



24 February 2010

The Manager
Company Notices Section
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

**GMP: GOODMAN GROUP (GMG) ANNOUNCEMENT –
GOODMAN HALF YEAR RESULTS**

We attach an announcement made by Goodman Group in relation to its Half Year Results.

Please contact the undersigned in relation to any queries.

Yours faithfully

A handwritten signature in black ink, appearing to read "Carl Bicego".

Carl Bicego
Company Secretary



asx release+

Goodman achieves target half year operating profit of \$139 million with operational momentum building

Date 24 February 2010

Release **Immediate**

Goodman Group (Goodman or Group) today announced its half year results for the six month period ended 31 December 2009. Key financial and operational highlights for the period are outlined below:

Financial highlights

- + Operating profit after tax¹ of \$139 million, in line with forecast
- + Operating earnings per security (EPS) of 2.8 cents²
- + Distribution per security (DPS) of 1.5 cents
- + Full year earnings guidance of 5.7 cents per security³ and DPS of 3.4 cents is reaffirmed
- + Statutory accounting loss of \$500 million – reflecting property and equity investment revaluations and other non-operating items, as foreshadowed at the 2009 Annual General Meeting
- + Improved financial position with balance sheet gearing reduced to 25% and steady interest coverage ratio (ICR) of 3.2x – strong covenant headroom
- + Net tangible assets ratio (NTA) of \$0.50 per security⁴
- + Group's liquidity has increased to \$1.4 billion, with all debt maturities now covered to 1H FY2013

Operational highlights

- + Core investment portfolio remains stable, with occupancy at 94% at a weighted average lease expiry of 5.6 years
- + \$0.7 billion of new third party equity was raised from institutional investors across our funds management platform
- + \$1.0 billion of new developments have commenced at an average yield on cost of 9.3%, with \$0.7 billion commenced in the first half and a further \$0.3 billion commencing since 31

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 profits included in the statutory profit.

² 2.8 cents is on an undiluted basis. This equates to 2.6 cents on a fully diluted basis for the CIC hybrid securities and the Macquarie and CIC options.

³ 5.7 cents is on an undiluted basis. This equates to 5.2 cents on a fully diluted basis for the CIC hybrid securities and the Macquarie and CIC options.

⁴ \$0.50 is on an undiluted basis. This equates to \$0.48 on a fully diluted basis for the CIC hybrid securities and the Macquarie and CIC options.

December 2009. These developments have commenced with secured and identified third party funding, matching prime development opportunities with the fund investor demand

- + Group has access to \$10 billion development pipeline across all major markets, offering organic growth for our funds management platform

Goodman Group Chief Executive Officer, Mr Greg Goodman said, “The result we have announced today is consistent with the guidance issued last August. The half year has been a transition period, punctuated by the significant recapitalisation of the Group and our managed funds, together with relationships forged with two key strategic investors, CIC and CPPIB.

We have refocused on our core business during this transition period, while observing our markets closely across Asia Pacific and Europe for opportunities and signs of further recovery. Operationally, we have been building momentum over the first half of FY10 and this has continued into the second half.

A number of our institutional fund investors are again looking for new prime quality and core opportunities, and with \$0.7 billion of new third party equity raised during the first half, our funds management platform continues to gain support from our institutional investor base.

In matching our fund investor requirements, with our \$10 billion development pipeline, we have prudently reactivated our development operations with \$0.7 billion of new development commencements during the first half and a further \$0.3 billion since 31 December 2009. This integrated approach between our management and development businesses allows us to grow without compromising our strong balance sheet position.”

Strategy and outlook

A significant recapitalisation was completed during the first half which has enabled the introduction of new capital partners and the Group to establish a platform for growth. The Group has refocused on its core business activities and on leveraging its leading market position and global operating platform to continue building momentum across all of its business activities.

Mr Goodman said, “Clear signs emerged during the first half that have led us to conclude that valuations in our core markets have stabilised.

The strength of Goodman’s global investor relationships enables the Group to explore a number of opportunities which we expect will deliver value to the Group moving forward. Our development pipeline will be matched with new equity from our fund investors to grow our high quality funds management platform.”

Goodman reaffirms its full year guidance for an estimated operating profit after tax of \$310 million, equating to operating EPS of 5.7 cents³. DPS of 3.4 cents is expected to be paid for the full year. These estimates assume no material changes to market conditions.

Operations

The Group’s operations delivered operating EBIT of \$180.1 million. The earnings composition was in line with expectations and reflects a low contribution from developments during the transition period. Investments contributed 88%, with 2% from developments and 10% from management services. Operational highlights include:

Investments

Underlying property fundamentals have remained resilient, with occupancy unchanged at 94%, a weighted average lease expiry of 5.6 years and continued low arrears trend. Property cash flows have increased marginally, with over 700,000 sqm of new leases signed and like for like rental growth of 2%⁵ recorded over the half.

Despite sound performance at the underlying asset level, Goodman's total investment portfolio was \$0.7 billion lower for the half year at \$4.8 billion, driven predominantly by asset disposals, non realised property valuation movements and currency movements.

The Group's direct investment portfolio recorded a valuation loss for the half year of \$196 million, which is reflected in the half year statutory loss of \$500 million. The Group's cornerstone investment in its managed funds decreased by \$0.4 billion due to the sale of units in Goodman Property Trust, currency and property valuation movements.

Earnings from investments was slightly lower than originally forecast predominantly due to asset disposals and currency movements; however this has also resulted in lower than expected borrowing costs.

Developments

Developments represented only 2% of the Group's EBIT for the first half, in line with forecast, reflecting subdued activity over the past 18 months. Following the recapitalisation last August, the development business has been reactivated via a prudent preleased and prefunded approach.

The Group commenced \$0.7 billion of new development projects during the first half at an average yield on cost of 9.6%. Leasing pre-commitment of 100% was achieved on all new projects, excluding Interlink, demonstrating the renewed high level of customer demand following the slow down in activity over the last 18 months.

"Development remains a key component of our business and offers our fund investors access to prime industrial assets. Momentum has continued into the current period, with the Group commencing a further \$0.3 billion of new development projects in January and February. Importantly, third party funding has been secured on most projects, with funding sources under negotiation or identified on the Group's additional funding commitments." Mr Goodman said.

The first half was highlighted by the commencement of Interlink in Hong Kong, a 222,000 sqm warehouse and distribution facility due for completion in January 2012. Interlink has been preleased and optioned to 50% of the total area to two multinational customers and is one of the first major industrial developments in Hong Kong in more than a decade.

Management

Third party assets under management (AUM) declined by \$1.7 billion to \$12.6 billion over the half year mainly as the result of asset sales, valuation and currency movements. Management earnings represented 10% of EBIT and were in line with forecast.

⁵ On direct portfolio.

The Group's managed fund platform is well positioned following the completion of a number of capital management initiatives. Additional equity of \$0.7 billion has been raised, underpinned by the successful completion of the \$320 million capital raising in the Goodman Australia Industrial Fund. Access to a further \$0.8 billion of undrawn debt is available across the managed fund platform.

"The strength of our relationships with global investor groups positions us well to access capital, explore opportunities and grow our funds under management. We expect to attract new equity to the business this year based on some of the initiatives we are currently exploring. With valuations having stabilised globally, there has been increased investor interest in high quality, well managed property investment products, which now offer attractive entry pricing." Mr Goodman said.

Capital Management

The Group's financial position has improved significantly over the half year period. Gearing has reduced to 25% predominantly reflecting the recapitalisation undertaken in August 2009, and partially offset by the impact of revaluations. Interest cover has been maintained at 3.2 times, which is well above banking covenants.

Available liquidity increased to \$1.4 billion as at 31 December 2009 as a result of positive cash flows and slightly beneficial currency movements. This is sufficient to meet all debt maturities to the first half of FY2013, which is an improvement of six months in the Group's debt maturity profile since the capital raising undertaken during the half year period.

The Group is committed to maintaining a strong financial position and in doing so will look to the debt capital markets over the next 12 months to obtain long-term debt funding to further improve liquidity and diversify its funding sources.

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For further information, please contact Goodman:

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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