Goodman

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Goodman delivers full year operating profit of $310 million (5.25 cents EPS) with sound operational momentum continuing into FY2011

Date	19 August 2010
Release	Immediate

Goodman Group ('Goodman' or 'Group') today announced its full year results for the financial year ended 30 June 2010. Key financial and operational highlights for the period are:

Financial highlights

- **Operating profit after tax[1] of $310 million**
- **Fully diluted operating earnings per security (EPS) of 5.25 cents[2]**
- **Distribution per security (DPS) of 3.4 cents**
- **Statutory accounting loss of $562.6 million, approximately 90% of which was incurred in the first half, reflecting property and equity investment revaluations and other non-operating items**
- **Strong financial position with balance sheet gearing now at 24.9% and interest coverage ratio (ICR) of 3.8x providing strong covenant headroom**
- **Net tangible assets ratio (NTA) of $0.47 per security[3]**
- **Group's liquidity has increased to $1.7 billion at the date of this release, with all debt maturities covered to 1H FY2013**
- **Forecast FY11 operating profit after tax within a range of $370 to $380 million, which equates to fully diluted operating EPS of 5.3. to 5.5 cents[4].**

Operational highlights

- **Stable core investment portfolio, with occupancy at 93%, up 1% since December 2009 on a like for like basis, at a weighted average lease expiry of 5.5 years**

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[1] Operating income is before unrealised gains and losses from investment property revaluations, mark to market of derivatives and other non-cash items and one off losses included in the statutory accounting loss.
[2] 5.25 cents is on a fully diluted basis for the CIC hybrid securities and CIC options. This equates to 5.6 cents on an undiluted basis.
[3] $0.47 is on an undiluted basis. This equates to $0.46 on a fully diluted basis for the CIC hybrid securities and CIC options.
[4] Fully diluted for CIC hybrid securities and CIC options.

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Goodman Funds Management Limited ABN 48 067 796 641 AFSL Number 223621 as responsible entity of Goodman Industrial Trust ARSN 091213 839

- **$1.3 billion of new third party equity raised from institutional investors across our managed funds platform**
- **$1.2 billion of new developments have commenced at an average yield on cost of 9.4%, substantially pre-committed and matched to third party capital**
- **Group controlled development pipeline in excess of $10 billion across all markets, with forecast GLA of over 7 million sqm**

Goodman Group Chief Executive Officer, Mr Greg Goodman said, "Today's result highlights the operating momentum that has been building across our business during the year and has continued into FY2011, despite a challenging global environment. Importantly, we have completed a number of initiatives at the Group level and in our managed funds during the year that have secured a strong platform for growth. This has ensured we are currently well positioned and, equally for when market conditions improve across our key markets.

During the year we introduced a number of new global investor groups, Canadian Pension Plan Investment Board (CPPIB), CB Richard Ellis Realty Trust (CBRERT) and China Investment Corporation (CIC), which have enabled Goodman to realise a range of strategic opportunities. Our managed funds platform also continued to gain support from institutional fund investors with $1.3 billion of new third party equity raised for our Australian, UK, Continental Europe and China platforms.

The reactivation of our $10 billion development pipeline has been undertaken on a prudent basis. We have commenced $1.2 billion of new projects during the year and these have been primarily matched with third party capital."

Strategy and outlook

Goodman expects a continuation of the subdued global market conditions, contributing to a low growth environment, with ongoing limited access to capital and reduced competition. This in turn is expected to generate a smaller number of opportunities but of higher quality across the industrial property sector. Goodman is well positioned to capitalise on these opportunities given its specialist industrial focus; proven capability; leading global operating platform; extensive relationships with customers and investment partners; and strong balance sheet.

Goodman is committed to the strategy enunciated at the time of the recapitalisation, while also recognising that the outlook requires the Group to adopt a prudent yet active approach in delivering this strategy. The Group's key areas of focus are:

- Maintaining a high quality, diversified industrial property portfolio as its primary source of earnings;
- Enhancing value through its active asset management expertise;
- The prudent rollout of the Group's $10 billion development pipeline;
- Expanding relationships with major investment partners;
- Maintaining an efficient capital structure and strong financial position;
- Vigilant management of operating costs in line with the current economic climate; and
- Continuing best corporate governance practices with high transparency as the Group expands its relationships with major investment partners.

"Our focus on capital management, active asset management and tight cost control will enable the Group to differentiate itself from its peers. With an environment of stabilising and low growth markets expected to continue for some time, the strength and quality of our business and the momentum that continues to build into FY2011 ensures that we are well placed to take advantage of current and future opportunities. Accordingly, we expect to deliver an FY2011 operating profit after tax[1] within a range of $370 to $380 million, equating to operating EPS of 5.3 to 5.5 cents[4]. This represents FY2011 operating profit after tax growth of between 19% and 23%, with the upper end of the range being driven by the active aspects of our business." Mr Goodman commented.

Operations

The Group's operations delivered operating EBIT of $382.9 million. The earnings composition was broadly in line with expectations and reflects an increased contribution from developments which is coming off a cyclical low point. Investments contributed 82%, with 8% from developments and 10% from management services. Operational highlights include the following:

Investments

Underlying property fundamentals have remained stable, with occupancy at 93%, up 1% since December 2009 on a like for like basis, a weighted average lease expiry of 5.5 years and continued low arrears trend. Property cash flows and like for like rental growth were flat for the year, largely reflecting fixed rental growth being offset by longer let up times and lower market rental growth. Leasing volumes increased with a total of 2 million sqm leased, highlighting improved customer confidence in line with market conditions generally.

Goodman's total investment portfolio was $0.9 billion lower for the financial year at $4.7 billion, predominantly driven by unrealised property valuation movements, asset disposals and a reduction in cornerstone investments. The Group's cornerstone investment in its managed funds decreased by $0.4 billion due to the sale of units in Goodman Property Trust, asset disposals and property valuation movements.

The Group's direct investment portfolio recorded a valuation loss for the full year of $518.9 million, which is reflected in the statutory loss of $562.6 million. Valuation losses were primarily recorded in the first half of the financial year, with stability returning in the second half and some firming of property investment values.

Mr Goodman commented: "Demand for prime logistics space remains active across our markets and minimal supply is expected to keep vacancy levels at relatively low levels. We have also experienced a marked increase in cross border enquiry and our global platform has positioned us well to work with our customers and leverage opportunities".

Developments

The contribution from developments to the Group's EBIT was 8% for the year, reflecting the reactivation of its development pipeline during the first half via a prudent pre-committed and pre-funded approach. Development commitments for the second half of the year were $440 million which is up from the cyclical low of $175 million.

The Group commenced $1.2 billion of new development projects during the year at an average yield on cost of 9.4%. Leasing pre-commitment of 95% was achieved on all new projects, excluding Interlink, demonstrating the high level of customer demand.

Significantly, the Group has secured $1.3 billion of new equity capital from global investor groups including CPPIB and CBRERT that will be matched to Goodman's development pipeline, providing a secure funding source.

"Goodman's ability to attract new global third party equity is testament to the strength of our operating platform around the world, the extensive resources we have available, and the quality of the assets we develop. We continue to experience solid demand for prime quality logistics space and are very well positioned to leverage our customer relationships and prudently capture development opportunities in our key markets around the world." Mr Goodman said.

Management

Third party assets under management (AUM) declined by $1.7 billion to $12.6 billion over the year mainly as the result of valuation and currency movements. Management earnings represented 10% of EBIT and were ahead of forecast.

The Group's managed fund platform is well positioned following the completion of a number of capital management initiatives. New equity of $1.1 billion has been raised with the launch of four new investment vehicles in the UK, Europe, China and Australia. A further $320 million capital raising was completed in the Goodman Australia Industrial Fund. Access to $1.3 billion in uncalled equity and a further $0.8 billion of undrawn debt is available across the managed fund platform.

"We have demonstrated the strength of our relationships with global investor groups during the year, which has been underpinned by our focus on best practice corporate governance and transparency." Mr Goodman said.

Capital Management

The Group has maintained a sound financial position following the recapitalisation undertaken in August 2009. Gearing has been lowered and maintained at 25% and interest cover has increased to 3.8 times, which is well above banking covenants.

Available liquidity is currently $1.7 billion which is sufficient to meet all debt maturities to the first half of FY2013.

The Group is committed to maintaining a strong financial position and will continue to explore a range of capital sources and opportunities to diversify its debt platforms and lengthen the term of its debt maturities.

Overall, the Group's results for the financial year reflect the strength of our underlying business and importantly demonstrate that Goodman has delivered on all of its objectives outlined at the time of the recapitalisation.

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About Goodman

Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Europe and the United Kingdom. Goodman Group, comprised of the stapled entities Goodman Limited and Goodman Industrial Trust, is the largest industrial property group listed on the Australian Securities Exchange and one of the largest listed specialist fund managers of industrial property and business space globally.

Goodman's global property expertise, integrated own+develop+manage customer service offering and significant fund management platform ensures it creates innovative property solutions that meet the individual requirements of its customers, while seeking to deliver long-term returns for investors

For more information please visit www.goodman.com