ASX ANNOUNCEMENT

11 February 2019

GPT delivers NPAT of $1.45 billion and 3.5 per cent FFO per security growth

2018 Annual Financial Highlights

- Net Profit After Tax of $1,451.7 million, up 14.5 per cent on the prior corresponding period (pcp)
- Funds From Operations (FFO) of $574.6 million, resulting in FFO per security growth of 3.5 per cent
- Total revaluation gains of $910.7 million, up 6.9 per cent
- Distribution per security of 25.46 cents, up 3.5 per cent on pcp
- Net Tangible Assets of $5.58 per security, up 10.7 per cent
- Total Return of 15.8 per cent for the 12 months to 31 December

The GPT Group ("GPT" or "Group") delivered Net Profit After Tax of $1,451.7 million for the 12 months to 31 December 2018, an increase of 14.5 per cent on the prior corresponding period. FFO per security increased by 3.5 per cent on pcp to 31.84 cents.

GPT's Chief Executive Officer, Bob Johnston, said the Group achieved excellent results, with full year FFO growth in line with the upgraded guidance provided in October last year and significant revaluation gains from the Group's high quality investment portfolio.

The Group reported a valuation increase of $910.7 million for the 12 months to 31 December, with the Office assets recording the largest gains.

"GPT has recorded another year of strong valuation gains, supported by sustained investment demand for high quality assets and favourable supply and demand fundamentals in our key markets," said Mr Johnston.

"Our Office portfolio delivered excellent results and continued to benefit from its exposure to the Sydney and Melbourne office markets, which we expect will continue to outperform in 2019."

After the end of the reporting period, the Group announced its intention to divest its 50 per cent interest in the MLC Centre in Sydney.

"The Group's successful repositioning of the asset has generated exceptional returns for GPT. The proceeds from the sale will initially be used to repay debt prior to being reinvested into the development pipeline, which includes the new 32 Smith office tower in Parramatta, and a planned new office tower at Melbourne Central. The Group will also continue to seek new Logistics development opportunities," said Mr Johnston.

"The Retail portfolio also delivered healthy growth in income and specialty sales productivity for the year, further demonstrating the high quality of the portfolio and resilience of shopping centres that have the right customer proposition. The competitive landscape has evolved with the growth in online retailing, but physical retail continues to deliver approximately 90 per cent of all retail sales."

Mr Johnston said GPT is making good progress advancing its development pipeline. The 4 Murray Rose Avenue office building in Sydney Olympic Park was completed in late 2018, with the expansion of Sunshine Plaza due for completion next month and construction underway on the 32 Smith office tower in Parramatta.

"GPT continues to progress plans for its office and retail development at Melbourne Central and expansion of Rouse Hill Town Centre," said Mr Johnston.

At the end of the period, GPT had net gearing of 26.3 per cent and a debt maturity profile of 6.3 years.

"Despite some recent softening in the economy, the Group remains cautiously optimistic, and is well positioned to deliver further growth in 2019," said Mr Johnston.

Mr Johnston announced guidance of 4 per cent growth for both FFO per security and Distribution per security for FY19.

FY18 Portfolio Highlights

- Total Portfolio Return (unlevered) for the 12 months to 31 December of 12.5 per cent
- Portfolio occupancy of 97.8 per cent
- Total Retail specialty sales growth of 3.6 per cent for 12 months to 31 December
- $598.5 million Office portfolio valuation gain
- Assets Under Management increased 5 per cent to $12.6 billion

Retail

The Retail portfolio delivered like-for-like income growth of 2.2 per cent for the year, with a strong contribution from Charlestown Square, Melbourne Central and Rouse Hill Town Centre.

The portfolio continued to deliver high sales productivity, with specialty sales up 2.5 per cent on pcp to $11,460 per square metre. Total specialty moving annual turnover (MAT) growth was 3.6 per cent during the period. Occupancy across the portfolio at 31 December was 99.6 per cent.

Valuation gains of $161.0 million (or 2.7 per cent) were recorded for the period, with a portfolio weighted average capitalisation rate of 4.88 per cent at year end.

In November, Stage One of the Sunshine Plaza expansion opened, introducing 33 new specialty retailers and a refurbished Myer department store. Stage Two is on track to open next month, which will include a new David Jones department store, a Big W, H&M and 70 specialty retail brands.

At Melbourne Central, the Group plans to commence works on a 7,000 square metre retail expansion, and a new 20,000 square metre office complex later in 2019 subject to securing a pre-commitment.

In late 2018, Development Applications were submitted for a proposed $170 million expansion of Rouse Hill Town Centre, which is targeted to commence by early 2020 and will include 16,300 square metres of retail and 4,500 square metres of commercial space.

Office

The Office portfolio's 5.8 per cent like-for-like income growth was driven by its 90 per cent weighting to the Sydney and Melbourne CBD office markets, which continued to outperform in the 12 months to 31 December.

The portfolio recorded a valuation uplift of $598.5 million (or 11.2 per cent) for the year, with $485.0 million of the valuation gains occurring in Sydney.

Occupancy increased to 97.1 per cent at 31 December, after the Office team signed 158,400 square metres of leases with terms agreed for another 19,400 square metres during the period.

In October, GPT completed its 15,800 square metre A-Grade office building at 4 Murray Rose Avenue, Sydney Olympic Park, which has the NSW Rural Fire Service as its major tenant.

Construction has commenced on the Group's 26,400 square metre 32 Smith office tower in Parramatta, with QBE pre-committing to 51 per cent of the prime grade office building. Completion is expected in late 2020.

During the year, GPT also increased its exposure to the Parramatta market by acquiring the A-grade 25,700 square metre Eclipse Tower for $277.6 million.

Logistics

The Logistics portfolio delivered like-for-like income growth of 2.8 per cent for the 12 months. At 31 December, occupancy was 97.2 per cent and the weighted average lease expiry (WALE) across the portfolio was 7.1 years.

The Logistics team signed 164,300 square metres of leases during the year, with a further 39,700 square metres of terms agreed. The portfolio recorded a $151.2 million (or 8.7 per cent) valuation increase, driven by further firming in capitalisation rates.

During the year, GPT acquired three prime Logistics assets in Sunshine, Truganina and Derrimut in Melbourne's west, which are all fully leased with a combined WALE of 7.7 years.

The Group continued to progress its Logistics development pipeline with the completion in August of a 11,000 square metre facility at Huntingwood in Sydney, which has been fully leased. After the end of the reporting period, GPT completed a 30,000 square metre facility in Sydney's Eastern Creek, which is also fully leased.

During the period, GPT acquired an 8.9 hectare site at Truganina in Melbourne, with the potential to develop 48,000 square metres of logistics space.

Funds Management

Assets under management increased 5 per cent to $12.6 billion in the 12 months to 31 December, with the Funds Management business delivering a 11.3 per cent total return for the year.

The GPT Wholesale Office Fund (GWOF) achieved a total return of 12.7 per cent for the period, while the GPT Wholesale Shopping Centre Fund (GWSCF) delivered a total return of 4.8 per cent.

In October, GWOF raised US$250 million through a US Private Placement, which extended the Fund's weighted average debt term to 8.4 years. In December, the Fund raised $275 million of equity from existing and new investors, with the proceeds used to reduce GWOF's gearing to 15.5 per cent.

In December, GWSCF divested its interest in the Maribyrnong Homemaker Centre for $67.1 million, a 12 per cent premium to book value.

Outlook

GPT provides the following guidance for FY19:

- FFO per security growth of 4 per cent; and
- Distribution per security growth of 4 per cent.

Market Briefing

GPT will conduct a market briefing at 10.00am (AEST) today, 11 February, which can be accessed via teleconference, or webcast via the GPT website (www.gpt.com.au).

Teleconference details

Conference ID: 445203
Australia dial in: 1800 908 299
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