

Dexus (ASX: DXS)

ASX release



28 February 2018

31 December 2017 distribution payment and HY18 Review

Dexus advises that the distribution for the six months ended 31 December 2017 will be paid to its Security holders today.

Dexus provides a copy of the letter sent to Security holders and the HY18 Review.

For further information please contact:

Investor Relations
Melanie Bourke
+61 2 9017 1168
+61 405 130 824
melanie.bourke@dexus.com

Media Relations
Louise Murray
+61 2 9017 1446
+61 403 260 754
louise.murray@dexus.com

About Dexus

Dexus is one of Australia's leading real estate groups, proudly managing a high quality Australian property portfolio valued at \$26.5 billion. We believe that the strength and quality of our relationships will always be central to our success, and are deeply committed to working with our customers to provide spaces that engage and inspire. We invest only in Australia, and directly own \$13.1 billion of office and industrial properties. We manage a further \$13.4 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$4.1 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. With 1.8 million square metres of office workspace across 55 properties, we are Australia's preferred office partner. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (trading code: DXS) and is supported by 28,000 investors from 20 countries. With more than 30 years of expertise in property investment, development and asset management, we have a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for investors. www.dexus.com

Download the Dexus IR app

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 (ASX: DXS)

Dexus Funds Management Limited
ABN: 24 060 920 783
AFSL: 238163

Level 25, Australia Square
264-278 George Street
Sydney NSW 2000

T: +61 1800 819 675
E: dexus@linkmarketservices.com.au

dexus.com



28 February 2018

Dear Security holder

Dexus delivered a strong result in the six months to 31 December 2017 and upgraded its guidance for distribution per security growth to 4.5-5.0% for FY18.

Details relating to the achievements across the group during the six months to 31 December 2017 can be found in our HY18 Review, which is also available at www.dexus.com

Please find enclosed:

- Your distribution statement for the six months ended 31 December 2017
- Dexus's HY18 Review

Distribution payment

Dexus delivered Funds from Operations (FFO) of \$321.8 million, or 31.6 cents per security, and a distribution of 23.7 cents per security for the six months ended 31 December 2017, up 9.2% on the previous corresponding period.

Determining the value of your Dexus holding

The value of your security holding at 29 December 2017 is provided on your distribution statement. Current price information is available on Dexus's website at www.dexus.com and is published daily in major Australian metropolitan newspapers.

Changing your details

You can access your security holding information online to update your personal details via the Investor login link available on the 'My Security Holding' section of our new look website at www.dexus.com. You can also nominate your preference in this section on the way we communicate with you, email address notifications and 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.

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 Security holding or from the Link Market Services website at linkmarketservices.com.au. Alternatively, you can contact the Dexus Infoline on +61 1800 819 675 or email dexus@linkmarketservices.com.au



Receive your communications electronically

We are committed to ensuring all investors have equal access to information about Dexus's business 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 our commitment to sustainable business practices, investor communications are also distributed via various electronic methods including:

- **Dexus website**

www.dexus.com – Dexus recently launched a new website providing a wide range of information for investors including easy access to information relating to your security holding, reports, ASX announcements, key dates and security price information. 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 Apple's App Store or Google Play

- **LinkedIn, Facebook and Twitter**

Dexus engages with its followers on LinkedIn, Facebook and Twitter. It's as simple as logging into your accounts and following Dexus

If you have any questions concerning your security holding, including unrepresented distribution income or cheques, please contact us on the Dexus Infoline on +61 1800 819 675.

Thank you for your continued support of Dexus.

Yours faithfully

David Yates
Executive General Manager
Investor Relations, Communications & Sustainability

dexus

Half Year Review 2018

Positive momentum



Dear Security holders,

We are pleased to report that Dexus delivered a strong result in the first six months of FY18 and upgraded its guidance for distribution per security growth for FY18.

Financial performance

Net profit after tax of \$997.1 million was up \$281.1 million from HY17, driven by revaluation gains of investment properties combined with an increase in Funds from Operations. Distribution per security for the six months ended 31 December 2017 was 23.7 cents, up 9.2% on the previous corresponding period.

Property values continued to grow in the six months to 31 December 2017, with our office and industrial portfolio recording a \$730.2 million or 6.4% increase on prior book values, \$334.2 million higher than the previous corresponding period. Most of the valuation uplift was due to further capitalisation rate compression experienced in both Sydney and Melbourne, supported by market sales evidence, with the remainder from market rent growth.

We continued our active approach to managing our capital, enhancing our duration of debt to seven years through the completion of our largest ever debt raising.

Transactional activity

We had a busy period of transactional activity which included the settlement of the acquisition of the MLC Centre (25% interest), 100 Harris Street in Sydney and 90 Mills Road, Braeside. Alongside our Office Partner, we also acquired 56 Berry Street, North Sydney and exchanged conditional contracts to sell 11 Waymouth Street, Adelaide, consistent with our strategy of divesting assets from non-core markets.

Strong property portfolio performance

Our office and industrial portfolios achieved returns of 15.8% and 15.4%, driven mostly by valuation uplifts and leasing.

Across Dexus's office portfolio we leased 82,577 square metres of space, in addition to 35,828 square metres of development leasing, locking in future income streams.

The high levels of office enquiry in Perth has materialised into significant leasing at 240 St Georges Terrace, while Brisbane is showing signs of improvement.

In Sydney, we have benefited from large companies in the health, insurance and pharmaceutical sectors centralising into the CBD, while in Melbourne the education sector has grown its CBD footprint.

Moving into 2018, we expect the underlying fundamentals in the markets of Sydney and Melbourne, along with improving fundamentals in Perth and Brisbane, to support rental growth and drive valuation upside. We expect to see low capitalisation rates, especially for well leased Prime properties, continuing to support values in our key markets.

Our industrial portfolio continues to benefit from an uptick in logistics and e-commerce demand, which contributed to leasing of 118,537 square metres of space, resulting in an improvement in occupancy to 97.5%.

From a sustainability perspective, Dexus was rated No.1 globally in listed office by the Global Real Estate Sustainability Benchmark, the leading global real estate benchmark dedicated to assessing the sustainability performance of the property sector.

Progressing the development pipeline

We activated new office projects in the group's \$4.2 billion development pipeline, to create future value for Dexus and our third party clients.

Construction progressed at 100 Mount Street in North Sydney where NBN was secured, being the first major leasing deal for the project since commencement in early 2016. As a result, the building is now 60% committed ahead of its completion in early 2019.

Two industrial developments leased to Isuzu and Anmar were completed in Laverton North, Victoria and five projects are underway in NSW and Victoria, all 100% pre-leased.

Delivering continued performance for funds

We announced the completion of the first equity raise for the Healthcare Wholesale Property Fund, adding three new clients onto our \$13.4 billion funds management platform. All funds delivered strong performance, with Dexus Wholesale Property Fund outperforming its benchmarks over all time periods and the Dexus Office Partnership delivering a one year unlevered total property return of 16.5%.

Trading profits on track

We secured \$14.3 million of trading profits primarily from the sale of 105 Phillip Street, Parramatta. Progress was made at 12 Frederick Street, St Leonards with the completion of a leasing expression of interest campaign in late 2017 and submission of development concepts for planning approval. We remain confident of achieving our FY18 trading profit target of \$35-\$40 million post tax, through the sale of one other trading property, which is expected in the second half of FY18.

Summary

Our long-standing strategy is working for investors. The combination of earnings from our properties, funds management and trading, has enabled us to deliver consistent growth in distributions, through a variety of market conditions, over the past six years. Australia is expected to continue to benefit from global economic growth, population growth and considerable construction activity in the infrastructure sector over the next two years, which we believe will have a positive flow on effect to demand for office and industrial space. We are well positioned to continue to benefit from strong and improving property fundamentals and deliver future growth. Our guidance for distribution per security growth has been upgraded to 4.5-5.0% from 4.0-4.5% for FY18.

Darren Steinberg
Chief Executive Officer

Statutory net profit

\$997.1^m

Distribution
per security

23.7^c

Gearing

26.5[%]

Development activity

Our \$4.2 billion pipeline of development projects, \$2.1 billion of which sits in our funds management business, will make a significant contribution to investment performance over the next three to five years.

We have activated two office development projects that will leverage our leasing and development expertise, while enhancing future income streams. Located in Melbourne and Brisbane these projects are set to deliver double digit returns and provide the opportunity to add new customers to our portfolio. These include:

- 180 Flinders Street in Melbourne where we will develop approximately 20,100 square metres of A-grade workspace above the existing carpark and reposition the property
- The Annex at 12 Creek Street in Brisbane will involve the demolition of the existing retail building and development of circa 6,700 square metres of workspace and retail amenity

We continue to evolve our capabilities to apply to our developments, including city retail, healthcare and mixed use expertise, which is increasingly important in identifying and unlocking value from our portfolio.



>Dexus today

This year marks the 10th anniversary of Dexus's formation, when the group internalised and became independent from Deutsche Bank.

Today, Dexus is the largest owner and manager of prime grade office properties in Australia with a significant position in the Sydney office market, Australia's strongest performing market.

Dexus has a growing funds management business which continues to achieve strong performance and attract new capital, in addition to an established trading capability that has delivered significant trading profits since FY11.

Dexus's development pipeline provides opportunities to grow future investor returns. Underpinning everything Dexus does is a strong balance sheet, which also provides capacity for future opportunities.



Investor Information

If you have any questions regarding your security holding or wish to update your personal or distribution payment details, contact:

Dexus Infoline on +61 1800 819 675

Email: dexus@linkmarketservices.com.au

www.linkmarketservices.com.au

Responsible Entity

Dexus Funds Management Limited

ABN 24 060 920 783

AFSL 238163

Level 25, Australia Square

264 George Street

Sydney NSW 2000

Australian Securities Exchange

ASX Code: DXS

Key Dates

30 August 2018

Final distribution payable

Attribution Managed Investment Trust

Member Annual Statements dispatched

24 October 2018

Annual General Meeting

Dexus IR App

Download the Dexus IR App to your preferred mobile device to gain instant access to the latest DXS information.

