12 August 2013

2013 Interim Result

GPT delivers net profit after tax of $257.0 million and EPS[1] growth of 6 per cent

KEY HIGHLIGHTS

FINANCIAL:

- Net profit after tax of $257.0 million for the six months ended 30 June 2013, down 6.7 per cent on 30 June 2012 predominantly due to a lower valuation uplift.
- Realised operating income (ROI) [2] of $236.5 million [3], up 4.1 per cent on 30 June 2012 .
- ROI per ordinary security of 12.7 cents, up 6.0 per cent on 30 June 2012[4].
- Cash distribution of 10.1 cents per ordinary security up 6.3 per cent on 30 June 2012.
- Total Return of 8.6 per cent for the 12 months to 30 June 2013 [5].
- Total Securityholder Return of 10.2 per cent for the 6 months to 30 June 2013[6].
- Net tangible assets (NTA) per security increased by 0.8 per cent from 31 December 2013 to $3.76.
- Continued active capital management, including:
  - Diversification and lengthening of tenor of debt with 51 per cent of facilities now sourced through the debt capital markets;
  - Reactivation of security buy-back with $93.9 million completed in first half; and
  - Low gearing of 19.9 per cent with significant capacity.

OPERATIONAL:

- Comparable income growth of 0.9 per cent.
- High occupancy of 98.1 per cent and long lease expiry profile maintained.
- Continued focus on operational efficiency with management expenses declining 30.3 per cent.
- Successfully completed $300 million expansion at Highpoint Shopping Centre and GWOF's 50 per cent interest in the $780 million development at 161 Castlereagh Street.

STRATEGIC:

- Actively managing the portfolio, including asset sales, to enhance value and maximise total returns.
- Progress made on all four growth platforms to accelerate performance: funds management, development, new profit sources and asset acquisitions.
- A strategy update will be provided in October 2013.

GUIDANCE:

- Maintain 2013 forecast EPS[1] growth of at least 5 per cent.
- Payout ratio of 80 per cent of ROI (approximately 100 per cent of cash earnings).

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[1] EPS is defined as Realised Operating Income (less distribution to exchangeable securities) per ordinary security.
[2] Before payment of distribution on exchangeable securities.
[3] Statutory profit adjusted for changes in fair value of assets of $31.6m, financial instruments marked to market and foreign exchange movements of $8.3m, and other items of ($19.4m).
[4] ROI growth was lower than growth in ROI per security due to the impact of the Group's security buy-back.
[5] Total Return is defined as DPS plus change in NTA.
[6] Total Securityholder Return (TSR) is defined as distributions paid plus change in security price.

The GPT Group

FINANCIAL HIGHLIGHTS

6 months to 30 June ($m)	2013	2012
Total Realised Operating Income (ROI)	**236.5**	**227.2**
Valuation movements	31.6	122.2
Financial instruments marked to market and foreign exchange movements	8.3	(55.1)
Other [7]	(19.4)	(18.8)
Net Profit After Tax	**257.0**	**275.5**
ROI per ordinary security (cents)	12.7	12.0
Distribution per ordinary security (cents)	10.1	9.5
As at	**30 Jun 2013**	31 Dec 2012
Total assets ($m)	9,107	9,343
Total borrowings ($m)	2,046	2,144
Net tangible assets per security ($)	3.76	3.73
Gearing (%)	19.9%	21.7%

OVERVIEW

The GPT Group (GPT) today announced its interim result for the six months ended 30 June 2013. Michael Cameron, GPT's Chief Executive Officer and Managing Director said it was a solid result following an active period for the Group, with $690 million of transactions executed, two major developments completed, significant growth achieved in Funds Management, and ongoing capital management activities. The Total Return for the 12 months to 30 June 2013 was 8.6 per cent.

GPT's statutory net profit was $257.0 million, 6.7 per cent lower than the previous corresponding period as a result of a smaller uplift in overall asset values partly offset by a positive movement in the mark to market value of derivatives.

"Realised operating income per security increased by 6.0 per cent, ahead of expectations, reflecting a solid contribution from the investment portfolio, a significant improvement in the operating divisions and a lower cost of debt," Mr Cameron said.

"GPT continues to be a total return business focused on increasing the overall value of our assets and driving income growth. The capital returns on its assets are maximised by rigorous capital allocation and a dynamic approach to portfolio management. Income growth is underpinned by stable income streams, one of the lowest management expense ratios (MER) in the sector, and disciplined capital management. GPT's focus, as always, remains on making the right decisions about what will deliver the best outcome for securityholders over time."

[7] Other items are principally amortisation of lease incentives and rent free, amortisation of intangibles and the relevant tax impact.

FINANCIAL POSITION

Mark Fookes, GPT's Chief Financial Officer, said GPT's balance sheet continues to reflect disciplined and active capital management, resulting in low gearing and significant capacity.

"A key priority in the first half of 2013 was the diversification and lengthening of tenor of GPT's debt facilities. Significant progress was made, issuing 12 and 15 year bonds in the Hong Kong and US debt capital markets. GPT now has more than 50 per cent of its debt facilities sourced from the debt capital markets, up from 28 per cent 12 months ago, and the weighted average term to maturity has increased over the period from 5 years to 6.6 years," Mr Fookes said.

"During the half, GPT also reactivated its buy-back, acquiring 25.2 million securities at an average price of $3.73 per security. This brings the total securities bought since the buy-back commenced in 2011 to 113.9 million, representing 6.1 per cent of issued capital. The buy-back remains an important capital management tool for GPT giving us the opportunity to invest in one of the highest quality asset portfolios in Australia whilst being both accretive to NTA and earnings. The buy-back also acts as a useful investment benchmark against other opportunities.

"GPT's gearing remains low, providing it with significant flexibility to act quickly on value enhancing opportunities in a disciplined way with an overall focus on maximising total returns for investors."

OPERATIONAL PERFORMANCE

Portfolio results

	Portfolio Size	Comparable Income Growth	Total Return[8]	WALE	Occupancy	WACR
Retail	$4.5bn	1.5%	7.1%	4.3 years	99.5%	6.03%
Office	$2.8bn	(0.7%)	9.8%	5.6 years	95.2%	6.78%
Logistics & Business Parks	$1.0bn	3.2%	9.1%	5.4 years	98.5%	8.27%
Total	$8.3bn	0.9%	8.0%	4.9 years	98.1%	6.53%

In the first half of 2013, GPT's portfolio delivered total comparable income growth of 0.9 per cent, with continued high occupancy of 98.1 per cent and a long WALE of 4.9 years.

GPT's Head of Investment Management, Carmel Hourigan, said, in response to challenging conditions in the retail and office markets, GPT remains focused on active asset management to drive long term performance for investors.

The retail portfolio delivered 1.5 per cent comparable income growth. The lower growth was primarily driven by the continuation of negative leasing spreads associated with remixing the portfolio. Retail sales continue to show modest growth with specialty sales increasing 1.1 per cent. The weighted average capitalisation rate of 6.03 per cent is reflective of the high quality of GPT's retail portfolio with occupancy remaining high at 99.5 per cent. The total return for the retail portfolio for the 12 months to 30 June 2013 was 7.1 per cent, impacted by negative revaluation movements at Charlestown Square and Dandenong Plaza. GPT continues to make good progress on its reweighting strategy over the period with the sale of

[8] For the 12 months to 30 June 2013

its 50 per cent interest in Erina Fair and the remainder of its Homemaker portfolio. Retail now represents 53 per cent of the portfolio, down from 61 per cent 18 months ago.

GPT's office portfolio remains in a solid position with occupancy of 95.2 per cent and a long WALE of 5.6 years. Comparable income growth declined 0.7 per cent for the period reflecting a focus on tenant renewals and measures to reduce future expiry risk in order to place the portfolio in a stronger position to meet challenging short term market conditions. The success of this strategy is supported by cap rate compression for assets where GPT has achieved longer lease expiries such as Australia Square and Melbourne Central Tower. The leasing success at these and other assets drove a total return of 9.8 per cent for the 12 months to 30 June 2013.

The logistics & business parks portfolio is performing well, delivering a 9.1 per cent total return over the 12 months to 30 June 2013, with 3.2 per cent comparable income growth. Occupancy remained high at 98.5 per cent with a long weighted average lease expiry of 5.4 years.

"Despite weakening in fundamentals, the investment portfolio delivered a total return of 8.0 per cent for the 12 months to 30 June 2013," Ms Hourigan said.

"This demonstrates the success of GPT's active portfolio management approach, with the assets which have shown the greatest return being those where we have achieved successful leasing outcomes and an extension to WALE. We remain focused on executing on our strategy of improving quality within the portfolio and moving sectors towards our preferred weightings."

Development

GPT completed $690 million in developments in the first half of 2013, including the $300 million expansion of Highpoint Shopping Centre and the $780 million tower at 161 Castlereagh Street, which is 50 per cent owned by the GPT Wholesale Office Fund (GWOF).

The major expansion of Highpoint Shopping Centre opened on schedule and fully leased in March 2013. The centre has been performing ahead of forecasts since opening with a 30 per cent increase in foot traffic. The centre has achieved a revaluation uplift of $140 million to date, delivering a strong total return for GPT and its joint venture partners.

The development at 161 Castlereagh Street achieved practical completion in June 2013 and is currently 97 per cent occupied with a 24 month rental guarantee on the remaining vacant space. GWOF achieved a significant valuation uplift of $25 million for its 50 per cent interest.

GPT has a development underway for Toll NQX in South East Queensland, which is on track for completion in the first half of 2014. There are also two developments being undertaken for GPT's funds. The $200 million expansion of Wollongong Central on behalf of the GPT Wholesale Shopping Centre Fund (GWSCF) is progressing well and is now scheduled for completion in the second half of 2014. This is due to longer than expected excavation process, latent conditions and an uncharacteristic amount of wet weather. The $181 million development on behalf of GWOF at 150 Collins Street in Melbourne is on track 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.

STRATEGY

GPT’s strategy is focused on actively managing the investment portfolio to maximise total returns for the business. Mr Cameron said the Group continues to make good progress on its four growth platforms of funds management, development, new profit sources and asset acquisitions.

“It has been another successful period for the funds management business with GWOF and GWSCF the top two performing core wholesale funds over the past year. This achievement reflects the high quality of both funds which continue to drive outperformance. The two funds were very active over the period with GWOF acquiring a 50 per cent interest in 8 Exhibition Street in Melbourne in addition to the completion of 161 Castlereagh Street in Sydney. GWSCF successfully raised a further $230 million in equity in the second stage of its capital raising, bringing the total to $391 million. Over the past 18 months, total funds under management increased by 28 per cent. I am also pleased to announce that GPT has received approval for the internalisation of the property management for the eight GWOF wholly owned assets and One One One Eagle Street,” Mr Cameron said.

“The logistics & business parks development business has generated good momentum over the period with 60 per cent of the land bank now activated. At Erskine Park, three pre-lease deals currently in place will have an expected end value of $234 million, with strong levels of enquiry on the balance of the existing land bank. GPT will also shortly commence construction of a campus style building at 3 Murray Rose Avenue at Sydney Olympic Park. Together these activities are further accelerating GPT’s move towards its target portfolio weightings.

“GPT continues to progress work on new profit sources. GPT’s energy venture, now known as Innogen, has a fully operational project at Charlestown Square, another three underway and a number of others in development. The business is expected to deliver $2.3 million in additional income in 2013. GPT’s rollout of the Australian platform of LiquidSpace has commenced and a trial period for the Parcel Lockers business at the MLC Centre and Melbourne Central is underway. These activities are consistent with GPT’s goal to deepen and expand its relationships with tenants beyond just space.

“GPT is very active in both acquisitions and divestments with $1.7 billion of transactions completed over the past 18 months. Importantly, these transactions demonstrate GPT’s proactive approach to capital allocation to maximise total returns for investors.

“GPT’s five year strategy, to be announced to the market in October, will be about evolution, not revolution. GPT will continue to focus on the allocation of capital as the single biggest driver of total returns and maximising the potential of Australian core property. GPT must be flexible, opportunistic and not be bound by industry convention. To be successful, the Group needs to be frugal and entrepreneurial and deliver on the aspirations of investors and tenants,” Mr Cameron said.

OUTLOOK

“Whilst GPT remains cautiously optimistic about the second half of 2013, it is clear that market fundamentals have softened in the past six months. GPT has been effective in meeting these market challenges by focusing on actively managing its portfolio. This, together with fixed rental increases, provides a strong base for income growth. Additional value is being pursued through its growth platforms.

GPT remains on track to deliver an MER of under 50 basis points. GPT's focus is on maintaining a low weighted average cost of capital and sourcing and deploying capital in ways that generate superior long term performance for our security holders.

"For the full year 2013, GPT is on track to deliver its target EPS growth of at least 5 per cent despite asset sales in the first half. GPT will continue to have a distribution payout ratio of 80 per cent of ROI, which is approximately 100 per cent of our cash earnings. While we are targeting to deliver CPI+1% EPS growth in 2014, that will depend on leasing success in the office portfolio and the general conditions in the retail sector." Mr Cameron said.

– Ends –

GPT's Interim Result Presentation will be webcast via the Group's website (www.gpt.com.au) on Monday, 12 August at 11.00am (Sydney time).

For further information please contact:

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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 six months ended 30 June 2013.

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.