Level 3, 1C Homebush Bay Drive
RHODES NSW 2138
PO Box 3307
RHODES NSW 2138
DX 8419 Ryde
T 02 9767 2000
F 02 9767 2900
www.australand.com.au

AUSTRALAND

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Australand 2009 Full Year Results

Australand today announced its results for the full year ended 31 December 2009. The Group achieved a net operating profit after tax of $120.2 million in line with guidance.

The Group's statutory result for the year ended 31 December 2009 was an accounting loss of $298.2 million. This result reflected the impact of the following items:

- Revaluation losses on investment properties of $249.4 million;
- The impairment of development and joint venture assets of $148.4 million (post tax); and
- Non-recurring finance costs of $20.7 million (post tax).

Key Financial Headlines

- Operating earnings per security of 5.4 cents
- Full year distributions per security of 5.0 cents
- NTA per security of $0.68
- Gearing of 25.4%
- Strong liquidity position of $760 million

Commenting on the Group's financial performance, Australand's Managing Director, Bob Johnston said "despite the large statutory loss for the full year, the majority of which was recorded in the first half, the operating profit demonstrates the resilience of the Group's high quality investment portfolio. Property valuations now appear to be stabilising with revaluation losses of $14.0 million in the second half across the $2.0 billion portfolio".

Business Performance

Investment Property

- Investment Property EBIT (earnings before interest and tax) up 13% to $153.9 million;
- Comparable rental income growth of 3.3%; and
- Portfolio occupancy of over 99%.

Commenting on the division, Mr Johnston said, "The Investment Property Division underpins our distributions with secure predictable earnings. Our portfolio continues to perform very well, with strong metrics, including occupancy of more than 99%, a weighted average lease expiry of 5.8 years and fixed rental increases of 3.4% over 89% of investment property income for the next twelve months".

Australand Holdings Limited
ABN12 008 443 696
Registered Office:
Level 3, 1C Homebush Bay Drive
Rhodes NSW 2138

Australand Property Limited
ABN 90 105 462 137; AFSL No. 231130
as the Responsible Entity of:
Australand Property Trust (ARSN 106 680 424)
Australand ASSETS Trust (ARSN 115 3338 513)

Australand Investments Limited
ABN 12 086 673 092; AFSL No. 228837
as the Responsible Entity of:
Australand Property Trust No.4 (ARSN 108 254 413)
Australand Property Trust No.5 (ARSN 108 254 771)

Development

- Commercial & Industrial EBIT of $39.5 million, excluding impairments;
- Residential EBIT of $67.9 million, excluding impairments;
- Impairments of development and joint venture assets of $148.4 million (post tax) were recognised during the year. This comprised $67.2 million in Commercial & Industrial and $81.2 million in Residential.

"As foreshadowed early in 2009, development activity was curtailed during the year, particularly in the Commercial & Industrial division, given the difficult capital market and economic conditions. Margins for the Residential division remained under pressure during the year as the division continued to trade through impaired and non-core inventory", Mr Johnston said.

Capital Management

Despite the difficult financial market conditions in 2009, Australand continued its focus on maintaining a strong capital and liquidity position. It successfully delivered on the following key components of its capital management plan:

- The repayment of the $563 million CMBS facility in June 2009;
- The establishment of new Australian bank bilateral facilities, totalling $350 million;
- Completion of the Entitlement Offer raising $475 million, reducing Group gearing to the lower end of the target range;
- The termination of $345 million of surplus interest rate swaps (following the reduction in interest bearing debt); and
- The extension of the Group's debt maturity profile to 2.0 years (2008: 1.2 years) at 31 December 2009.

As at 31 December 2009, interest bearing debt, net of cash, was $852 million, down 41% from $1,437 million at 31 December 2008. Australand continued to comply with all debt covenants during the period.

Group Strategy

Following a review of its strategy, the Group has established the following strategic objectives:

- Target 60% - 70% of Group EBIT from recurrent earnings;
- Improve development divisions' return on average capital employed to at least 12% over the next 3 years;
- Recycle underperforming capital in the development divisions to drive earnings growth; and
- Maintain gearing within a target range of 25% - 35%.

Successful implementation of the strategy will deliver a number of key benefits to the Group:

- Optimum balance between recurrent income from investment portfolio and growth from development;
- Increased weighting to Investment Property will improve access to capital;
- Potential A-REIT Index inclusion; and
- Operating leverage to improving economic conditions from development activities.

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Outlook

It is expected that Group operating profit will be similar in 2010 to that achieved in 2009. Market evidence indicates that investment property valuations are at, or near, trough levels in the cycle. We expect Investment Property earnings to grow steadily, primarily from embedded rental growth.

With the improved outlook and economic conditions, it is anticipated that development activity in the Commercial & Industrial Division will strengthen during the course of 2010, leading to growth in 2011.

Volumes and margins in the Residential division are expected to be similar in 2010 to that in 2009. Increased demand from second and third home buyers from improved consumer sentiment is anticipated to offset the expected softening in first home buyer demand. A number of new Residential projects will commence in 2010, which should lead to an improved performance from the division in 2011.

"We have seen an improvement in both business and consumer confidence over the last quarter of 2009. With a strengthened balance sheet, the Group is well-positioned to take advantage of the improving economic conditions in the commercial, industrial and residential markets", Mr Johnston said.

The Group will continue to distribute 80% - 90% of realised operating trust income. No dividend will be paid in 2010 from corporate earnings. Distributions for 2010 are expected to be 4.1 cents per stapled security.

Australand also announced that it intends to seek approval at the Annual General Meeting in April 2010 to undertake a 5 into 1 consolidation of the Group's stapled securities. This will reduce the large number of securities on issue following the recent entitlement offers. Full details of the proposed consolidation will be provided in the Notice of Meeting.

For further information please contact:

Institutional Investor Enquiries

Bob Johnston
Managing Director
Tel: +61 2 9767 2000
Email: bjohnston@australand.com.au

Andrew Gay
GM Investor Relations & Corporate Finance
Tel: +61 2 9767 2000
Email: agay@australand.com.au

Retail Investor Enquiries

Bev Booker
Company Secretary
Tel: + 61 2 9767 2182
Email: bbooker@australand.com.au

Media Enquiries

Trudy Wise
Wise McBaron Communication
Tel: 0418 220 028 / + 61 2 9279 4770
Email: trudy_wise@wisemcbaron.com.au