Level 3, 1C Homebush Bay Drive
RHODES NSW 2138

Locked Bag 2106
NORTH RYDE NSW 1670
DX 8419 Ryde

T 02 9767 2000
F 02 9767 2900
www.australand.com.au

AUSTRALAND

ASX Announcement
ASX Code: ALZ / AAZPB

28 July 2008

AUSTRALAND DELIVERS INCREASED OPERATING PROFIT AND ANNOUNCES CAPITAL RAISING

Australand today announced an operating profit for the half year ended 30 June 2008 of $67.5 million, an increase of 6% on the prior year excluding unrealised losses arising from property revaluations and a write down to the carrying value of residential development projects.

In light of the downturn in residential market conditions, particularly in New South Wales, the Group has performed a detailed review of its residential projects. This has resulted in a write down in the carrying value of some specific projects totalling $34.7 million (net of tax).

Investment property assets have been re-valued at 30 June 2008, resulting in a net reduction in asset values of $7.3 million.

The Group's half year statutory profit after tax, which includes unrealised losses from property revaluations and the significant one-off non-cash items noted above, was $25.6 million, down 79% on the prior year.

Australand also announced three key capital management initiatives which will provide it with a strengthened balance sheet and flexibility to fund its future development activities and take advantage of selective growth opportunities. These were a non-underwritten 1 for 1 Renounceable Entitlement Offer; a revision to the Group's distribution policy; and the decision to step up the distribution rate of the ASSETS hybrid securities effective from 1 October 2008.

Financial Results

Key highlights of the operating profit after tax included:

- Revenue from continuing operations increased by 6% to $436.0 million (HY07: $410.1 million)
- Strong operating profit before tax ('PBT') from all operating businesses despite difficult market conditions:
  - Commercial & Industrial PBT of $46.4 million, up 93% (HY07: $24.1 million);
  - Investment Property PBT of $64.0 million, up 20% (HY07: $53.5 million) excluding asset sales and unrealised gains/(losses) in property revaluations; and
  - Residential PBT of $34.2 million (HY07: $34.3 million), excluding write down of residential development and joint venture inventories.
- Earnings per stapled security, on operating profit after tax, of 7.3 cents (HY07: 6.9 cents);
- Dividends/Distributions per stapled security were maintained at 8.0 cents for the half year; and
- Net tangible assets per stapled security decreased 2% to $1.66 (FY07: $1.70).

In announcing the result, Australand's Managing Director and CEO, Bob Johnston, said "Despite the volatile market and difficult trading conditions, Australand delivered solid operating performances from each of its businesses."

"The C& I business delivered another strong result with aggregate sales revenue of $370.6 million, consisting of $282.3 million from wholly owned projects and $88.3 million from joint venture projects," said Mr Johnston.

The Investment Property business also delivered strong growth with year-on-year recurrent income growth of 3.8% and an overall increase in assets to $2.2 billion.

Mr Johnston said "Our quality Investment Portfolio was revalued at 30 June 2008, resulting in a net reduction of $7.3 million in asset values with increases in rents offsetting an average expansion of 25 basis points in capitalisation rates across the portfolio."

The Residential business delivered an operating result in line with last year's performance. The residential sector however continues to face significant headwinds. Trading conditions remained challenging with consumer confidence being negatively affected by official interest rate rises, escalating oil prices and general inflationary pressure. These conditions have had an adverse affect on some development projects, and as a result, a review of our portfolio of residential development projects has been undertaken and an adjustment of $49.5 million ($34.7 million after tax) has been made to the carrying values to reflect current conditions for sales prices and rates, increased funding costs and development costs.

Capital Management

Australand also announced three capital management strategies to strengthen its balance sheet, and position the business for the current market volatility and uncertainty.

- A non-underwritten 1 for 1 Renounceable Entitlement Offer at $0.60 per security to eligible security-holders. Australand's majority security-holder, CapitaLand, has committed to take up its full entitlement under the offer demonstrating its confidence in the business. Depending on the remaining level of participation, the Entitlement Offer will provide between $302 million and $557 million of additional capital that will be used to reduce gearing and fund projects in our development pipeline.

- A change in its dividend/distribution policy to maintain a strong capital management position. The revised dividend/distribution policy will be :

    - 100% distribution of Property Trust earnings (excluding revaluations); and
    - The reduction in payout ratio of the development businesses to zero.

  The revised distribution policy will be reviewed at the end of 2009.

- Australand will step up the distribution rate on the Australand Subordinated Step-Up Exchangeable Trust Securities ("ASSETS") hybrid securities effective from 1 October 2008. The terms of the securities provide Australand with the opportunity of fully or partially redeeming ASSETS every quarter after the step-up date. It is Australand's intention to review its options in regard to ASSETS on a regular basis.

Australand Chief Financial Officer, Tiernan O'Rourke, said "current uncertainty in capital markets require a conservative capital management approach. This included the decision to recapitalise the business to reduce gearing, and to provide certainty around the provision of capital to allow the business to deliver on its strategic objectives."

Mr O'Rourke confirmed that Australand continues to operate within all of its debt covenants.

Australand's debt maturity profile was stable at 1.7 years and 73% protected by fixed interest rate hedges, which significantly protected the business this half year against interest rate volatility.

The maturity of the Group's Multi Option Facility has been extended to June 2010 and the facility has been increased by $350 million to a total of $950 million. Two Australian banks were added to the syndicate supporting the facility.

At 30 June 2008, Australand had a total of $775 million debt maturing before June 2009 or 43% of the total debt portfolio. The key component of this renewal profile is the $563 million CMBS maturing in late June 2009. The traditional CMBS markets are closed to new lending, but the Group has made good progress on sourcing potential alternative facilities.

Outlook

Despite difficult trading conditions, Australand's underlying business platforms have performed well for the first half of 2008. The C&I business has a strong workbook and our Investment Property business continues to deliver reliable and predictable earnings. Both businesses will deliver solid growth for the balance of 2008.

This growth however, will be offset by the reduction of earnings in the Residential business, which continues to face headwinds driven by broader economic conditions. We are forecasting a decline in profit for the Residential business in 2008 compared to 2007.

Australand forecasts a full year 2008 operating profit in line with the lower end of February guidance of 2-3%, before the impact of the Entitlement Offer, unrealised gains/(losses) from property revaluations and significant one-off non-cash items.

Depending on the take up of the Entitlement Offer, the Group has forecast a 2008 full year operating profit after tax of between $171.6 million and $176.6 million excluding unrealised gains/(losses) from property revaluations and significant one-off non-cash items.

Mr Johnston said that "the steps being taken by Australand to strengthen its balance sheet will position the business with the financial capacity to face the current market uncertainties and to potentially take advantage of strategic opportunities in Australia and Asia."

For further information, please contact:

Investor enquiries

Tiernan O'Rourke
Chief Financial Officer
Tel: +61 2 9767 2041
Email: torourke@australand.com.au

Rob Morton
Investor Relations Manager
Tel: +61 2 9767 2069
Email: rmorton@australand.com.au

Media enquiries

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