

# THE GPT GROUP ANNOUNCES

**24 August 2010**  
**2010 Interim Result**

**- Strength, stability and earnings growth -**  
**- On track to deliver Full Year Realised Operating Income in excess of \$400 million -**

## KEY POINTS

### FINANCIAL PERFORMANCE

- Realised Operating Income<sup>1</sup> for the six months to June 2010 of \$205.8 million, up 12.5% on June 2009
- Realised Operating Income per ordinary security of 10.4 cents for the six months to June 2010<sup>2</sup>
- Cash distribution of 7.6 cents per ordinary security for the six months to June 2010<sup>2</sup>
- Materially strengthened balance sheet and credit metrics
- Net tangible assets per security (NTA) \$3.45<sup>2</sup>
- Statutory A-IFRS net profit for the six months of \$145.2 million

### STRATEGY

- Focus on active ownership of high quality Australian Retail, Office and Industrial real estate
- Process of reinvigoration commenced in 2009 is well advanced
- Clean up and stabilisation phases successfully completed
- Management now focused on optimising the business, closing the gap between the security price and the NTA per security, and positioning for out-performance
- Working our investors' capital hard

### GUIDANCE

- GPT's target is to deliver:
  - Average EPS growth greater than CPI plus 1% over three years<sup>3</sup>
  - Total returns greater than 9%
  - High relative Total Securityholder Return
- 2010 Realised Operating Income is expected to exceed \$400 million with a distribution of at least 15.9 cents per ordinary security.<sup>2</sup>

<sup>1</sup> Before payment of distribution on exchangeable securities on issue.

<sup>2</sup> On the basis of post 5 to 1 consolidation of stapled securities (assuming effective 1 Jan 2009). Guidance assumes no major asset sales and no material change in market conditions or any unforeseen events.

<sup>3</sup> Defined as Realised Operating Income per ordinary security.

## FINANCIAL HIGHLIGHTS

	1H10 (\$m)	2H09 (\$m)	1H09 (\$m)	FY09 (\$m)
Core Business*	264.8	261.7	272.8	534.5
Non-core Operations	20.0	26.3	23.6	49.9
Financing and corporate overheads	(79.0)	(95.2)	(113.4)	(208.6)
<b>Realised Operating Income</b>	<b>205.8</b>	<b>192.8</b>	<b>183.0</b>	<b>375.8</b>
<b>Changes in Fair Value of Assets (non-cash)</b>				
• <b>Valuation increases/decreases</b>				
Core domestic Portfolio and Funds Management (Australia)	21.3	(207.3)	(567.2)	(774.5)
Hotel/Tourism Portfolio	(0.2)	11.5	(97.4)	(85.9)
European goodwill and warehoused assets	(1.4)	2.2	(81.5)	(79.3)
US Seniors Housing	30.2	(0.2)	(37.6)	(37.8)
Joint Venture Fund	4.8	(7.2)	(1,085.7)	(1,092.9)
• <b>Profit/Loss on Disposals</b>	<b>(5.3)</b>	61.7	(80.2)	(18.5)
• <b>Financial instruments marked to market value and foreign exchange gains</b>	<b>(84.1)</b>	88.5	606.6	695.1
Other Items	(25.9)	(17.1)	(35.5)	(52.6)
<b>Net profit/loss after tax</b>	<b>145.2</b>	124.9	(1,195.5)	(1,070.6)

\* Includes development profit of \$1.9 million in 2009.

## OVERVIEW

The GPT Group (GPT) today announced Realised Operating Income of \$205.8 million for the six months to June 2010 (up 12.5%), and a cash distribution of 7.6 cents per security for the half<sup>4</sup>. The 12.5% increase in Realised Operating Income over the previous corresponding period demonstrates growth from all core businesses and the benefit of divesting non-core assets to focus on the stable, high quality Australian business which will deliver stable earnings and consistent growth.

The difference between the Group's underlying Realised Operating Income of \$205.8 million and the \$145.2 million statutory (A-IFRS) profit reflects the impact of non-cash items, largely movements in the valuation of financial instruments.

GPT's total assets, \$9.5 billion at 30 June 2010, reflect a slight increase on December 2009, driven by additional capital expenditure and a slight increase in asset values. Net tangible assets (NTA) per stapled security of \$3.45, includes the impact of GPT's 5 to 1 consolidation completed in May 2010.

<sup>4</sup> On the basis of post 5 to 1 consolidation of stapled securities (assuming effective 1 Jan 2009).

Michael Cameron, GPT's Chief Executive Officer, said GPT was on track to being Australia's best performing property group.

"We set ourselves a number of goals in August 2009 aimed at reinvigorating GPT. I am pleased to report that, as a result of a successful scorecard over the last year, we have rapidly moved through the clean up and stabilisation phases of our strategy.

"We now have a very stable business focused firmly on Australia. In the first half of this year we completed a security consolidation, established new debt lines, grew our wholesale funds and increased our focus on driving returns from the business. As a result of the significant progress made on non-core divestments, the asset sale program is largely complete and the core Australian portfolio now represents over 90% of investments.

"Rob Ferguson, our new Chairman, is in place, and renewal of the Board and management has been achieved.

"We have a strong base for our future and we are off to a good start in optimising performance through working the assets harder, reducing debt costs, making our business more efficient and further improving our customer relationships. Through this process we are focused on ensuring that the value inherent in the Group is recognised in the security price," Mr Cameron said.

## **FINANCIAL POSITION**

- \$800 million new and extended debt facilities secured at attractive terms
- 25.5% headline gearing (net debt basis) versus covenant of 40%
- 32.7% look through gearing (net debt basis) versus covenant of 55%
- Estimated average cost of debt for 2010 reduced by 0.7%
- Credit rating upgrade (Standard & Poor's BBB+ to A-)
- New debt secured, extending average term of facilities to 3.3 years (from October 2010)
- Sustainable distribution policy in place
- On track to deliver 10% savings in corporate expenses in 2010
- Solid liquidity position
- Revised capital management policies linked to future business needs

Michael O'Brien, GPT's Chief Financial Officer, said the Group's financial metrics had been strengthened as a result of a number of initiatives undertaken in line with the Group's revised capital management policy.

“We have reduced our forecast average cost of debt and demonstrated GPT’s access to funding, with \$800 million of new or extended debt lines secured at margins averaging just over 200 basis points and a long average duration of the facilities, including what is believed to be the Australian REIT sector’s first seven-year bank loan. These lines extend the average tenor of the Group’s debt and improve the Group’s liquidity position.

“We are well advanced in repositioning the Group’s balance sheet and funding profile. We are now seeking to build on this progress - further improving our credit metrics and ratings, maintaining our focus on identification and delivery of cost efficiencies, further diversifying debt sources, managing our cost of debt and continuing to extend its tenor,” Mr O’Brien said.

## **CORE BUSINESS**

Mr Cameron said: “The performance of the core business continues to be strong, with comparable income growth from each of the core Australian portfolios and good progress on developments already underway. The high occupancy, long weighted average lease terms, structured rent increases across the majority of the portfolio and stabilising valuations have contributed to solid performance from an income and value perspective.”

- Comparable income growth of 3.8% across the core portfolios (Retail 4.0%, Office 3.9%, Industrial/Business Parks 2.2%)
- High portfolio occupancy maintained
- Growth from structured rent increases embedded across the majority of the portfolio
- Wholesale funds management platform successfully raised \$578 million
- GWOFF portfolio remixed to enhance quality
- Charlestown Square expansion due to open late 2010
- Terms agreed for approximately 20% of space at One One One Eagle Street development
- Ongoing results from leadership in sustainability

Commensurate with the Group’s objective to work investors’ capital harder, GPT’s investment in the Group’s wholesale funds management business will move towards 20% over time to enhance the return on equity invested in this platform. The funds management business represents a strategic advantage to the Group through access to a deep and growing base of institutional capital, stable cash flow streams (via base management and property management fees) and investment in high quality assets at a return above that provided through direct investment in the real estate. Both of the wholesale funds delivered sector leading performance for the 12 months to 30 June 2010.

In relation to the extensive development pipeline, Mr Cameron said: "Future development and further investment is dependent on the ability to deliver earnings accretion and add long term value. We have increased our focus on rigorously reviewing the outlook for all assets, in particular non-income producing assets. This will ensure land holdings are developed in a reasonable timeframe to reduce the impact on earnings."

## **OUTLOOK**

GPT's strengths of scale, quality, diversity and culture position it well to continue to implement its clearly articulated strategy of active ownership of Australian Retail, Office and Industrial real estate.

"We entered 2010 with our 2009 objectives achieved. With the clean up and stabilisation phases of our strategic journey complete, the next step is optimisation and ultimately best performance," Mr Cameron said.

"We're reducing our cost of debt and delivering cost efficiencies, which together with quality assets, stabilising valuations and focused management, are translating to consistent returns for investors.

"Our immediate focus is on continuing to close the gap between GPT's security price and Net Tangible Assets per security, through optimisation of our business platform, working our investors' capital harder and continuing to deliver on our financial and strategic objectives," Mr Cameron said.

The Group's near term focus is to achieve average earnings per security growth of greater than CPI plus 1% per annum (over 3 years), with long term results providing a total return in excess of 9%.

"We have increased guidance for 2010 and expect Realised Operating Income to exceed \$400 million with a distribution of at least 15.9 cents per ordinary security (assuming post consolidation for the full year)<sup>5</sup>," Mr Cameron said.

**- Ends -**

***GPT's Interim Result Presentation will be web cast via the Group's website ([www.gpt.com.au](http://www.gpt.com.au)) on Tuesday 24 August 2010 at 11.00am (Sydney time).***

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<sup>5</sup> Assuming no major asset sales and no material change in market conditions or any unforeseen events.