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Australand Property Group – 2014 Half Year Results

Australand Property Group today released its results for the half year ended 30 June 2014.

The Group achieved an operating profit after tax of \$80.8 million, a 30% increase on the prior corresponding period.

The Group's statutory result was a net profit after tax of \$131.5 million, a 49% increase on the prior corresponding period.

Key Financial Metrics

- Operating earnings per security of 14.0 cents
- Distributions per security of 12.75 cents
- NTA per security of \$3.68

Australand's Managing Director, Bob Johnston said, "The Group has delivered a significant increase in profit in the first half which demonstrates the resilience of the Group and ongoing strength in the residential sector.

"Our industrial and office investment portfolio continued to grow its earnings contribution, driven by comparable rental growth and additional income from internal developments which were completed in 2013.

"Residential earnings are up strongly reflecting favourable market conditions and the performance of key projects during the half. Contracts on hand are in a very healthy position securing a significant amount of earnings for delivery in the second half."

Divisional Performance

Investment Property

- Investment Property EBIT (earnings before interest and tax) of \$97.8 million (excluding revaluation gains)
- Investment Property revaluation gains of \$75.7 million
- Comparable rental growth of approximately 3.2%
- Occupancy of 94.3%
- Weighted average lease expiry of 5.3 years

Commenting on the division, Mr Johnston said, "Investment Property earnings continue to grow in line with our overall strategic objectives. Our portfolio metrics remain solid, with high occupancy, long leases and fixed rental growth providing good visibility of earnings."

Development

The Group's combined development EBIT increased by 21% on the prior corresponding period:

- Residential EBIT of \$30.7 million
- Commercial & Industrial EBIT of \$8.2 million

The Residential division delivered a strong increase in earnings, reflecting contributions from key projects including settlements at the Parkville medium density project in Victoria along with contributions from key land projects including Greenhills Beach and the Ponds in NSW and Croydon, Greenvale and Clyde North in Victoria. Overall sales activity remains strong and the division held 2,170 contracts on hand securing earnings for the second half of 2014.

"Strong growth in our Residential earnings reflects favourable market conditions and the Group's residential strategy to address affordability through product innovation and increased densities in its infill and land projects", Mr Johnston said.

The Commercial & Industrial division delivered lower earnings for the half year reflecting weaker occupier demand. Major projects contributing to the result included facilities for Kuehne & Nagel (20,500 sqm in NSW), Goodyear (24,150 sqm in VIC) and Rinnai (14,800 sqm in VIC).

"Our C&I division continues to maintain a strong market share. Enquiry from logistics service providers and large retailers has improved over the last six months and we expect to see higher levels of activity in the second half", Mr Johnston said.

Corporate Activity

On 4 June 2014, the Group received a conditional proposal from Singapore listed Frasers Centrepoint Limited ('Frasers') to acquire 100% of Australand's stapled securities via an off-market takeover offer for cash consideration of \$4.48 per Australand stapled security (the 'Offer').

Following a four week period of exclusive due diligence, Frasers and Australand signed a Bid Implementation Agreement on 1 July 2014. The Bidder's Statement in relation to the Offer has been sent by Frasers to Australand securityholders and the Offer opened on 7 July 2014.

The Group's Target's Statement has been released to the ASX and will be mailed to securityholders on 22 July 2014. The Target's Statement includes a report from the Independent Expert concluding that the Offer is fair and reasonable. The Australand Directors unanimously recommend that securityholders accept the Offer, in the absence of a superior proposal. The Offer is scheduled to close on 7 August 2014, unless extended.

Group Outlook

On 30 May 2014, the Group advised the market that it had completed a review of its operating earnings outlook and provided the following guidance:

- Earnings per security for 2014 are expected to increase by 20-25% on 2013;
- In addition, assuming the current strength in the residential market is maintained, earnings per security are expected to grow by 10-15% per annum from 2014 to the end of calendar year 2016.

Should the conditions of the Frasers' Offer to acquire the Group not be met and the Offer subsequently lapses, the Group expects to deliver earnings per security growth in line with the forward looking statements above. Frasers however, has indicated that should its Offer become unconditional and it gains control of more than 50% of Australand securities, then it plans to conduct a review of Australand's corporate structure, assets and operations. Accordingly, the above guidance may change.

Institutional investor enquiries

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