Chair and CEO review

We entered the year with a clear strategy and readiness to respond to both market opportunities and challenges.

Richard Sheppard
Chair

Darren Steinberg
Chief Executive Officer

Our focus on maintaining a leading position in the Australian property market has been achieved through delivering strong financial results underpinned by the performance of our portfolio, selective acquisitions where we could add value, growth in our funds management business and the delivery of trading profits.

Our strategic objectives of leadership in office and being the funds management partner of choice are underpinned by two megatrends, urbanisation and the growth in global pension capital fund flows. Urbanisation will drive long term value creation from our properties located in key economic hubs around Australia, while the growth in global pension capital fund flows is contributing to the attraction of like-minded partners and investors to invest alongside us over the long term.

Total funds under management increased to $31.8 billion, with $15.6 billion directly invested in office and industrial assets. Dexus remains Australia's largest owner and manager of office property, with $21.8 billion invested in the Central Business Districts (CBDs) of key office markets around Australia. Our scale provides us with the ability to produce solutions that meet the evolving needs of our customers.

In our funds management business, we now manage $16.2 billion of properties across the office, industrial, retail and healthcare sectors, providing an important source of income and assisting us in obtaining scale in our core markets.

This year we have adopted elements of integrated reporting to enhance the way we report to our investors and demonstrate our focus on long-term value creation. We also defined our organisational purpose, which reinforces our reason for being in business. It is a key anchor for employee engagement and attracting talent, and will align our decision making to values and principles beyond financial outcomes.

Securing opportunities. Adding value.

A consequence of our scale means that we are continually reviewing acquisition opportunities and seeking properties where we can add value.

This approach resulted in the group securing $3.1 billion of properties this year while increasing our exposure in a tightly held precinct of the Melbourne CBD. These included:

- A future development site at 60 and 52 Collins Street, Melbourne (100% Dexus) to create the latest generation of prime office space in the 'Paris end' of the Melbourne CBD
- A large-scale mixed-use development at 80 Collins Street, Melbourne (75% Dexus, 25% Dexus Wholesale Property Fund (DWPF)) further expanding our presence in the 'Paris end' of the Melbourne CBD
- The remaining 50% interest in MLC Centre, Sydney (25% Dexus, 25% DWPF), enabling the commencement of a project to transform the precinct into a true mixed-use destination, which involved securing a long-term lease with the NSW Government to enable the reactivation of the Theatre Royal
- Three properties located adjacent to 56 Pitt Street, Sydney (50% Dexus, 50% Dexus Office Partner), two of which have exchanged to be acquired on delayed settlement terms post 30 June 2019, providing a compelling opportunity to consolidate the site and create a potential super site (Pitt and Bridge precinct) to deliver a significant office development located in the financial core of the Sydney CBD in a future supply cycle.

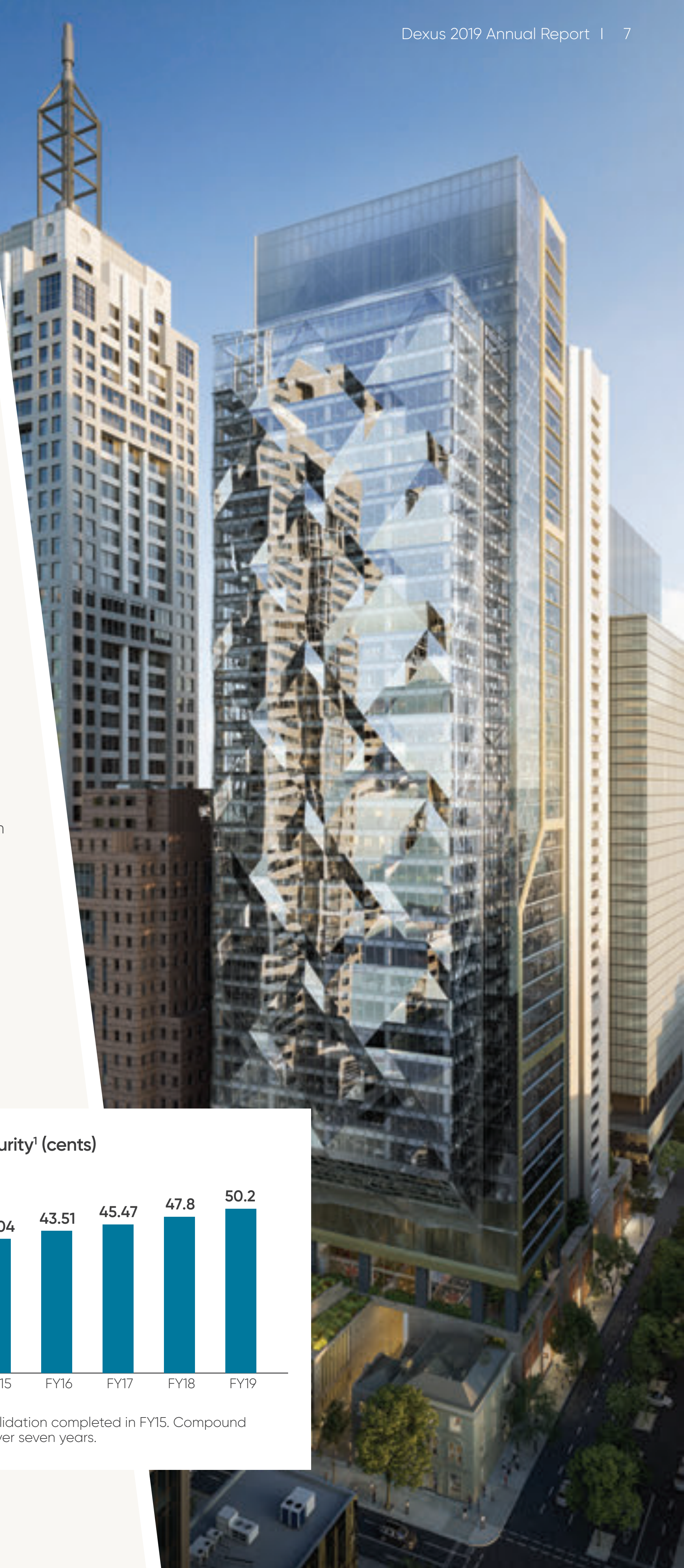
Our ability to deliver on these opportunities is in part due to the conservative management of our balance sheet and recycling capital from divestments.

Delivering sustained value

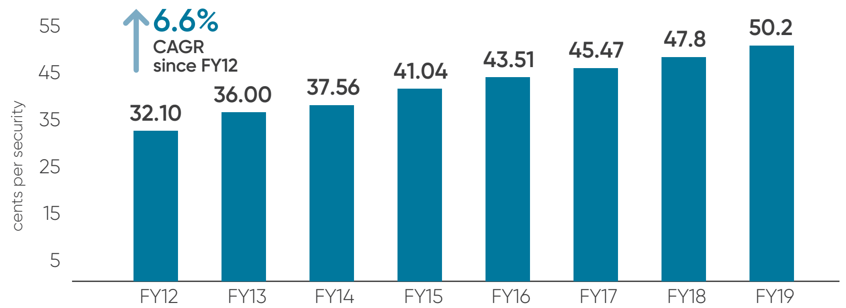
This year we again delivered strong financial performance for investors. The full year distribution of 50.2 cents per security reflects a 5.0% increase on the prior year, in line with our guidance of circa 5% growth. This achievement demonstrates our track record of delivering consistent distribution growth, resulting in a 6.6% compound annual growth rate since FY12.

Dexus's net profit after tax was $1.28 billion, down 25.9% primarily due to revaluation gains which were $428.7 million lower than in FY18. Underlying Funds from Operations per security of 62.9 cents, which excludes trading profits, grew by 3.8%, highlighting the contribution from the property portfolio and funds management business.

Adjusted Funds From Operations (AFFO) per security growth and Return on Contributed Equity (ROCE) through the cycle are key measures that drive long-term value creation for security holders. In FY19, we delivered AFFO per security growth of 5.5% and a ROCE of 10.1%.



History of Dexus distribution per security[1] (cents)



1. Adjusted for the one-for-six security consolidation completed in FY15. Compound annual growth rate (CAGR) is calculated over seven years.

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In a year of significant transaction activity, we maintained a strong and conservative balance sheet. We funded the acquisition of Dexus's additional 25% interest in the MLC Centre, Sydney with the issue of $425 million of Exchangeable Notes. Under this structure, we were able to offer Exchangeable Note holders the ability to own DXS securities in the future combined with a return, while we received competitively priced funding that matched the income profile of the property.

In May 2019 an equity raising, comprising a $900 million institutional placement and a $50 million Security Purchase Plan (SPP), was used to partially fund Dexus's 75% interest in 80 Collins Street, Melbourne. In response to strong interest for the SPP from eligible Security holders, we decided to increase the $50 million cap to $63.9 million in June 2019, enabling all eligible applications to be accepted.

We continued to maintain a strong and conservative balance sheet with gearing at 24.0% at 30 June 2019, well below our target range of 30-40%. This provides us with the capacity to fund projects in our development pipeline.

In FY19, each of our earnings drivers positively contributed to the financial result. Across our property portfolio, we achieved valuation increases of $773.1 million, and our office and industrial portfolios delivered +3.4% and +8.0%[1] like-for-like income growth respectively.

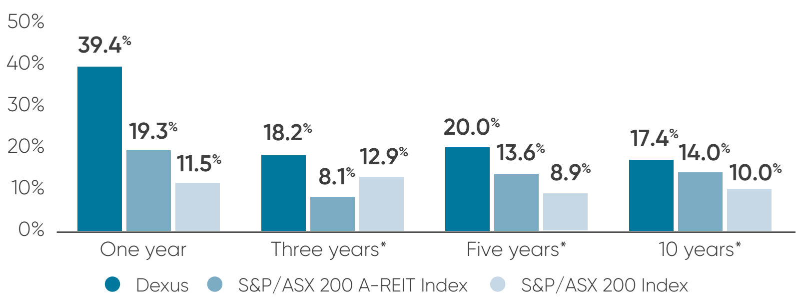
Our funds management business continued to expand through the launch of a new logistics fund called the Dexus Australian Logistics Trust (DALT), the introduction of other new third party capital partners, acquisitions, developments and valuation increases. Importantly, our funds continued to achieve strong performance while delivering on our third party capital partners' objectives.

We now manage 129 properties on behalf of 79 third party capital partners and welcomed GIC (Government Investment Corporation of Singapore) as a foundation investor in DALT, which will be a circa $2 billion portfolio on completion, seeded with assets from Dexus's existing industrial portfolio. We also welcomed M&G Real Estate as a new investor in the Dexus Industrial Partnership and Employees Provident Fund (EPF) Malaysia as a new investor in the Healthcare Wholesale Property Fund (HWPF). DWPF attracted nine new investors over the year, including six investors which joined through an equity raising to fund its acquisition of an additional 25% interest in the MLC Centre.

In trading, we secured $34.7 million of trading profits net of tax following the sale of 32 Flinders Street in Melbourne. Dexus progressed the sale of the North Shore Health Hub, St Leonards[2], and post 30 June 2019 exchanged contracts to sell a 25% interest in 201 Elizabeth Street, Sydney, while entering into a put and call option to sell the remaining 25% interest in late 2020. The sale of 201 Elizabeth Street is expected to contribute circa $34 million in trading profits pre-tax in FY20 and a further circa $34 million in FY21 in the event either option is exercised.

Dexus delivered a 39.4% total Security holder return for the year, outperforming the S&P/ASX 200 Property Accumulation (A-REIT) Index by 201 basis points. This outperformance occurred in an environment of reducing 10-year bond yields where well managed A-REITs with exposure to office and industrial properties, generating an attractive yield, were favoured by investors. Dexus continues to outperform the A-REIT index over three, five and ten-year time horizons.

Total Security holder Return



* Annualised compound return. Source: UBS Australia at 30 June 2019.

> **We are focused on creating sustained value and making decisions that future-proof the business.**

Contributing to leading cities

As a real estate company, our properties are central to how we create value, being concentrated in Australia's major cities which we help shape as leading destinations to live, work and play.

The leasing success achieved across our office and industrial portfolios this year optimised cash flow and maintained high occupancy levels, with our office portfolio occupancy at 98.0% and industrial portfolio occupancy at 97.0%.

The group's circa $9.3 billion development and concept pipeline provides Dexus with the opportunity to enhance future returns by growing the core property portfolio and those managed on behalf of our third party capital partners. Development is an efficient use of our capital at this time in the cycle when access to quality properties on-market is competitively bid. Our $7.1 billion group development pipeline comprises committed and uncommitted projects, and our circa $2.2 billion pipeline of potential concept development projects across the group provides us with embedded future growth.

In May 2019, our newest office development at 100 Mount Street in North Sydney was completed, providing a showcase for smart building technology and setting a new benchmark for office in the North Sydney CBD. Marking a significant milestone, the development of our premium industrial estate Quarry at Greystanes was completed, delivering a key economic hub to Western Sydney and enhancing returns for Dexus Security holders and our third party capital partners.

1. Excluding one-off income is 2.5%.
2. Subject to Responsible Entity and Advisory Committee approvals and securing debt financing.

Chair and CEO review

Developing thriving people

Our people are central to the success of our strategy and their knowledge, expertise and ability to innovate are critical inputs to how we add value.

We are continuing to build an engaged workforce which is committed to delivering on our strategy. We are proud of the high levels of engagement demonstrated by our strong employee Net Promoter Score of +40.

We believe the best thinking and outcomes are realised through an inclusive and diverse workforce, and have made progress against our gender diversity target. This year, we achieved 37% female representation across senior and executive management roles, an improvement from 34% at FY18.

We continued to build the capabilities of our workforce, focusing on the development of our leaders to lead high performing teams to deliver our strategy. We also provided training across the workforce that both enhances business capability and meets our people's needs for career development.

The safety of our employees, contractors, customers and community is of paramount importance and we maintained our steadfast focus during the year. Independent external safety audits across our corporate and management workspaces achieved a strong score of 98%.

Building strong partnerships

We build strong partnerships with our customers, local communities and suppliers to create value across our properties.

Our customers are at the heart of what we do and we spend time understanding their needs and delivering solutions to help them thrive in their workspace. Our annual customer survey returned a customer Net Promoter Score of +46, a significant increase from +32 in FY18, reflecting the strength of our customer centric approach.

Our success depends on our relationships with local communities that interact with our assets and people as part of their daily lives. This year we delivered community contributions valued at more than $1.2 million, helping to extend our social impact.

We also supported employment across the communities in which we operate through the group's spend on operational suppliers, totalling over $550 million during the year.

We are committed to ensuring our operations provide quality jobs with the right conditions. Recognising the global challenge of addressing modern slavery and the new Modern Slavery Act coming into effect in Australia on 1 January 2019, we signed up to the UN Global Compact, signalling our continued commitment to corporate sustainability principles. We also updated our Human Rights Policy and formed an internal Modern Slavery Working Group involving broad operational functions across the business. We are collaborating with our suppliers to understand how we can support and contribute to upholding human rights across our supply chain.

Enriching the environment

This year we progressed our ambitious long-term goal to achieve net zero carbon emissions by 2030 by improving energy efficiency and increasing the adoption of renewable energy sources. Importantly, we obtained external certification that our 2030 target aligns with the global ambitions of the Paris Agreement.

We progressed our 2020 NABERS targets and secured one of Australia's first supply-linked renewable Energy Supply Agreements, through which 50% of base building power across 40 NSW properties will be sourced from wind and solar projects from 1 January 2020.

We completed a portfolio-wide review of exposure to the physical impacts of climate change, with the results informing our strategy to enhance portfolio resilience for the long term. Refer to page 60 for our approach to climate related issues disclosed in accordance with the Taskforce on Climate-related Financial Disclosures' recommendations.

Going beyond managing our own emissions, we are focused on bringing our customers on the journey to reduce total building energy consumption. We continue to see the benefits of our energy, water and waste management initiatives, both in terms of portfolio efficiency and customer satisfaction.

Focusing on strong governance

We instil robust corporate governance and sound risk management at all levels of our business and we continually work on maintaining a strong culture across the group.

Together, the Board and senior management are responsible for creating a culture where everyone has ownership and responsibility for acting lawfully and responsibly. We are reinforcing and sustaining this culture across the business, ensuring that it supports best practice norms and behaviours. The right culture encourages sound decision making by managing risk and upholding business ethics.

To support this culture, we articulate our core values of openness and trust, empowerment and integrity, and recognise the Board's oversight role to ensure that management instils these values.

Recognising the importance of managing environmental, social and governance (ESG) issues, we are currently finalising plans to establish a new Board Committee in FY20, known as the Board ESG Committee, which will oversee the implementation of the group's ESG activities, including our Sustainability Approach. We also created a Head of Governance function within the business with a core focus on ensuring the Board and our people operate under leading governance policies and procedures.

There were no changes to the composition of our Board during the year, with the structure comprising seven non-executive directors and one executive director, with female gender representation at 38%.

Further details relating to the Board and our governance practices are included in the Governance and Board of Directors section, as well as the Corporate Governance Statement available at www.dexus.com

Outlook

We expect to continue to deliver on our strategy and enhance our capabilities while retaining our financial strength to create value in the years ahead.

Australian office and industrial property market fundamentals remain solid and continue to support our business despite increased economic uncertainty. We remain attracted to Australian cities due to their enduring appeal for commerce and businesses, talent and investors supported by population growth, employment growth and considerable infrastructure construction activity.

Our circa $9.3 billion group development and concept pipeline is a source of embedded long-term value, and the diversification of our funds management business sets us up for further expansion as domestic and global pension capital fund flows continue to grow.

Dexus's market guidance for the 12 months ending 30 June 2020 is to deliver distribution per security growth of circa 5%.

On behalf of the Board and management, we extend our appreciation to our people across Australia for their dedication and significant contribution in delivering this year's strong result. We also thank our third party capital partners for entrusting us with the management of their investments, and our customers for their commitment across our property portfolio.

Importantly, we thank our investors for your continued investment in Dexus.

Richard Sheppard
Chair

Darren Steinberg
Chief Executive Officer