

27 July 2010

## **Australand Property Group – 2010 Half Year Result**

Australand Property Group today announced its results for the half year ended 30 June 2010. The Group achieved an operating profit after tax of \$60.4 million and confirmed it remains on track to achieve full year guidance.

The Group's statutory result for the half year ended 30 June 2010 was a net profit after tax of \$72.2 million, including investment property revaluation gains of \$11.8 million.

### **Key Financial Metrics**

- Operating earnings per security of 10.5 cents
- Distributions per security of 10.0 cents
- NTA per security of \$3.44
- Gearing of 27.1%

Australand's Managing Director, Bob Johnston said "We are pleased with the half year operating profit result as we position the business to return to growth in 2011. The divisions have seen increased levels of activity in response to improving economic conditions and the Group remains on track to deliver a full year operating profit in line with the 2009 result."

### **Divisional Performance**

#### Investment Property

- Investment Property EBIT (earnings before interest and tax) of \$82.6 million (excluding revaluation gains)
- Comparable rental growth of approximately 3.4%
- Occupancy of over 99%
- Weighted average lease expiry of 5.4 years

Commenting on the division, Mr Johnston said, "The earnings from the Investment Property division continue to underpin the Group's distributions. Our portfolio metrics remain strong, with high occupancy, long leases and fixed rental growth supporting the predictable nature of the division's earnings. We are pleased to see values for high quality assets stabilising with a small revaluation gain recorded in the half".

## Development

- Commercial & Industrial EBIT of \$10.9 million
- Residential EBIT of \$23.7 million

The Commercial & Industrial division focused on increasing its forward workload which reached 227,000 square metres as at 30 June 2010. Enquiry levels in the industrial sector have been more broad-based, with the majority coming from retail and logistics based occupiers. The division has secured pre-lease and turnkey projects for a number of major companies including Kmart, Target, Best & Less and Kimberly-Clark.

The Residential division delivered an improved operating result over the prior corresponding period. The majority of activity was in the Melbourne and Sydney markets, contributing approximately 70% of the total lots sold. The significant level of contracts on hand at 30 June 2010 has put the division in a strong position for the full year.

“Our development activities are responding to improving economic conditions. The Commercial & Industrial division’s forward workload has increased substantially since the end of 2009, and enquiry levels are continuing to improve. The Residential division has seen significantly higher levels of activity with over 70% of forecast sales for 2010 already secured. We continue to position both divisions to deliver earnings growth in 2011”, Mr Johnston said.

## **Capital Management**

At 30 June 2010, gearing was 27.1% and remains well within the Group’s target range of 25%-35%. Australand continued to comply with all debt covenants during the period.

In July 2010, Australand established a \$1.3 billion unsecured syndicated bank debt facility, replacing the \$750 million Multi Option Facility (“MOF”) and three secured bank bilateral facilities totalling \$396 million. The new facility represents a significant milestone in the Group’s move towards an unsecured debt platform and represents strong progress towards achieving the Group’s key capital management objectives. In particular, it extends the Group’s weighted average debt maturity profile to 2.6 years and unencumbers \$2.4 billion of balance sheet assets.

## Group Strategy

The Group continues to make strong progress towards achieving the strategic objectives outlined in early 2010:

- Target 60% - 70% of Group EBIT from recurrent earnings
- Improve development divisions' return on average capital employed to at least 12% by the end of 2012
- Recycle underperforming capital in the development divisions to drive earnings growth
- Maintain gearing within a target range of 25% - 35%.

In the first half of 2010, recurrent earnings comprised 79% of Group EBIT. The full year result is expected to be in line with our target range, as development earnings recover.

The development divisions remain positioned to reach a return on average capital employed target of at least 12% by the end of 2012. The pipeline is well positioned for delivery with approximately 80% of the Residential pipeline and 100% of the Commercial and Industrial pipeline zoned. Further progress has been made in progressively reducing the level of impaired and low margin projects. Additionally, the Group has strategically replenished its development pipeline through the acquisition of Northshore in Brisbane, 357 Collins Street in Melbourne and Altona Gardens Industrial Estate in Victoria.

Gearing, at 27.1%, remains well within the Group's target range.

The Group remains committed and on track to deliver on its stated strategic objectives.

## Outlook

It is expected that Group operating profit will be similar in 2010 to that achieved in 2009.

Valuations for quality assets have stabilised and we expect Investment Property earnings to grow steadily, underpinned by embedded rental growth and the delivery of new assets from the Group's internal development pipeline.

With the improved level of enquiry, we remain optimistic that development activity in the Commercial & Industrial division will strengthen during the second half of 2010, leading to growth in 2011.

The Residential division's full year EBIT contribution is expected to be in line with 2009. The progressive reduction in impaired and low margin inventory and the commencement of several large new projects will underpin earnings growth and momentum in 2011.



Distributions for 2010 are expected to be 20.5 cents per security. A half year distribution of 10.0 cents per stapled security will be paid on 5 August 2010.

“The fundamentals for the commercial, industrial and residential sectors remain positive. With a strengthened management team, the Group is well positioned to achieve its 2010 earnings guidance and deliver growth in 2011”, Mr Johnston said.

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