CHIEF EXECUTIVE OFFICER'S REPORT

Strong performance in a tough climate

In challenging market conditions, the active management focus of our experienced team continues to deliver good results. Operating earnings for the year ending 30 June 2009 were up 5.7% to $526.3 million. This result reflects the underlying quality of our Australian office and industrial portfolios, which delivered solid like for like growth of 4.5% and 4.1% respectively.

The economic downturn has resulted in a slight decline in overall occupancy levels to 91.5% (2008: 93.8%), with average lease duration remaining steady overall at 4.8 years (2008: 4.8 years). Despite weaker tenant demand we have achieved solid leasing activity, a reflection of our proactive management approach and strong relationships with our tenants.

Adverse market conditions were reflected in a softening of capitalisation rates and weaker underlying property fundamentals, causing a decline in property valuations worldwide.

At 30 June 2009 we revalued the entire property portfolio with 59.8% externally valued. The deterioration of property fundamentals in the US and Europe resulted in devaluations and impairments in our international industrial portfolio.

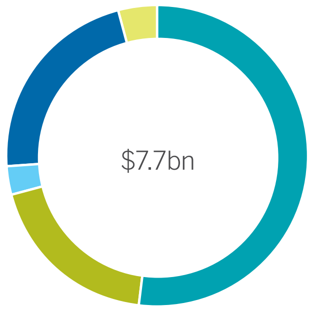
While property fundamentals held up in Australia in the first half, during the second half of the year we experienced lower levels of market confidence and decreased demand for office and industrial property, which ultimately resulted in unrealised devaluations and impairments across the portfolio totalling $1.6 billion.

The devaluations together with unrealised mark to market derivative losses of $244 million were offset by a $130 million deferred tax benefit (primarily arising from the tax effect of the US property devaluations), resulted in a net loss attributable to security holders of $1.5 billion.

Fluctuations in our property valuations, can lead to significant unrealised gains or losses, depending on the change in fair market value of our properties from period to period. Overall, since the valuation peak in December 2007, we have seen a decline in book value of 19%. However, looking ahead we expect that property devaluations and impairments are nearing the bottom of the cycle. We expect to see a return to underlying property fundamentals, such as rental growth rates, tenant retention and assumptions on time required to lease the space, being the primary drivers in valuations.

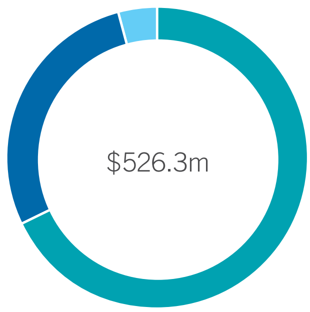
As at 30 June 2009 total assets stood at $8.4 billion of which 92%, or $7.7 billion, are direct properties.

DIRECT PROPERTY PORTFOLIO AS AT 30 JUNE 2009



Office Australia	52%
Industrial Australia	19%
Industrial Europe	3%
Industrial North America	22%
Retail	4%

OPERATING INCOME AS AT 30 JUNE 2009



Australian NPI	68%
International NPI	28%
Funds Management	4%

Property type	Value 2008[1] $m	Value 2009[1] $m	Occupancy 2008 %	Occupancy 2009 %	Average lease term 2008 (years)	Average lease term 2009 (years)
Office/Carparks – Australia/New Zealand	4,601	4,047	97.7	97.6	5.7	5.4
Retail – Australia	280	270	99.9	99.9	4.5	4.5
Industrial – Australia	1,636	1,505	98.6	96.9	4.4	4.3
Industrial – North America	1,904	1,674	91.8	88.0	3.9	4.3
Industrial – Europe	314	241	85.1	87.8	3.6	3.1
Total	**8,735**	**7,737**	**93.8**	**91.5**	**4.8**	**4.8**

1 Excludes cash and other assets.

Sydney Harbour view with Governor Phillip Tower, Australia Square and Gateway (the latter owned by DWPF) in foreground.

Vision, strategy and implementation

The DEXUS Group has two core activities:

- The management of a direct domestic and international property portfolio
- A third party property funds management business

Our strategy is to be the leading owner, manager and developer of high quality office and industrial properties in select locations in Australia and the United States.

We are focused on growing our business by achieving scale and operational excellence through active property management, asset management, portfolio management and development management in select markets to deliver low risk sustainable returns.

At DEXUS, property revenue, mainly derived from rental income, represents 91% of our total revenue for the year ended 30 June 2009. We have limited reliance on development income or third party funds management fees.

Reflecting the relative underlying stability of the portfolio, our revenue composition is only minimally exposed to lease expiries in coming years. We actively manage our tenant profile to ensure diversity of income by tenant and industry, with no single tenant currently contributing more than 3% of our total Group rental income.

Domestically, we are building on our leadership position in office – where we are the largest owner/manager of office properties in Australia; and industrial – where we are one of the top three providers of premium industrial facilities.

Internationally, our strategy is to focus on fewer, select markets where we can achieve scale and implement our property management model. By concentrating our portfolio in a smaller number of select locations we believe we will be able to deliver a superior value proposition to our tenants and consequently our investors. We believe scale will allow us to ultimately own and manage larger, higher quality properties, which typically have higher barriers to entry.

Consequently, we are progressively concentrating our North American portfolio in a number of key industrial markets on the west coast. Reducing our exposure from the current 21 markets to 17 markets in the current property sale program and ultimately four primary markets (Seattle, San Francisco, Los Angeles region, including Riverside).

We are also in the process of internalising our investment and asset management capabilities in the United States. Ultimately we will assume responsibility on a phased basis for property and development management. This strategy will be progressed in stages and is expected to take a number of years to complete.

In Europe, we will be selling our portfolio over the next two years and have commenced marketing our German properties for sale.

Our strategy for our third party property funds management business is to continue to leverage our business model to provide third party investors with superior total returns over the medium to long-term in office, industrial and retail. Our funds management business complements our business strategy by providing additional scale to leverage our operational and leasing capabilities.

Implementing our property management strategy

During the year we have progressed initiatives to implement our internal property management model, which we believe will give us greater connectivity with our tenants and the ability to create greater value:

- We completed the integration of our full service property management model in the Australian office portfolio in May 2009, offering our tenants a market leading service capability. In our Australian industrial portfolio we are progressing the implementation of the model, which is due to complete this financial year
- We commenced a $600 million sales program of select non-core properties in Australia, North America and Europe consistent with our concentrated portfolio strategy to reposition the international portfolio and enable the implementation of our property management model. Twelve properties have been sold in Australia, and one property has been contracted for sale in Germany for a total of $96 million

Implementing our capital management strategy

DEXUS continued to apply an active and prudent approach to capital management during the year undertaking the following initiatives:

- Refinanced and secured new debt facilities totalling $860 million, resulting in no debt maturing until February 2010
- Revised our distribution policy to adopt a payout ratio of 70% of FFO, with the balance retained for operational and leasing capex

- Successfully completed two equity raisings totalling over $1 billion in December 2008 and April 2009, each receiving good investor support
- Created a joint venture with Cbus Property who acquired a one-third interest in 1 Bligh Street, realising $60 million and reducing the Group's future development exposure by $210 million
- Commenced a $600 million select property sale program, the proceeds of which will be used to repay debt, improve liquidity, reduce gearing and further strengthen the balance sheet

At 30 June our undrawn debt facilities exceeded $1.4 billion. Subsequent to the reporting period, in July 2009 we issued $160 million of five year medium-term notes, which further improved DEXUS's liquidity position, diversified funding sources and lengthened debt duration.

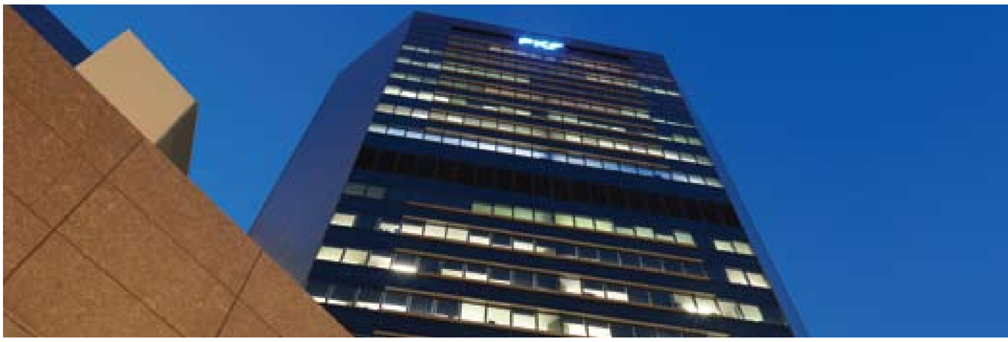
DEXUS continues to maintain a prudent financial risk management profile, with 90% of interest rate risk hedged as at 30 June 2009, with the weighted average duration of these hedges averaging over six years. Foreign earnings are conservatively hedged for periods up to five years.

In addition, where practical, we continued to match a material proportion of the currency of our debt with the currency of our investments (90% as at 30 June 2009). This policy provides substantial protection to security holders from adverse movements in net tangible assets due to currency fluctuations.

Together these initiatives have enabled DEXUS to maintain a prudent gearing level of 31.2%, well within our target of below 40%. We continue to maintain a strong credit rating from Standard & Poor's (S&P) of BBB+ with a stable outlook.

Developments

During the year we continued to progress the next generation of office space with two major developments underway at 1 Bligh Street, Sydney and 123 Albert Street, Brisbane and one completed at 60 Miller Street, North Sydney, which was fully leased on completion. We have progressed planning works in our industrial development pipeline at Laverton North and Greystanes. We continued to apply a prudent development approach, only commencing developments that are fully funded, meet our investment criteria and have secured appropriate tenant pre-commitment.



One Margaret Street, Sydney, NSW

Third party funds

The Group's third party funds under management declined by $800 million to $5.6 billion, principally due to declining property values. While the investment performance of our third party funds has been impacted by the current economic environment, active portfolio management has seen it continue to deliver strong investment performance with a combined total return over five years of 9.3% per annum.

Corporate responsibility and sustainability

DEXUS continued to drive corporate responsibility and sustainability performance, focusing on resource efficiency projects, community engagement and sustainable developments. In January 2009, DEXUS was named in the fifth annual "Global 100 Most Sustainable Corporations" list, announced at the Davos World Economic Forum in Switzerland. In addition, we are pleased to report the achievement of our first listing on the Dow Jones Sustainability World Index in September. An extract from the 2009 CR&S Report is on pages 20 to 23.

2010 strategic focus and outlook

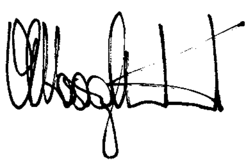
Our quality portfolio, experienced management team and focused strategy mean we are well positioned to respond to the current market conditions and deliver sustainable returns for our investors.

We expect conditions to continue to be challenging in the coming year and our focus will remain on:

- Actively managing our property portfolio to create value and deliver sustainable income
- Driving a high performance culture and delivering service excellence for our tenants
- Actively managing our capital structure and balance sheet and continuing to diversify funding sources

Guidance

Barring adverse changes to operating conditions, the Group is positioned to deliver earnings (FFO) of 7.3 cents per security and distributions of approximately 5.1 cents per security – being 70% of FFO – for the year ending 30 June 2010.



Victor P Hoog Antink
Chief Executive Officer
30 September 2009