Maintain diverse range of financing options
- Target debt duration of >4 years

1. Balance sheet properties only.  
 2. As at 30 June 2012 including the post balance date acquisitions and impact of NPS partnership.  
 3. Target of 3-5 year timeframe.  
 DEXUS Property Group 2012 Annual Results and Strategic Review – Slide 43

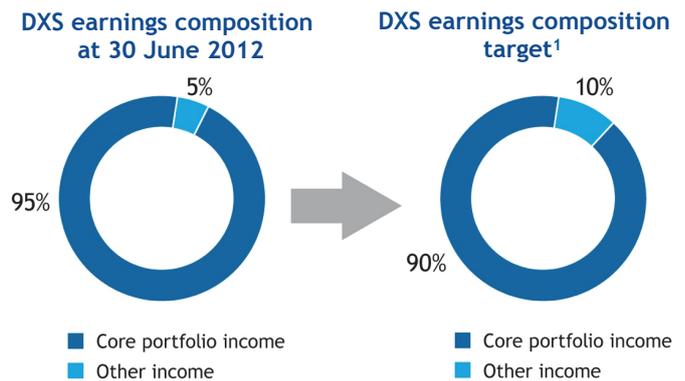


## STRATEGIC REVIEW

### Target composition and focus

#### DXS earnings shift

- Quality of earnings to change and be more focused on Australian office
- Exposure to upside in fee income from third party funds management and property management sources
- Reduced contribution from trading activities over time



Sydney CBD view from Gateway, 1 Macquarie Place, Sydney, NSW



1. Target of 3-5 year timeframe.



# STRATEGIC REVIEW

## Target core markets and assets for the DXS portfolio

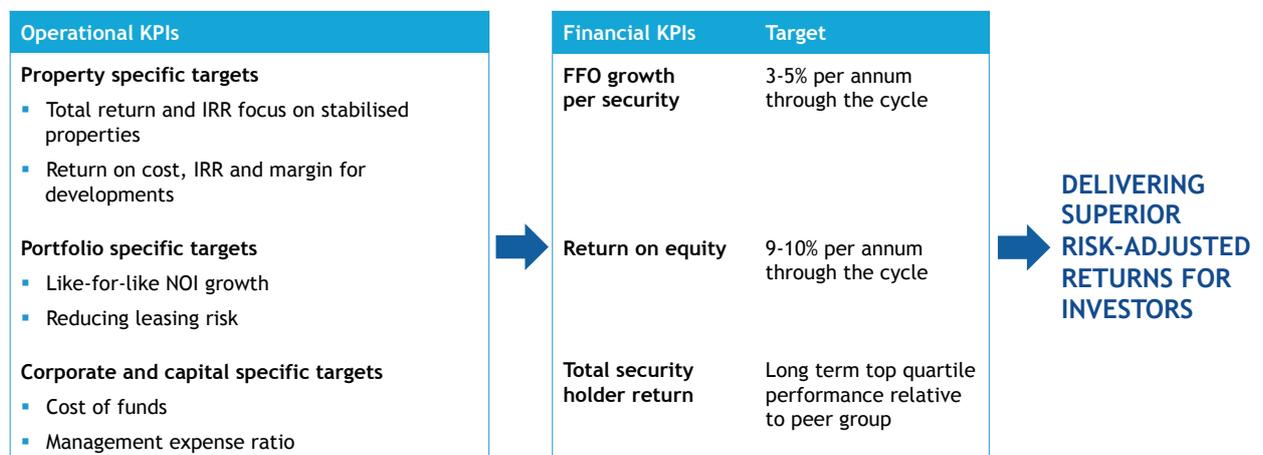
	AUSTRALIAN OFFICE	AUSTRALIAN INDUSTRIAL
Target markets	<ul style="list-style-type: none"> <li>Concentrate on core CBD office markets of Sydney, Melbourne, Brisbane and Perth</li> <li>Pursue selective recycling of non-core properties and markets</li> </ul>	<ul style="list-style-type: none"> <li>Concentrate on key industrial metropolitan markets of Sydney, Melbourne and Brisbane</li> <li>Located close to intermodal, infrastructure and employment hubs</li> </ul>
Target asset quality and type	<ul style="list-style-type: none"> <li>Prime grade properties                             <ul style="list-style-type: none"> <li>Secure cash flows with quality tenants and low capex requirements</li> </ul> </li> <li>A or B-grade properties                             <ul style="list-style-type: none"> <li>Repositioning value-add opportunities</li> </ul> </li> <li>Development                             <ul style="list-style-type: none"> <li>Develop product of scale and quality suitable for long term ownership</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Modern, functional high quality distribution and warehouse facilities</li> <li>Development                             <ul style="list-style-type: none"> <li>Undertake selective value-add opportunities</li> </ul> </li> </ul>

Focus on core markets and the ownership and management control of properties

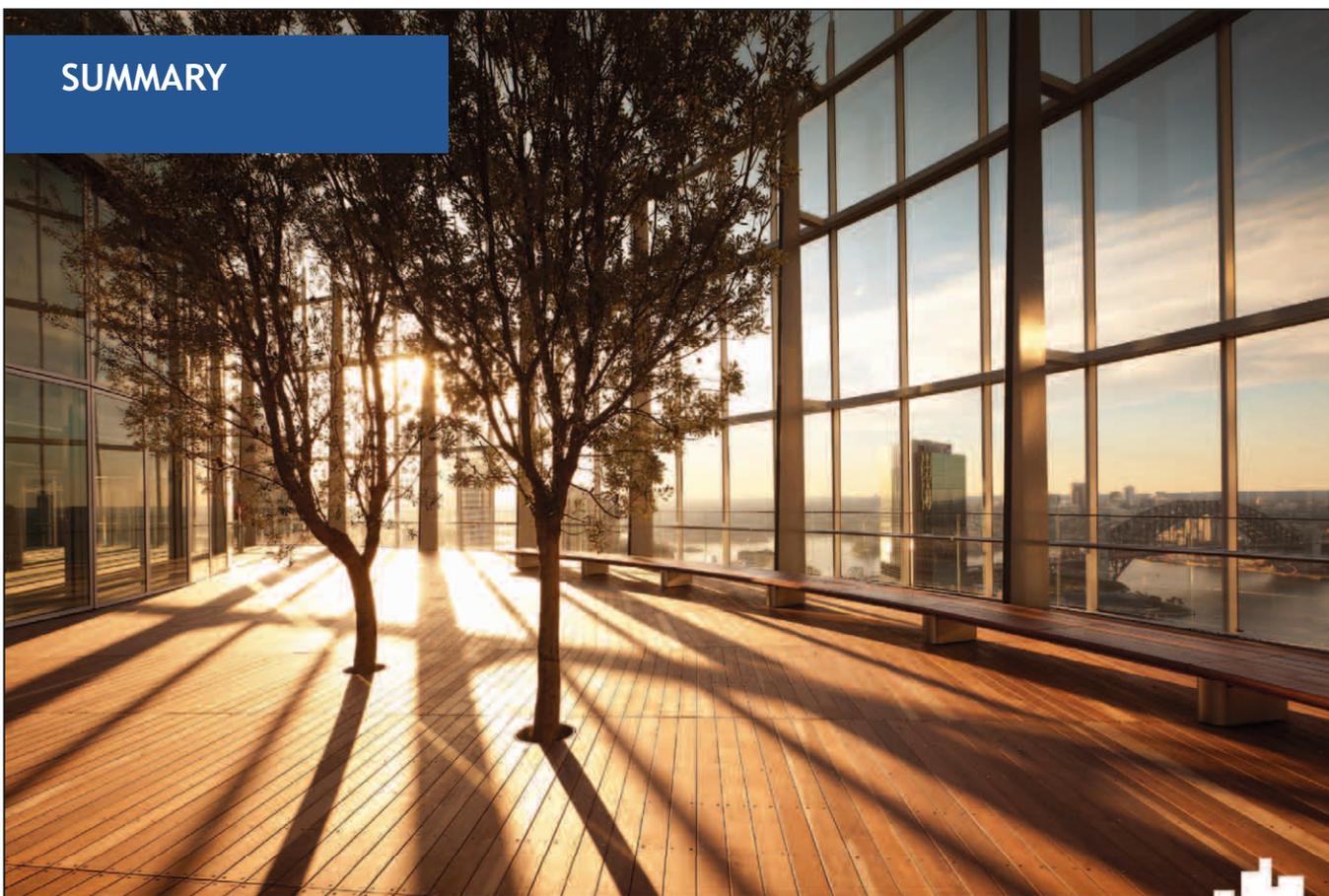
# STRATEGIC REVIEW

## Clear operational and financial targets

- Enhanced KPIs for all senior executives incorporating operational and financial targets
- Additional KPIs aligned to strategic objectives



## SUMMARY



DEXUS Property Group 2012 Annual Results and Strategic Review – Slide 47



## SUMMARY

- Clear strategy with execution momentum established
- Australian office and industrial markets expected to be positioned for growth from FY14
- Well positioned with strong conservative balance sheet
- We are confident we have the scale, expertise and strategy to continue to grow earnings
- Guidance for year ending 30 June 2013<sup>1</sup>
  - FY13 FFO per security of 7.75 cents
  - FY13 FFO payout ratio of 75%
  - FY13 distribution per security growth of 8.4% to 5.8 cents

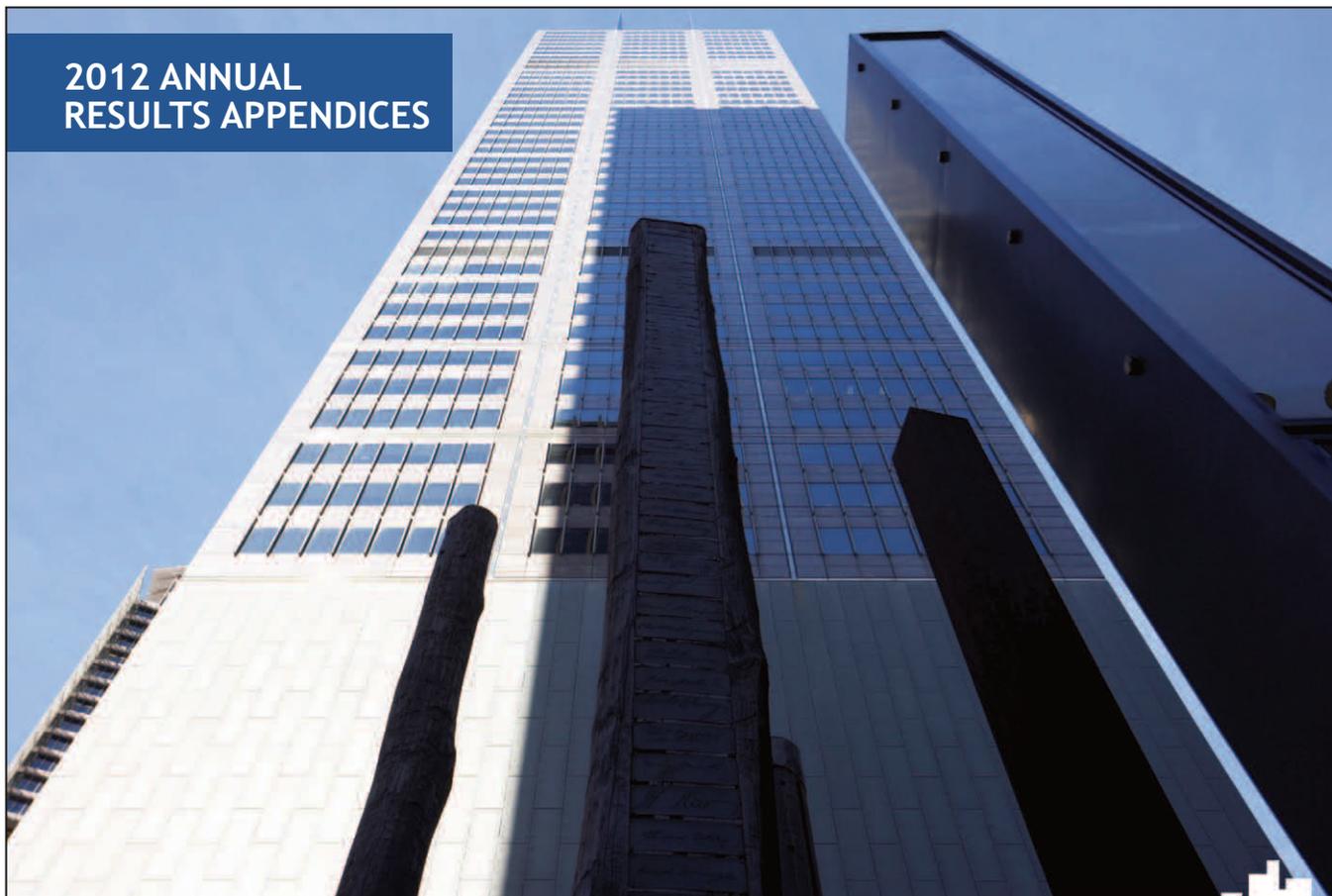


1 Bligh Street, Sydney, NSW

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

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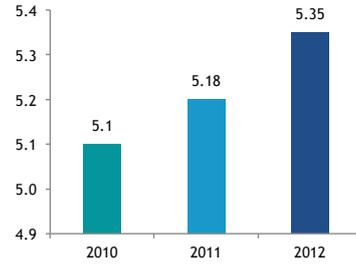
# GROUP HIGHLIGHTS

## Strong total security holder returns

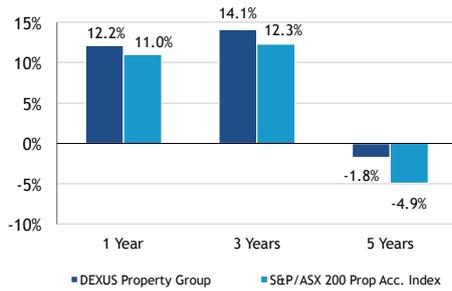
### DXS investor returns

- FY12 total security holder return of 12.2%
  - Outperformed A-REIT index<sup>1</sup> over 1, 3 and 5 years
- FY12 distribution per security growth of 3.3%

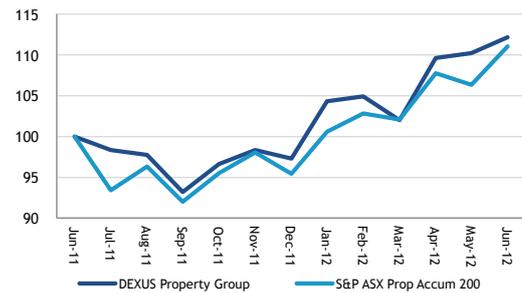
### Distribution – cents per security



### DEXUS total security holder return



### DEXUS accumulation price performance

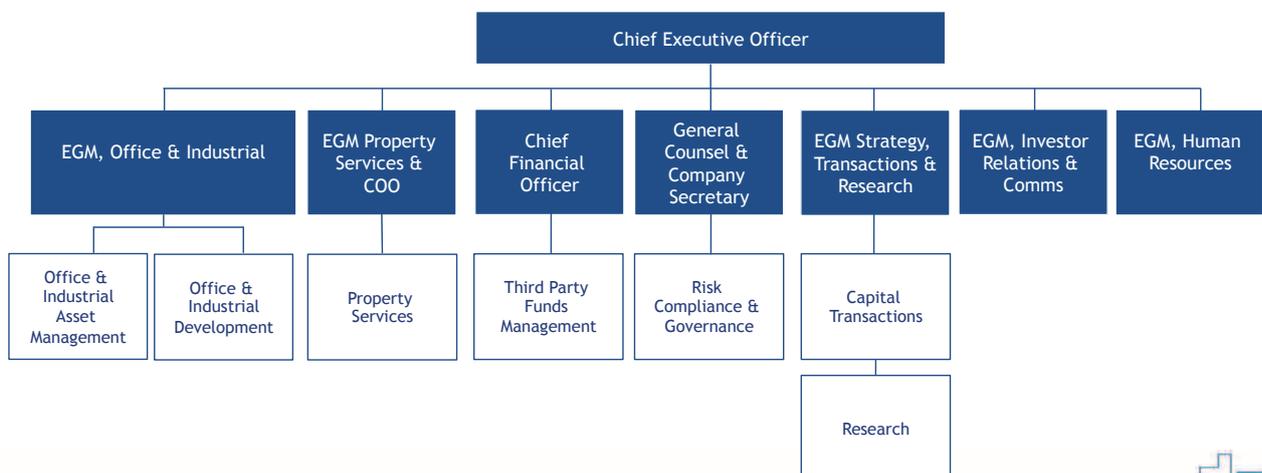


1. S&P/ASX Property 200 Accumulation Index.

# GROUP HIGHLIGHTS

## DEXUS organisational structure

- Enhanced bench strength at executive level to drive future direction
- Streamlined structure bringing executives closer to properties and tenants
- Leveraged synergies through combining office and industrial skill sets



## FINANCIAL RESULTS

### Funds from operations breakdown

\$m	Office NOI	AU industrial NOI	US industrial NOI	EU industrial NOI	Mgmt net operating cost	Other (FX)	Elims	Operating EBIT	Finance costs	Fit-out/cash amort & SLR	RENTS	Other	FFO
Property revenue	382.3	149.8	105.6	12.3	3.6	—	—	653.6		31.1			684.7
Proceeds from sale of inventory					49.8			49.8					49.8
Management fee income					63.2	—	(12.5)	50.7					50.7
<b>Total revenue from ordinary activities</b>	<b>382.3</b>	<b>149.8</b>	<b>105.6</b>	<b>12.3</b>	<b>116.6</b>	<b>—</b>	<b>(12.5)</b>	<b>754.1</b>		<b>31.1</b>			<b>785.2</b>
Net foreign exchange gain						2.2		2.2					2.2
Share of net profits of associates*	6.3							6.3		0.6			6.9
Other income													—
<b>Total income</b>	<b>388.6</b>	<b>149.8</b>	<b>105.6</b>	<b>12.3</b>	<b>116.6</b>	<b>2.2</b>	<b>(12.5)</b>	<b>762.6</b>		<b>31.7</b>			<b>794.3</b>
Property expenses	(98.8)	(29.8)	(30.9)	(3.4)	(3.6)		11.6	(154.9)					(154.9)
Cost of sale of inventory					(44.0)			(44.0)					(44.0)
Finance costs									(120.3)				(120.3)
Depreciation and amortisation					(2.8)			(2.8)					(2.8)
Employee benefits expense					(74.4)			(74.4)					(74.4)
Other expenses					(19.5)		0.9	(18.6)					(18.6)
<b>Total expenses</b>	<b>(98.8)</b>	<b>(29.8)</b>	<b>(30.9)</b>	<b>(3.4)</b>	<b>(144.3)</b>	<b>—</b>	<b>12.5</b>	<b>(294.7)</b>	<b>(120.3)</b>	<b>—</b>			<b>(415.0)</b>
<b>Profit/(loss) before tax</b>	<b>289.8</b>	<b>120.0</b>	<b>74.7</b>	<b>8.9</b>	<b>(27.7)</b>	<b>2.2</b>	<b>—</b>	<b>467.9</b>	<b>(120.3)</b>	<b>31.7</b>			<b>379.3</b>
Income tax benefit/(expense)												1.9	1.9
Withholding tax benefit/(expense)												(2.5)	(2.5)
<b>Total tax benefit/(expense)</b>												<b>(0.6)</b>	<b>(0.6)</b>
RENTS											(12.0)		(12.0)
Other												1.1	1.1
<b>FFO</b>	<b>289.8</b>	<b>120.0</b>	<b>74.7</b>	<b>8.9</b>	<b>(27.7)</b>	<b>2.2</b>	<b>—</b>	<b>467.9</b>	<b>(120.3)</b>	<b>31.7</b>	<b>(12.0)</b>	<b>0.5</b>	<b>367.8</b>

DEXUS Property Group 2012 Annual Results and Strategic Review – Slide 53



## FINANCIAL RESULTS

### Statutory profit breakdown

\$m	NOI	Mgmt business EBIT	Internal fees & recoveries	Other income & expenses	Net finance costs	RENTS dist'n	Current tax	Deferred tax	Revals/MTM/gain on sale	Elims	Group consolidated 30 June 12
<b>Revenue from ordinary activities</b>											
Property revenue	650.0		3.6								653.6
Proceeds from sale of inventory			49.8								49.8
Management fees			89.8							(39.1)	50.7
Interest revenue					1.7						1.7
Net foreign exchange gain				2.2							2.2
Share of net profits of associates accounted for using the equity method	6.3								7.5		13.8
Net fair value gain of investment properties									75.3		75.3
<b>Total income</b>	<b>656.3</b>	<b>143.2</b>	<b>—</b>	<b>2.2</b>	<b>1.7</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>82.8</b>	<b>(39.1)</b>	<b>847.1</b>

DEXUS Property Group 2012 Annual Results and Strategic Review – Slide 54



## FINANCIAL RESULTS

### Statutory profit breakdown

\$m	NOI	Mgmt business & recoveries EBIT	Internal fees & recoveries	Other income & expenses	Net finance costs	RENTS dist'n	Current tax	Deferred tax	Revals/MTM/gain on sale	Elims	Group consolidated 30 June 12
<b>Expenses</b>											
Property expenses	(162.9)	(3.6)								11.6	(154.9)
Cost of sale of inventory		(44.0)									(44.0)
Internal RE fees and recoveries			(26.6)							26.6	–
Finance costs					(122.0)				(139.9)		(261.9)
Depreciation		(2.8)									(2.8)
Impairment									(15.5)		(15.5)
Employee related expenses		(74.4)									(74.4)
Net loss on sale of investment properties									(32.6)		(32.6)
Net fair value loss of derivatives									(1.5)		(1.5)
Other expenses		(13.7)		(5.8) <sup>1</sup>						0.9	(18.6)
FX loss transferred from reserves									(41.5)		(41.5)
<b>Total expenses</b>	<b>(162.9)</b>	<b>(138.5)</b>	<b>(26.6)</b>	<b>(5.8)</b>	<b>(122.0)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(231.0)</b>	<b>39.1</b>	<b>(647.7)</b>
<b>Profit before tax</b>	<b>493.4</b>	<b>4.7</b>	<b>(26.6)</b>	<b>(3.6)</b>	<b>(120.3)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(148.2)</b>	<b>–</b>	<b>199.4</b>
<b>Tax expense</b>											
Income tax benefit							1.1	19.1			20.2
Withholding tax expense							(2.5)	(34.2)			(36.7)
<b>Total tax benefit/(expense)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1.4)</b>	<b>(15.1)</b>	<b>–</b>	<b>–</b>	<b>(16.5)</b>
Net profit attributable to other non-controlling interests						(1.8)					(1.8)
<b>Net profit</b>	<b>493.4</b>	<b>4.7<sup>1</sup></b>	<b>(26.6)<sup>1</sup></b>	<b>(3.6)</b>	<b>(120.3)</b>	<b>(1.8)</b>	<b>(1.4)</b>	<b>(15.1)</b>	<b>(148.2)</b>	<b>–</b>	<b>181.1</b>

Operating EBIT (slide 8) = 467.9

1. These three items comprise the net operating profit/costs of (\$27.2m) per slide 11.

DEXUS Property Group 2012 Annual Results and Strategic Review – Slide 55



## FINANCIAL RESULTS

### Profit to funds from operations reconciliation

\$m	Group consolidated 30 June 12	Loss on sale of US central portfolio	Property revals/Impairmt	MTM deriv/ FX	Loss on sale of inv prop	Amort'n & straight-line rent adj	Deferred tax	RENTS capital dist'n and other	FFO
<b>Revenue from ordinary activities</b>									
Property revenue	653.6					31.1			684.7
Proceeds from sale of inventory	49.8								49.8
Management fee income	50.7								50.7
Interest revenue	1.7							(1.7)	–
<b>Total revenue from ordinary activities</b>	<b>755.8</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>31.1</b>	<b>–</b>	<b>(1.7)</b>	<b>785.2</b>
Net foreign exchange gain	2.2								2.2
Share of net profits of associates accounted for using the equity method	13.8		(7.5)			0.6			6.9
Net fair value gain of investment properties	75.3		(75.3)						–
Other income	–								–
<b>Total income</b>	<b>847.1</b>	<b>–</b>	<b>(82.8)</b>	<b>–</b>	<b>–</b>	<b>31.7</b>	<b>–</b>	<b>(1.7)</b>	<b>794.3</b>
<b>Expenses</b>									
Property expenses	(154.9)								(154.9)
Cost of sale of inventory	(44.0)								(44.0)
Responsible Entity fees	–								–
Finance costs	(261.9)	44.3		95.6				1.7	(120.3)
Depreciation and amortisation	(2.8)								(2.8)
Impairment	(15.5)		14.9					0.6	–
Employee benefits expense	(74.4)								(74.4)
Net loss on sale of investment properties	(32.6)	23.5			9.1				–
Net fair value gain/(loss) of derivatives	(1.5)			1.5					–
Other expenses	(18.6)								(18.6)
Foreign currency loss transferred from reserves	(41.5)	39.6			1.9				–
<b>Total expenses</b>	<b>(647.7)</b>	<b>107.4</b>	<b>14.9</b>	<b>97.1</b>	<b>11.0</b>	<b>–</b>	<b>–</b>	<b>2.3</b>	<b>(415.0)</b>
<b>Profit/(loss) before tax</b>	<b>199.4</b>	<b>107.4</b>	<b>(67.9)</b>	<b>97.1</b>	<b>11.0</b>	<b>31.7</b>	<b>–</b>	<b>0.6</b>	<b>379.3</b>
<b>Tax benefit/(expense)</b>									
Income tax benefit/(expense)	20.2	0.8					(19.1)		1.9
Withholding tax benefit/(expense)	(36.7)	8.8					25.4		(2.5)
<b>Total tax benefit/(expense)</b>	<b>(16.5)</b>	<b>9.6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6.3</b>	<b>–</b>	<b>(0.6)</b>
Net profit attributable to other minority interests	(1.8)							(10.2)	(12.0)
Other	–							1.1	1.1
<b>Profit/(loss) after tax and minority interest</b>	<b>181.1</b>	<b>117.0</b>	<b>(67.9)</b>	<b>97.1</b>	<b>11.0</b>	<b>31.7</b>	<b>6.3</b>	<b>(8.5)</b>	<b>367.8</b>

Refer to reconciliation in the Property Synopsis at [www.dexus.com/synopsis](http://www.dexus.com/synopsis) for full details.

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## FINANCIAL RESULTS

### Change in net tangible assets

	30 June 2011 \$m	30 June 2012 \$m	cps
Opening net tangible assets	4,576	4,878	100.8
Revaluation of real estate	182	68	1.4
Retained earnings <sup>1</sup>	107	110	2.3
Amortisation of tenant incentives <sup>2</sup>	(29)	(32)	(0.7)
Fair value movements <sup>3</sup>	33	(189)	(3.9)
<b>NTA changes in comprehensive income</b>	<b>293</b>	<b>(43)</b>	<b>(0.9)</b>
Impact of the securities buy-back	—	(51)	0.1
FX reserve <sup>4</sup>	9	—	—
<b>Total movement in NTA</b>	<b>302</b>	<b>(94)</b>	<b>100.0</b>
Closing net tangible assets	4,878	4,784	

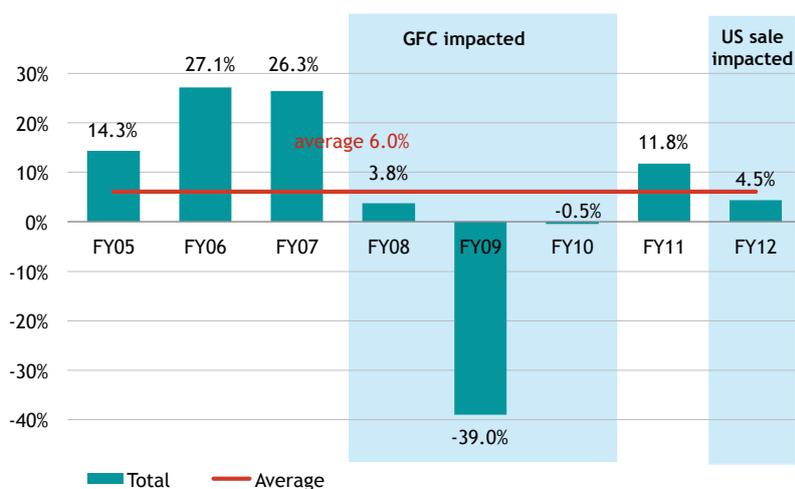
Investment portfolio	% of portfolio	Cap rate	Valuation movement
Office	67%	7.30%	93.5
Industrial	24%	8.59%	(57.8)
Industrial US	8%	6.32%	36.5
Europe	1%		(4.3)
<b>Total portfolio</b>	<b>100%</b>		<b>67.9</b>

1. Based on payout ratio being 70% of FFO.
2. Includes rent straight-lining
3. Primarily includes fair value movements of derivatives and gain/(loss) on sale of assets.
4. Includes the impact of the DRP and FX reserves.

## FINANCIAL RESULTS

### Return on equity

#### ROE track record



## FINANCIAL RESULTS

### Interest reconciliation

	30 June 2012 \$m	30 June 2011 \$m
Interest paid/payable	135.3	124.4
Other finance costs	5.2	4.4
Realised interest rate swap expense <sup>1</sup>	4.0	26.5
<b>Gross finance costs</b>	<b>144.5</b>	<b>155.3</b>
Less: interest capitalised	(22.5)	(61.0)
Less: interest income	(1.7)	(1.5)
<b>Net finance costs for distributable earnings (Slide 8)</b>	<b>120.3</b>	<b>92.8</b>
Less: unrealised interest rate swap MTM loss/(gain) <sup>1</sup>	95.6	(41.6)
Add: finance costs attributable to asset disposal programme	44.3	—
Add: interest income	1.7	1.5
<b>Statutory finance costs (Fin Stats note 3)</b>	<b>261.9</b>	<b>52.7</b>

1. Net fair value loss of interest rate swaps of \$99.6m (per note 3) consists of realised interest rate swap expense \$4.0m plus unrealised interest rate swap MTM loss \$95.6m.

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## FINANCIAL RESULTS

### Direct property portfolio movements

	Office <sup>1</sup> \$m	Industrial \$m	US industrial \$m	Other <sup>2</sup> \$m	DEXUS total <sup>1</sup> \$m
Opening direct property	4,511	1,631	1,171	174	7,487
Leasing incentive <sup>3</sup>	37	6	19	1	63
Maintenance capex	39	14	10	1	64
Acquisitions	—	22	35	—	57
Developments <sup>4</sup>	40	92	—	—	132
Disposals <sup>5</sup>	—	(44)	(798)	(118)	(960)
FX	1	—	78	(8)	71
Revaluations	94	(58)	36	(4)	68
Amortisation	(44)	(6)	(14)	(1)	(65)
Straight-lining	2	2	2	—	6
<b>Closing direct property</b>	<b>4,680</b>	<b>1,659</b>	<b>539</b>	<b>45</b>	<b>6,923</b>

1. Includes DXS's share of equity accounted investments.

2. Includes Europe.

3. Includes rent free incentives.

4. Includes capitalised interest.

5. At book value.

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## CAPITAL MANAGEMENT

### Debt covenants and buy-back summary

Key metrics	30 June 2012	30 June 2011
Gearing <sup>1</sup>	27.2%	28.4%
Pro-forma gearing – 100% buy-back <sup>1,2</sup>	29.4%	n/a
S&P/Moody's credit rating	BBB+ / Baa1	BBB+ / Baa1
Covenant gearing <sup>1</sup> (covenant <sup>3</sup> <55%)	27.8%	29.1%
Interest cover (covenant <sup>3</sup> >2.0x)	3.8x	3.1x
Priority debt (covenant <sup>3</sup> <30%)	1.1%	5.3%

Buy-back summary	30 June 2012	16 August 2012
Total buy-back commitment	\$200m	\$200m
% of securities on issue	5%	5%
Total securities bought back	55.2m	76.5m
% of total commitment	25.5%	35.3%
Total cost of units bought back	\$51.0m	\$70.6m
Average price per security	\$0.923	\$0.923

1. Refer to glossary for gearing definition.
2. Assuming completion of balance of \$200m buy-back.
3. As per public bond covenants.

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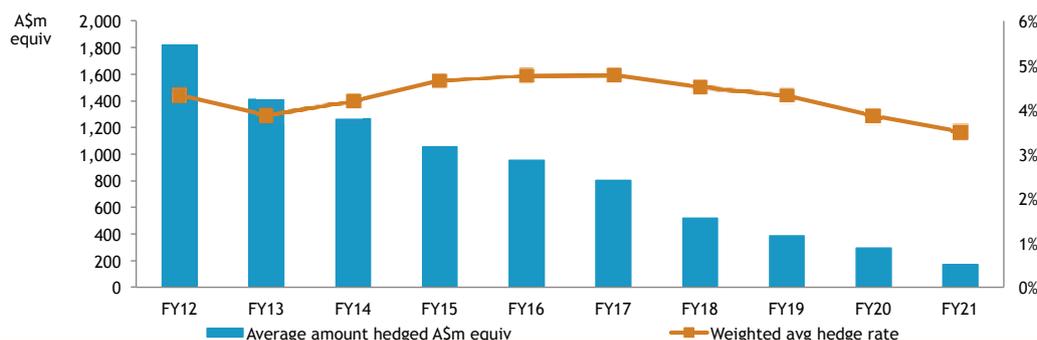


## CAPITAL MANAGEMENT

### Interest rate hedging profile

	30 June 2012	30 June 2011
Average amount of debt hedged <sup>1</sup>	73%	82%
Weighted average interest rate on hedged debt	4.3%	4.8%
Weighted average fixed & floating rate <sup>2</sup>	6.1%	6.6%
Weighted average maturity of interest hedges	4.9 years	5.8 years
Foreign balance sheet hedged	81%	92%

#### Hedge maturity profile



Note: all prior disclosed Foreign Exchange Contracts were closed out prior to 30 June 2012. Foreign income exposure going forward is less than 4% of total distributable earnings.

1. Average amount hedged for the financial year (includes RENTS).
2. Includes fees and margins.

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## PORTFOLIO RESULTS

### Acquisitions

Acquisitions	Sector	Interest %	Acquisition A\$m <sup>1</sup>	Settlement
3676 Ipswich Road, Wacol, QLD	Industrial AU	100%	n/a	November 2011
57-75 Templar Road, Erskine Park, NSW	Industrial AU	100%	n/a	June 2012
6711 Valley View Street, La Palma, CA	US industrial	100%	17.1	July 2011
2250 Riverside Avenue, Colton, CA	US industrial	100%	17.5	October 2011
<b>Total DXS</b>			<b>34.6</b>	
452 Flinders Street, Melbourne, VIC	Office DWPF		201.5	November 2011
Sir Joseph Banks Corporate Park, Botany, NSW	Industrial DWPF		76.8	November 2011
34 Manton Street, Morningside, QLD	Industrial DWPF		19.7	December 2011
<b>Total Third Party Funds</b>			<b>298.0</b>	
<b>Total Group</b>			<b>332.6</b>	

1. Purchase price excludes acquisition costs.

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## PORTFOLIO RESULTS

### Divestments

Divestments	No. properties	Book value A\$m	Proceeds Local Ccy M	Proceeds A\$m
Industrial <sup>1</sup>	4	84.5	A\$90.3	90.3
Industrial EU	12	110.6	€82.0	107.5
US industrial – central portfolio	65	758.6	US\$770.0	771.1
US industrial – other divestments	5	26.3	US\$34.6	35.0
<b>Total DXS</b>		<b>980.0</b>		<b>1,003.9</b>
QV1 Tower, Perth	1	306.1	A\$310.0	310.0
441 St Kilda Road, Melbourne	1	53.9	A\$58.0	58.0
<b>Total Third Party Funds</b>		<b>360.0</b>		<b>368.0</b>
<b>Total Group</b>		<b>1,340.0</b>		<b>1,371.9</b>

1. Includes post balance date disposal.

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## PORTFOLIO RESULTS

Revaluation summary as at 30 June 2012

	Office A\$m	Industrial A\$m	US industrial A\$m	Europe A\$m	Total A\$m
Investment properties	88	(4)	36	(4)	116
Development properties <sup>1</sup>	(2)	(54)	–	–	(56)
Equity accounted properties	8	–	–	–	8
<b>Total P&amp;L revaluations</b>	<b>94</b>	<b>(58)</b>	<b>36</b>	<b>(4)</b>	<b>68</b>

1. Includes impairments

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## PORTFOLIO RESULTS

Revaluation summary as at 30 June 2012

	Office A\$m	Industrial A\$m	US industrial A\$m	Europe A\$m	Total A\$m
<b>Carry value – investment properties</b>					
Externally revalued	1,538	283	112	36	1,969
Internally revalued	2,896	1,209	404	9	4,518
<b>Sub total</b>	<b>4,434</b>	<b>1,492</b>	<b>516</b>	<b>45</b>	<b>6,487</b>
<b>Carry value – development properties</b>					
Externally revalued	–	84	–	–	84
Internally revalued	25	83	23	–	131
<b>Sub total</b>	<b>25</b>	<b>167</b>	<b>23</b>	<b>–</b>	<b>215</b>
<b>Carry value – equity accounted</b>					
Externally revalued	–	–	–	–	–
Internally revalued	221	–	–	–	221
<b>Sub total</b>	<b>221</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>221</b>
<b>Total carry value</b>	<b>4,680</b>	<b>1,659</b>	<b>539</b>	<b>45</b>	<b>6,923</b>

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## PORTFOLIO RESULTS

### Developments – completed

	Building area sqm	Project cost A\$m	Yield on project cost %	IRR <sup>1</sup> %	Completed date
<b>Office</b>					
Southgate Complex, Southbank VIC	9,783	26.0	9.4	17.2	November 2011
<b>Total office</b>	<b>9,783</b>	<b>26.0</b>			
<b>Industrial</b>					
Greystanes NSW – Fujitsu	17,004	31.4	10.1	34.1	September 2011
Greystanes NSW – Camerons (46%) Spec	23,353	29.7	9.1	31.8	May 2012
Greystanes NSW – UPS	5,437	8.7	8.0	5.9	July 2012
Laverton VIC – Loscam	6,534	10.5	8.9	30.3	July 2011
Laverton VIC – Fastline	17,347	14.1	9.2	16.1	September 2011
Laverton VIC – Toll	13,720	12.4	8.1	6.8	June 2012
Laverton VIC – ACFS	15,564	12.4	8.8	16.9	June 2012
Erskine Park – Schenker	21,143	24.9	9.2	18.1	September 2011
<b>Total industrial</b>	<b>120,102</b>	<b>144.1</b>	<b>9.1</b>		

1. Project IRRs.

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## PORTFOLIO RESULTS

### Development pipeline and capital expenditure requirements

#### DXS (owned) development pipeline is substantial

- Heavily skewed to long dated industrial projects
- NPS partnership is expected to result in DXS development capital requirement reducing by 50%

DXS portfolio	Est. FY13
Maintenance capital expenditure	\$40m-\$50m
Tenant incentives and leasing costs	\$40m-\$50m
<b>Total capital expenditure</b>	<b>\$80m-\$100m</b>

DXS	Approx size (sqm)	FY13	FY14	FY15	FY16	FY17
Office	24,098		\$159m			
Industrial <sup>1</sup>	255,718			\$205m		
<b>Total</b>	<b>279,816</b>				Approximately \$364m	

Third party	Approx size (sqm)	FY13	FY14	FY15	FY16	FY17
Office	32,600		\$203m			
Retail	104,900			\$615m		
Industrial	36,800		\$40m			
<b>Total</b>	<b>174,300</b>				Approximately \$858m	

1. Excluding NPS partnership.

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## PORTFOLIO RESULTS

### Developments – underway

	Area sqm	Est. total cost <sup>1</sup> A\$m	Est. cost to completion A\$m	Est. yield on total cost %	Est. completion date
<b>Industrial</b>					
Greystanes NSW – Brady Australia	13,310	21.2	15.0	8.2	December 2012
Greystanes NSW – HOA's (57%) Spec	18,200	24.4	11.0	9.1	October 2012
Erskine Park NSW – Spec	30,145	35.5	24.5	9.1	March 2013
Wacol – Nissan	7,830	10.6	5.9	8.5	December 2012
Wacol – Spec	5,800	7.4	4.2	9.3	December 2012
<b>Total underway</b>	<b>75,285</b>	<b>99.1</b>	<b>60.6</b>	<b>8.9</b>	

1. Includes land, fully leased.

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## PORTFOLIO RESULTS

### Developments – uncommitted pipeline

	Country	Building area sqm	Project est. A\$m <sup>1</sup>	Project to est. completion A\$m	Projected yield on project est. cost %
<b>Office</b>					
180 Flinders Street, Melbourne	Australia	24,098	240.0	160.0	7.4
<b>Total office</b>		<b>24,098</b>	<b>240.0</b>	<b>160.0</b>	
<b>Industrial</b>					
Greystanes NSW <sup>2</sup>	Australia	81,765	109.5	74.8	9.5
DEXUS Industrial Estate, Laverton North VIC <sup>2,3</sup>	Australia	173,953	175.3	130.7	12.7
<b>Total industrial</b>		<b>255,718</b>	<b>284.8</b>	<b>205.5</b>	
<b>Total pipeline</b>		<b>279,816</b>	<b>524.8</b>	<b>365.5</b>	

1. Includes land.

2. Greystanes and DEXUS Industrial Estate Laverton North excludes developments underway and completed and land sold.

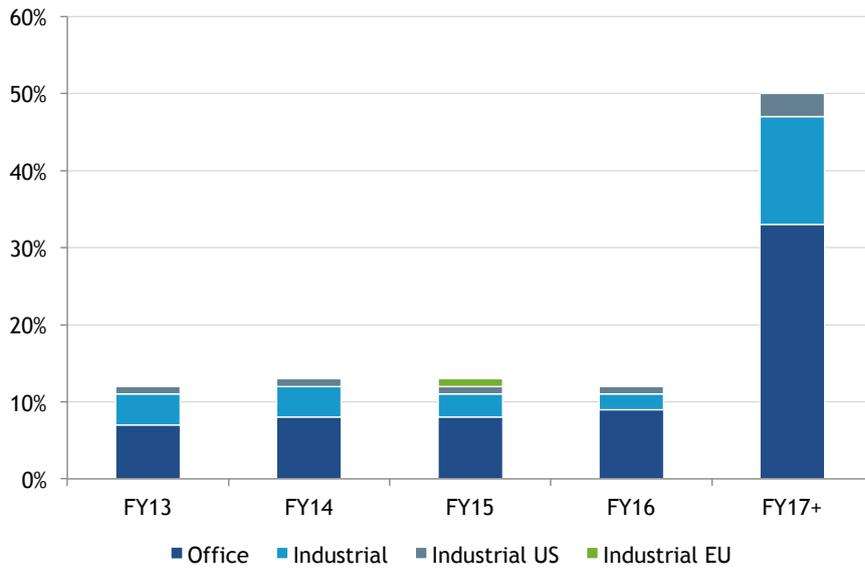
3. Project estimated cost includes cost of land sales.

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## PORTFOLIO RESULTS

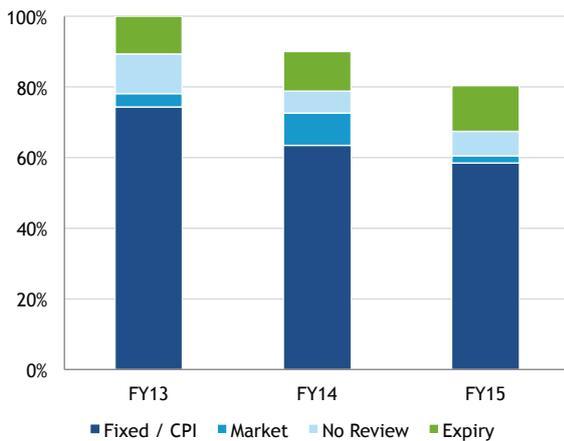
### Portfolio lease expiry profile by income



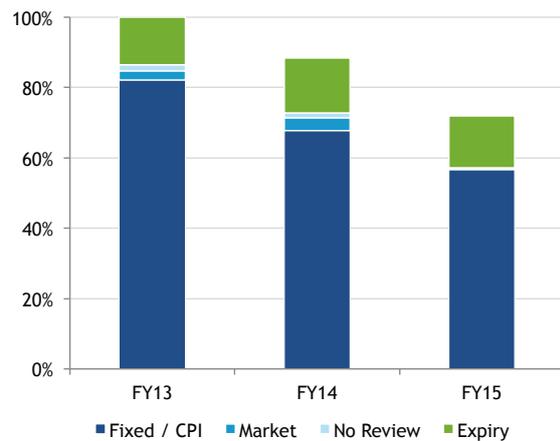
## PORTFOLIO RESULTS

### Office and industrial rent review profile

#### Office rent review profile



#### Industrial rent review profile



## PORTFOLIO RESULTS

### Office portfolio composition (leased by area)

	Occupancy 30 June 2011	Expiries sqm	Renewals sqm	New sqm	Other sqm	L4L closing occupancy	Transaction impact <sup>2</sup>	Occupancy 30 June 2012
Current period leases	96.2%	(35,657)	12,211	30,699	(494)	96.9%	0.2%	97.1%
Future periods leases	—	(32,758)	32,758	—	—			
<b>Total square metres<sup>1</sup></b>	<b>536,899</b>	<b>(68,415)</b>	<b>44,969</b>	<b>30,699</b>	<b>(494)</b>	<b>543,658</b>	<b>35,247</b>	<b>578,905</b>
Retention								
— Rolling 12 months <sup>3</sup>								66%

1. Excludes 123 Albert Street, Brisbane.

2. Inclusion of 123 Albert Street, Brisbane following practical completion.

3. By area.

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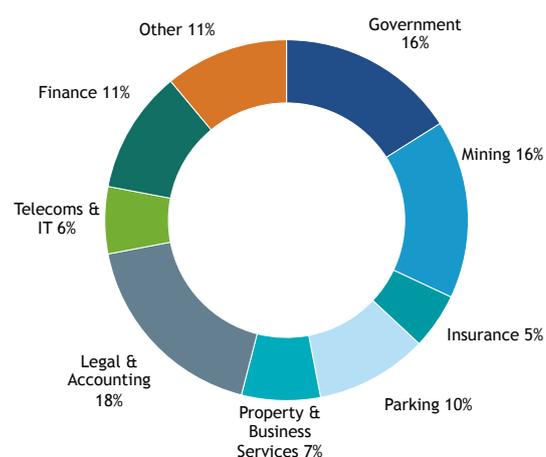


## PORTFOLIO RESULTS

### Office top 10 tenants

Tenant	S&P rating	% of income <sup>1</sup>
Woodside Energy	BBB+ stable	7.4%
S&K Car Park Management	Not rated	6.2%
Rio Tinto	A- stable	5.0%
Commonwealth of Australia	AAA stable	4.9%
State of NSW	AAA stable	3.3%
Lend Lease	BBB- stable	2.8%
State of Victoria	AAA stable	2.4%
IBM Australia	AA- stable	2.3%
Mallesons	Not rated	2.2%
Clayton Utz	Not rated	2.2%

#### Diversity of tenants by income



1. 30 June 2012 fully leased passing income annualised.

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## PORTFOLIO RESULTS

### Industrial portfolio composition (leased by area)

	Occupancy 30 June 2011	Expiries sqm	Renewals sqm	New sqm	Other sqm	L4L closing occupancy	Transaction impact	Occupancy 30 June 2012
Current period leases	96.2%	(219,866)	111,728	51,924	476	91.2%	0.5%	91.7%
Future periods leases	—	(42,887)	42,887	—	—			
<b>Total square metres</b>	<b>1,059,248</b>	<b>(262,753)</b>	<b>154,615</b>	<b>51,924</b>	<b>476</b>	<b>1,003,510</b>	<b>63,660</b>	<b>1,067,170</b>
Retention								
— Rolling 12 months <sup>1</sup>								59%

1. By area.

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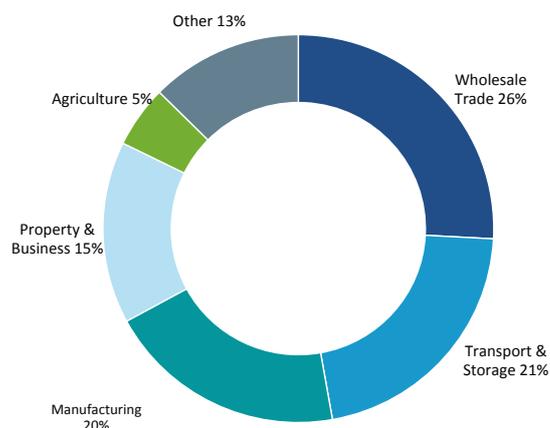


## PORTFOLIO RESULTS

### Industrial top 10 tenants

Industrial	S&P rating	% of income <sup>1</sup>
Wesfarmers Limited	A- stable	5.8%
AWH Pty Ltd	Not rated	4.1%
Visy Industry Packaging Pty Ltd	Not rated	3.5%
IBM Australia Limited	AA- stable	3.2%
Toll Transport Pty Ltd	AA stable	2.8%
DHL	BBB+ stable	2.7%
Fujitsu	Not rated	2.5%
Commonwealth of Australia	AAA stable	2.4%
Salmat Business Force Pty Ltd	Not rated	2.3%
Foster's Australia Ltd	BBB+ stable	2.1%

Diversity of tenants by income



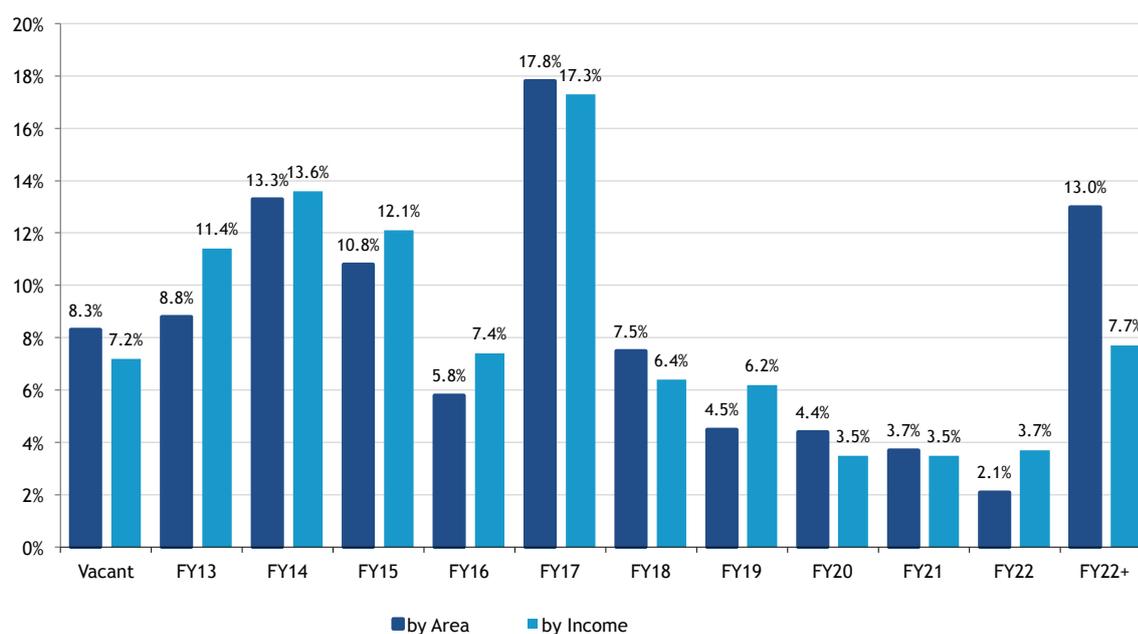
1. 30 June 2012 fully leased passing income annualised.

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## PORTFOLIO RESULTS

### Industrial lease expiry profile at 30 June 2012



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## PORTFOLIO RESULTS

### US industrial portfolio metrics

West coast portfolio <sup>3</sup>	30 June 2012	Chg	Central portfolio – as sold <sup>1</sup>	22 June 2012	Chg
Number of properties	24	n/a	Number of properties sold	65	n/a
Lettable area (sf)	6.787m	0.7%	Lettable area (sf)	16.61m	n/a
Book value	US\$550m	3.2%	Sale price (before costs)	US\$770m	n/a
Income growth (like-for-like) <sup>2</sup>	3.8%	0.5%	Book value prior to sale	US\$772m	2.6%
Occupancy by area	97.1%	(0.6%)	Occupancy by area	89.7%	10.3%
Occupancy by income	98.2%	0.8%	Occupancy by income	91.5%	8.6%
Average incentive	7.1%	(3.5%)	Average incentive	16.1%	0.5%
Retention rates	66%	(18%)	Retention rates	72%	26%
Ave rental increase/decrease	(8.5%)	(1.1%)	Ave rental increase/decrease	(15%)	(1%)
Average fixed increase on leased portfolio	3%	n/a	Average fixed increase on leased portfolio	3%	n/a
Over/(under) rented	12.2%	(11.9%)	Over/(under) rented	n/a	n/a
Area leased (sf)	1.741m	n/a	Area leased (sf)	3.697m	n/a
Average cap rate	6.32%	(30bps)	Average cap rate (Dec 11)	8.0%	n/a
Average passing yield	7.18%	0.5%	Average passing yield (Dec 11)	7.0%	n/a

1. The central portfolio represents the portfolio of properties sold to affiliates of Blackstone Real Estate Partners VII on 22 June 2012.  
 2. Annualised like-for-like NOI growth.  
 3. West Coast portfolio includes 24 properties and 3 Texas land parcels.

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## PORTFOLIO RESULTS

### US industrial portfolio composition (leased by area)

	Occupancy 30 June 2011	Expiries m sf	Renewals m sf	New m sf	Other m sf	L4L closing occupancy	Transaction impact	Occupancy 30 June 2012
Current period leases	84.4%	(3.5)	2.4	2.8	—	90.6%	6.5%	97.1%
Future periods leases		(0.2)	0.1	0.1	—			
<b>Total square feet (m)</b>	<b>20.0</b>	<b>(3.7)</b>	<b>2.5</b>	<b>2.9</b>	<b>—</b>	<b>21.5</b>	<b>(14.9)</b>	<b>6.6</b>
Retention								
— Rolling 12 months <sup>1</sup>								66%

1. By area.

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## PORTFOLIO RESULTS

### US industrial top 10 tenants

	S&P rating	% of income <sup>1</sup>
Whirlpool Corporation	BBB positive	34.7%
Advanced Bionics	Not rated	8.7%
Living Spaces	Not rated	6.1%
FedEx Ground Package	BBB stable	4.0%
US Xpress	Not rated	3.2%
Domtar Paper Company	BBB- stable	2.5%
Iron Mountain	BB- negative	2.1%
Travelers Club Luggage Inc	Not rated	1.6%
Kittrich Corporation	Not rated	1.5%
Staples Inc	BBB	1.4%



4200 Santa Ana Street, Ontario, CA

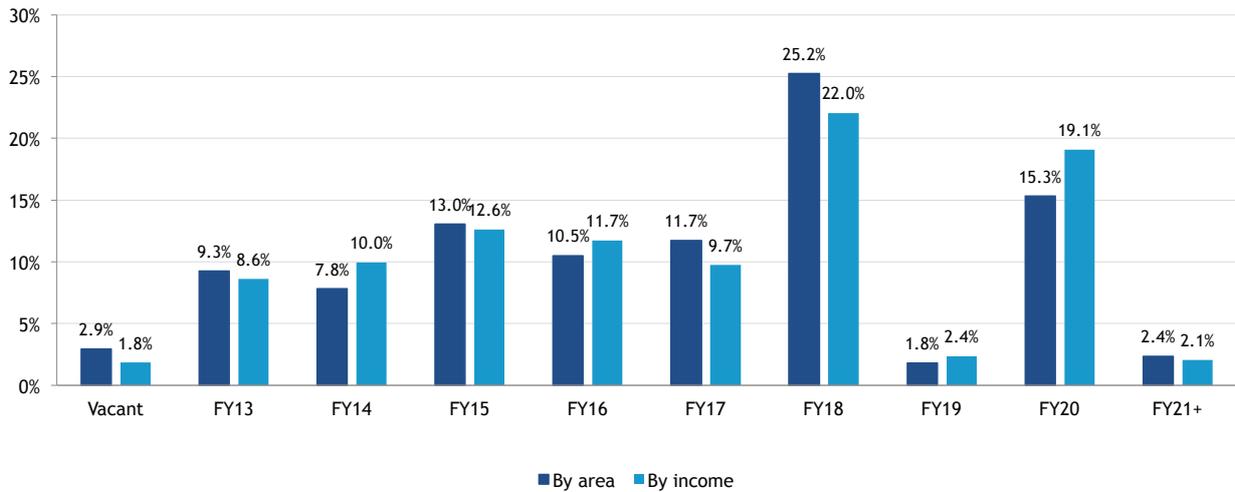
1. 30 June 2012 fully leased passing income annualised.

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# PORTFOLIO RESULTS

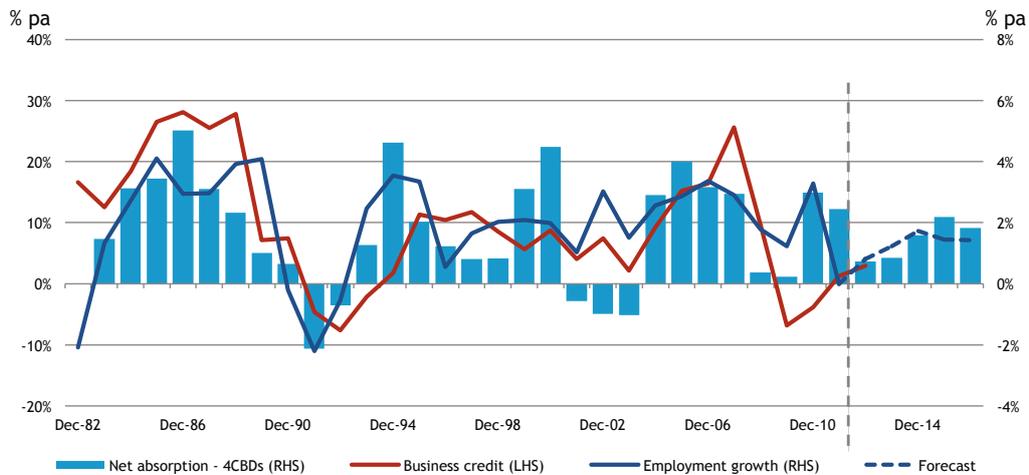
## US industrial lease expiry profile at 30 June 2012



# AUSTRALIAN OFFICE MARKETS

## Business cycle supports growth in demand from FY14

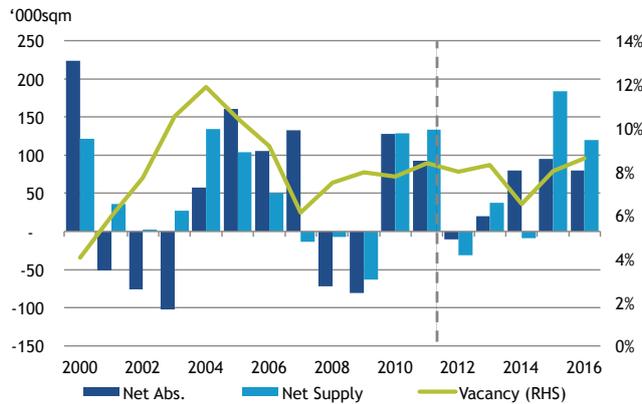
### Business credit growth & total employment growth vs office demand (Sydney, Melbourne, Brisbane, Perth)



# AUSTRALIAN OFFICE MARKETS

## Sydney CBD weak demand matched by low supply

### Sydney CBD office market



- Demand from banking sector will be subdued through FY13, however business services will continue to grow
- Incentives likely to remain elevated and effective rent growth mild in FY13 due to contiguous space options and backfill space from pre-committed towers (8 Chifley and 161 Castlereagh Street)

Sydney CBD office market	At 30 June 2012
Total net lettable area	4.96 million sqm
Prime vacancy average	9.3%
<b>DXS Sydney CBD office exposure<sup>1</sup></b>	
Net lettable area	259,314sqm
Number of properties	12
% of portfolio by value	52.1%
Occupancy by area	94.8%
Occupancy by income	94.9%
Weighted average lease expiry	4.5 years

Source: Jones Lang LaSalle actual & DEXUS forecast.  
1. Including post balance date acquisitions.

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# AUSTRALIAN OFFICE MARKETS

## Barangaroo impact on the Sydney CBD office market

### Barangaroo to have long term positive impact on Sydney CBD

- Expected to deliver circa 266,000sqm of office space, representing 31% of the forecast gross Sydney CBD supply over the next decade
- Movement of pre-committing tenants will create backfill space from 2015, however much of the Westpac space is secondary stock and may be withdrawn for refurbishment or redevelopment
- The project comprises circa 5% of total CBD stock spread over two years. Assuming average take-up of 1.4% of stock p.a., impact on market vacancy could be in the vicinity of 2% to 3% in 2015-2017
- Net face rents reported to be in the \$900-\$1100sqm range, well above the average for the western corridor precinct
- We anticipate a competitive leasing market

### Impact on western corridor precinct

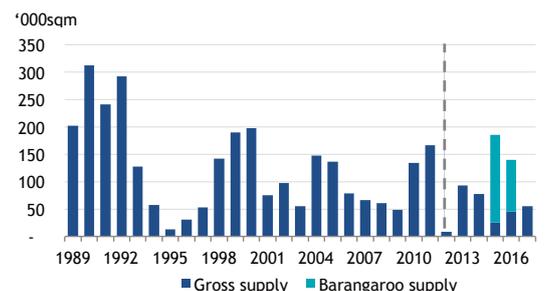
- Project and associated infrastructure will improve amenity
- New benchmark for rental levels
- Backfill space will enter the market

### Impact on DEXUS

- Increased demand from tenants seeking to locate between Barangaroo and Wynyard station
- Longer term opportunity for rents in the western corridor precinct properties to rebase higher

DXS exposure to Sydney western corridor precinct	As at 30 June 2012
Total net lettable area	144,400sqm
Total properties	6
2014-2016 major lease expiries	Lend Lease, 30 The Bond Lloyds, 45 Clarence Bankwest, 45 Clarence Wesfarmers, 309-321 Kent Sparke Helmore, 309-321 Kent

### Sydney CBD office supply



Sources: Jones Lang LaSalle actual & DEXUS forecast.

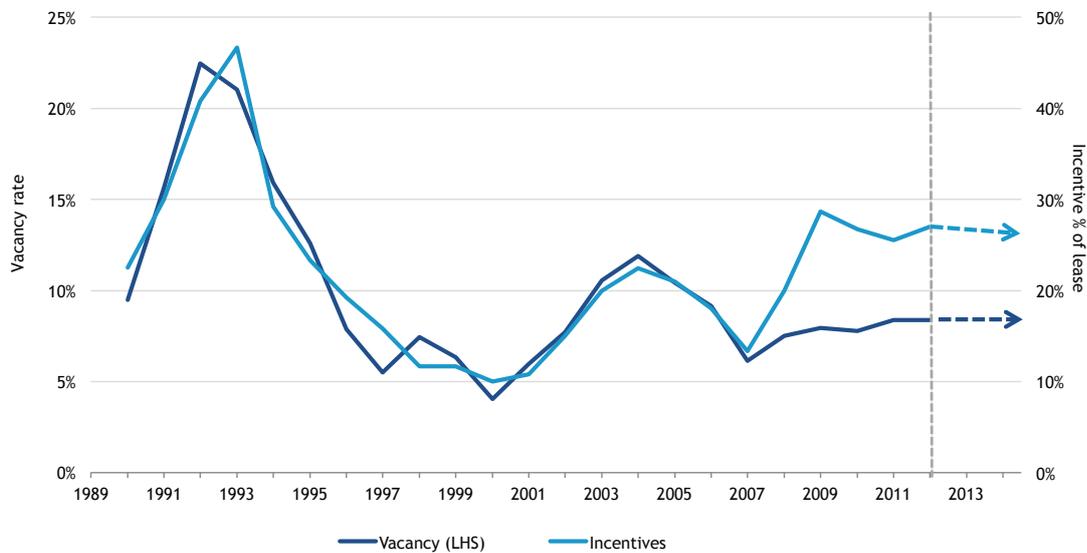
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# AUSTRALIAN OFFICE MARKETS

## Sydney CBD office market

### Incentive and vacancy rates



Sources: Jones Lang LaSalle actual & DEXUS forecast.

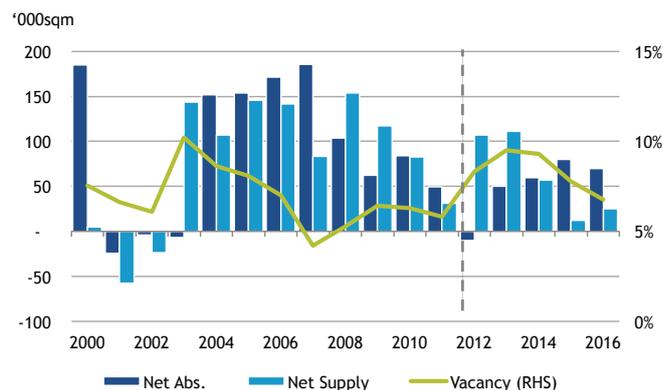
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# AUSTRALIAN OFFICE MARKETS

## Melbourne CBD facing supply additions in short term

### Melbourne CBD office market



Melbourne CBD office market	At 30 June 2012
Total net lettable area	4.33 million sqm
Prime vacancy average	6.0%
<b>DXS Melbourne CBD office exposure<sup>1</sup></b>	
Net lettable area	108,831sqm
Number of properties	6
% of portfolio by value	13.6%
Occupancy by area	94.8%
Occupancy by income	98.6%
Weighted average lease expiry	5.0 years

- Above average supply is expected to lead to a rise in vacancy over the next 2 years
- Incentives to remain elevated with weak effective rental growth
- Further supply additions delayed beyond 2016

Source: Jones Lang LaSalle actual & DEXUS forecast.  
1. Including post balance date acquisitions.

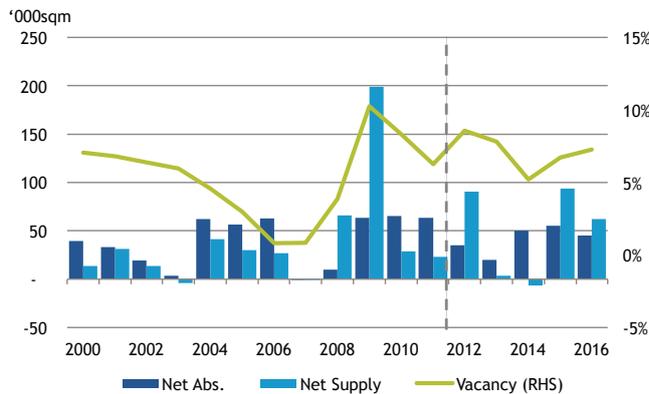
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## AUSTRALIAN OFFICE MARKETS

### Brisbane CBD expected to experience falling vacancy over the next 2 years

#### Brisbane CBD office market



- Mining and business services sectors to drive demand growth in the medium term while government contracts
- A supply gap will emerge in 2013 & 2014 after the completion of two major projects in 2012
- Vacancy is expected to trend downwards

Brisbane CBD office market	At 30 June 2012
Total net lettable area	2.13 million sqm
Prime vacancy average	8.2%
<b>DXS Brisbane CBD office exposure<sup>1</sup></b>	
Net lettable area	55,417sqm
Number of properties	2
% of portfolio by value	10.2%
Occupancy by area	98.0%
Occupancy by income	97.0%
Weighted average lease expiry	7.6 years

Source: Jones Lang LaSalle actual & DEXUS forecast.  
1. Including post balance date acquisitions.

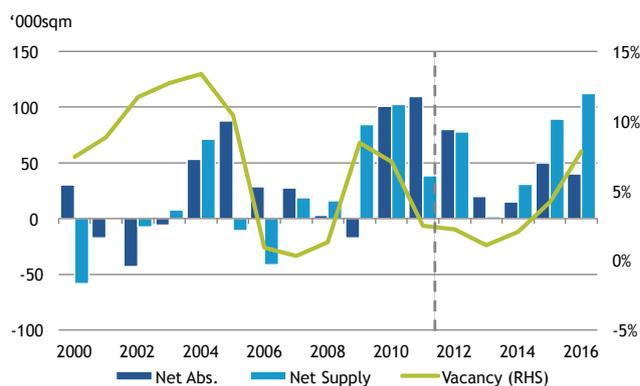
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## AUSTRALIAN OFFICE MARKETS

### Perth CBD to experience supply shortage in the short term

#### Perth CBD office markets



- Demand likely to be weaker than previous few years due to slowing, but still elevated, resource investment
- Supply risks will increase mid-decade
- Vacancy is expected to remain low over the next 3 years because there are no major projects under construction

Perth CBD office market	At 30 June 2012
Total net lettable area	1.62 million sqm
Prime vacancy average	2.7%
<b>DXS Perth CBD office exposure<sup>1</sup></b>	
Net lettable area	47,263sqm
Number of properties	1
% of portfolio by value	9.5%
Occupancy by area	100.0%
Occupancy by income	99.1%
Weighted average lease expiry	5.1 years

Source: Jones Lang LaSalle actual & DEXUS forecast.  
1. Including post balance date acquisitions.

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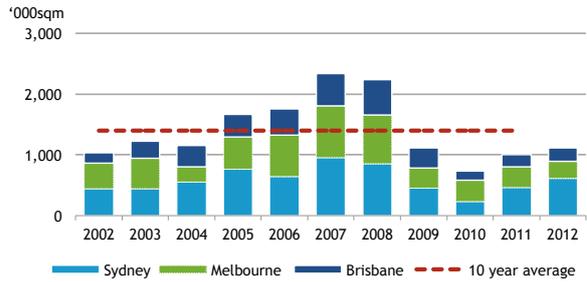
# AUSTRALIAN INDUSTRIAL MARKETS

## National outlook

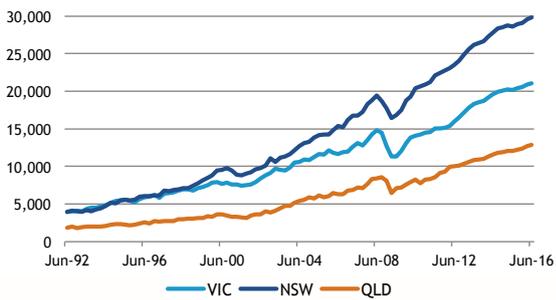
### Container movements – Sydney Ports



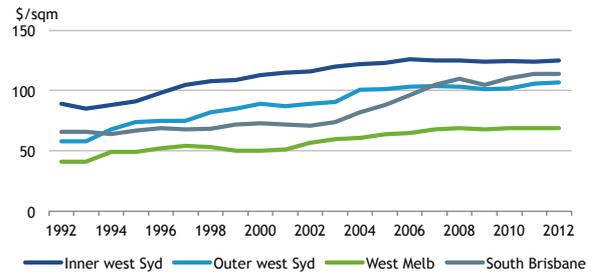
### East coast supply



### Imports by state of destination



### Net face rents



Sources: Deloitte Access Economics, Jones Lang LaSalle actual & DEXUS forecast.

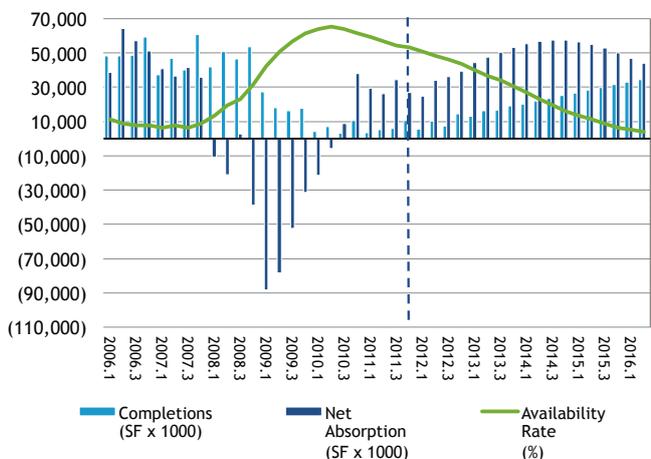
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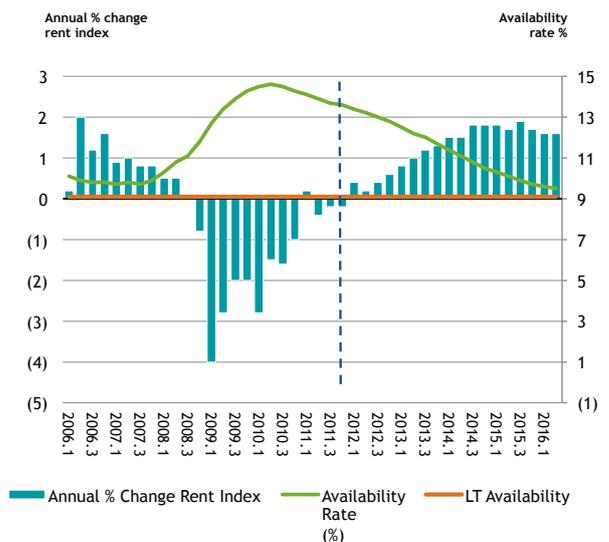
# INDUSTRIAL US MARKETS

## Net demand positive

### Total US industrial – net demand positive



### US Industrial – rental growth outlook



Source: CBRE/Torto Wheaton and DEXUS.

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## EXCHANGE RATES USED IN STATUTORY ACCOUNTS

		30 June 2012	31 Dec 2011	30 June 2011
Closing rates for Statement of Financial Position	USD	1.0191	1.0156	1.0739
	EUR	0.8092	0.7847	0.7405
	NZD	1.2771	1.3145	1.2953
Average rates for Net Operating Income	USD	1.0320	1.0280	0.9865
	EUR	0.7638	0.7444	0.7247
	NZD	1.2831	1.2823	1.3037

## GLOSSARY

<b>Constant currency:</b>	Items shown at constant currency for June 11 have been restated using the June 12 average FX rates for comparative purposes.
<b>Distribution payout policy:</b>	For FY12 the distribution paid will be 70% of Funds From Operations (FFO). Commencing FY13 the distribution paid will be a range of between 70-80% of FFO.
<b>Funds From Operations (FFO):</b>	Funds From Operations (FFO) is often used as a measure of real estate operating performance after finance costs and taxes. DXS'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.
<b>Gearing:</b>	Gearing is represented by Interest Bearing Liabilities (excluding deferred borrowing costs and including the fair value of cross currency swaps) less cash divided by Total Tangible Assets (excluding derivatives and deferred tax assets) less cash. Covenant gearing is the same definition but not adjusted for cash.
<b>Non-cash items:</b>	Includes property revaluations, impairment of goodwill, derivative MTM, gain on sale and deferred tax.
<b>Operating EBIT:</b>	Comprises net operating income, management EBIT and other income less Responsible Entity fees and other expenses paid.
<b>Portfolio value:</b>	Unless otherwise stated, portfolio value is represented by investment properties, development properties and investments accounted for using the equity method, and excludes cash and other assets.
<b>Responsible Entity fees:</b>	In this presentation Responsible Entity fees are shown at cost following internalisation in Feb 08. This Responsible Entity fee expense and the corresponding management fee revenue are eliminated in the statutory financial statements as the management business is a wholly owned consolidated entity.
<b>Securities on issue:</b>	FFO per security is based on the average weighted units on issue prior to the Theoretical Ex-Rights Price (TERP) adjustment. In accordance with AASB133 the weighted average number of securities for earnings (EPS) purposes is adjusted by a factor equal to the security price immediately prior to issue divided by the TERP.
<b>Weighted Average Lease Expiry (WALE):</b>	A measure, in years, of the average term to expiry of in-place rent. Includes vacancies.

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# 2012

DEXUS Property Group  
ANNUAL RESULTS and  
STRATEGIC REVIEW

16 August 2012



2012 DEXUS PROPERTY GROUP ANNUAL RESULTS & STRATEGIC REVIEW



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