

ASX ANNOUNCEMENT: 26 August 2010**CEO on HY10 Results**

Open Briefing with CEO Michael Cameron

The GPT Group Limited
Level 52, MLC Centre,
19 Martin Place,
SYDNEY, NSW, 2000**In this Open Briefing[®] CEO Michael Cameron discusses**

- **Return to net profit and earnings growth**
- **Distributions and income guidance upgraded**
- **Balance sheet strengthened and new debt lines secured**

Open Briefing interview:**openbriefing.com**

The GPT Group recently reported net profit of \$145.2 million for the first half ended June 2010. This compares with a loss of \$1.2 billion in the previous corresponding period. Realised operating income was \$205.8 million, up 12.5 percent. You've upgraded guidance for the full year ending December 2010 to realised operating income of \$400 million and a distribution of at least 15.9 cents per security. What have been the key drivers of the upgrade?

CEO Michael Cameron

The key drivers of the upgrade in guidance compared with February have been the reduction in our expected interest expense by 70 basis points and the performance of our high quality portfolio.

The increased guidance also reflects our expectation that our strategy and business capacity will deliver stronger returns. GPT has returned to strength, stability and earnings growth with the business and balance sheet now in good shape.

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What is the rationale behind the new goal of growth in earnings per share (EPS) of more than 1 percent above CPI over the next 3 years? Why are you targeting total returns of more than 9 percent, up from the previous target of more than 8.5 percent?

CEO Michael Cameron

The last three years showed investors that cycles can be extreme. We focused on providing stable, long-term growth. While stable growth is more attractive in some periods than others, our consistent growth profile makes us attractive to many investors.

When we set guidance at the beginning of the year, there was uncertainty surrounding credit markets and we had a challenging task refinancing. We also recognised the uncertainty around the performance of our non-core portfolio. We've made significant progress and our credit metrics are now consistent. An A- rating from Standard & Poor's recognises this and represents the successful implementation of our strategy outlined in 2009.

Our original target of 8.5 percent was based on our weighted average cost of capital (WACC). Our new target of above 9 percent reflects the positive impact of lower average forecast debt costs after we recently secured financing on excellent terms for up to 7 years.

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Over the half, GPT secured \$800 million in new debt lines, including the 7 year bank facility. Average forecast debt cost for 2010 has reduced by 70 basis points. What scope is there to further reduce the cost of debt? How will the longer tenor of the restructured facilities affect GPT's capital management strategy? Will GPT further diversify its sources of funding?

CEO Michael Cameron

We've made progress on the objectives we set last year to reduce refinancing risks and lower the cost of capital. With margins averaging just over 200 basis points, the \$800 million of new and extended bank facilities include the Australian real estate sector's first ever 7 year bank facility. Securing these facilities demonstrates GPT's balance sheet strength and portfolio quality and increases our average term to maturity to 3.3 years.

While issuers in domestic bond markets have been fickle and expensive, we've taken advantage of liquidity available and lower prices in the world market. As we flatten our maturity profile, we remain committed to diversifying debt sources and will continue to do so when market conditions and pricing is conducive.

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GPT currently holds a 33.4 percent stake in the wholesale office (GWOFF) and retail trusts (GWSCF) it manages. When will the ownership stake reduce to GPT's target level of 20 percent? Why did GPT invest additional funds in GWOFF in first half of the year if it planned to reduce its exposure to the wholesale fund? How will GPT's core portfolio change over the medium term?

CEO Michael Cameron

Returns from the funds are currently strong but will be enhanced by reducing our co-investment level to 20 percent and we'll implement this target over time. At the current co-investment level of 33.4 percent, the yield is about 7.67 percent. This increases to 8.75 percent at a co-investment level of 20 percent.

GPT participated in the GWOFF equity raising as it was accretive to the business at that time. In the position we're now in, selling down our stake in the fund to 20 percent is also an accretive opportunity. The composition of our core portfolio will be driven by similar accretive opportunities over the medium term.

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At 30 June 2010, GPT's net tangible assets (NTA) per security was \$3.45, down slightly from \$3.46 at 31 December 2009. GPT states that it will continue focusing on closing the gap between its NTA and share price in 2010. What initiatives will GPT undertake to do this and what is NTA per security projected to be by 31 December 2010?

CEO Michael Cameron

Reinvigorating GPT is a strategic journey with four phases. Clean-up and stabilisation will be followed by optimisation and then a move towards best performance.

We've completed the clean-up and stabilisation phases which is restoring trust and confidence in GPT. We'll now focus on optimising the business and working towards best performance. We're not prepared to make a forecast on future NTA levels but in the short term, we aim to close the gap between our share price and NTA. We'll do this by strategically allocating capital, reducing debt costs, increasing productivity and aligning organisational design with strategy.

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Across your core portfolios, comparable income growth in the first half of 2010 was 3.9 percent, with the Retail, Office and Industrial/Business Park portfolios booking comparable growth of 4.0 percent, 3.9 percent and 2.2 percent respectively. Are these rates sustainable and how do your growth strategies and expected rates of return differ across your Retail, Office and Industrial portfolios?

CEO Michael Cameron

Our core high quality Australian real estate portfolio makes up more than 90 percent of our investments. Because of their quality, we're confident each of our portfolios will grow. In Retail we expect flat sales growth to the end of 2010 but expect about 3 percent growth in 2011. Valuations are stable and a yield differential is re-emerging. This year, we expect structured rental increases of around 4.5 percent on 82 percent of the portfolio.

Office and industrial demand is improving and supply constraints are expected to continue. In Office we see positive net absorption in Melbourne, Sydney and Brisbane, with increasing demand, low supply and an outlook supporting rising values and strong returns. Incentives are falling, gross rents are rising and vacancy in key cities is flat.

In Industrial Business Parks, further rental growth is expected next year. Supply and demand are in balance with steady demand for existing space. Enquiries from the retail and logistic sectors are rising and the Port of Sydney's volumes are up 8 percent with rising inventories and imports.

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What drove the decision to cancel the \$600 million Newcastle inner-city development project? Why is this in the best interests of shareholders and when does GPT expect to sell its holdings in the project?

CEO Michael Cameron

Our decision to exit the Newcastle CBD was in the best interest of investors. We'll exit our land holdings in the project to maximise the value of our investment as soon as practical.

This is in line with our strategy to make best use of investor capital and we'll continue to divest non-income producing land. With a large pipeline and close to \$2 billion of capacity, we apply a disciplined approach to developments: they must be earnings accretive and within our strategic guidelines and risk profile

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When does GPT expect to sell the Ayers Rock Resort and US Seniors Housing assets? How do you plan to use the proceeds of the sales and how long will GPT hold its non-core assets before selling them?

CEO Michael Cameron

Ayers Rock and the US Seniors Housing portfolio continue to offer good returns and we'll continue to hold them until the dilution from their sale is minimised. Both assets have good yields and their market valuations have bottomed. We continue to discuss the potential for sales but are not actively marketing the US Seniors Housing portfolio. We'll hold in the medium term until a better return for investors can be realised. Sale proceeds will be deployed in the best interest of shareholders, which may include further debt reduction.

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Where do you expect your key property markets to trend over 2011? Will we see a shift to significant rental and capital growth by 2011?

CEO Michael Cameron

Capitalisation rates stabilised over the first half and are expected to firm next year with the high quality end of the market leading. A return to the high capital growth levels seen a few years ago is unlikely but we expect a reversion to tighter rates for quality assets over time.

Rental growth over the year will be driven primarily through fixed rental increases. The Retail portfolio is 82 percent fixed with an average increase of 4.5 percent per year and 80 percent of the Office portfolio is fixed at an average increase of 4 percent. About 87 percent of our Industrial portfolio is fixed at an average increase of 3.3 percent.

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What are GPT's key investment criteria for future acquisitions and development? What is your strategy to provide further accretive returns to investors?

CEO Michael Cameron

Our accretive yield targets for development remain unchanged from late last year: 10 to 13 percent for Retail, 11 to 14 percent for Office and 12 to 15 percent for Industrial. Targeted IRR for investment assets are 8.5 to 9.5 percent for Retail, 9 to 10 percent for Office and 10 to 11 percent for Industrial.

Our goal is to achieve total return in excess of 9 percent and average EPS growth in excess of CPI plus 1 percent over 3 years. We aim to provide strong total shareholder return by channelling investment capital into accretive acquisitions and developments and achieving sustainable growth. We'll also continue to focus on decreasing costs and increasing income through new opportunities.

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Thank you Michael.

For more information on GPT, visit www.gpt.com.au or call Donna Byrne, Head of Investor Relations and Corporate Affairs on (+61 2) 8239 3515

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