2018 Half Year Results

14 February 2018

Dexus Funds Management Limited
ABN 24 060 920 783
AFSL 238163 as responsible entity for Dexus

Agenda

Introduction	Darren Steinberg – Chief Executive Officer
Financial results	Alison Harrop – Chief Financial Officer
Property portfolio performance	Kevin George – EGM, Office and Industrial
Transactions, developments and trading	Ross Du Vernet – Chief Investment Officer
Funds management	Darren Steinberg – Chief Executive Officer
Summary and outlook	
Questions	

Dexus today

Overview

Creating value from earnings drivers

PROPERTY PORTFOLIO

- Largest owner and manager of prime grade office properties in Australia with scale to deliver great outcomes for our customer base across Sydney, Melbourne, Brisbane and Perth CBDs

FUNDS MANAGEMENT

- Leverages Dexus's core capabilities to deliver investment plans and drive performance for third party clients
- Demonstrated ability to attract new clients

TRADING

- Established capability that leverages leasing, development and transaction expertise
- Delivered $164 million of trading profits, net of tax, since FY11

+

DEVELOPMENT

Pipeline of value-enhancing opportunities across multiple sectors, located primarily in cities that will benefit from the global trend of urbanisation

UNDERPINNED BY A STRONG BALANCE SHEET

Positive fundamentals for office

State of the market

Australian economic view

$230 billion
infrastructure investment across Australia:
$90 billion underway with $140 billion planned

Over the next five years we expect…

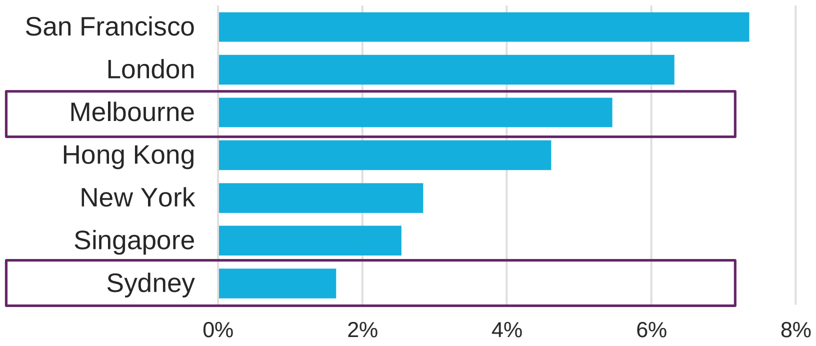
Australian population to grow by **8.0%**

Service sector jobs to be up **12.6%**

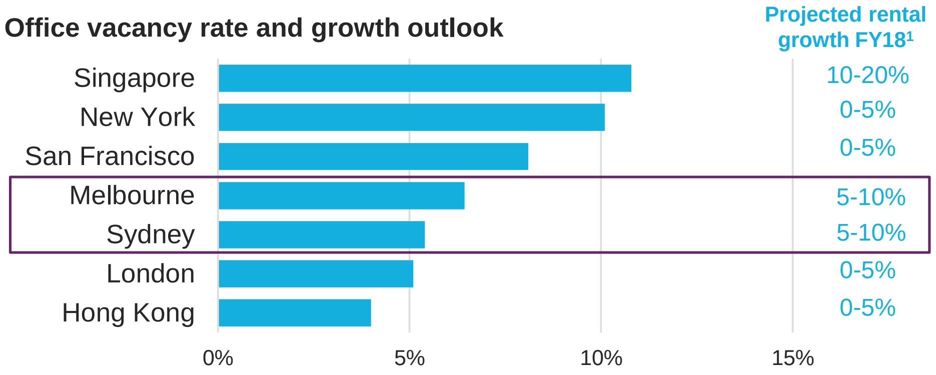
Real estate view

Office supply forecast 2018-2019

Completions as a % of total stock



Office vacancy rate and growth outlook



Source: JLL Research, IMF, Deloitte Access Economics, Dexus Research.
1. Face rental growth

Active six-month period
HY18 highlights

- Strong leasing maintained **high portfolio occupancy**
    - Income commenced from leases secured over the past 12 months
    - Secured development leasing **locking in future income streams**
- **Completed first equity raise** for Healthcare Wholesale Property Fund
- **Confident in securing FY18 trading profit[1] target of $35-40 million**
- **Enhanced our duration of debt to 7 years** through completion of our largest ever long dated debt transaction
- **Achieved 87% employee engagement score**

1. Net of tax.

Financial results

Key earnings drivers deliver results

Underlying business performing

Creating value from earnings drivers

Underlying business

Driver	FY18 target	HY18 progress
PROPERTY PORTFOLIO	circa 4-5% office l-f-l income growth circa 3-4% industrial l-f-l income growth	Property AFFO [1] of $288.5 million -0.4% office l-f-l income growth will grow to 4-5% for FY18 +1.0% industrial l-f-l income growth will grow to 3-4% for FY18
FUNDS MANAGEMENT	Management Operations FFO of circa $50m	FFO of $25.1 million
TRADING	Approximately $35-40m trading profits[2]	Trading profits of $14.3 million[2] primarily from the sale of 105 Phillip Street Parramatta

1. AFFO contribution is calculated before finance costs, group corporate costs and tax. Property AFFO is equal to Property FFO of $364.0 million less total portfolio capex of $75.5 million.
2. Net of tax.

Delivered strong financial result in HY18

	HY18 $m	HY17 $m	Change %
Office property FFO	**299.4**	292.6	2.3%
Industrial property FFO	**64.6**	53.7	20.3%
Total property FFO	**364.0**	346.3	**5.1%**
Management operations[1]	**25.1**	21.0	19.5%
Group corporate	**(13.6)**	(10.7)	(27.1%)
Net Finance costs	**(63.3)**	(64.5)	1.9%
Other[2]	**(4.7)**	(4.4)	(6.8%)
Underlying FFO[3]	**307.5**	**287.7**	**6.9%**
Trading profits (net of tax)	**14.3**	**8.3**	**72.3%**
FFO	**321.8**	**296.0**	**8.7%**
Adjusted Funds from Operations (AFFO)	**246.3**	**214.3**	**14.9%**
Distribution payout (% AFFO)	**97.9%**	98.0%	
Distribution	**241.1**	**210.1**	**14.8%**

- Office property FFO growth due to lease commencements across the portfolio and acquisitions in July 2017
- Industrial property FFO growth driven by increased occupancy from lease commencements, income from completed developments and acquisitions
- Management operations increased as a result of revaluation growth and a strong first half of office leasing
- Management Expense Ratio (MER) benefited from increased revaluations, reducing to 33 basis points

	HY18	HY17	Change
Underlying FFO per security[3]	30.2	29.7	1.7%
FFO per security	31.6	30.6	3.3%
Distribution per security	23.7	21.7	9.2%
	HY18	**FY17**	
NTA per security	$9.16	$8.45	8.4%

1. Management operations income includes development management fees.
2. Other FFO includes non-trading related tax expense.
3. Underlying FFO excludes trading profits net of tax.

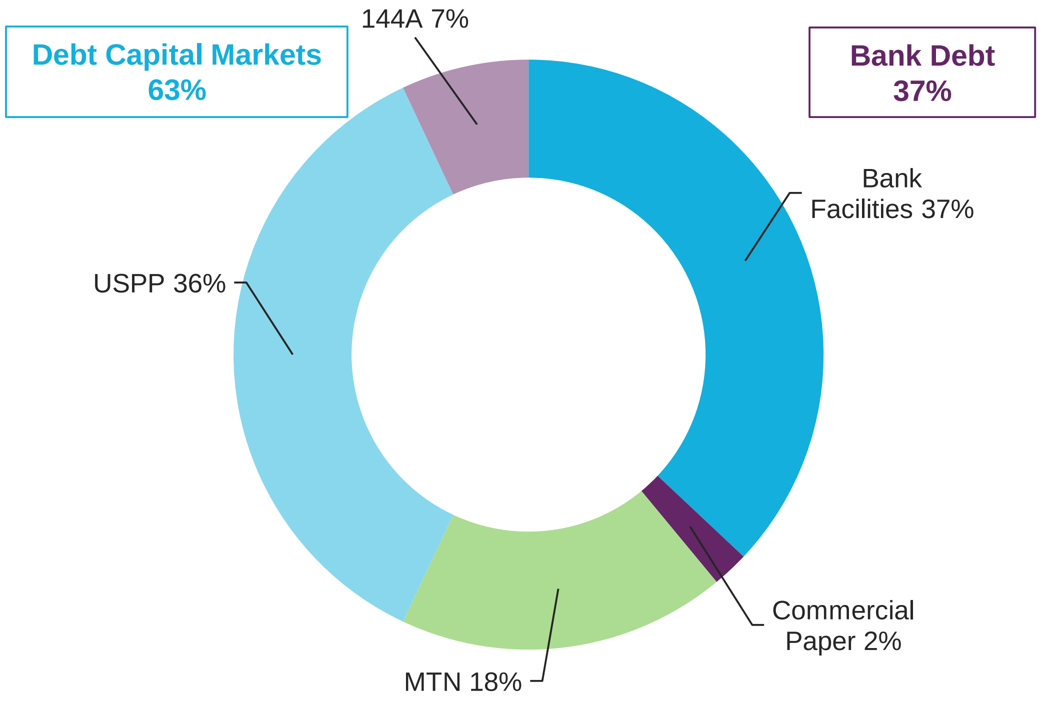
Maintained balance sheet strength

Completed Dexus's largest ever long-dated debt transaction

- Improved debt duration and diversity of funding sources
- Issued $653 million dual currency US Private Placement
  - Four tranches across 12 and 15 years equating to an average duration of 13.5 years, including $150 million of A$ fixed debt
  - Average margin of 175 basis points on US$ tranches
  - Average coupon of 4.68% on A$ tranches
- Continue to benefit from a low interest rate environment

Key metrics	31 Dec 2017	30 June 2017
Gearing (look-through)[1]	26.5%	26.7%[2]
Cost of debt[3]	4.0%	4.1%
Duration of debt	7.0 years	5.6 years[5]
Hedged debt (incl caps)[4]	67%	65%
S&P/Moody's credit rating	A-/A3	A-/A3

Diversified sources of debt



1. Adjusted for cash and debt in equity accounted investments.
2. Pro forma gearing is adjusted for the acquisitions of MLC Centre, Sydney, 100 Harris Street, Pyrmont, 90 Mills Road, Braeside and the sales of 30-68 Taras Avenue, Altona North and 46 Colin Street, West Perth, including the impact of transactions costs. Actual gearing (look-through) is 22.1% at 30 June 2017.
3. Weighted average across the period, inclusive of fees and margins on a drawn basis.
4. Average for the period. Hedged debt (excluding caps) was 56% for the 6 months to 31 December 2017 and 59% for the 12 months to 30 June 2017.

Property portfolio performance

Strong HY18 valuation uplift

Market evidence and leasing success driving valuations

Total portfolio

Valuation uplift[1]

$730.2m

Cap rate[2]

5.66% ↓ **29 bps**

FY17: 5.95%

Office

Valuation uplift

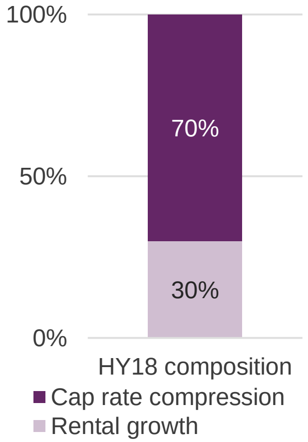
$662.9m

FY17: $625.8m

Cap rate[2]

5.50%

FY17: 5.78%



Industrial

Valuation uplift

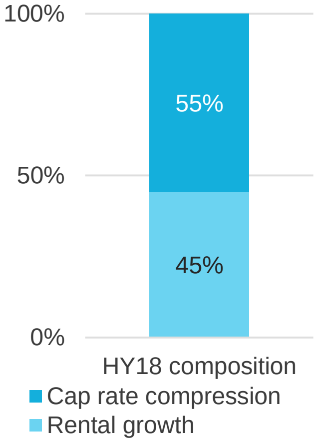
$62.3m

FY17: $78.9m

Cap rate[2]

6.65%

FY17: 6.88%



Valuation performers[3]

383-395 Kent Street, Sydney

DXS 100% interest up **$77.5m** or 29.3% to $342.0m

Australia Square, Sydney

DXS 50% interest up **$73.9m** or 17.3% to $500.0m

45 Clarence Street, Sydney

DXS 100% interest up **$57.3m** or 15.3% to $431.0m

12 month outlook

Future valuation uplifts to be driven by further strengthening in underlying assumptions including reduced downtime and incentives combined with increased market rents

1. Includes healthcare property revaluation gain of $5.0 million.
2. Weighted average capitalisation rate.
3. At Dexus ownership.

Active period of office leasing

Leasing across core markets

Office portfolio leasing | **Development leasing**

Sydney

One Farrer Place & Grosvenor Place

- Secured three customers across 6,600sqm continuing the trend of health, insurance and pharmaceutical related companies centralising into CBD

MLC Centre

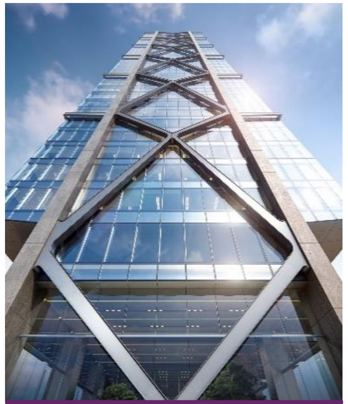
- Completed six leasing deals across 1,172sqm in line with acquisition metrics

Melbourne

QV 222 Lonsdale St

- Secured new lease to RMIT and renewal of GHD Services across 18,091sqm

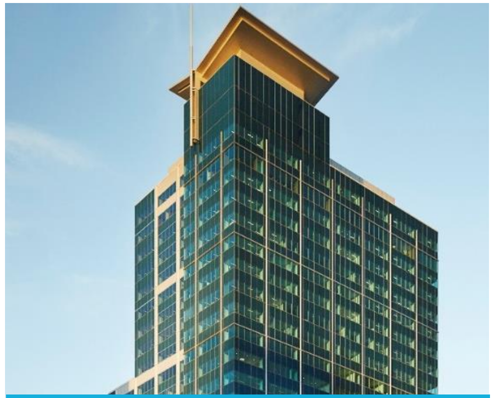
Sydney



100 Mount Street

- Committed NBN across 20,364sqm
- Now 60% committed

Perth



240 St Georges Terrace

- Committed approx. 40% of the area (15,464sqm) being vacated by Woodside in December 2018

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Office leasing enquiry strong
Business sentiment enhancing results

Leasing by area[1]

82,577sqm

Average incentives[1]

15.0%

FY17: 14.5%

Occupancy

96.5%

FY17: 97.2%

Sydney leasing spread[1]

+16%

Effective L-F-L income

-0.4%

Face: 0.7%

- 6.1% excluding 30 The Bond, Sydney
- Confident will be 4-5% for FY18

One-year total return[2]

15.8%

Total return outperformers

40.2%
60 Miller Street, North Sydney

24.9%
8 Nicholson Street, Melbourne

24.3%
Australia Square, George Street, Sydney

1. Excluding development leasing.
2. Portfolio unlevered total return.

Consistent lease expiry profile

Addressing leasing risk in future years

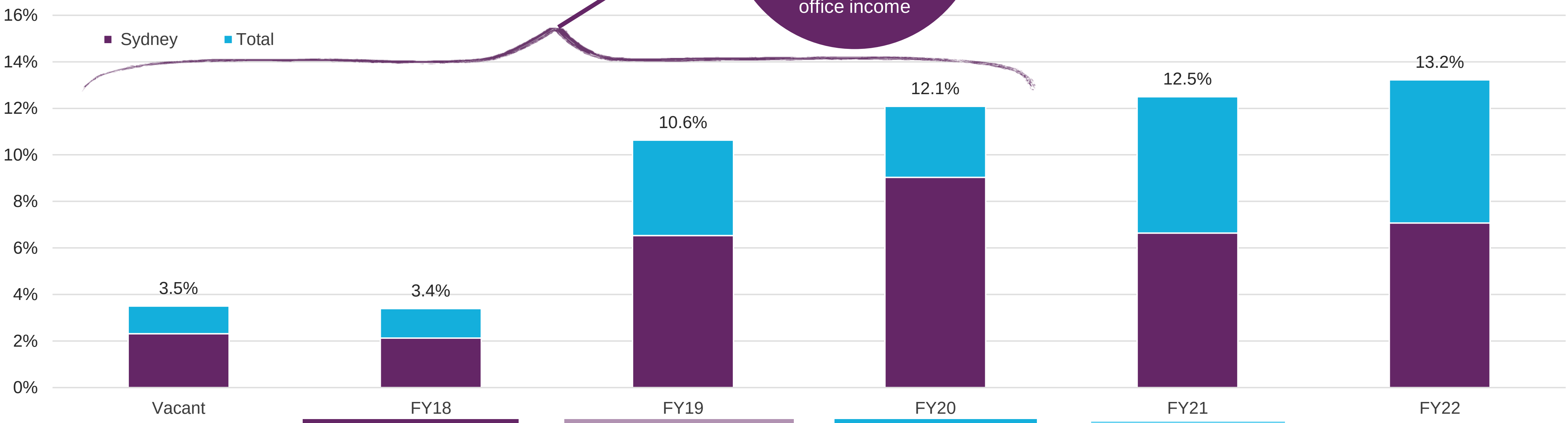
WALE[1]

4.6 years

FY17: 4.8 years

192,105sqm
of expiries
up to and including FY20
in Sydney
= 20%
office income

- Focus on vacancy at Sydney Olympic Park and future expiries in Perth



FY18 Key expiries
100 Harris St (0.5%)
240 St Georges Tce (0.4%)
12 Creek Street (0.3%)

FY19 Key expiries
240 St Georges Tce (2.5%)
150 George St[2] (0.8%)
11 Talavera Rd (0.7%)

FY20 Key expiries
1 Margaret St (1.0%)
Australia Square (0.9%)
201 Elizabeth St (0.8%)

FY21 Key expiries
Kings Square (1.1%)
45 Clarence St (0.9%)
175 Pitt St (0.7%)

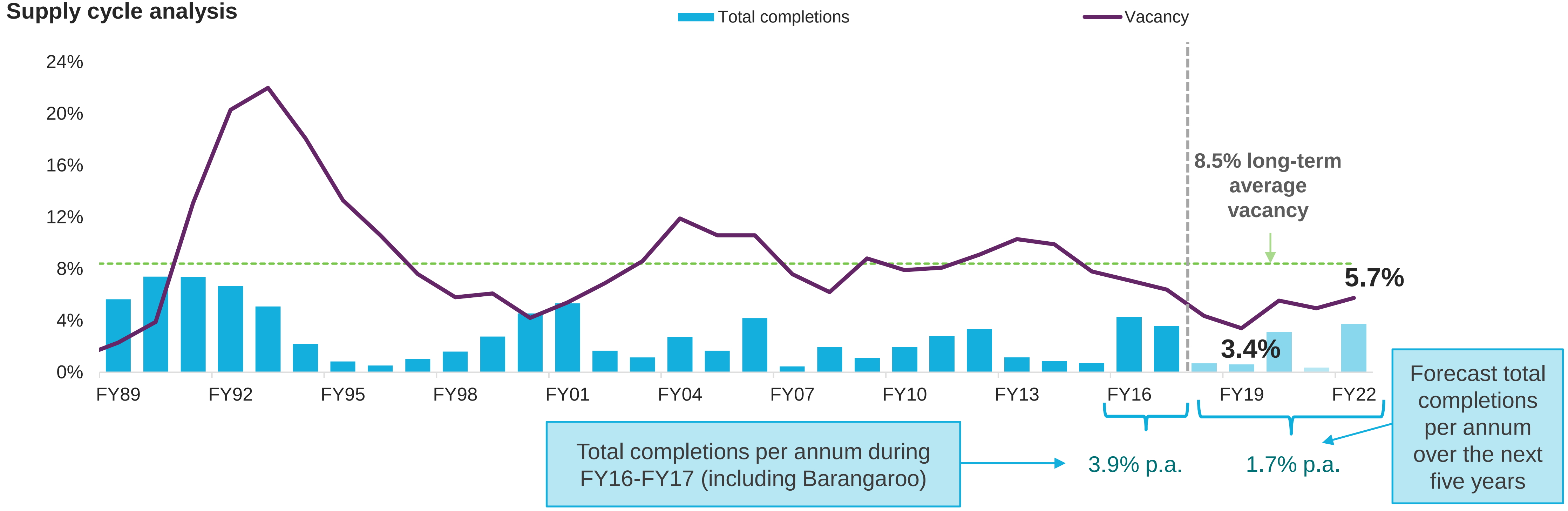
1. Weighted average lease expiry.
2. Post 31 December 2017, a three year option has been exercised by CBA at 150 George Street and 101 George Street, Parramatta, not reflected in the HY18 lease expiry profile or metrics.

Sydney CBD office supply

Putting it into perspective

- The rate of supply during FY18-FY22 to be less than half of supply in FY16-FY17 (including Barangaroo)
- Demand expected to largely absorb the supply keeping vacancy at or below average

Supply cycle analysis



Source: Dexus Research, JLL.

Industrial portfolio activity continues

Uptick in e-commerce and logistics demand

Leasing by area

118,537sqm

Average incentives

15.8%

FY17: 14.5%

Occupancy

97.5%

FY17: 96.5%

WALE[1]

5.0 years

FY17: 5.1 years

Effective L-F-L income

+1.0%

Face: 8.8%

To grow to 3-4% for FY18

One-year total return[2]

15.4%

Total return outperformers

27.2%
5 Basalt Road, Greystanes

26.1%
27-29 Liberty Road, Huntingwood

25.0%
2-6 Basalt Road, Greystanes

1. Weighted average lease expiry by income, including completed developments.
2. Portfolio unlevered total return.

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Sustainability

Leadership recognition and progress towards 2020 target

Recognition in latest sustainability results

- Dexus office portfolio ranked No.1 in Global Listed and Australian Listed categories in GRESB which assessed 850 real estate portfolios representing > US$3.7 trillion of AUM

- Dexus achieved Silver Class Sustainability Award by RobecoSAM in The Sustainability Yearbook 2018

ROBECOSAM
Sustainability Award
Silver Class 2018

Progressing 5 star NABERS Energy target

Transactions, Development & Trading

$4.2 billion group development pipeline

Concentrated in major cities and supported by broad capability

Exposure across Australian CBDs

Office

Waterfront Place, Brisbane
Dexus and Dexus Wholesale Property Fund

$1,899m

($833m committed)

including:
180 Flinders Street, Melbourne
12 Creek Street, Brisbane
11 Talavera Road, Macquarie Park
Waterfront Place Precinct

City retail

175 Pitt Street, Sydney
Dexus and Dexus Office Partner

$207m

($85m committed)

including:
175 Pitt Street, Sydney
1 Farrer Place, Sydney
44 Market Street, Sydney

Mixed use

201 Elizabeth Street, Sydney
Dexus

$816m

(Uncommitted)

including:
201 Elizabeth Street, Sydney
Waterfront Place Precinct

70% of the pipeline

Industrial

Quarrywest, Greystanes
Dexus and Dexus Industrial Partner

$362m

($175m committed)

including:
Quarrywest, Greystanes
Dexus Industrial Estate, Laverton North

Retail

Willows Shopping Centre
DWPF

$579m

($151m committed)

including:
Willows Shopping Centre
Smithfield Shopping Centre
Westfield Plenty Valley

Healthcare

Calvary Adelaide Hospital
HWPF

$325m

($325m committed)

Calvary Adelaide Hospital

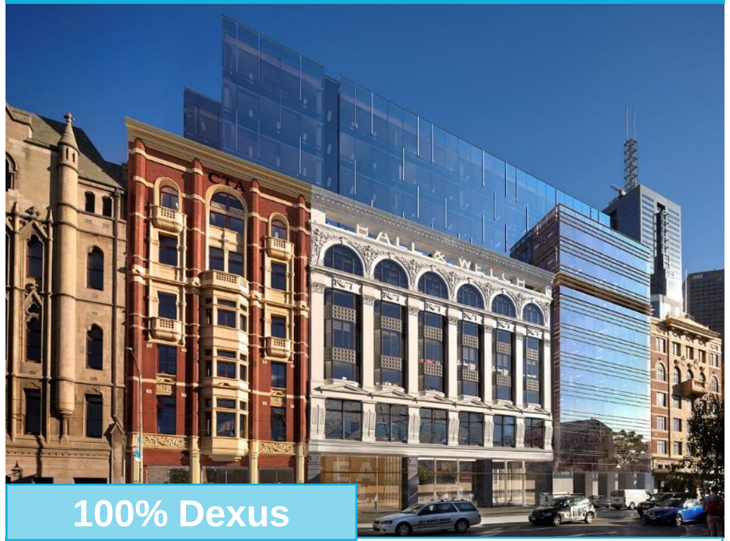
Circa 7.6% of balance sheet FUM is allocated to development[1] at 31 December 2017

1. Includes trading and value-add opportunities.

Activating office developments

Leveraging leasing and development expertise

Development of 180 Flinders Street, Melbourne



100% Dexus

Project cost[1]: $146 million
Project overview: A 20,100sqm value-add development opportunity to create new office above existing car park and reposition property
Target completion: mid 2020
Target yield on cost: 6-7%

Development of Annex, 12 Creek Street, Brisbane

50% Dexus / 50% DWPF

Project cost: $30 million
Project overview: A 6,700sqm development to utilise land space and provide opportunities for smaller space users
Target completion: August 2019
Target yield on cost: 7-8%

Refurbishment of 240 St Georges Terrace, Perth

40% of Woodside space committed

100% Dexus

Refurbishment budget: $165 million
Project overview: Reposition asset to provide greater ground floor amenity and refurbish office tower floors across 47,800sqm
Target completion: late 2021
Target yield on cost: circa 7%

1. Includes associated refurbishment works.

Strength at industrial estates

Developing to capture customer demand

Development of Quarrywest, Greystanes

50% Dexus / 50% Dexus Industrial Partner

Project cost[1]: $109 million
Project overview: 46,300sqm completed (5 properties), 41,500sqm (5 properties) under construction and 100% pre-leased. A further 33,400sqm remains to be built out to complete the estate.
Target completion: September 2018
Target yield on cost: 7-8%

Development of Laverton North Industrial Estate, Melbourne

100% Dexus

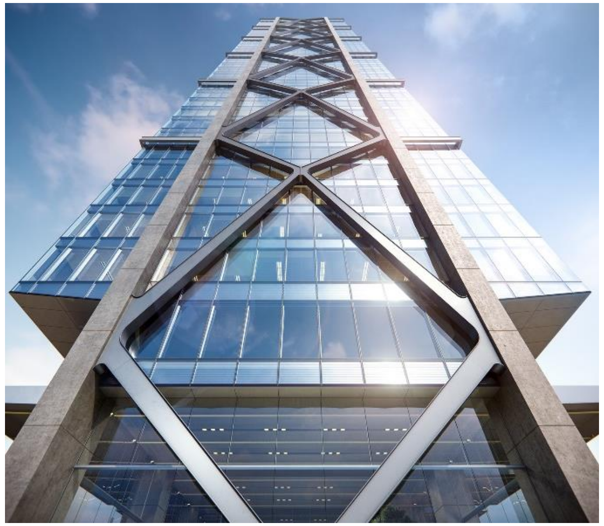
Project cost: $224 million
Project overview: 73,600sqm (4 properties) completed, 42,600sqm (2 properties) under construction and 100% pre-leased.
66,700sqm remains uncommitted and to be built out to complete the estate.
Target completion: June 2020
Target yield on cost: 7-8%

1. Dexus interest only.

Value creation from development pipeline

100 Mount Street, North Sydney

- 90 and 100 Mount Street development site acquired for initial acquisition price of $41 million on 11 February 2016
- Total development cost of $462 million[1] with a target yield on cost of 8%
- 25,400 square metres committed (60% of space)
- Active enquiry on remaining space
- Delivering smart building solutions designed to future proof the asset, including secured connectivity and advanced security and occupancy data
- Achieved 5 star Green Star Certification and targeting a WELL Gold Shell and Core rating



100m from Victoria Cross Metro stop opening 2024

1. Including initial acquisition price.

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Trading business

Positioned to deliver FY18 target

- On track to deliver $35-40 million (net of tax) for FY18
  - Secured $14.3 million (net of tax) of trading profits in HY18
- 32 Flinders Street, Melbourne is currently being marketed for sale
- 12 Frederick Street, St Leonards is well positioned for a fund through sale
- Trading pipeline of $100-$120 million of trading profits (net of tax) over the next four years

Trading projects	Current use	Trading strategy	FY18	FY19	FY20	FY21	FY22+
32 Flinders Street	Carpark	Rezoning					
140 George Street[1]	Office	Development					
Lakes Business Park South	Industrial	Development					
12 Frederick Street – Stage 1	Industrial	Healthcare development					
Gladesville[2]	Industrial	Rezoning					
12 Frederick Street – Stage 2	Industrial	Healthcare development					

1. Transferred to trading book in August 2017.
2. Transferred to trading book in July 2017.

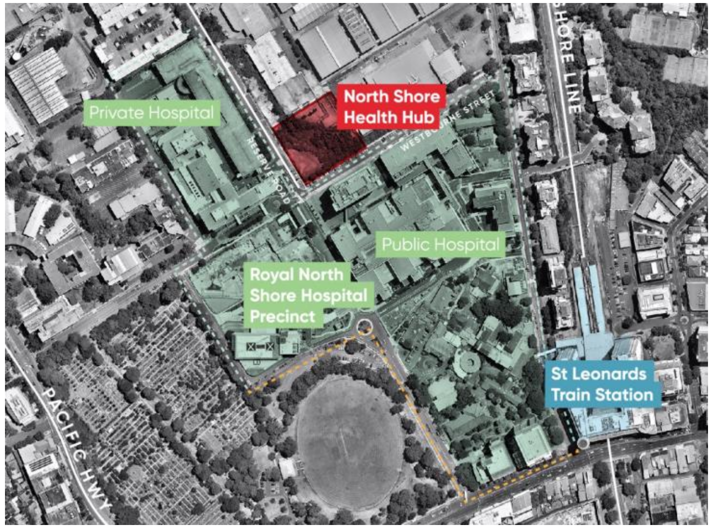
Future trading opportunity

12 Frederick Street, St Leonards – Stage 1

- Stage 1 represents approximately 15,000 square metres of NLA (circa 25% of total site)
- Dexus-owned and controlled site located adjacent to the Royal North Shore Hospital and North Shore Private Hospital, a major NSW healthcare precinct
- Planning Proposal (rezoning) endorsed by Council and Department of Planning, exhibited and awaiting gazettal
- State Significant Development Applications lodged and under determination
- Provides opportunities for a range of specialist operators, resulting in over 20,000sqm of enquiry
- Indicative value on completion of $200-$250 million
- First right of refusal for Healthcare Wholesale Property Fund to acquire

Proposed development of a **specialist health hub** in Sydney's St Leonards

Artists Impression, subject to planning consent and pre-lease



Funds Management

New fund completes first equity raise

Healthcare Wholesale Property Fund

- Completed first equity raise and initial capitalisation of Healthcare Wholesale Property Fund (HWPF) securing three new clients onto the funds platform

- Seeded with approximately $370 million[1] of properties and has an additional pipeline of high quality opportunities with an estimated on completion value of $445 million

- The new Calvary Adelaide Hospital (under construction) and the GP Plus Health Care Centre are the seed assets for the fund

- A further equity raise to be completed in 2018 for further pipeline opportunities


Construction of Calvary Adelaide Hospital – north west view of the site

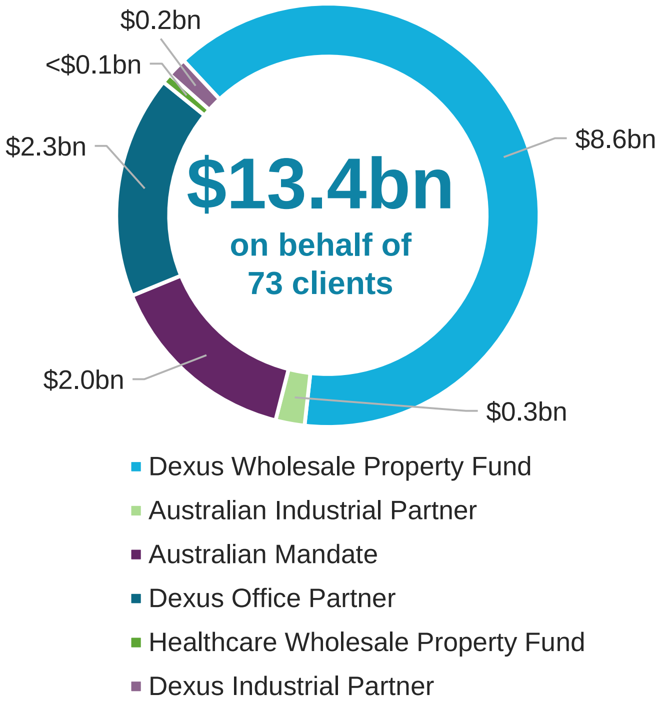

Artist's impression of Calvary Adelaide Hospital

1. On completion value.

Continuing to deliver for Funds Management clients

Driving performance and delivering growth

Funds Management platform



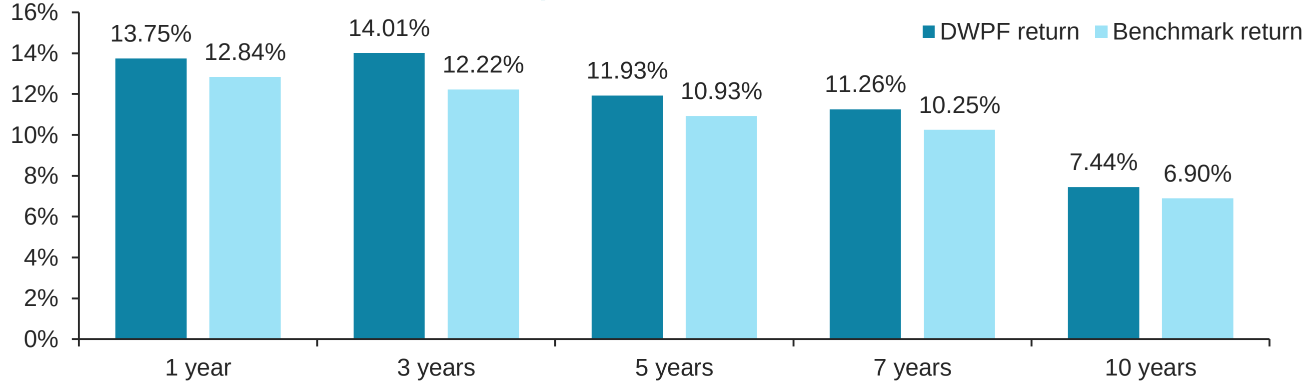
Delivering on clients' investment objectives

All funds delivered strong performance

Dexus Office Partnership delivered strong returns

- 1 year unlevered total property return of 16.5%
- Annualised unlevered total property return since inception of 15.3%

DWPF outperformed its benchmark



Third party development pipeline

$2.1bn

- Active projects in retail and healthcare sectors
- $1.3 billion uncommitted

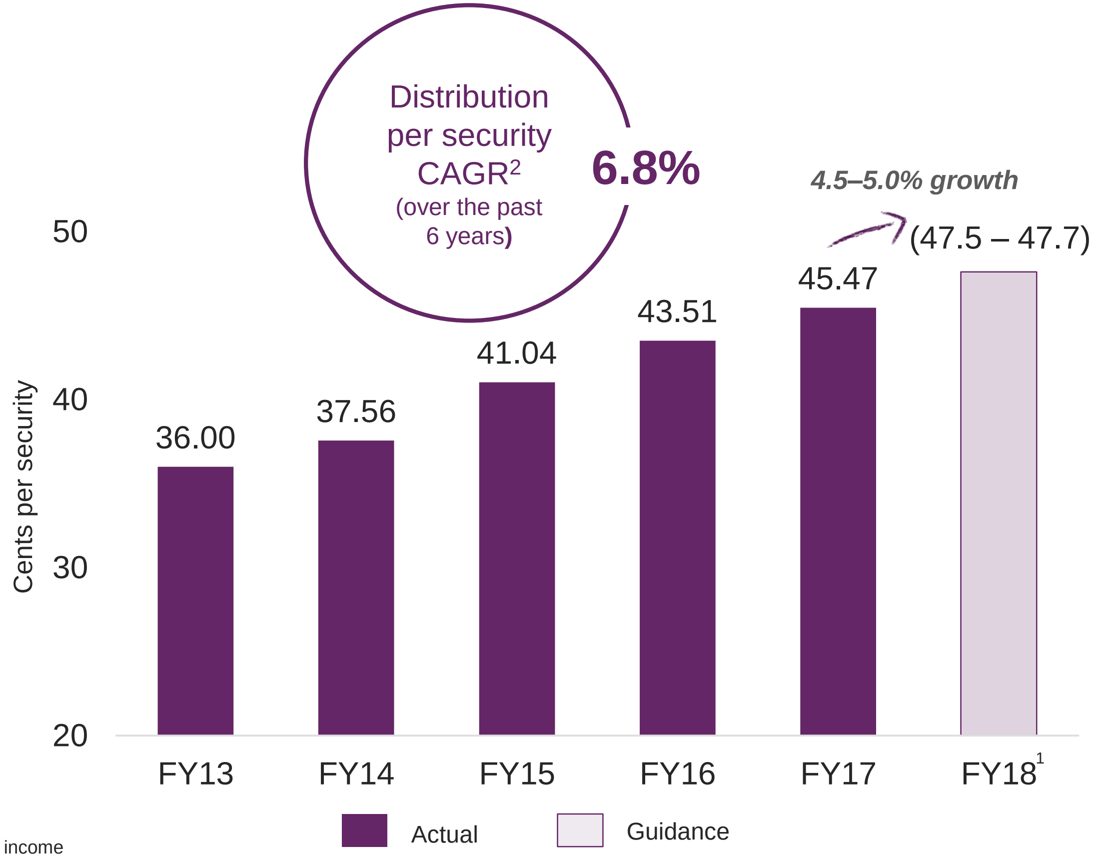
Summary and outlook

Summary

FY18 outlook and guidance

- Long-standing strategy continues to deliver
- Over the next two years, Australian cities are set to continue to benefit from global economic growth, population growth and infrastructure activity
- We expect to see support for real estate values over the next 12 months within our core markets
- Dexus is well positioned to improve performance across a number of areas in the underlying business
- Upgraded market guidance[1] for distribution per security growth to 4.5-5.0% from 4.0-4.5% for the 12 months ending 30 June 2018
- Recent volatility in equity markets, has resulted in Dexus announcing plans to initiate an on-market securities buy-back of up to 5% of Dexus securities on issue, providing the opportunity to enhance investor returns

Dexus distribution per security (cents)[2]



1. Barring unforeseen circumstances guidance is supported by the following assumptions: Impacts of announced divestments and acquisitions; underlying FFO per security growth of 2.5-3.0% underpinned by Dexus office portfolio like-for-like growth of 4-5%, industrial portfolio like for like income growth of 3-4%, management operations FFO of c.$50 million and cost of debt in line with FY17; trading profits of $35-40 million net of tax; maintenance capex, cash incentives, leasing costs and rent free incentives of $165-170 million; and excluding any further transactions.
2. Adjusted for the one-for-six security consolidation completed in FY15. Compound annual growth rate (CAGR) is calculated over six years, assuming mid-point of FY18 guidance is met.

Questions

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AFSL 238163 as responsible entity for Dexus