

DEXUS Property Group (ASX: DXS)

ASX release

27 February 2015

31 December 2014 distribution

DEXUS Property Group (DEXUS) advises that the distribution for the six months ended 31 December 2014 will be paid to Security holders today. DEXUS provides a copy of the letter to be sent to Security holders and the 2015 Half Year Review.

For further information please contact:

Investor relations

David Yates
T: +61 2 9017 1424
M: +61 418 861 047
E: david.yates@dexus.com

Media relations

Louise Murray
T: +61 2 9017 1446
M: +61 403 260 754
E: louise.murray@dexus.com

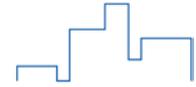
About DEXUS

DEXUS Property Group is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With \$18.3 billion of assets under management, the Group also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. The Group manages an office portfolio of 1.6 million square metres located predominantly across Sydney, Melbourne, Brisbane and Perth and is the largest owner of office buildings in the Sydney CBD, Australia's largest office market. DEXUS is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange under the stock market trading code 'DXS' and is supported by more than 32,000 investors from 18 countries. With 30 years of expertise in property investment, development and asset management, the Group has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for its investors. www.dexus.com

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



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



DEXUS
PROPERTY GROUP

27 February 2015

DEXUS Funds Management Limited

ABN: 24 060 920 783

AFSL: 238163

Australia Square Tower

Level 25, 264 George Street

Sydney NSW 2000

PO Box R1822

Royal Exchange NSW 1225

Tel: 02 9017 1100

Fax: 02 9017 1101

Dear Security holder

DEXUS Property Group (DEXUS) delivered consistent performance across the Group, with the achievements in the first half of the year positioning DEXUS well to achieve its objectives set in August 2014.

Details relating to the achievements during the six months to 31 December 2014 can be found in the 2015 Half Year Review available at www.dexus.com/investors. The Half Year Review is enclosed for security holders who have elected to receive a printed copy.

Please find enclosed your distribution statement for the six months to 31 December 2014.

Distribution payment

DEXUS delivered a distribution of 19.68 cents per security for the six months ended 31 December 2014, a 6.8% increase on the previous corresponding period based on a payout in line with free cash flow.

On 18 February 2015, DEXUS upgraded its market guidance¹ for the 12 months ending 30 June 2015 primarily as a result of reduced debt costs and recent acquisitions. Guidance for Funds from Operations² (FFO) increased to 59.48 cents per security, reflecting 9.3% growth from FY14. As a result of targeting a payout in line with free cash flow, DEXUS is expected to deliver a distribution of 41.04 cents per security for the 12 months ending 30 June 2015, reflecting 9.3% growth from FY14.

If you believe you have unrepresented distribution income or cheques, please contact the DEXUS Infoline on +61 1800 819 675.

Determining the value of your DEXUS holding

The value of your security holding at 31 December 2014 is provided on your distribution statement. Current price information is available from the website at www.dexus.com/price and is published daily in major Australian metropolitan newspapers.

Changing your details

You can update your personal details online via DEXUS's investor login facility at www.dexus.com/update. Communication method election, email address notifications, Tax File Number and Australian Business Number notifications can also be updated in this facility. You will require your Holder Identification Number (HIN) or Security Holder Reference Number (SRN) to access your security holding.

1 Assumptions barring unforeseen circumstances: Targeting positive like-for-like income growth across the office and industrial portfolios, weighted average cost of debt of 5.2%, trading profits of approximately \$40m, Management Operations revenue of approximately \$35-40m, excluding any buy-back of DEXUS securities, and excluding any further transactions.

2 FFO in accordance with guidelines provided by the Property Council of Australia (PCA): comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees, coupon income and distribution income net of funding costs.

Forms are available for details that cannot be updated directly in this facility. Download them by clicking on the Forms menu item when you are logged into your holding or from Link Market Services website at linkmarketservices.com.au. Alternatively you can contact the DEXUS Infoline on +61 1800 819 675 or email registrars@linkmarketservices.com.au

Receive your communications electronically

DEXUS is committed to ensuring all investors have equal access to information about its investment activities. You can elect to receive communications electronically by registering your email address using the enclosed email collection and online notification form.

In line with DEXUS's commitment to the long term integration of sustainable business practices, investor communications are also provided via various electronic methods including:

- **DEXUS website**
www.dexus.com provides a wide range of information, including a two minute corporate video, ASX announcements, investor information, reports and strategic case studies. DEXUS security holders can subscribe to alerts to receive DEXUS communications immediately after release
- **DEXUS IR App**
The DEXUS IR App provides current and future investors with instant access to the latest security price, ASX announcements, presentations, reports, webcasts and more. You can download the DEXUS IR App for free from the Apple App Store or Google Play
- **LinkedIn**
DEXUS also engages with its followers via LinkedIn. To receive DEXUS LinkedIn communications, visit the Investor Centre at www.dexus.com/investors and click on 'DEXUS on LinkedIn' - 'Follow us'

If you have any questions concerning your security holding, please contact us on the DEXUS Infoline on +61 1800 819 675.

Thank you for your continued support of DEXUS Property Group.

Yours sincerely



David Yates
Executive General Manager
Investor Relations, Marketing & Communications



"It's been another period of consistent performance across the Group, with the achievements in the first half of the year positioning us well to achieve our objectives set in August 2014."

DARREN STEINBERG,
CHIEF EXECUTIVE OFFICER

The first half of FY15 was characterised by our focus on driving portfolio performance and satisfying the investment objectives of our third party clients.

We are pleased to report that we achieved good leasing outcomes which supported our solid operational result and improved office portfolio occupancy to 95%. A key highlight for the period was securing Challenger as a tenant at our development project underway at 5 Martin Place, Sydney.

The DEXUS Office Partnership (formerly CPA) properties are performing strongly and were one of the key drivers of the improvement in Funds From Operations¹ (FFO) per security, along with trading profits and growth in management operations income.

As a result of the bedding down of the CPA transaction, we were able to achieve efficiencies across our business, with our Gross Management Expense Ratio² reducing from 50 basis points (bps) at 31 December 2013 to 43bps.

Delivering on the investment objectives of our third party clients, we successfully acquired a number of retail and industrial properties in a competitive market while continuing to drive portfolio performance and progressing key development projects.

In our trading business, we contracted to exchange all of the properties identified for divestment to deliver our FY15 trading profit forecast. The sale of 50 Carrington Street, Sydney and exchange of contracts to sell 40 Market Street, Melbourne leveraged our capabilities to identify, reposition and enhance value. When completed, the sale of these two properties are expected to contribute approximately 70% of our FY15 trading profits.

These results were achieved while securing new debt facilities at competitive margins, enhancing the duration and diversity of our debt book and maintaining the strength of our balance sheet.

DEXUS has upgraded its guidance³ for the 12 months ending 30 June 2015 for FFO to 59.48 cents per security, reflecting 9.3% growth from FY14. The upgrade is supported primarily by lower debt costs and recent acquisitions. DEXUS is targeting to payout in line with free cash flow for FY15 which is expected to deliver a distribution of 41.04 cents per security, also reflecting 9.3% growth from FY14.

1. FFO in accordance with guidelines provided by the Property Council of Australia (PCA): comprises net profit/loss after tax attributable to stapled security holders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, derivative and FX mark-to-market impacts, fair value movements of interest bearing liabilities, amortisation of tenant incentives, gain/loss on sale of certain assets, straight line rent adjustments, deferred tax expense/benefit, rental guarantees, coupon income and distribution income net of funding costs.

2. Gross Management Expense Ratio is calculated as annualised costs arising from managing DEXUS assets and corporate activity divided by balance sheet funds under management.

3. Assumptions: Targeting positive like-for-like income growth across the office and industrial portfolios, weighted average cost of debt of 5.2%, trading profits of approximately \$40 million, Management Operations revenue of approximately \$35-40 million, excluding any buy-back of DEXUS securities and any further transactions.

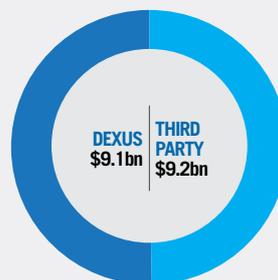
4. The prior corresponding period has been restated to reflect the one-for-six security consolidation.

5. Trading profits generated less FFO tax expense that is being recognised for Rosebery in the period.

6. Adjusted for cash and for debt in equity accounted investments. Pro-forma gearing is 33.0% post the acquisition of Lakes Business Park, Botany which settled on 16 January 2015.

FUNDS UNDER MANAGEMENT

\$18.3bn



DISTRIBUTION

19.68 cents per security

↑ 6.8%

FUNDS FROM OPERATIONS¹

28.54 cents per security

↑ 7.4%

STATUTORY PROFIT

\$257.8m

NTA PER SECURITY

\$6.47

↑ 11 cents

MANAGEMENT EXPENSE RATIO²

43bps

↓ 7bps

Financial Results and Capital Management

DEXUS delivered a 25.4% increase in FFO to \$258.4 million. On a per security⁴ basis, FFO increased 7.4% to 28.54 cents. This increase was primarily a result of:

- Property and management income from the DEXUS Office Partnership properties
- Growth in other third party funds under management
- The realisation of \$18.1 million⁵ in trading profits

Statutory net profit after tax was \$257.8 million, a decrease of \$19.4 million from the previous corresponding period. This movement was driven primarily by net unrealised fair value losses on derivatives and interest bearing liabilities of \$51.8 million due to market interest rates shifting down, compared to a \$5.8 million net gain for the previous corresponding period. Net revaluation gains of investment properties of \$109.3 million were slightly higher (up \$2.7 million) than the previous corresponding period gains.

Distribution per security was 19.68 cents for the six months ended 31 December 2014, up 6.8% on the previous corresponding period⁴, with the payout policy remaining consistent with free cash flow. The distribution will be paid to security holders on Friday, 27 February 2015.

Net Tangible Assets per security increased 11 cents to \$6.47, primarily as a result of \$109.3 million in investment property revaluation gains.

DEXUS accessed global debt markets, replacing short term funding put in place for the CPA transaction with long dated US Private Placement (USPP) debt at competitive margins. As a result, DEXUS's duration of debt increased from 5.2 years at 30 June 2014 to 5.9 years and cost of debt decreased from 5.4% at 30 June 2014 to 5.2% benefiting from the credit upgrades achieved in late FY14. Gearing⁶ was 32.0%, at the lower end of the target range of 30-40%.

DEXUS implemented a one-for-six consolidation of its securities, which completed on 14 November 2014. The effect of this consolidation was the conversion of six stapled securities in DEXUS to one stapled security in DEXUS with each of the securities worth six times as much as those securities were worth before the consolidation.

On 14 October 2014, as a result of share market volatility, DEXUS announced a new on-market securities buy-back of up to 5% of DEXUS securities on issue, which is yet to be utilised. The buy-back is an initiative that provides flexibility for DEXUS to acquire securities on-market should conditions permit, with a focus on enhancing returns for investors.

OFFICE

Improving tenant demand for quality space resulted in leasing outcomes and increased occupancy.



“Positive momentum in office leasing enquiry in Sydney and Melbourne resulted in increased activity in our portfolio.”

KEVIN GEORGE, EXECUTIVE GENERAL MANAGER, OFFICE & INDUSTRIAL

**102,593sqm
OFFICE SPACE LEASED**

**4.4 years
WALE BY INCOME**

**95.0%
OCCUPANCY BY INCOME**

**8.2%
ONE YEAR TOTAL RETURN**

Increased leasing activity in Sydney and Melbourne

DEXUS successfully converted increased tenant enquiry into leasing outcomes during the period, with occupancy improving 0.4% to 95.0%, in line with the target set at the start of FY15.

During the period DEXUS leased 102,593 square metres⁷ of office space across 131 transactions. Portfolio weighted average lease expiry was 4.4 years and tenant retention was maintained at 61%.

Reinforcing the positive signs of improving tenant demand for quality office space, DEXUS witnessed a number of instances during the period where multiple tenants were competing for the same space, resulting in better leasing outcomes. A combination of firmer tenant demand and increased acceptance of effective deal structures has alleviated upward pressure on incentives across the portfolio during the period.

Industries experiencing growth in the DEXUS portfolio, including business and financial services, and public administration, continued to drive demand in Sydney and Melbourne. The Brisbane and Perth office markets, however, remain challenging as a result of the reduction in mining investment.

DELIVERING ON THE CPA TRANSACTION

The DEXUS Office Partnership⁹ properties have exceeded the performance assumptions determined at the time of acquisition.

- DEXUS completed the acquisition of CPA in partnership with Canada Pension Plan Investment Board in April 2014
- All properties were successfully transitioned to the DEXUS management platform by July 2014
- Leased over 73,000 square metres⁷ of space since April 2014
- Occupancy improved from 92.2%⁹ at April 2014 to 94.6% at 31 December 2014
- The DEXUS Office Partnership portfolio weighted average capitalisation rate tightened from 7.24%¹⁰ at April 2014 to 7.06% at 31 December 2014
- Achieved a \$125.3 million¹¹ portfolio revaluation uplift at 31 December 2014
- Identified prospective recurrent operational savings in the order of \$700,000 per annum, with further review of key contracts underway

QUALITY OFFICE SPACE ATTRACTS HIGH CALIBRE TENANT



Consistent with the broader improvement seen in tenant demand for quality office space in Sydney and Melbourne, DEXUS secured Challenger as a tenant at 5 Martin Place, Sydney.

- Acquired a 50% interest¹² in April 2014 as part of the CPA transaction
- DEXUS and Cbus Property refreshed the leasing marketing campaign
- Secured Challenger as a new tenant – attracted to the central location, unique heritage features and business collaboration options facilitated by the expansive floor plates on the lower levels
- Increased space committed to 67%, including earlier lease agreements with Ashurst and Evans & Partners
- Redesigned the retail offering to drive higher value
- Endorsed the quality of the building through leasing success, six months ahead of the planned completion of the development

Valuation uplift

The continued trend of leasing success, the weight of capital seeking quality Australian office property and strong tenant covenants all contributed to a \$105.8 million or 1.4% increase in valuations on prior book values across the DEXUS office portfolio. The weighted average capitalisation rate for the office portfolio tightened by eight basis points from 6.87%¹³ at 30 June 2014 to 6.79% at 31 December 2014. A 3.8% increase in valuations on prior book values was achieved from the DEXUS Office Partnership properties.

FY15 FOCUS

- Proactively manage and drive the performance of the office portfolio while enhancing the value of newly acquired properties
- Focus on reducing lease expiries and maintaining >95% occupancy
- Focus on reducing incentives and undertaking effective leasing deals

SUSTAINABILITY SNAPSHOT

39.3%
ENERGY CONSUMPTION

25.7%
WATER CONSUMPTION

42.7%
GHG EMISSIONS

Since base year FY08.

7. Including Heads of Agreement.

8. DEXUS Office Partnership: DEXUS (50%), DEXUS Office Partner (50%).

9. Occupancy of 92.2% excludes the five properties sold. Occupancy was 93.5% including these five properties.

10. Represents the implied capitalisation rate of the remaining DEXUS Office Partnership portfolio based on acquisition price.

11. Valuation increase represents a 100% interest, of which DEXUS has a 50% interest.

12. 5 Martin Place, Sydney is co-owned by DEXUS Office Partnership (50%) and Cbus Property (50%).

13. Excluding DEXUS Office Partnership properties.

Sydney's outer west prime market is achieving rental growth and lower incentives as a result of reduced vacancy and less speculative development in core precincts.



97,968sqm INDUSTRIAL SPACE LEASED	4.0 years WALE BY INCOME
92.8% OCCUPANCY BY INCOME	8.5% ONE YEAR TOTAL RETURN

Concentrated tenant activity

Increased demand from third party logistics service providers supporting general merchandise retail has driven leasing activity across DEXUS's industrial portfolio. The limited supply of prime quality facilities in outer western Sydney is expected to continue to underpin rental growth in the short term, primarily as a result of less speculative development.

During the period DEXUS leased 97,968 square metres¹⁴ of industrial space across 43 transactions.

Industrial portfolio occupancy by income reduced marginally from 93.0% at 30 June 2014 to 92.8%, primarily as a result of the departure of QLS at Pound Road West, Dandenong and Salmat at 2-4 Military Road, Matraville.

Portfolio weighted average lease expiry (WALE) remained steady at 4.0 years and tenant retention increased to 52%. A focus on actively driving income returns has resulted in reduced average incentives for the portfolio of 9.6%, with Sydney's outer west averaging 6.9% across all transactions.

Valuation uplift

Revaluations across the DEXUS industrial portfolio at 31 December 2014 resulted in a marginal uplift of \$3.5 million or 0.2% increase on prior book values, driven by a combination of income growth and capitalisation rate compression.

ACQUISITION IN CORE MARKET TO LEVERAGE INDUSTRIAL CAPABILITIES



The acquisition of Lakes Business Park, 2-13 Lord Street, Botany provides DEXUS with the opportunity to apply its industrial asset management and trading capabilities with a focus on enhancing investor returns.

Lakes Business Park is a 43,000 square metre business park located eight kilometres from the Sydney CBD in a core industrial market for DEXUS. The property comprises two adjoining sites, the Northern and the Southern site, and is adjacent to Sir Joseph Banks Corporate Park which is owned by DEXUS Wholesale Property Fund.

Given the property's WALE of 3.2 years, there is potential for superior rental growth in the medium term as a result of the lack of greenfield land supply, combined with an opportunity to accommodate displaced tenants from competing land use interests in the area.

DEXUS's strategy to ensure the best use of the site will be implemented through:

- Adopting an active leasing strategy to drive rental growth and increase the WALE of the Northern site
- Progressing works on the potential for residential rezoning of Southern site in the medium term



<p>26.4% ENERGY CONSUMPTION</p>	<p>9.1% WATER CONSUMPTION</p>	<p>30.3% GHG EMISSIONS</p>
-------------------------------------	-----------------------------------	--------------------------------

Since base year FY08.

14. Including Heads of Agreement.

FY15 FOCUS

- Active asset management of the industrial portfolio to deliver attractive income returns
- Pursuing change of use repositioning opportunities within the existing portfolio
- Creating core new industrial product for DEXUS and its capital partners
- Securing strategic investment opportunities and development land for future value-add activities

DEVELOPMENTS AND TRADING

Significant milestones were achieved at key developments within the Group's \$3.5 billion development pipeline, which includes \$1.3 billion in the DEXUS portfolio.

\$1.3bn
DEXUS DEVELOPMENT PIPELINE

\$2.2bn
THIRD PARTY DEVELOPMENT PIPELINE

Key developments update

DEXUS made headway on its \$1.3 billion development pipeline, reaching significant milestones at the key developments at 5 Martin Place, Sydney, 480 Queen Street, Brisbane and Kings Square in Perth.



5 Martin Place, Sydney

The \$107m (DEXUS 25% share) office development at 5 Martin Place is 72% committed and the building was topped out at the end of 2014. Practical completion is expected in mid-2015.



480 Queen Street, Brisbane

The \$283m (DEXUS 50% share) fund-through development is expected to top out in mid-2015, with the façade installation well progressed. The development is 80.7% committed¹⁵ and is on track for an early 2016 completion.



Kings Square, Perth

The \$219m (DEXUS 50% share) fund-through development at Kings Square is 55% committed and on track for completion by mid-2015. The project benefits from a five-year income guarantee from practical completion for the remaining vacant space. The construction of the three buildings reached its highest point, officially topping out the development during the period.

INDUSTRIAL DEVELOPMENT MOMENTUM AT GREYSTANES

The acquisition of Quarrywest at Greystanes continues development momentum, positioning the Greystanes precinct to become one of the largest premium industrial precincts in Australia.

Approach:

- Acquired Quarry at Greystanes in 2007, progressively secured high calibre tenants and developed a premium industrial estate, which was used to form the Australian Industrial Partnership in 2012
- Patience and discipline enabled DEXUS to act quickly to access an adjoining parcel of land at Quarrywest
- Acquired Quarrywest off-market in June 2014 to seed the new DEXUS Industrial Partnership¹⁶ and provide an opportunity for up to 130,000 square metres of prime industrial development

Outcomes:

- Secured high calibre tenants at Quarry at Greystanes including Brady Australia, Fujitsu, Cameron Transport, Blackwoods, Roche Diagnostics
- Site preparations have progressed at Quarrywest with construction anticipated to commence mid 2015
- The creation of a premium industrial precinct providing 319,000 square metres of industrial facilities

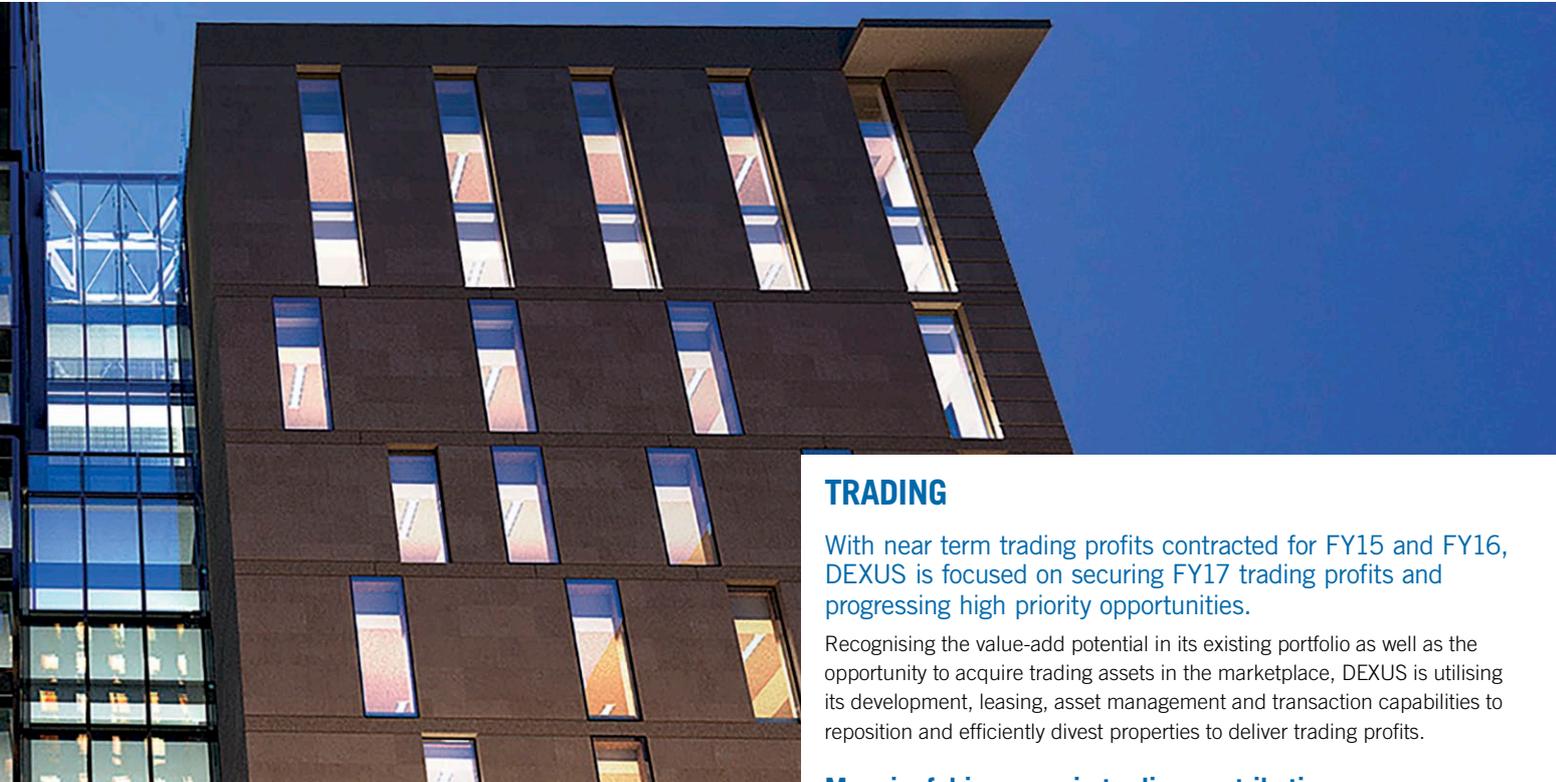


FY15 FOCUS

- Deliver office development at Kings Square, Perth and progress 5 Martin Place, Sydney and 480 Queen Street, Brisbane
- Commence three year development program at Quarrywest
- Utilise development expertise to reposition trading opportunities

15. Including Heads of Agreement.

16. DEXUS Industrial Partnership: DEXUS (50%), DEXUS Industrial Partner (50%).



DEXUS Industrial Estate, Laverton North

Land and infrastructure works for the third stage of development at DEXUS Industrial Estate, Laverton North have commenced, providing 50 hectares of serviced development land. DEXUS has secured heads of agreement for a long term pre-lease for a 25,650 square metre facility, which is designed to achieve a 5 star Green Star rating and is expected to be completed in March 2016.

Partnership developments on track

At Quarry at Greystanes, owned in partnership with the Australian Industrial Partner, construction on two buildings pre-leased to Supply Network has commenced. There are further plans for a café and small warehouse with construction expected to start in March 2015.

At Quarrywest in Greystanes, Boral is ahead of schedule on the landform works to deliver serviced and benched land to enable the development to commence in mid-2015. Planning approval and concept design processes, as well as pre-lease marketing, have now commenced.

TRADING

With near term trading profits contracted for FY15 and FY16, DEXUS is focused on securing FY17 trading profits and progressing high priority opportunities.

Recognising the value-add potential in its existing portfolio as well as the opportunity to acquire trading assets in the marketplace, DEXUS is utilising its development, leasing, asset management and transaction capabilities to reposition and efficiently divest properties to deliver trading profits.

Meaningful increase in trading contribution

In the first half of FY15, DEXUS delivered trading profits of \$18.1 million¹⁷. These profits were driven by:

- The settlement of 50 Carrington Street, Sydney
- The settlement of 30 Distribution Drive, Laverton North
- Part of the initial payment for 5-13 Rosebery Avenue and 25-55 Rothschild Avenue in Rosebery net of tax

Trading profit outlook and replenishing the pipeline

DEXUS remains confident of meeting its forecast of approximately \$40 million in trading profits for FY15.

Capital improvement works at 40 Market Street, Melbourne are on track for practical completion in April 2015, with settlement expected to contribute to trading profits in the second half of FY15.

A number of properties within the existing DEXUS portfolio have been identified as potential opportunities for development in future years, including 32 Flinders Street in Melbourne. The southern industrial site of the recently acquired Lakes Business Park in Botany has been acquired for potential trading purposes.

DEXUS will continue to utilise its leasing, development and trading capabilities to deliver trading profits of approximately \$90 million across FY16 –17.



REPOSITIONING TO DELIVER TRADING PROFIT

The settlement of the sale of 40 Market Street, Melbourne is expected to contribute to the delivery of DEXUS's FY15 trading profit forecast of approximately \$40 million.

- Acquired in November 2012 as an identified trading property for \$46.7 million, well below replacement value, at a capitalisation rate of 8.0%
- Secured a 15 year lease renewal from existing tenant Powercor for the whole of the building, 15 months post acquisition and well ahead of the lease expiry, ensuring 100% occupancy of the commercial space until 2030
- Exchanged contracts in September 2014 to sell the property for \$105 million
- Commenced capital works as part of the new lease, including an extensive base building upgrade in line with the tenant's requirement and targeting a 3 star NABERS Energy rating, an increase from a zero rating
- Settlement is expected in the second half of FY15, following the completion of the building's upgrade

FY15 FOCUS

- Securing FY17 trading profits and progressing high priority opportunities

¹⁷ Trading profits generated less FFO tax expense that is being recognised for Rosebery in the period.

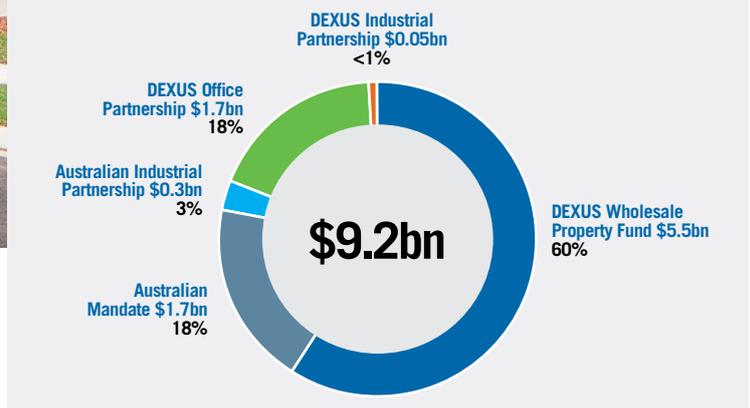
THIRD PARTY FUNDS MANAGEMENT

DEXUS's third party funds management business is set up for strong organic growth with a development pipeline of \$2.2 billion.



"We have acquired properties, delivered solid performance, completed developments and expanded the committed development pipeline, delivering on our third party clients' investment plans."

CRAIG MITCHELL, EXECUTIVE DIRECTOR, FINANCE AND CHIEF OPERATING OFFICER



DWPF – delivering on strategy and driving performance

DEXUS Wholesale Property Fund (DWPF) delivered a total return of 9.04% (post fees) for the 12 months to 31 December 2014. Strong performance across the three asset classes contributed to this result, particularly from Gateway, Regents Park Industrial Estate and Westfield Mt Druitt in Sydney and Westfield North Lakes in Brisbane. The Fund outperformed its benchmark over three and five year periods.

DWPF progressed its development pipeline, expanding the number of committed projects from four to eight. These will be a key driver of performance over the longer term while increasing the quality and diversity of its portfolio. New projects include development works at Westfield North Lakes and Willows, Townsville and repositioning works at 360 Collins Street, Melbourne and Westfield Hurstville.

The developments currently underway, including the two fund-through developments held in 50/50 partnership with DEXUS, all made significant progress. At Westfield Miranda, the first three of four stages opened representing a major milestone for the Fund. Stage 1 of DRIVE Industrial Estate, Richlands reached practical completion and is 86% leased, with Stage 2 now under construction.

ACQUISITIONS PROGRESS PARTNERSHIP'S INVESTMENT PLAN

The potential end value (on completion of development projects) of the DEXUS Industrial Partnership increased to \$360 million following the acquisition of three industrial properties in Queensland.

- DEXUS formed an industrial partnership with the Future Fund in June 2014, seeded with the acquisition of a development site at Quarrywest at Greystanes in NSW
- Acquired development sites at Larapinta (July 2014) and Hemmant (December 2014) in Queensland
- Exchanged contracts to acquire 112 Cullen Avenue, Eagle Farm in Queensland in December 2014, the first income producing property for the partnership's portfolio

These acquisitions progress the partnership's investment plan to leverage DEXUS's specialist skills in accessing, developing and actively managing industrial property to deliver attractive risk-adjusted returns.

SHOPPING CENTRES DIVERSIFY DWPF'S RETAIL PORTFOLIO



The acquisition of three sub-regional shopping centres continues DWPF's strategy to diversify its retail portfolio and leverage DEXUS's specialist sub-regional retail management expertise.

During the period, DWPF acquired Deepwater Plaza in Woy Woy, Sturt Mall in Wagga Wagga and Shepparton Marketplace in Shepparton.

These acquisitions reinforce DWPF's strategy of investing in high quality sub-regional shopping centres with a focus on non-discretionary food, convenience and service retailing. In addition, the newly acquired centres have the opportunity to unlock value through active asset management and the activation of potential retail development opportunities.

The acquisition of these centres over the past six months, increases DWPF's sub-regional retail portfolio to six centres, resulting in a total retail portfolio of 11 centres.

SUSTAINABILITY SNAPSHOT



Since base year FY08.

THIRD PARTY FUNDS MANAGEMENT – RETAIL

Strong leasing outcomes across the third party retail portfolio, strategic acquisitions and progress on retail developments continued to deliver returns to investors and enable future growth.



RETAIL

Progressing Retail's FY15 focus on specialty store leasing renewals and retention, 287 leases were completed across 41,400 square metres.

The Retail team leveraged leasing efficiencies to secure a lease with Kathmandu for a flagship store at Galleria, 385 Bourke Street in Melbourne, delivering on the centre's targeted tenancy mix of outdoor adventure, lifestyle and health.

Three sub-regional shopping centres were acquired on behalf of DWPF in the period, delivering on the Fund's transactional requirements. The acquisitions provide an opportunity to apply DEXUS's retail management expertise, adding immediate value to the newly acquired centres.

SYDNEY CITY RETAIL GETS A MAKEOVER

The redevelopment of the retail space at Gateway in Sydney embraces a new vision for Circular Quay.

The city retail podium redevelopment at DWPF's Gateway will be the first off the rank of a number of key projects that will change the face of Circular Quay.

DEXUS is looking beyond end of trip or concierge services provided within its portfolio to focus on its office podiums to provide food and beverage and convenience retailing at the base of the office towers.

The Gateway retail redevelopment is anticipated to provide one of Sydney's destination dining and lifestyle precincts, doubling the space dedicated to indoor and outdoor dining with some convenience retail.

DEXUS's dedicated city retail leasing team is providing advice through the design phases to secure tenants and ensure the right retail mix and service delivery.

The Gateway retail redevelopment will benefit from the completion of the south east Sydney Light Rail significantly impacting the growth and revitalisation of this precinct.



WESTFIELD MIRANDA REDEVELOPMENT ENHANCES DWPF PORTFOLIO QUALITY

The first three of four stages of the Westfield Miranda redevelopment have officially opened, representing a major milestone for DWPF.

The \$460 million¹⁸ redevelopment of Westfield Miranda capitalised on the centre's trade area dominance to transform the centre into a world-class, digitally enabled retail, entertainment and dining destination.

The centre's enhanced customer experience offers fully refurbished David Jones and Myer department stores, more than 300 fashion retailers, an artisan fresh food market, larger food court and expanded entertainment area.

The redevelopment supports DWPF's investment strategy of creating a high quality retail portfolio to enhance unitholder returns.

Leasing across the development has been successful, with terms agreed or offers accepted for 93% of the new project sites, including terms agreed with three international mini majors to open between now and mid-2015.

The final stage of the development, which includes the opening of the cinema and associated restaurants, is scheduled to open in July 2015.



FY15 FOCUS

- Specialty store leasing renewals and retention
- Actively manage the retail portfolio to deliver enhanced returns
- Progress the \$1.2 billion retail development pipeline to improve quality and enhance returns
- Deliver on the transactional requirements of third party clients

18. 50% DWPF, 50% Scentre Group.

CORPORATE RESPONSIBILITY & SUSTAINABILITY (CR&S)



Achieving strong portfolio environmental performance

The DEXUS office portfolio continued its strong environmental performance, maintaining its 4.6 star NABERS Energy and 3.5 star NABERS Water ratings. The portfolio includes 26 properties with a NABERS Energy rating of 5 stars or more, comprising 57% of net lettable area.

The DEXUS Office Partnership portfolio achieved a 4.7 star NABERS Energy rating and a 3.8 star NABERS Water rating. 145 Ann Street Brisbane was a standout performer achieving its inaugural 5.5 star NABERS Energy rating.

The first two buildings at DEXUS and DWPF's fund-through development at Kings Square, Perth achieved 5 Star Green Star – Office Design v3 ratings, reinforcing DEXUS's focus on excellence in sustainable development.

DEXUS continues to focus on energy efficiency across its property operations to deliver on the Group's target to reduce energy consumption by 10% in FY15 against its FY12 like-for-like baseline. DEXUS's continuous improvement approach has resulted in the Group achieving its target six months early following a 10.1% reduction in energy consumption for 2014.

Recognised for CR&S practice

DEXUS continues to be recognised as a sustainability leader and has achieved the following affirmation:

- Awarded 'Green Star' status and achieved top quartile performance globally in the Global Real Estate Sustainability Benchmark (GRESB) for DEXUS and DWPF
- Achieved 'Sustainability Leader' status in the Dow Jones Sustainability Index
- Recognised in the Carbon Disclosure Project's 2014 Climate Disclosure and Climate Performance Leadership indices

Improving through innovation

DEXUS implemented an embedded electricity network at Southgate in Melbourne to offer managed electricity services to tenants at attractive rates. The network provides a seamless connection process for new tenants and an additional property income stream. DEXUS is progressing the potential for embedded networks across a further five properties.

Engaging with stakeholders to enhance disclosure

DEXUS progressed its transition from Global Reporting Initiative (GRI) G3.1 protocol to its materiality-based G4 protocol. The Group actively engaged with key stakeholders to identify issues most important to them in order to guide future communication and reporting.

The most highly ranked material issues identified included environmental performance, tenant attraction and retention, sustainable procurement and market volatility, which will form part of the 2015 Annual Review.

INVESTOR INFORMATION

If you have any questions regarding your security holding or wish to update your personal or distribution payment details, please contact the Registry by calling the DEXUS Infoline on 1800 819 675. This service is available from 8.30am to 5.30pm (Sydney time) on all business days.

DEXUS is committed to delivering a high level of service to all investors. If you feel that DEXUS could improve its service or you want to make a suggestion or complaint, your feedback is appreciated.

DEXUS Funds Management Limited is a member of Financial Ombudsman Service (FOS), an independent dispute resolution scheme.

Directory

DEXUS Diversified Trust
ARSN 089 324 541

DEXUS Industrial Trust
ARSN 090 879 137

DEXUS Office Trust
ARSN 090 768 531

DEXUS Operations Trust
ARSN 110 521 223

Responsible Entity
DEXUS Funds Management Limited
ABN 24 060 920 783
AFSL 238163

Directors of the Responsible Entity
Christopher T Beare, Chair
Elizabeth A Alexander AM
Penny Bingham-Hall
John C Conde AO
Tonianne Dwyer
Craig D Mitchell
W Richard Sheppard
Darren J Steinberg
Peter B St George

Secretaries of the Responsible Entity

Brett Cameron
Scott Mahony

Responsible Entity

Level 25, Australia Square
264 George Street
Sydney NSW 2000

or

PO Box R1822
Royal Exchange
Sydney NSW 1225
Phone: +61 2 9017 1100
Fax: +61 2 9017 1101
Email: ir@dexus.com
www.dexus.com

Investor enquiries

Registry Infoline: 1800 819 675
Investor Relations: +61 2 9017 1330
Email: ir@dexus.com
www.dexus.com

Security registry

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

Locked Bag A14
Sydney South NSW 1235

Registry Infoline: 1800 819 675
Fax: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au
www.linkmarketservices.com.au

Australian Securities Exchange

ASX Code: DXS

DEXUS IR App



Download the DEXUS IR App to your preferred mobile device to gain instant access to the latest DXS stock price, ASX announcements, presentations, reports, webcasts or follow us on LinkedIn.