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Goodman delivers \$266 million half year operating profit

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Release	Immediate

Goodman Group (Goodman or Group) today announced its results for the half year ended 31 December 2012. Key financial and operational highlights for the period are:

Financial highlights

- + Statutory Profit of \$155 million
- + Operating profit of \$266 million¹, a 16% increase on same period last year
- + Diluted operating earnings per security (EPS)¹ of 16.2 cents², up 6% on 1H FY12
- + Distribution per security (DPS) of 9.7 cents, up 8% on 1H FY12
- + Strong financial position maintained – balance sheet gearing reduced to 21%³ and interest coverage ratio (ICR) of 4.8x
- + Group's liquidity at \$1.6 billion, with weighted average debt maturity of 5.5 years
- + Well positioned to deliver FY13 operating EPS of 32.3 cents (up 6% on FY12)

Operational highlights

- + Total assets under management of \$21 billion, up 10% on 1H FY12, reflecting leading contemporary fund management model
- + Robust property fundamentals across core investment portfolio, with high occupancy maintained at 96%, and weighted average lease expiry of 4.7 years
- + Development work in progress at \$2.0 billion, with \$1.1 billion of new commitments across 34 projects, 77% pre-committed and 70% matched to third party capital
- + Established Brazilian joint venture, WTGoodman - initial four development sites with total forecast completion value of US\$1.1 billion
- + Consolidated Japan management platform (settlement to occur in March 2013)
- + \$1.8 billion of new committed third party equity raised, with a further \$1 billion currently under negotiation

Goodman Group

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Goodman's Group Chief Executive Officer, Mr Greg Goodman said, "Goodman has performed well in the first half of FY13 and we are pleased to present a half year operating profit which represents a 16% increase on the same period last year equating to 6% operating EPS growth. The strong result reflects the accelerating business activity in our key markets, the completion of a number of key transactions and the focused execution of the day to day operational activities by our specialist teams globally. It also demonstrates the significant competitive advantage provided by Goodman's size and scale, global platform, industrial property expertise, and our extensive customer and capital partner relationships."

Goodman's offshore operations provided diversity of operating earnings in the first half, with the Group leveraging the strong customer and investor demand for prime industrial and business space globally. Key transactions were also undertaken by Goodman during the period to further expand and strengthen its global operating platform, including entry into the South American market through the establishment of the WTGoodman joint venture in Brazil, and consolidation of the Goodman Japan management platform.

"The growing contribution from our international operations, and our active development and management businesses, highlights the significant advantage of our global platform. Our platform is now operational in key logistics markets and provides us with greater diversity and access to a broad range of growth opportunities. We are well positioned in all markets, particularly in China, Europe and Australia, where the pace of growth in our businesses is accelerating. With improving economic sentiment emerging, we expect to benefit from ongoing growth in China and Australia, and from the stabilising market conditions in Europe. With the US market continuing to recover and our platform fully operational, together with the launch of our Brazil joint venture, both markets will begin contributing to our development book in the second half of FY13." Mr Goodman commented.

Goodman is committed to a prudent and measured approach in pursuing the opportunities available across its business globally and has continued to selectively secure high quality opportunities around the world. The Group remains focused on maintaining a strong balance sheet position, and following the successful \$449 million equity raising from GMG Securityholders in the first half, gearing has reduced to 21% and the Group's liquidity position has increased to \$1.6 billion.

"We continue to focus on sustainable growth, raising new equity capital in the first half to help fund our long-term growth and securing \$1.1 billion of new developments commitments, of which 77% were pre-committed and 70% pre-sold to our funds or third parties. Our development work in progress has grown to \$2.0 billion, which is underpinned by \$1.8 billion of third party equity raised from new and existing investors at the Group level and across our managed funds, reflecting the continued strong support from our capital partners." Mr Goodman said.

Strategy

Goodman is focused on maintaining its position as a leading global industrial property group and fund manager. The Group will leverage its expertise and capability as a specialist provider of prime quality logistics property and business space, global operating platform and significant customer and capital partner relationships to pursue a range of opportunities that deliver long-term growth in a sustainable manner.

Goodman's customer focused approach is at the core of its operating business and reflects the high standards to which its properties are managed and maintained. The Group's customer service offering and asset management capabilities are reflected in the high occupancy and retention rates across the portfolio and the additional value generated from the higher and better use of Goodman's assets.

“We are committed to the prudent yet active execution of our business strategy. Our strong competitive position has been cemented through the expansion of our global operating platform and recent corporate and capital management initiatives which positions us very well to take advantage of the demand for high quality industrial space.”

“Goodman’s platform now spans the key logistics markets globally and with improving sentiment in the macro-economic environment, we are focused on pursuing the wide range of opportunities that this presents, together with the quality execution of our day to day operational activities. In particular, our competitive advantage will ensure that we are able to capitalise on the growth in the e-commerce sector and effectively service the needs of a changing industrial property sector.” Mr Goodman said.

Operations

The Group’s operations achieved an operating EBIT of \$307 million⁴, or a 19% increase compared with the same period last year. This reflects the strong growth in Goodman’s development and management businesses, contributing a combined 42% of operating EBIT, which is expected to trend to 50% over the medium-term. The earnings composition was in line with the Group’s expectations, with 58% contributed from investments, 25% from developments and 17% from management services. Although the Group expanded its global footprint in the first half, earnings were driven by organic growth and increased scale from existing markets.

Investments

Underlying property fundamentals were robust during the first half, with overall occupancy maintained at 96%, consistent with the same period last year. The weighted average lease expiry across the investment portfolio was 4.7 years.

Investment earnings continue to grow at in excess of 6% compared with the same period last year, which is in line with growth in the Group’s assets under management and its corresponding co-investment.

Mr Goodman commented, “Significant leasing activity was undertaken across our portfolio during the half year period, reflecting the solid underlying property fundamentals, quality of our product and service offering and the strength of our customer relationships. This resulted in 1.3 million sqm of industrial and business space being leased, high occupancy and retention levels, and like-for-like net property income growth of 2.1%. We separately completed the sale of a number of properties held in the Group’s direct investment portfolio, to take advantage of asset recycling opportunities, which has in turn provided capital for redeployment into new growth opportunities across our business.”

Developments

The Group’s work in progress as at 31 December 2012 was \$2.0 billion, generating a yield on cost of 8.6%, and equating to 1.7 million sqm of new space.

During the first half, the Group secured \$1.1 billion of new development commitments across 34 projects in 8 countries, making it one of the largest industrial real estate developers globally. An overall leasing pre-commitment of 77% was achieved on new projects, with an average lease term of 7.9 years. Development demand remains strong, particularly in Continental Europe, China and Australia, with the Australian business commencing \$618 million of new commitments

in the first half. Consistent with the Group's low risk approach, 78% of current developments are either pre-sold to, or pre-funded by Goodman's managed funds or third parties.

"The significant activity in our development business is being driven by the undersupply of prime quality industrial space and a number of structural changes taking place globally, including the rapid growth in e-commerce and greater supply chain efficiencies. This continues to generate strong customer and investor demand for our development product and, combined with contributions by North America and Brazil in the second half of FY13, is expected to see our development book grow to \$2.5 billion in the short-term." Mr Goodman said.

Importantly, Goodman's ability to finance and attract capital for development activities is a key point of differentiation for customers.

Management

Third party assets under management increased to \$17.3 billion over the half year, which is a 13% increase compared with 31 December 2011. Management earnings represented 17% of operating EBIT. As a result of the significant transactional activity that has been undertaken across Goodman's fund management platform, a solid contribution has been made by the management business towards the Group's first half operating EBIT.

Goodman completed a number of major initiatives across its managed fund platform during the first half, raising \$1.8 billion of new third party equity capital:

- + Goodman North America Partnership secured equity of US\$890 million from the Group together with Canada Pension Plan Investment Board (CPPIB) on a 55/45 basis.
- + CPPIB, together with Goodman, also increased their equity commitment to Goodman China Logistics Holding by an additional US\$500 million to US\$1 billion, on an 80/20 basis.
- + In Japan, a US\$1 billion development partnership (Goodman Japan Development Partnership) was established with Abu Dhabi Investment Council, while Goodman Japan Core Fund completed a successful first close equity raising with external equity commitments of US\$100 million.
- + Goodman Australia Industrial Fund (GAIF) finalised a first close equity raising from new and existing investors, with \$638 million of new gross equity commitments secured. GAIF also acquired 10 assets during the first half, valued at \$200 million in two separate transactions, and announced an extension of its fund term to 2019.
- + In Hong Kong, Goodman Hong Kong Logistics Fund finalised an extension of its fund term for a further seven years to 2020.
- + The Group's relationship with Malaysia's Employees Provident Fund was also expanded with KWASA-Goodman Industrial Trust acquiring a second Australian industrial portfolio valued at \$300 million.

The completion of these fund initiatives reflects the focus by global investor groups on core, stable, and high yielding assets. Goodman's ability to attract third party capital into its managed fund platform has been a key driver of its success, and is underpinned by the contemporary fund management structures it has adopted to ensure the alignment of investors' interests.

"Investment demand remains strong for Goodman's specialist industrial sector offering and we continue to be well supported by global capital partners. This is highlighted by the term

extension for three of our largest funds and the significant equity inflows secured from new and existing investors across our managed fund platform. We have strong momentum in our funds, with \$3.1 billion of undrawn debt and equity available, and this provides significant capacity to participate in development opportunities from the Group and broader market.” Mr Goodman said.

Capital Management

Goodman's commitment to maintaining a sound financial position was actively demonstrated during the first half with the successful completion of the Group's \$449 million equity raising, reducing gearing to 21% compared with 24.5% for the same period last year. Interest cover remains high at 4.8 times.

Available liquidity is currently \$1.6 billion and the Group has a weighted average debt maturity profile of 5.5 years, with debt maturities fully covered to FY16.

During the period, Goodman continued to deliver on its stated strategy of diversifying its debt funding sources and demonstrated its ongoing access to global debt capital markets, procuring \$1.5 billion of debt facilities with an average term of 4.3 years across the Group and managed funds. This included GAIF successfully pricing its second US\$185 million senior, unsecured note issue via a US private placement with 7, 10 and 12 year maturities. Separately, the Group successfully restructured its \$327 million of Goodman PLUS hybrid securities.

Outlook

Goodman is well positioned in the current operating environment, given its quality global brand and reputation, proven development and management capability and significant capital partner and customer relationships.

The strength and diversity of Goodman's global platform will continue to grow as its North American and Brazilian operations begin contributing to the Group's results and overall performance. Active asset management is expected to enable Goodman to maintain high occupancy levels and extract additional value from its properties through higher and better use opportunities, particularly in Australia, Hong Kong and the United Kingdom.

The stable macro-economic sentiment and high demand for prime industrial property are expected to see continued strong capital flows into the Group's key operating markets globally and in turn drive earnings in the second half of FY13. Goodman reaffirms its FY13 full year operating EPS forecast of 32.3 cents, up 6% on FY12.

- Ends -

For further information, please contact;

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About Goodman

Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Europe, the United Kingdom, North America and Brazil. Goodman Group, comprised of the stapled entities Goodman Limited, Goodman Industrial Trust and Goodman Logistics (HK) Limited, 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.

¹ Operating profit and operating EPS comprise profit attributable to Securityholders, adjusted for property valuations, derivative and foreign currency mark to market and other non-cash or non-recurring items. Operating profit is used to present a clear view of the underlying profit from operations. It is used consistently and without bias year on year for comparability. A reconciliation to statutory profit is provided in summary on page 10 of the ASX Results Presentation and in detail on page 3 of the Directors' Report as announced on ASX and available from the Investor Centre at www.goodman.com.

² Calculated based on weighted average diluted securities of 1,636.7 million, including 5.8 million LTIP securities which have achieved the required performance hurdles and will vest equally in September 2013 and September 2014.

³ Calculated as total interest bearing liabilities over total assets, both net of cash and fair values of cross currency swaps used to hedge liabilities denominated in currencies other than those to which the proceeds are applied equating to \$101 million – refer to Note 6 of the Financial Statements.

⁴ Operating EBIT comprises statutory profit before interest and tax of \$243.0 million adjusted for property valuations and other non-cash or non-recurring items. A reconciliation to statutory profit before interest and tax is provided on page 23 of the Results Presentation lodged with ASX.