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Goodman delivers \$463 million full year operating profit

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Release Immediate

Goodman Group ('Goodman' or 'Group') today announced its results for the full year ended 30 June 2012. Key financial and operational highlights for the period are:

Financial highlights

- + Operating profit¹ of \$463 million, a 21% increase on FY2011
- + Diluted operating earnings per security (EPS) of 30.5 cents², up 8% on FY2011
- + Distribution per security (DPS) of 18.0 cents, up 3% on FY2011
- + Strong financial position maintained - balance sheet gearing maintained at 23.9%³ and interest coverage ratio (ICR) of 5.5x
- + Group's liquidity at \$1.3 billion, with weighted average debt maturity of 5.9 years
- + Positioned to deliver FY2013 operating profit of \$524 million, equating to operating EPS of 32.3 cents (up 6% on FY2012)

Operational highlights

- + Total assets under management of \$20 billion, up 11% on FY2011
- + Robust property fundamentals across core investment portfolio, with high occupancy maintained at 96%, weighted average lease expiry of 5.2 years and like-for-like net property income growth of 2.8%
- + Work in progress at \$1.9 billion, with \$1.8 billion of development commitments across 77 projects, 74% pre-committed and 87% matched to third party capital
- + Established North American operating platform and secured US\$890m of equity on a 55% / 45% basis with Goodman and CPPIB respectively
- + Privatisation of Japan platform approved and external commitments⁴ to Japan Core Fund and Japan Development Fund increased to US\$350 million
- + \$0.9 billion of new committed third party equity raised across the managed fund platform

¹ Operating profit and operating EPS comprise profit attributable to security holders adjusted for property valuations, non-property impairment losses, derivative and foreign currency mark to market and other non-cash or non-recurring items.

² Calculated based on weighted average diluted securities of 1,519.2 million and includes performance rights where hurdles have been met.

³ Calculated as total interest bearing liabilities over total assets, both net of cash and fair values of cross currency swaps used to hedge foreign debt capital market issuances equating to \$189 million – refer to Note 8 of the Financial Statements.

⁴ Agreed commercial terms, subject to execution of final legal documentation.

Goodman's Group Chief Executive officer, Mr Greg Goodman said, "The Group has exceeded initial targets in FY2012, to deliver a solid result with a strong contribution made by all parts of our business. The year on year increase in operating profit we are announcing today reflects the successful delivery of our focused strategy and our ability to leverage opportunities in all our markets given the size and scale of our business, quality portfolio, global operating platform and our significant global customer and capital partner relationships."

Goodman has used its industrial sector specialisation and development capability to focus on securing high quality opportunities in line with the continued strong customer and investor demand for prime quality industrial space in its key operating markets. This is represented by development work in progress of \$1.9 billion and over \$0.9 billion of third party equity raised from new and existing investors during the year. Further to our announcement on 20 June 2012, we have now completed on the development joint venture in North America, with targeted third party equity of US\$400 million from Canada Pension Plan Investment Board (CPPIB). The strength of our capital partner relationships was further demonstrated by the establishment of a new global relationship with EPF, securing an initial equity commitment of \$300 million to Australia.

Mr Goodman added: "We have adapted our business to operate in a low growth and capital constrained environment, and have selectively and prudently pursued opportunities to expand our platform around the world, while maintaining a sound financial position. We are increasing market share across our operations and recently launched in North America, the world's largest logistics market. The growth in the Group's international operations has resulted in our offshore businesses contributing 41% to operating EBIT, providing diversity of earnings, and access to a broader range of growth opportunities. We expect earnings from our offshore businesses to continue trending toward 50% of operating EBIT over the medium-term. These factors, coupled with our ability to access third party capital and the partnering approach we take with our global investor and customer base, has placed the Group in a strong competitive position and will continue to drive the growth of our business and generate future value for our stakeholders."

Strategy

As a specialist provider of prime quality logistics property and business space, Goodman's focus is to leverage its expertise, global operating platform and extensive customer and capital partner relationships to maintain its position as a leading global industrial property and business partner. This focused strategy provides the Group with a distinct competitive advantage, enabling it to pursue new opportunities that reinforce its position as a global leader in its sector and to drive future earnings.

"Our strategic focus remains on the prudent yet active execution of our business strategy. We have built a strong competitive position, providing significant scope to explore a range of opportunities in the year ahead, including a possible entry into Brazil, while expanding our operating platform in the largest and growing consumer economies of North America, Europe, China and Japan." Mr Goodman said.

Operations

The Group's operations achieved an operating EBIT of \$527 million, or a 12% increase compared with the same period last year, reflecting the growing contribution from its development and management businesses. The earnings composition was in line with the Group's expectations, with 62% contributed from investments, 24% from developments and 14% from management services.

Operational highlights include the following:

Investments

Underlying property fundamentals have been robust over the full year. Overall occupancy was maintained at a high 96%, which is consistent with the same period last year. Similarly, the weighted average lease expiry across the investment portfolio was maintained at 5.2 years.

Mr Goodman commented: "Our high quality industrial and business space portfolio combined with our strong customer relationships and focused offering has ensured that the Group continued to benefit from the significant demand experienced during the year in all of our core markets. This is reflected in the solid leasing activity undertaken, with approximately 1.9 million sqm leased, high occupancy and retention levels, and like-for-like net property income growth of 2.8%. The team has also remained focused on ensuring the service and maintenance of our buildings are kept to a consistently high global standard, lengthening the life cycle and overall demand for our properties."

Developments

As at 30 June 2012, the Group's work in progress was \$1.9 billion, generating a yield on cost of 8.5%, and equating to 1.5 million sqm of new space.

The Group secured \$1.8 billion of new development commitments during the year across 77 projects. An overall leasing pre-commitment of 74% was achieved on new projects with an average lease term of 7.0 years. Development activity remains strong in Europe, particularly in Germany, France and Benelux, and China now represents 9% of the overall development book, up from 2% this time last year. The undersupply of quality logistics space in China is driving demand, with Goodman experiencing substantial growth in development activity and increased market share. Consistent with Goodman's low risk approach, 87% of current development commitments are either pre-sold to, or pre-funded by our managed funds or third parties.

"Demand from customers and investors for our development product continues to be strong. This is being driven by the undersupply of prime quality industrial space globally and a number of structural changes taking place, including the rapid growth in e-commerce, greater supply chain efficiencies, building obsolescence and consolidation among third party logistics providers. These factors, together with the commencement of our development activity in North America and the expected growth in our development commitments in China to 800,000 sqm in FY2013, will see Goodman's development book grow towards \$2.5 billion in the medium-term." Mr Goodman said.

Management

Third party assets under management (AUM) increased to \$16.1 billion over the full year, representing a 12% increase, compared with 30 June 2011. Management earnings represented 14% of operating EBIT and were in line with expectations.

The Group's managed fund platform completed a number of major initiatives during the year, raising new third party equity of \$0.9 billion. The new relationship with EPF secured an initial equity commitment of \$300 million, while in the first half of FY2012, Goldman European Logistics Fund (GELF) raised €351 million and CPPIB, together with Goldman, increased their equity commitment in Goldman China Logistics Holding (GCLH) to US\$500 million. Investors in the £1.1 billion Arlington Business Parks Partnership (ABPP) agreed to extend the fund for a further five years, with ABPP also negotiating a new £350 million banking facility. Separately, to further diversify its debt capital sources, GELF was assigned a first time issuer rating by Moody's Investors Services and Standard & Poor's of 'Baa3' and 'BBB-' respectively, with stable outlook.

"We have worked hard over the last year to further build on our established capital partner relationships and introduce new global investors to our managed fund platform. This has seen substantial equity inflows into Australia, China and Europe from new and existing sources, while post financial year end we have secured new equity from CPPIB for our North American development joint venture. We expect the momentum across our managed fund platform to continue with global capital partners attracted to a sector specialist like Goldman, which offers strong development capabilities, a global operating platform and the capacity to partner in new markets." Mr Goodman said.

Capital management

Goodman is committed to maintaining a sound financial position and has retained its strong balance sheet over the full year period. Gearing remains at a low 23.9%, compared with 23.0% for the same period last year, while interest cover is at 5.5 times, well above banking covenants.

Available liquidity is currently \$1.3 billion and the Group has a weighted average debt maturity profile of 5.9 years. Debt maturities are fully covered to FY2016.

During the period, Goldman continued to deliver on its stated strategy of diversifying its debt funding sources and demonstrated that it has ongoing access to global debt capital markets. Across the Group and managed funds \$0.8 billion was raised in the debt capital markets, with an average term to maturity of 9.7 years. The Group and managed funds also established \$3.0 billion of new debt facilities, with an average term of 3.5 years.

The Group achieved positive credit rating movements over the year to 30 June 2012, with Moody's upgrading Goldman's issuer and senior unsecured rating to 'Baa2' from 'Baa3', with stable outlook, while Standard & Poor's adjusted its 'BBB' corporate rating from 'negative outlook' to 'stable'.

Corporate structure

Goodman confirms that all of the conditions for the capital restructure (Restructure), approved by Securityholders at an Extraordinary General Meeting (EGM) held on 30 March 2012, have now been satisfied or waived. The Restructure provides for the addition of the Hong Kong

incorporated company, Goodman Logistics (HK) Limited (HKCo), to the existing Goodman stapled structure. A separate ASX release issued by Goodman today provides further information and timing on the implementation of the Restructure, which is expected to be effective on 22 August 2012.

Outlook

Goodman is committed to the prudent yet active delivery of its business strategy. The Group is well positioned in the current low growth environment given its focus on capital management, active asset management and increasing the contribution from its development and management activities, and the strength of its investor and customer relationships. Goodman's FY2013 earnings guidance is for an operating profit of \$524 million, up 13% on FY2012, equating to an operating EPS of 32.3 cents, up 6% on FY2012.

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For further information, please contact Goodman:

Gregory Goodman
Group Chief Executive Officer
Tel +61 2 9230 7400

About Goodman

Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Europe, the United Kingdom and North America. 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