

DEXUS Property Group (ASX: DXS)

ASX release

28 October 2015

2015 Annual General Meeting

Chairman's address

Good afternoon ladies and gentlemen. Welcome to everyone here today and those joining on the live webcast.

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

Welcome to DEXUS Place, which is an exciting new customer initiative launched earlier this year to enhance our customers' experience. Those of you present here today will have the opportunity to tour this facility at the end of today's meeting.

We will be adopting a similar format to recent years. As well as covering all the formal aspects relating to the resolutions, our CEO Darren Steinberg will speak to what DEXUS is today and how the business is performing.

Today is a significant day for me personally as this will be my last AGM as the Chair and a Director of DEXUS. I will be retiring and handing over the Chair to Richard Sheppard after today's meeting. Richard has been a member of the Board since January 2012 and brings extensive experience in banking and finance, and as a director and Chair of listed property and infrastructure trusts.

Over the past decade, I have been fortunate to be a part of DEXUS's evolution from DB Real Estate, a subsidiary of Deutsche Bank, into a leading independent property group that I would say is one of the most active and dynamic players in the Australian property market. One thing that has been strong from the beginning is the passion of our people and this is something I will truly miss.

This year DEXUS has once again focused on delivering superior risk adjusted returns from high quality Australian real estate by investing primarily in CBD office buildings.

I'll ask Darren to give you an update shortly.

Today, rather than talk about the business which Darren does better than me, I thought I'd share with you some observations on how our Board works and what it does.

Firstly, we're not management. We don't make day-to-day decisions nor do we profess to have detailed expertise in all aspects of property. As a Board we have broad experience across all aspects of being in business - we've seen tough times and good times; we've interacted with other businesses, government and agencies; we've been executives ourselves and we know and have hired many others. We know how good teams work and we understand what investors want.

Under our constitution, Darren and his management team have to seek approval from the Board on all major activities - for buying and selling large properties, for valuations and accounting policies, for remuneration and bonus structures, for financing and capital transactions, and for overall strategy and mergers and acquisitions. So how the Board and management interact is critical. In DEXUS there is a high degree of trust, respect and openness between management and the Board. Darren keeps us informed on a regular basis of the things the team is thinking about and we give him our thoughts and reaction in turn. On formal decisions, Darren and the executives involved present and discuss the topic with the Board. We'll ask many questions, and we do influence aspects of decisions and occasionally ask for more work to be done in a particular area, but rarely do we say no. If we see something in the market or the economy that troubles us, we ask the team to investigate.

For the more detailed issues, we have established sub Committees of the Board which work closely with senior management and report back to the Board at each meeting. We meet formally about ten times

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ASX release

a year, but with committee work and M&A activities most of us interact with the Company on average weekly, but not each and every week. As Chairman, I talk regularly with Darren over the phone and in person.

We've made some big decisions at DEXUS in recent years and I'm proud of the way we've made those decisions. Few companies in my experience have the competence of our Directors and the open relationship with management that allows us to have the productive debate that is needed for the excellence in Governance that we exhibit.

I'm happy to talk more on these topics via questions or one-on-one but let me now hand over to Darren who will reflect on what DEXUS is today, including covering some of our recent achievements.

CEO's address

Thanks Chris and good afternoon everyone.

As an investor in DEXUS today you own Australia's largest prime office portfolio with some of the most iconic buildings in the country.

We have a \$9.6 billion funds management business which has grown by more than 60% since 2012 and is successfully attracting capital from some of the world's largest and most sophisticated pension funds.

And we have a deep pipeline of value-enhancing opportunities across the total portfolio.

The revised strategy we put in place in 2012 has enabled us to grow distributions by 8.6% per annum on average over the past three years and achieve a total security holder return of 15.8% per annum over the same period.

And all of this is underpinned by our strong balance sheet.

We have three key pillars to our business which drive our earnings.

Firstly, the property portfolio and the income from this portfolio is underpinned by high occupancy and fixed rental increases.

Second is our funds management business, which generates solid annuity style fee income.

And finally our trading business, which leverages our capabilities across the Group to generate trading profits.

Looking closely at the property portfolio in which you have direct ownership, we have a \$9.5 billion direct portfolio, split 82% office, 18% industrial.

With a quality portfolio of 102 properties, we're focused on maintaining high occupancy across both our office and industrial portfolios. Based on current forecasts we expect our office occupancy to be around 95% at the end of FY16.

For the 12 months to June 2015 our office portfolio delivered a solid 9.6% total return and our industrial portfolio delivered an 11.3% total return which both contributed to the return on equity of 11.5% for the year.

Turning to our third party funds management business, we have demonstrated our ability to attract new partners and grow this business. We now have five funds or mandates with 48 investors on the platform.

The profits from this business have grown from \$17.9 million in FY12 and are expected to be \$45-50 million in FY16.

Our funds business is set up for organic growth through its \$2.3 billion development pipeline. A prime example underway is the major redevelopment of the retail plaza at Gateway, Circular Quay here in Sydney with leasing pre-commitments secured to high profile operators for over half of the income. This will certainly improve the amenity for our office customers and assist in attracting new office customers.

DEXUS Property Group (ASX: DXS)

ASX release

Turning to our trading business, which draws upon the expertise from across the Group, and since 2010 we have leveraged the expertise from our asset management, leasing, development, transactions and research teams to reposition assets, maximise value and take advantage of property cycles to generate additional returns for security holders.

We have already secured our target of approximately \$60 million of trading profits for FY16.

Today, I'm pleased to announce that we have entered into an agreement to sell our trading asset at Templar Road, Erskine Park which will contribute approximately \$12 million before tax to trading profits in FY17.

Looking at the progress of our major office developments, it's been an exciting period with 5 Martin Place recently reaching practical completion and the first of our customers moving in. Pleasingly, post 30 September we have now agreed terms across 96% of the office space available and expect to achieve a strong Internal Rate of Return or IRR of 29%.

Across the country in Perth at Kings Square we will complete the development of the final tower under construction next month. Despite Perth being a difficult market for leasing at the current time with high levels of vacancy, there is a flight to quality assets and we have a five year rental guarantee in place from the developer until 2020 which protects us through the short term market weakness. This development is expected to deliver a 15% IRR.

And finally, at 480 Queen Street in Brisbane we have had some strong leasing in a difficult market with a steady stream of major corporates signing up to the Premium grade office building which is now 85% committed. This building will be complete early next year and is expected to achieve an IRR of 17%.

Looking at some recent transactions, some of you may have taken part in the Security Purchase Plan which we launched post the \$400 million institutional placement in April 2015. At that time we mentioned that we were in exclusive due diligence on a major acquisition.

That acquisition was Waterfront Place and Eagle Street Pier in Brisbane which we have now acquired jointly with DEXUS Wholesale Property Fund (DWPF) for \$635 million. We were able to gain access to a Premium grade asset at a favourable rate per square metre when you compare it to recent transactions. The property is an excellent long term core investment and Eagle Street Pier offers one of the best development opportunities in the Brisbane CBD.

And at the end of last month we announced that we had entered into an agreement to sell 36 George Street, Burwood which was acquired as part of the CPA transaction. We own a 50% interest in this asset which was sold for \$95 million achieving a 44% premium to book value. This is further evidence of our focus on enhancing value for our investors and capital partners.

To conclude, our vision to be recognised as Australia's leading real estate company is backed by a solid operating business delivering consistent performance. Our third party business is set up for strong growth and our team is focused on delivering results.

For the Group, barring unforeseen changes to operating conditions, I reaffirm our guidance¹ for the 12 months ending 30 June 2016 of growth in FFO and distribution per security of 5.5-6.0% from FY15.

Before I hand back to Chris on behalf of everyone at DEXUS I would like to acknowledge and thank him for his guidance and support over the past decade, and personally since I joined DEXUS in 2012. It's been a pleasure to work alongside you on the implementation of our strategy. I'd also like to thank my fellow Directors and the DEXUS team for their support over the past 12 months.

¹ Barring unforeseen circumstances guidance is supported by the following assumptions: flat like-for-like income across the DEXUS combined portfolio, weighted average cost of debt of circa 4.9%, trading profits of approximately \$60m net of tax, Management Operations FFO of \$45-50m (including third party development management fees), approximately \$150m net proceeds from non-core property divestments during FY16, excluding any buy-back of DXS securities, and excluding any further transactions.

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Chairman's summary

We've come a long way since my first involvement with DB Real Estate some eleven years ago.

I'm most proud of what we've delivered to security holders over the years that have been on the journey with us. So thank you, our security holders, for your continued support over the past eleven years, thank you my fellow directors for your contribution and guidance and, in particular, thank you Darren and the DEXUS team for your commitment and effort in driving our strategy and delivering returns for investors. You are in good hands with Richard Sheppard, this Board and management.

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About DEXUS

DEXUS Property Group is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With \$19.9 billion of assets under management, the Group also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. The Group manages an office portfolio of 1.7 million square metres located predominantly across Sydney, Melbourne, Brisbane and Perth and is the largest owner of office buildings in the Sydney CBD, Australia's largest office market. DEXUS is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange under the stock market trading code 'DXS' and is supported by more than 32,000 investors from 21 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

ANNUAL GENERAL MEETING – 28 OCTOBER 2015



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

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DEXUS BOARD OF DIRECTORS



CHAIRMAN'S ADDRESS



DARREN STEINBERG, CEO



DEXUS TODAY

Australia's largest prime office portfolio

A significant and growing Third Party Funds Management business

A deep pipeline of value enhancement opportunities

8.6% average growth in distributions p.a. and 15.8% p.a. TSR¹ since FY12

Underpinned by a strong balance sheet



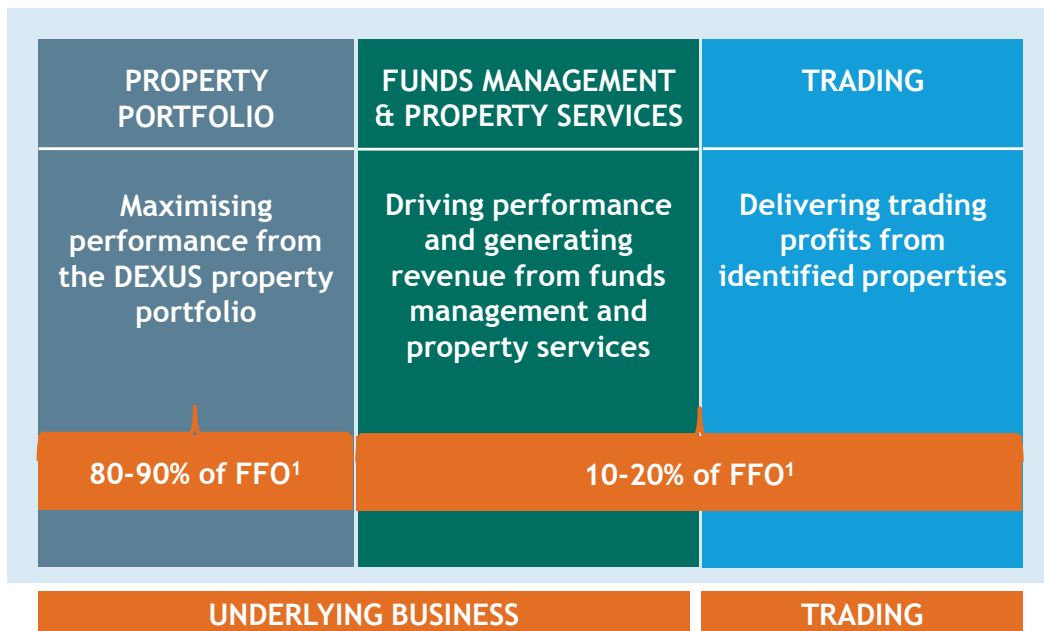
All data is as at 30 June 2015 unless otherwise stated.
 1. Compound annual total security holder return over the three years to 30 June 2015.

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Slide 5



DEXUS TODAY – Key earnings drivers



1. Represents target contribution to FFO before Finance costs and Group Corporate costs. FFO means Funds from Operations. As previously announced, DEXUS adopted FFO as defined by the PCA White Paper "Voluntary Best Practice Guidelines for disclosing Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)" for its reporting from 1 July 2014.

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Slide 6



PROPERTY PORTFOLIO – DEXUS direct portfolio on balance sheet performance

\$9.5bn Property portfolio on balance sheet

\$7.8bn Prime office portfolio	\$1.7bn Prime industrial portfolio
49 Number of office properties	53 Number of industrial properties
93.7% Occupancy (by income) ¹	93.4% Occupancy (by income) ¹
9.6% One-year total return to 30 June 2015	11.3% One-year total return to 30 June 2015

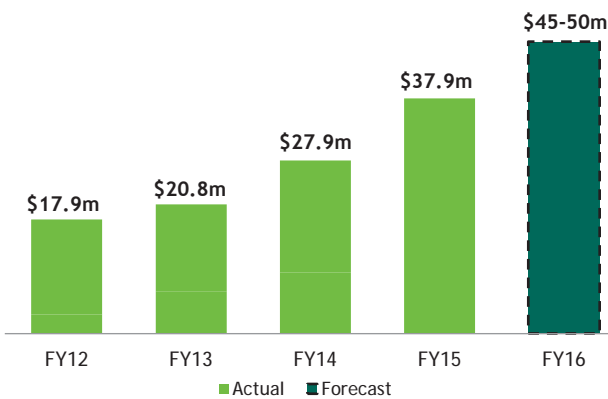


1. As at 30 September 2015. Including heads of agreement post quarter end, office occupancy by income has increased to 94.1% (94.6% by area).

THIRD PARTY FUNDS MANAGEMENT – Platform set up for organic growth

\$9.6bn Third Party Funds under management	48 Investors from seven countries
>60% Growth in third party funds since June 2012	\$2.3bn Development pipeline

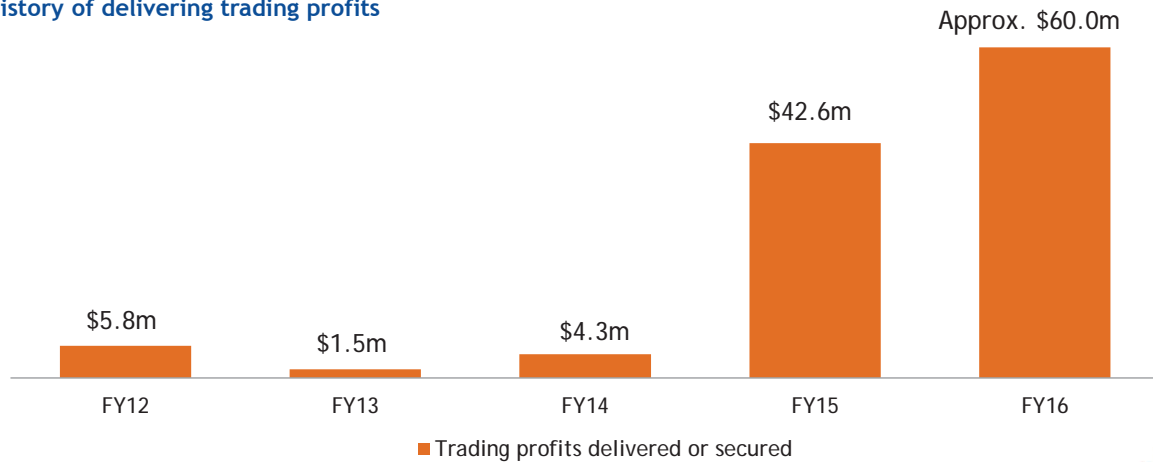
Management operations profit



TRADING – Leveraging our expertise

- Since 2010, DEXUS has had a trading strategy and included trading profits in FFO
- Already settled on properties that comprise FY16 trading profits to deliver approximately \$60 million (post tax)
- Entered into an agreement to sell 57-65 Templar Road, Erskine Park contributing approximately \$12 million (pre tax) to trading profits in FY17

History of delivering trading profits



ACHIEVEMENTS – Progress on major office developments

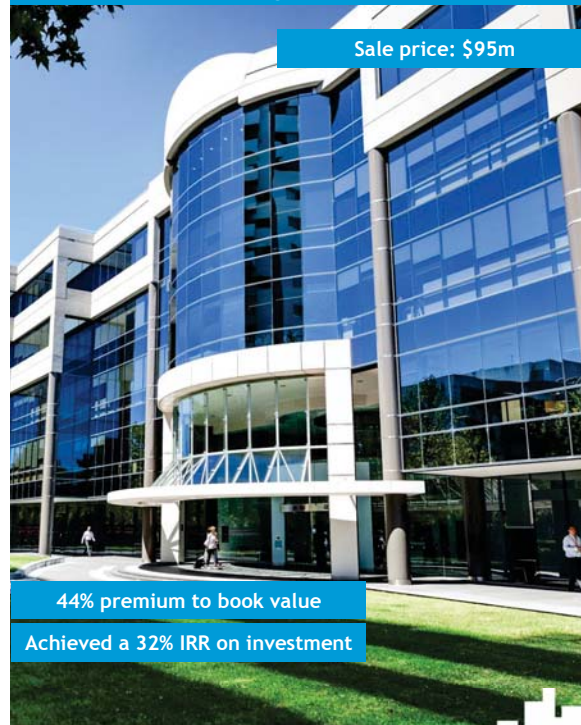
5 Martin Place, Sydney	Kings Square, Perth	480 Queen Street, Brisbane
29% forecast project IRR	15% forecast project IRR	17% forecast project IRR
7.3% yield on cost	8.2% yield on cost	7.0-7.2% yield on cost

ACHIEVEMENTS – Recent transactions

Acquisition of Waterfront Place Complex, Brisbane¹



Sale of 36 George Street, Burwood²



1. Jointly owned 50/50 by DEXUS and DEXUS Wholesale Property Fund.
2. DEXUS Office Partnership, in which DEXUS has a 50% interest, announced on 29 September 2015 that it had entered into an agreement to sell the property.

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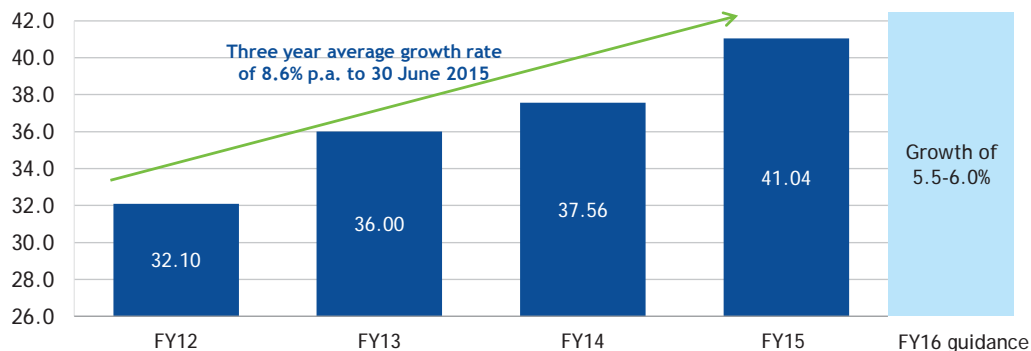
Slide 11

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SUMMARY

- Solid operating business set up to deliver growth through the cycle
- Delivering consistent performance
- Third party funds management business is set up for strong organic growth
- FY16 guidance¹ for growth in FFO and distribution per security of 5.5-6.0% from FY15

Distribution growth - cents per security



1. Barring unforeseen circumstances guidance is supported by the following assumptions: flat like-for-like income across the DEXUS combined portfolio, weighted average cost of debt of circa 4.9%, trading profits of approximately \$60m net of tax, Management Operations FFO of \$45-50m (including third party development management fees), approximately \$150m net proceeds from non-core property divestments during FY16, excluding any buy-back of DEXUS securities, and excluding any further transactions.

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Slide 12

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DISCUSSION AND QUESTIONS



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Slide 13



FORMAL BUSINESS



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Slide 14



RESOLUTION 1

Resolution 1: Adoption of the Remuneration Report

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

“That the Remuneration Report for the financial year ended 30 June 2015 be adopted.”

Proxy votes

Resolution		For	Open	Against
1. Adoption of remuneration report	%	97.22%	0.22%	2.56%
	Votes	736,938,604	1,637,067	19,408,073

RESOLUTION 2.1

Resolution 2.1: Approval of Independent Director

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

“That the continuing appointment of John Conde as Director of DEXUS Funds Management Limited be ratified.”

Proxy votes

Resolution		For	Open	Against
2.1 Approval of Independent Director	%	97.98%	0.22%	1.80%
John Conde	Votes	742,914,562	1,660,513	13,634,469

JOHN CONDE



RESOLUTION 2.2

Resolution 2.2: Approval of Independent Director

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

“That the continuing appointment of Richard Sheppard as Director of DEXUS Funds Management Limited be ratified.”

Proxy votes

Resolution		For	Open	Against
2.2 Approval of Independent Director	%	97.99%	0.22%	1.79%
Richard Sheppard	Votes	743,216,140	1,662,736	13,544,809

RICHARD SHEPPARD



RESOLUTION 2.3

Resolution 2.3: Approval of Independent Director

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

“That the continuing appointment of Peter St George as Director of DEXUS Funds Management Limited be ratified.”

Proxy votes

Resolution		For	Open	Against
2.3 Approval of Independent Director	%	98.00%	0.22%	1.78%
Peter St George	Votes	743,328,356	1,668,055	13,496,780

PETER ST GEORGE



RESOLUTION 3

Resolution 3: Ratification of placement

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

“That, for the purposes of ASX Listing Rules 7.1 and 7.4, the issue of 54,644,809 stapled securities, each comprising a unit in each of DEXUS Diversified Trust, DEXUS Industrial Trust, DEXUS Office Trust and DEXUS Operations Trust, to certain institutional and sophisticated investors at \$7.32 per Security on 28 April 2015 as described in the Explanatory Memorandum accompanying the Notice of Annual General Meeting convening the Meeting is hereby ratified for all purposes.”

Proxy votes

Resolution		For	Open	Against	
3	Ratification of placement	%	99.42%	0.35%	0.23%
		Votes	563,547,877	1,999,817	1,280,847

DISCUSSION AND QUESTIONS



SUMMARY



2005 TO 2015 – Then and now

DB Real Estate
Deutsche Bank Group



DB RREEF

Managed in partnership with Deutsche Bank



QUARRY AT GREYSTANES – 2007



QUARRY¹ AT GREYSTANES & QUARRYWEST² – TODAY



319,000 square metres of prime industrial facilities

1. Jointly owned by DEXUS and Australian Industrial Partner.
2. Jointly owned by DEXUS and DEXUS Industrial Partner.

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Slide 27

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1 Blich Street, Sydney – 2007

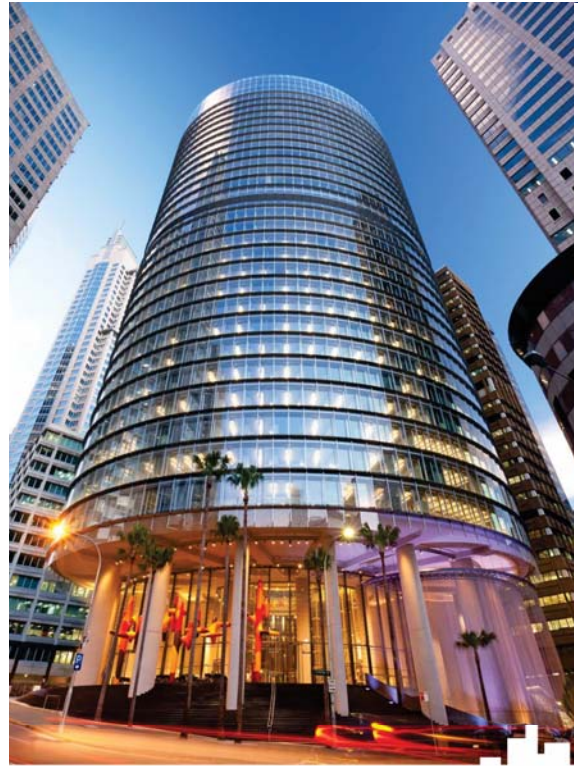


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Slide 28

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1 BLYTH STREET, SYDNEY – TODAY



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