

20 February 2012

2011 Annual Result

GPT again delivers on its promises with strong returns for investors in 2011

KEY HIGHLIGHTS

FINANCIAL:

- Statutory A-IFRS net profit of \$246.2 million for the year ended 31 December 2011; down on the previous year due to mark to market movements on derivatives, which did not impact distributions, and the inclusion in 2010 of a substantial uplift in the value of the US Seniors portfolio
- Realised operating income (ROI)¹ of \$438.8 million², up 7.0% on 2010
- ROI per ordinary security of 22.4 cents, up 8.1% on 2010
- Cash distribution of 17.8 cents per ordinary security up 9.2% on 2010
- Total securityholder return³ of 10.5% and total returns³ of 4.9%
- Net tangible assets (NTA) per security of \$3.59
- Continued active capital management, including:
 - Acquisition of approximately \$140 million of securities at an average 15% discount to NTA as part of the Group's security buy-back program
 - Reduction in average cost of debt by 80 basis points on the previous year
 - Low gearing of 22.9%

OPERATIONAL:

- Average comparable income growth of 3.6% from GPT's high quality portfolio
- High occupancy and long lease expiry profile maintained
- Commenced \$300 million major expansion of Highpoint Shopping Centre and \$200 million expansion of Wollongong Central

STRATEGIC:

- Completed \$301 million sell-down of investment in wholesale funds to target level of approximately 20% (\$517 million total sell-down)
- Commenced on-market buy-back to enhance returns to securityholders
- Investing in growth platforms to further accelerate performance from the business
- Actively managing the portfolio, with a decision to increase exposure to the industrial sector.

GUIDANCE: positive outlook for 2012

- 2012 EPS⁴ growth of at least CPI + 1%
- Payout ratio of no less than 80% of ROI

¹ Before payment of distribution on exchangeable securities.

² Statutory profit adjusted for changes in fair value of assets (\$45.7m), release of foreign currency translation reserve \$47.6m, financial instruments marked to market and net foreign exchange gains/(losses) \$150.3m, and other items \$40.4m.

³ Total securityholder return (TSR) defined as the change in security price combined with distributions received over the period from 1 January 2011 to 31 December 2011. Total return defined as the change in NTA combined with distributions received over the period from 1 January 2011 to 31 December 2011.

⁴ EPS defined as Realised Operating Income per ordinary security.

FINANCIAL HIGHLIGHTS

Year to 31 December (\$m)	2011	2010
Total Realised Operating Income	438.8	410.0
Changes in fair value of assets ⁵	45.7	339.6
Release of Foreign Currency Translation Reserve	(47.6)	39.6
Financial instruments mark to market value and net foreign exchange gains/(losses)	(150.3)	5.2
Other items ⁶	(40.4)	(87.1)
Statutory net profit after tax	246.2	707.3
ROI per ordinary security (cents)	22.4	20.7
Distribution per ordinary security (cents)	17.8	16.3
As at 31 December (\$m)	31 Dec 2011	31 Dec 2010
Total assets	9,279	9,752
Total borrowings	2,144	2,453
Net tangible assets per security (\$)	3.59	3.60
Gearing (%)	22.9	24.9
Look through gearing (%)	24.4	29.9

OVERVIEW

The GPT Group (GPT) today announced its annual result for the year to 31 December 2011. Michael Cameron, GPT's Chief Executive Officer and Managing Director, said that GPT achieved strong operating performance in 2011, delivering healthy returns for investors.

GPT's statutory A-IFRS profit for the 12 months ended 31 December 2011 was \$246.2 million. Statutory profit was lower than the previous year due to mark to market movements on derivatives that did not impact distributions, as well as the inclusion in 2010 of a substantial uplift in the value of the US Seniors portfolio.

Realised Operating Income of \$438.8 million for the full year was 7.0% higher than the previous corresponding period and the cash distribution of 17.8 cents per security was up 9.2% on 2010.

"GPT has again delivered on its promises. EPS⁷ growth of 8.1% was well ahead of our target of CPI + 1%, underpinned by a solid performance from the core portfolio and ongoing capital management initiatives that resulted in a lower average debt cost and good progress on our security buy-back.

"With a 10.5% total securityholder return for the year, significantly higher than both the property sector and the ASX200 accumulation indices, GPT provided investors with solid returns in an uncertain economic environment," Mr Cameron said.

⁵ 2010 valuation movement included a \$245.9m uplift in the value of the US Seniors portfolio.

⁶ Other items include non-cash IFRS adjustments, amortisation of management rights and impairment expense of assets in all other segments and the tax impact of reconciling items.

⁷ EPS defined as Realised Operating Income per ordinary security.

FINANCIAL POSITION

Michael O'Brien, GPT's Chief Financial Officer, said, "In 2011, we had three areas of focus for capital management: reducing our cost of debt, continuing to further extend our debt maturity profile and buying back securities at accretive levels. I am pleased to report that excellent progress was made on each of these priorities.

"GPT's average cost of debt was reduced to 6.6%, 80 basis points lower than the previous year. This was achieved by using proceeds from non-core asset sales and the sell-down of GPT's investment in the wholesale funds to reduce our more expensive debt and interest rate swaps, in addition to negotiating lower fees and margins on existing facilities and entering into new bilateral facilities at reduced margins.

"In January 2012, we achieved an important milestone in our capital management strategy, when we re-entered the domestic bond market with a \$150 million issue of Medium Term Notes for 7 years. This further diversified our sources of borrowing and strengthened GPT's already long average debt maturity to 5.3 years.

"We have also continued to pursue our on-market buy-back of securities, and to date we have bought back \$140 million of securities, at an average discount to NTA of 15%, equivalent to 2.5% of issued securities. We will continue to opportunistically buy back securities at levels which are accretive to operating earnings and NTA, up to 5% of issued capital." Mr O'Brien said.

OPERATIONAL PERFORMANCE

Portfolio results

GPT's core diversified property portfolio delivered solid performance in the year ended 31 December 2011, with 3.6% comparable income growth. High occupancy levels and long lease expiry profiles were maintained, reflecting the quality of GPT's asset base. The weighted average capitalisation rate of the portfolio remained relatively unchanged, with an \$85 million increase in valuations.

Michael Cameron said, "Despite subdued retail conditions in 2011, GPT's retail portfolio performed well, delivering comparable income growth of 3.6% for the year and occupancy of 99.4%. The resilience of the retail business is supported by structured rental increases of 4.5% across 86% of the specialty portfolio. Across the new leases put in place during 2011, we saw a 2% positive increase in rents despite the challenging environment. This reflects the benefit of continually adapting the portfolio to meet customer needs."

Performance in GPT's office and industrial portfolios was also positive. In the office portfolio, comparable income growth was 4.0% and occupancy was 96.5%, well ahead of the market average. Positive net absorption in major CBD markets supported the performance of prime assets. The industrial portfolio delivered 2.8% comparable income growth and occupancy levels remained high at 98.4%.

Portfolio strategy

Mr Cameron said, "In line with GPT's strategy to increase its exposure to the industrial sector, which currently represents 9% of assets, we are pleased to announce today that we have entered into an agreement to acquire Citiport in Port Melbourne for \$61 million. As a high quality industrial park in a prime location, Citiport demonstrates the type of asset GPT is targeting within this sector.

"In the office and industrial portfolios, we have completed the internalisation of the property management across our wholly owned assets, which will enable us to build closer relationships with GPT's tenants, leading to improved portfolio performance as well as providing opportunities to leverage this relationship into new business opportunities," said Mr Cameron.

The sell-down of GPT's investment in its wholesale funds to the target level of approximately 20% was successfully completed in 2011. 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 \$517 million at NTA, demonstrating strong demand and liquidity within the funds.

Development

In March 2011, GPT commenced the \$300 million major expansion of Highpoint Shopping Centre in western Melbourne. Leasing for this development is well underway, with 58% of the new space already committed⁸, including David Jones, a new Woolworths and a number of exciting new specialty stores. The project is on track for completion in early 2013.

In November 2011, GPT commenced a \$200 million expansion of Wollongong Central on behalf of GPT's Wholesale Shopping Centre Fund. This development is due to be completed in early 2014.

Development of the premium office tower, One One One Eagle Street, in the Brisbane CBD is nearing the final stage of completion with a target yield of 7% fully leased. Approximately 53% of the floor space is now committed⁸, with a range of high quality tenants including Norton Rose, Gadens Lawyers, Ernst & Young and ANZ.

Construction of 5 Murray Rose at Sydney Olympic Park is also progressing well and GPT has entered into a Heads of Agreement to lease 100% of 5 Murray Rose to the Lion Group. This is well ahead of target and reinforces the demand for the Sydney Olympic Park precinct.

Sustainability

GPT's focus on environmental initiatives continues to benefit the business, with \$15.9 million of costs avoided in 2011 compared to its base year of 2005. GPT's engagement with the community is central to its business and this was enhanced in 2011 with asset specific community investment plans.

A key achievement in 2011 was the introduction of a new activity based work environment in GPT's head office, which incorporates cutting edge energy efficiency features and design, focused on building collaboration and increasing productivity within the organisation, as well as reducing ongoing costs.

⁸ Committed via Heads of Agreement or Agreement for Lease.

OUTLOOK

Michael Cameron said, "Despite uncertain economic conditions at present, the outlook for GPT is positive, based on the strength of its high quality core portfolio, effective capital management and a continual focus on optimising the business. In 2012, a key strategic priority is to further build on our growth platforms of development, funds management, other revenue sources and selective acquisitions.

"The market outlook is impacted by a combination of headwinds and tailwinds. The outlook for the retail sector remains subdued in 2012, impacted by ongoing global market uncertainty and reduced consumer confidence. However, GPT's quality portfolio is well positioned with low vacancy and low arrears and we continue to evolve our retail business plans in response to the changing market environment.

"In the office sector, prime assets continue to perform well. While there are concerns about pressure on the financial services sector, the impact on GPT is expected to be limited due to our low expiry profile of around 8% over the next two years. The outlook for the industrial market is more positive, with limited supply and low vacancy supporting performance.

"With a strong, stable and de-risked business model, we are focused on delivering superior risk adjusted returns to our investors. In 2012, GPT is targeting growth in operating earnings per security of at least CPI + 1% for the full year and will maintain a distribution payout ratio of no less than 80% of ROI," said Mr Cameron.

– Ends –

GPT's Annual Result Presentation will be webcast via the Group's website (www.gpt.com.au) on Monday, 20 February 2012 at 11.00am (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 2011.

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.