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2026 ANNUAL GENERAL MEETING – CHAIRMAN'S ADDRESS

Prof. John Sheehan AM



I report to shareholders that the Group's earnings before interest and tax, for the financial year ended 30 June 2026 was $1.0 million and the Group's total assets are now **$105.9 million**. The Group's net tangible assets (NTA) stand at $1.69 per security.

The year has again demonstrated the importance of patience, financial discipline and a long-term perspective. Globally, geopolitical pressures have continued to create uncertainty, and notably the cost of debt continues to be of concern, and yet Australia still remains a secure location for debt and equity investment amongst the developed economies.

Inflation stubbornly remained above the Reserve Bank's target range through FY26, and commentators generally suggest that interest rates will rise in line with similar movements in other central banks. The cost of debt continues to influence broad community spending, with investment in equities and property markets remaining subdued. Shareholders will be aware that I have mentioned a number of times in the past regarding the ongoing difficulties in obtaining rezonings, development consents and even variations to existing consents.

The attempts by the NSW Government to create a less tortuous pathway to gaining development consents, in particular, has been welcomed by the property industry. Nevertheless, there still remains significant hurdles for investment in property at the highest and best legally permissible use, given the reluctance of Local Government to adopt a number of the planning and development measures being encouraged by the NSW Government. The cost of construction continues to bear upon decisions to commit to project commencement, primarily due to concerns over the cost of a broad range of materials. In such an environment the need for management to carefully test the feasibility of construction has been a notable feature of Desane. In adopting a definite measured approach to such issues has ensured that FY26 was concluded with a strong asset base, sound liquidity and, notably, conservative gearing. Indeed, the Company paid shareholders a special dividend of 2 cents per share during the year, a reflection of the commitment to prudent management of the overall property portfolio.

The strategic adoption of a highly disciplined use of the Group's capital resulted in the completed sale of 13 Sirius Road, Lane Cove after more than two decades of ownership. The transaction released capital and increased the flexibility available to the Group. The Board continues to believe that capital should not remain tied to an asset simply because it has been owned for a long period. The appropriate management approach remains whether capital can be retained, redeployed or recycled in a manner that improves the quality of the overall portfolio and produces attractive risk-adjusted returns for shareholders.

Such a disciplined approach is now particularly relevant as Desane progresses its active development pipeline. The Company has significant embedded opportunities within its existing portfolio, and management's immediate task is to convert those opportunities into sustainable earnings and realised value. The Penrith industrial project and the redevelopment of 322 Norton Street are at different stages of that process, but both demonstrate the importance of careful planning, risk management and execution. The Board has supported management in progressing these projects while remaining conscious that development returns must adequately compensate shareholders for construction, leasing and market risk.

As many long-term shareholders would be aware, Desane's initial property heritage was industrial properties and this approach has been maintained over the years since listing, providing a strong income stream to support construction and redevelopment. Long-term leases, active asset management and prudent tenant selection provide recurring income and stability while management assesses future development and capital recycling opportunities.

The Board is also conscious that a strong balance sheet alone is not the ultimate measure of success. Shareholders reasonably expect the value represented by the Company's property portfolio to be translated over time into improved earnings, distributions and long-term wealth creation. The market value of Desane's shares has for some time traded below reported net tangible asset backing. There are structural reasons why smaller listed property companies can trade at such discounts, including limited liquidity and the time required to realise value from property assets. Nevertheless, the Board and management must continue to focus on the factors within our control: execution, recurring income, disciplined capital allocation, transparent communication and the realisation of value when appropriate.

Good governance has remained fundamental to that approach. During the year the Board welcomed Melissa Ashcroft as an Independent Non-Executive Director. Melissa brings valuable experience in commercial property finance, private credit and complex funding structures, and her appointment further broadens the Board's skills as the Group enters a period in which funding discipline and development execution will be increasingly important. Peter Krejci has continued to provide the Board with the benefit of his extensive experience in corporate management, restructuring and risk, and I am confident that Desane will be well served under his leadership as he succeeds me as Chairman.

This Annual Report also marks a personal milestone. I joined the Board of Desane in 1987 and have had the privilege of serving as Chairman since 1992. As I leave the Board, I do so after close to four decades as a Director and more than three decades as Chairman. Over that period the Group navigated numerous property cycles, periods of high and low interest rates, recessions and recoveries, changing planning regimes, the global financial crisis, the COVID-19 pandemic and the considerable transformation of Sydney's property markets.

What has remained constant throughout those years has been Desane's commitment to property, to prudent balance-sheet management and to taking a long-term view. Property markets inevitably move through cycles. Values rise and fall, capital becomes more or less available and development economics change. Sound assets, sensible gearing and patience provide a company with the capacity to withstand those cycles and act when opportunities emerge. Those principles remain as relevant to Desane today as they were when I first joined the Board on listing.

It has also been a privilege to work with the Montrone family and with the many directors, executives, advisers, employees, tenants and shareholders who have contributed to the Company over the years. I particularly acknowledge Phil Montrone OAM for the leadership he provided to Desane over many decades. I have also been pleased to see the transition of executive leadership to Rick Montrone, supported by Jack Sciara and the broader management team. The responsibility now rests with the current leadership group to build on the asset base that has been assembled and to improve the economic returns generated from it.

It is clear the economic environment is unlikely to become calm, and the likelihood is that the financial years ahead for the Group will be testing for management and the Board. Global uncertainty, inflation, interest rates and construction costs will continue to influence investment decisions. Yet periods of uncertainty also create opportunity for organisations that retain liquidity, discipline and the ability to act selectively. Desane enters this next phase with those attributes. The Board's priority will remain to protect shareholder capital while supporting opportunities that can materially improve recurring earnings and long-term returns.

I thank my fellow Directors for their judgement, support and collegiality, and I thank management and staff for their work throughout FY26. Most importantly, I thank Desane's shareholders for the confidence they have placed in the Company, and in me personally, over many years. It has been an honour to serve as Chairman. I depart from the Board with confidence in the Company's financial position, its property portfolio and the directors and management who will guide Desane through its next chapter.

For further information, please visit www.desane.com.au **or contact:**

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ABOUT DESANE:

Desane Group Holdings Limited is a leading property investment and development company, based in Sydney, Australia. Integrity, work ethic and a commitment to excellence underpins the basis of Desane's long-term vision of ensuring maximum value for its shareholders.