14 February 2013

2012 Annual Result

Exceeding expectations with net profit after tax of $594.5 million and EPS[5] growth of 8%

KEY HIGHLIGHTS

FINANCIAL:

- Net profit after tax of $594.5 million for the year ended 31 December 2012, up 141.5 per cent on 31 December 2011. The result reflects strong operational performance and an uplift in underlying property values.
- Realised operating income (ROI) [1] of $456.4 million [2], up 4.0 per cent on 31 December 2011 [3].
- ROI per ordinary security of 24.2 cents, up 8.0 per cent on 31 December 2011.
- Cash distribution of 19.3 cents per ordinary security up 8.4 per cent on 31 December 2011.
- Total Return of 9.5 per cent and Total Securityholder Return (TSR) of 26.9 per cent [4].
- Net tangible assets (NTA) per security increased by 3.9 per cent to $3.73.
- Continued active capital management, including:
  - Diversification of debt sources with $430 million in bond issues over the past year;
  - Reduction in average cost of debt by 100 basis points on the previous year; and
  - Low gearing of 21.7 per cent.

OPERATIONAL:

- Total return for the investment assets of 9.3 per cent with comparable income growth of 3.2 per cent.
- Continued focus on operational efficiency with expenses declining 6.8 per cent.
- High occupancy and long lease expiry profile maintained.
- Completed development of 111 Eagle Street, Brisbane, and 5 Murray Rose Avenue, Sydney Olympic Park.

STRATEGIC:

- Actively managing the portfolio, with progress made on moving to a more balanced sector weighting.
- Significant review of cost base and structure completed, which will deliver a recurring $10 million after tax earnings benefit in 2013.
- Progress made on all four growth platforms to further accelerate performance: funds management, development, new profit sources and asset acquisitions.
- Investing in developing GPT's strategic direction for the next five years with the goal of being Australia's best performing property company.

GUIDANCE:

- 2013 forecast EPS [5] growth of at least 5 per cent.
- Payout ratio of 80 per cent of ROI.

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[1] Before payment of distribution on exchangeable securities.
[2] Statutory profit adjusted for changes in fair value of assets of $221.3m, loss on disposals of ($3.1m), financial instruments marked to market value movements and net foreign exchange losses of ($40.4m), and other items of ($39.7m).
[3] ROI growth was lower than growth in ROI per security because of the impact of the Group's security buy back.
[4] Total return is defined as DPS plus change in NTA. TSR is defined as distributions paid plus change in security price.
[5] EPS defined as Realised Operating Income per ordinary security.

The GPT Group

FINANCIAL HIGHLIGHTS

12 months to 31 December ($m)	2012	2011
Total Realised Operating Income (ROI)	**456.4**	**438.8**
Changes in fair value of assets	221.3	50.8
Loss on disposals	(3.1)	(49.1)
Financial instruments marked to market value movements and net foreign exchange losses	(40.4)	(150.3)
Other [6]	(39.7)	(44.0)
Net Profit After Tax	**594.5**	**246.2**
ROI per ordinary security (cents)	24.2	22.4
Distribution per ordinary security (cents)	19.3	17.8
As at 31 December	**2012**	**2011**
Total assets ($m)	9,343	9,288
Total borrowings ($m)	2,144	2,144
Net tangible assets per security ($)	3.73	3.59
Gearing (%)	21.7	22.9

OVERVIEW

The GPT Group (GPT) today announced its full year result for the year ended 31 December 2012. Michael Cameron, GPT's Chief Executive Officer and Managing Director, said that GPT had again exceeded expectations, actively enhanced its portfolio during the year and was investing in the future.

GPT's statutory net profit after tax for the year ended 31 December 2012 was $594.5 million, 141.5 per cent higher than the previous corresponding period. This included a $221.3 million increase in the value of assets, and a $40.4 million mark to market loss on derivatives.

Realised Operating Income was $456.4 million for the year, with the cash distribution of 19.3 cents per security up 8.4 per cent.

"EPS growth of 8.0 per cent was driven by solid comparable income growth, ongoing cost optimisation and capital management initiatives," Mr Cameron said.

"GPT's focus in 2012 was on its 'optimise and grow' strategy and it is pleasing to see that this approach continues to deliver results. We achieved significant progress on our portfolio reweighting strategy with the sale of our stakes in the Casuarina and Woden retail assets as well as several logistics asset acquisitions. We completed two developments including One One One Eagle Street in Brisbane, and delivered a significant recurring earnings benefit from our 'Fit for Growth' cost optimisation program. Our financial strength, effective capital management, high quality portfolio and deep capability gives GPT a strong foundation for the future."

[6] Other items include non-cash IFRS adjustments, amortisation of intangibles, impairment expense of assets, one-off restructuring costs and relevant tax impact.

FINANCIAL POSITION

Mark Fookes, GPT's Chief Financial Officer, said GPT demonstrated in 2012 that it's focus on disciplined and effective capital management continues to deliver results.

"GPT's average cost of debt for 2012 was 5.6 per cent, 100 basis points lower than the average debt cost in 2011. This was achieved through active treasury management, including the renegotiation of loans, lower floating interest rates and the termination of interest rate hedges as proceeds from asset sales were received," Mr Fookes said.

"A key focus for 2012 was the diversification of debt sources. GPT made good progress when it re-entered the domestic bond market and issued $330 million in five, seven and ten year Medium Term Notes in 2012. I am also pleased to announce that in January 2013, GPT made its inaugural issue into foreign debt capital markets with a HK$800 million (A$100 million) issue of 15 year bonds, further extending the weighted average term to maturity to 5.4 years.

"In the first half of 2012 GPT bought back $148 million of its securities, bringing the total securities acquired since the buy-back commenced in 2011 to $275 million representing 4.8 per cent of issued capital. No further securities were purchased in the second half of the year.

"GPT's balance sheet remains in excellent shape, with low gearing and significant capacity, placing the Group in a strong position to continue enhancing its quality portfolio and to pursue growth opportunities."

OPERATIONAL PERFORMANCE

Portfolio results

	Portfolio Size	Comparable Income Growth	WALE	Occupancy	WACR
Retail	$4.96 bn	3.0%	4.4 years	99.5%	6.07%
Office	$2.76 bn	3.8%	5.4 years	95.8% [7]	6.86%
Logistics & Business Parks	$0.99 bn	2.7%	5.8 years	98.2%	8.30%
Total	$8.71 bn	3.2%	4.9 years	98.1%	6.54%

GPT's high quality, diversified portfolio delivered solid performance in the year ended 31 December 2012, achieving a portfolio total return of 9.3 [8] per cent. This was supported by active portfolio management and structured rental increases which underpinned 3.2 per cent comparable income growth. The weighted average capitalisation rate of the portfolio improved by 16 basis points, with a significant uplift in valuations over the period.

GPT's Head of Investment Management, Carmel Hourigan, said, in a subdued market environment, the quality of the portfolio and the ability to leverage the specialised skills of GPT's integrated property business were key in delivering solid performance for securityholders.

The retail portfolio delivered 3.0 per cent comparable income growth with speciality sales growth up 1.5 per cent. The total return for the portfolio was 8.6 per cent. Occupancy increased to 99.5 per cent,

[7] Includes Heads of Agreement
[8] Excludes acquisition costs and landbanks. Total return is 9.1 per cent including acquisition costs.

representing only 26 vacancies out of a total of 3,700 tenancies. Given the challenging retail sales environment, GPT has been focused on active remixing to deliver the right tenants in the right locations, securing occupancy to underpin income and securing earnings growth into the future through structured rental increases. GPT expects retail sales growth to remain subdued in the short term, with larger regional centres that offer a broad retail experience continuing to outperform other retail asset classes.

GPT's office portfolio had a strong year in 2012, with 3.8 per cent comparable income growth and a total return of 10.5 per cent. One of the key achievements for the portfolio was the significant level of leasing activity, with 135,646sqm of leases signed. This demonstrates the capability of GPT's office team to proactively lease expiries ahead of time and manage risk in the portfolio.

GPT's logistics & business parks portfolio also performed well, delivering a 9.4 per cent total return, with 2.7 per cent comparable income growth. Occupancy remained high at 98.2 per cent with a long weighted average lease expiry of 5.8 years.

"As part of its active management approach, GPT announced in June 2012 a strategy to move its weighting in retail from 61 per cent to 50 per cent of the total portfolio, with redeployment of capital into office, with a target weighting of 35 per cent and logistics & business parks, with a target weighting of 15 per cent [9]. Over the course of the year GPT has made good progress on executing this strategy, with the divestment of $643 million in retail assets and the acquisition of $143 million of logistics assets," Ms Hourigan said.

Development

GPT completed $760 million in developments in 2012, including the premium office tower, One One One Eagle Street in the Brisbane CBD; and 5 Murray Rose Avenue in Sydney Olympic Park.

The $300 million major expansion of Highpoint Shopping Centre in western Melbourne is nearing completion with the second stage on track to open next month. The development is 100 per cent leased and is a good example of how large regional centres continue to attract retailers in a challenging market. GPT has secured a number of high profile international retailers including Top Shop and Zara.

The $200 million expansion of Wollongong Central on behalf of the GPT Wholesale Shopping Centre Fund (GWSCF) is also progressing well with leasing about to commence. This retail development is due to be completed in the first half of 2014.

GPT has two developments underway in the GPT Wholesale Office Fund (GWOF). 161 Castlereagh Street in Sydney is on track for completion in mid-2013, with 96 per cent of the building leased. 150 Collins Street in Melbourne was acquired in July 2012 and is due for completion in mid-2014, with a 71 per cent precommitment in place to Westpac and a rental guarantee on the balance of the building.

Sustainability

GPT once again demonstrated its leadership position in sustainability, being awarded the most sustainable real estate company in the world in the Dow Jones Sustainability Index. This is the third time GPT has received this award in the past four years.

[9] The weightings of the portfolio as at 31 December 2012 are 56 per cent retail, 32 per cent office and 12 per cent logistics & business parks.

STRATEGY

Mr Cameron said GPT made good progress in 2012 on its four growth platforms of funds management, development, new profit sources and asset acquisitions.

“The funds management business has had an excellent year, achieving 20 per cent growth in funds under management relative to average sector growth of 6 per cent. We are also investing time into the development of new products, with additional team members appointed to support these activities. The business continues to deliver compelling returns for GPT, with an income return of 8 per cent in capital invested and good profitability, both of which will further improve as the business continues to grow,” Mr Cameron said.

“Within development we have a dual approach. The Retail & Major Projects division is focused on creating and enhancing value across the business with new developments delivering accretive returns for GPT. We are also building capability in our Logistics & Business Parks development team which will allow us to develop our remaining landbank and either retain the assets on GPT’s balance sheet or potentially sell projects to third party investors.

“GPT is actively pursuing the creation of new profit sources. This includes innovative new uses of space within existing assets and providing attractive new services to tenants and shoppers. Initially this is an exploratory phase with the intention of gaining insight into trends impacting on commercial real estate globally and changes in the way space is being used. A recent example of this activity was GPT’s investment in LiquidSpace, an online platform to book workspaces and meeting rooms. GPT has the opportunity to establish this business in Australia.

“While our growth platforms will deliver additional returns in the short term, GPT is also investing in developing its strategic direction for the longer term. We want to anticipate change and proactively create opportunities in a changing market environment. Our goal is to be Australia’s best performing property company and to provide our securityholders with a secure, reliable investment, delivering superior, risk adjusted returns over time.”

OUTLOOK

“The outlook for 2013 is cautiously optimistic, with portfolio growth supported by high levels of structured rental increases and high occupancy. We will build our development capability and continue to see additional growth in the business from the wholesale funds and through selective asset acquisitions. Our focus on optimisation gives us one of the lowest management expense ratios in the sector, and our balance sheet is strong with significant capacity supported by our forecast average cost of debt of 5.5 per cent for 2013. Finally, in the current low interest rate environment and given strong demand from institutional investors, we expect further signs of capitalisation rate improvement for prime assets.

“In 2013, GPT is targeting growth in earnings per security of at least 5 per cent for the full year and will maintain a distribution payout ratio of 80 per cent of ROI,” Mr Cameron said.

– Ends –

GPT's Annual Result Presentation will be webcast via the Group's website (www.gpt.com.au) on Thursday, 14 February at 9.00am (Sydney time).

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Notes

ROI for GPT is reported in the Segment Note disclosures, which are included in the audited financial report of GPT Group for the year ended 31 December 2012.

To provide information that reflects the Directors' assessment of the net profit attributable to stapled securityholders, certain significant items that are relevant to an understanding of GPT's result have been identified. The reconciliation of ROI to Statutory Profit is included in the Directors' Report in the Group's Financial Statements.

ROI is a financial measure that is based on the profit under Australian Accounting Standards adjusted for certain unrealised items, non-cash items, gains or losses on investments or other items the Directors determine to be non-recurring or capital in nature. ROI is not prescribed by any Australian Accounting Standards. The adjustments that reconcile the ROI to the Statutory Profit for the year may change from time to time, depending on changes in accounting standards and/or the Directors' assessment of items that are non-recurring or capital in nature.