

# Half Year Update

## JUNE 2011

Welcome to GPT's 2011 Half Year Update for Investors. This newsletter provides an update on recent key activities across The GPT Group, including the 2011 Interim Result to 30 June 2011. For full details of the Group's recent announcements, activities and Interim Result please visit [www.gpt.com.au](http://www.gpt.com.au).

### 2011 Interim Result

GPT's financial result for the six months to June 2011 was announced on 26 August 2011. I'm pleased to report good income results for the first six months of this year. The Operating profit was \$221.5 million, which was an 8% increase compared to last year. I believe that GPT's performance for the first half of 2011 reflects the strength of the business, the high quality of GPT's asset portfolio and a number of capital management initiatives that were undertaken to further strengthen GPT's balance sheet.

In summary, the financial and operational highlights are as follows:

#### FINANCIAL HIGHLIGHTS

Realised Operating profit of \$221.5 million, up 8% on 30 June 2010;

Statutory A-IFRS net profit of \$243.1 million, up 67% on 30 June 2010;

Cash distribution of 8.5 cents per ordinary security for the six months to June 2011; and

Increase in net tangible assets per security (NTA) to \$3.64.

GPT's performance for the first half of 2011 reflects the strength of the business. In line with the recently announced increase to earnings guidance, operating earnings per security growth of approximately 7% is expected for the 2011 full year.

#### OPERATIONAL HIGHLIGHTS

Average comparable income growth of 3.6% from GPT's high quality portfolio;

High occupancy levels and a long lease expiry profile across all portfolios;

Commenced \$300 million expansion of Highpoint shopping centre; and

Launch of new work environment in GPT's head office to enhance employee productivity.

GPT's core portfolio delivered solid operational performance. Already high occupancy levels increased further, and long lease expiry profiles were maintained. The weighted average capitalisation rate of the portfolio remained relatively unchanged, while valuations were boosted by \$85 million as at 30 June 2011.

Despite uncertainty in the global economy and a subdued domestic retail market the Retail portfolio continued to deliver good performance in the first half. Comparable income growth for Retail was 4.1% with the overall occupancy level up to 99.9%. Sales growth is expected to remain subdued for the remainder of this year, underpinned by employment and wages growth.

Performance in the Office and Industrial portfolios was also positive in the first half. In the Office portfolio, comparable income growth was 3.4% and occupancy levels increased to 97.5% which was ahead of the industry average of 92%. The high occupancy reflects the high quality of the Office portfolio, with 56% being Premium Grade, which is the largest proportion of any Australian REIT.

The Industrial portfolio delivered 2.8% comparable income growth and increased occupancy levels to 98.8%.

During the period, GPT also delivered a new work environment for the Group's head office in the MLC Centre, setting a benchmark for the innovative transformation of office space in a mature asset. The new work environment for GPT's employees will enhance productivity, collaboration and innovation, consistent with GPT's objective of equipping employees for high performance.



MICHAEL CAMERON  
CEO AND MANAGING DIRECTOR

### CALENDAR

June Quarter distribution payment: 23 September 2011

September Quarter distribution announcement: October 2011

September Quarter distribution payment: November 2011

2011 Annual Results: February 2012



HIGHPOINT SHOPPING CENTRE, VIC



DARLING PARK 2, NSW

On 26 August 2011, we also announced our intention to divest our 50% stake in the MLC Centre. As an iconic office tower, I am confident that this is an attractive opportunity to an investor with the right risk and return profile. The capital GPT will receive through the sale of our MLC Centre stake will be deployed into a more value-creating opportunity.

As part of our capital management review, in May this year GPT announced its intention to buy back up to 5% of issued capital. The security buy-back is part of GPT's strategy to close the gap between its security price and the value of NTA which was \$3.64 per ordinary security as at 30 June 2011. We came to this decision after a review of alternative uses of capital to identify the most compelling investment opportunity for GPT. A security buy-back will be accretive to operating earnings and NTA at certain levels, and offers a compelling relative risk adjusted investment opportunity.

The buy-back is being funded through the non-core asset sales which were completed during the half year. Around \$48 million of stock had been acquired at 26 August, purchased at an average of 18% discount to NTA, providing an uplift of \$10 million or just over 0.5 cents to the NTA. We will continue to purchase stock accretively.

GPT is on track to deliver earnings growth of 7% for the full year. This will be achieved through structured rental increases, undertaking accretive developments, expansion of the funds

management business and additional revenue sources.

In closing, a distribution of 4.3 cents per security has been announced for the June 2011 quarter and will be paid on 23 September 2011. This brings the total cash distribution to 8.5 cents per ordinary security for the six months to June 2011. The total securityholder return was 7.4% annualised and we continue to work towards our target of 9% for the full year. GPT's distribution payout ratio will continue to be no less than 80% of ROI on an annual basis.



**Michael Cameron**  
CEO & Managing Director

### ASK GPT'S CEO

GPT values investors' questions and comments. If you have any questions or comments for GPT's CEO and Managing Director, Michael Cameron, simply email [gpt.ceo@gpt.com.au](mailto:gpt.ceo@gpt.com.au) or send a letter to The GPT Group, Level 51, MLC Centre, 19 Martin Place, Sydney NSW 2000.

## INTERIM FINANCIAL RESULTS SUMMARY

6 months to 30 Jun	1H 2011	1H 2010	Change
Total Realised Operating Income (ROI) (\$m)	221.5	205.8	↑ 8%
Changes in fair value of assets	54.1	54.7	
Profit/loss on disposals	1.5	(5.3)	
Financial instruments marked to market and foreign exchange gains	(32.6)	(84.1)	
Other	(1.4)	(25.9)	
A-IFRS net profit/(loss) (\$m)	243.1	145.2	↑ 67%
ROI per ordinary security (cents)	11.3	10.4	↑ 8%
Distribution per ordinary security (cents)	8.5	7.6	↑ 12%

For the six months to June 2011, GPT delivered a Realised Operating Income of \$221.5 million (up 8%) and a cash distribution of 8.5 cents per ordinary security. The 8% increase in the Realised Operating Income over the previous corresponding period demonstrates good performance across the business, reduced debt cost and the sell down of GPT's equity stake in the wholesale funds.

## CAPITAL MANAGEMENT

GPT's balance sheet is in great shape with gearing at 21%. Look through gearing reduced substantially to 22.6% as a result of the sale of the US Seniors Housing portfolio.

Over the six months to June 2011, GPT applied a disciplined approach to capital management. Reducing GPT's average cost of debt was a key focus over the period. The sale proceeds of our non-core assets enabled the Group to cancel the most expensive bank loans, terminate higher rate hedges and renegotiate the margins on existing loans. The average loan term across the book is now 5.1 years and GPT has no further liquidity requirements until 2013.

## GPT BALANCE SHEET SUMMARY

As at	30 Jun 2011	31 Dec 2010
Total assets (\$m)	9,347	9,752
Total borrowings (\$m)	1,991	2,453
Net tangible assets per security (\$)	3.64	3.60
Gearing (%) <sup>(1)</sup>	21.0	24.9
Look through gearing (%) <sup>(1)</sup>	22.6	29.9
Interest cover ratio (x)	4.0	3.7

(1) Based on net debt

# Business Activities

## AUSTRALIAN RETAIL

GPT's Retail portfolio, totalling \$5.3 billion as at 30 June 2011, includes assets held on the Group's balance sheet and an investment in the GPT Wholesale Shopping Centre Fund (GWSCF).

The Retail portfolio has continued to perform well, with comparable income growth of 4.1% in the first six months of 2011. The portfolio is well positioned for future growth with 99.9% occupancy and low arrears.

6 months to 30 Jun	1H 2011	1H 2010
Comparable income growth	4.1%	4.0%
Comparable total centre sales growth <sup>(1)</sup>	1.2%	1.4%
Comparable specialty sales growth <sup>(1)</sup>	2.1%	0.2%
Specialty sales psm <sup>(1)</sup>	\$8,904	\$9,015
Specialty occupancy costs <sup>(1)</sup>	17.3%	17.4%
Occupancy	99.9%	99.5%

(1) Includes GPT and GWSCF assets and excludes Homemaker assets, Norton Plaza and assets under development. Growth is for the 12 months compared to the prior 12 months.



RIVERSIDE CENTRE, QLD

## AUSTRALIAN INDUSTRIAL

GPT's Industrial portfolio, totalling \$808 million as at 30 June 2011, includes 24 high quality traditional industrial and business park assets. The income growth of the Industrial portfolio of 2.8% is stronger than the previous corresponding period. The Industrial portfolio provides GPT with solid returns and low volatility, providing a strong platform for expansion in the future.

6 months to 30 Jun	1H 2011	1H 2010
Comparable income growth	2.8%	2.2%
Occupancy	98.8%	97.0%
Weighted average lease expiry	6.2 years	6.9 years
Leases signed	20,417sqm	30,000sqm



CHARLESTOWN SQUARE, NSW

## AUSTRALIAN OFFICE

GPT's Office portfolio, totalling \$2.6 billion as at 30 June 2011, includes assets held on the Group's balance sheet and an investment in the GPT Wholesale Office Fund (GWOF).

The Office portfolio also performed well with comparable income growth of 3.4%. The cap rates have tightened with 48% of the portfolio being externally valued during the six months to June. The half year saw a large increase in occupancy reflecting the high quality of GPT's Office portfolio.

6 months to 30 Jun	1H 2011	1H 2010
Comparable income growth	3.4%	3.9%
Weighted average cap rate	7.11%	7.20%
Occupancy	96.9%	93.9%
Occupancy (including terms agreed)	97.5%	95.7%
Weighted average lease expiry	4.9 years	5.3 years



QUAD BUSINESS PARK, SYDNEY OLYMPIC PARK, NSW

## AUSTRALIAN FUNDS MANAGEMENT

During the first half of 2011, GPT successfully completed a further sell-down of \$212 million in the wholesale funds, enhancing the income return to GPT by a further 30 basis points. Since the commencement of GPT's strategy to reduce its stake in the wholesale funds in October 2010, GPT has sold down a total of \$428 million and enhanced the income return by 60 basis points.

### GPT WHOLESALE OFFICE FUND

As at 30 June 2011, the GPT Wholesale Office Fund consisted of 14 office assets with a total value of \$3.2 billion. The fund delivered a one year total return of 8.8% (post-fees).

Fund	as at 30 Jun 2011
Total assets	\$3.2b
Gearing	11.6%
Occupancy	97.6%
WACR	7.24%
<b>GPT Investment</b>	
GPT investment (26.4%)	\$725.1m
Fee income (1H 2011)	\$7.3m
One year total return (post fees)	8.8%

### GPT WHOLESALE SHOPPING CENTRE FUND

As at 30 June 2011, the GPT Wholesale Shopping Centre Fund consisted of nine retail assets with a total value of \$2.1 billion. The fund delivered a one year total return of 9.5% (post-fees).

Fund	as at 30 Jun 2011
Total assets	\$2.1b
Gearing	10.0%
Occupancy	99.4%
WACR	6.65%
<b>GPT Investment</b>	
GPT investment (20.2%)	\$373.5m
Fee income (1H 2011)	\$4.7m
One year total return (post fees)	9.5%

## Developments

### RETAIL

#### HIGHPOINT SHOPPING CENTRE

In March 2011, GPT commenced the \$300 million major expansion of Highpoint shopping centre, an exciting development that will bring to western Melbourne 100 new specialty stores, David Jones, a new Woolworths, improved access and 1,000 additional car spaces. The project is on track for completion in early 2013.

#### MELBOURNE CENTRAL

A \$30 million development has created a unique food precinct and new on-trend fashion offer with iconic brands including Converse (third store in the world) and a Nike flagship store.

### OFFICE

#### ONE ONE ONE EAGLE STREET

Construction of One One One Eagle Street in the Brisbane CBD is progressing and remains on track for completion in March 2012. Approximately 49% of the floor space had been committed by August 2011, which is ahead of the forecast of 40% by practical completion.

#### 161 CASTLEREAGH STREET

Construction of this Premium-Grade office tower is scheduled for completion in mid-2013. The tower will feature 54,000 sqm of accommodation over 43 floors.

### INDUSTRIAL

#### 5 MURRAY ROSE AVENUE

5 Murray Rose Avenue forms part of the Sydney Olympic Park commercial precinct. GPT's masterplan for the site provides a total of 42,700 sqm of campus style business and retail space. In October 2010 GPT commenced stage 1 of the development to deliver a 12,200 sqm 6 Green Star Campus Business Park building.

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### SECURITY SERVICES

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