7 May 2012

GPT Meeting of Securityholders
7 May 2012 at 2.00pm
CEO Address

Good afternoon and thank you for joining us today.

I have been CEO of GPT for three years now and during that period the business has undergone a significant transformation.

In 2011, we moved to the third phase of our strategy, which was to optimise the business and work towards my personal aspiration - for GPT to be the best performing property group in Australia.

In 2011, I am pleased to report that the team at GPT again delivered on our promises. The operating performance for the business was strong, with an increase in earnings per security of 8.1%, well ahead of our target of CPI + 1%.

We were very active in managing capital and the success of this is reflected in a significant reduction in GPT's cost of debt. GPT also commenced a security buy-back and to date $210 million of securities have been acquired at an average price of $3.07. This is well below the net tangible asset backing of the group of $3.59, creating significant value for investors.

In addition to our financial performance, we achieved a number of milestones in 2011:

- We completed the sell-down of GPT's stake in its wholesale funds, enhancing the return on our investment as well as releasing capital for alternative uses;
- We commenced a $300 million development of Highpoint and a $200 million development of Wollongong Central; $350 million of that is funded and owned by our wholesale funds.
- We commenced investing in growth platforms to further accelerate the performance of the business; and
- We actively managed the portfolio, with a decision to increase exposure to the industrial sector.

For the full year of 2011, Realised Operating Income was up 7% to $439 million. This reflected a solid performance from the core portfolio and ongoing capital management initiatives that reduced the average cost of debt.

We continued our focus on expense discipline, with comparable management expenses increasing by 1.5% against an increase in income of 3.6%. This continues our focus on making our income grow faster than expenses, which will grow our profits each year.

The statutory profit was $246.2 million which was a reduction against 2010. This was mainly 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 Housing portfolio.

The statutory profit is more volatile than the Realised Operating Income of the Group because it includes valuation movements of the properties and mark to market movements on our interest rate hedges, hence our focus tends to be more on the underlying earnings of the Group as a more meaningful measure of the Group's year to year performance.

Earnings per security increased by 8.1% to 22.4 cents, higher than the increase in operating income due to the impact of the security buy-back over the period.

A distribution of 17.8 cents per security was delivered, reflecting a payout ratio of 80%. We continue to believe this represents a sustainable payout ratio for the business.

As part of our strategy, we have three key measures we use in our goal to be Australia's best performing property company. These are designed to be directly aligned with your goals – growth in earnings, strong total returns and superior total shareholder returns.

In 2011 we were able to exceed two of our targets. We achieved EPS growth of 8.1%, well ahead of our target of CPI + 1% and we generated a total securityholder return of 10.5%, well above the sector index.

The only target that was not achieved was a total return of greater than 9% mainly because our NTA was impacted by the mark to market derivative movement.

The graph on the right shows a solid TSR result of 10.5%, compared with negative 1.5% for the sector and negative 10.5% for the ASX200.

Turning to the balance sheet, at year end, GPT's NTA per security declined slightly to $3.59 as valuations remained relatively stable.

We made significant progress in reducing the average cost of debt for the group, with an average cost of debt achieved of 6.6%, 80 basis points below 2010.

The gearing ratio at the end of the year was 22.9%. This has increased slightly to 24.2% at the end of March this year due to the ongoing security buy-back program and the acquisition of an industrial asset in Melbourne earlier this year, but still remains below GPT's target range of 25% to 35%.

The balance sheet remains very strong, positioning the business for future growth. Importantly, with an expected average cost of debt below 6.2% for 2012, the average cost of debt will be less than the asset yield, providing positive leverage for the Group.

Despite challenging market conditions, the core business remains in good shape. In 2011 the overall income growth was 3.6% on the previous year. This reflects the high quality of GPT's assets with high levels of occupancy, long lease expiries and structured rental increases across the majority of the portfolio.

The retail portfolio makes up 61% of the asset base and generated income growth of 3.6% on last year despite a subdued market environment and lower levels of sales growth. Occupancy within the portfolio remains high at 99.4%.

Our office portfolio makes up 30% of the business and is the highest quality in Australia. In 2011 the portfolio had occupancy of 96.5%, well ahead of the market average, and a long lease profile of 4.7 years.

The industrial portfolio, which makes up 9% of the business, also has high occupancy at 98.4% and long lease expiries.

The performance of the business in the March quarter has continued to be strong, with further growth in retail sales and strong enquiry for office and industrial space. We continue to see pressure on releasing spreads in the retail business but the fact that 86% of the income from speciality stores is subject to fixed increases averaging 4.5%, we remain confident of delivering our current targets.

GPT is now well positioned for growth in 2012 and beyond.

Our priorities for 2012 build on our success in 2011. We have four main priorities:

- We will continually look for ways to optimise every part of our core portfolio through streamlining key processes and further reducing the cost of funding;

- We will strategically allocate capital with a focus on actively managing the portfolio. This includes increasing our investment in high quality industrial assets;

- We will equip employees for high performance and invest in building an even stronger culture in the organisation; and

- We will continue to build sustainable growth in a disciplined way.

With the business significantly transformed and in good shape, I often get asked by investors about what is next for GPT. We have four growth platforms in place:

- For our development business, in addition to preserving and enhancing the existing portfolio, we are looking to expand the model to increase the contribution that business makes to our earnings;
- We will continue to grow the funds management business through expanding our two existing funds and investigating opportunities for new funds;
- Given our focus to not simply be a landlord with tenants, but be a service provider with customers, we are actively investigating opportunities for new revenue sources; and
- Finally, we will look to make asset acquisitions where the returns meet our investment criteria. The recent $61 million acquisition of Citiport in Melbourne was an example of this strategy.

Of critical importance to the business is the quality of the management team. The leadership team at GPT consists of a team of highly qualified and motivated individuals that are focused on GPT's promise of delivering superior performance. We are also spending an increasing amount of time on equipping the team to reshape GPT for the future.

The outlook for 2012 includes a number of headwinds including ongoing global economic uncertainty, low consumer confidence and subdued retail sales. Despite these challenges, our core business is well positioned with structured rental increases and high levels of occupancy. Our focus on growth to deliver a step change in earnings will continue as we adapt to changing trends. In addition, we will be disciplined with expense and capital management, which will continue to support earnings.

For 2012 we are again targeting EPS growth of at least CPI + 1% (assuming CPI of 3%) and a payout ratio of no less than 80%.

In conclusion, in 2011, we again delivered on our promises. We now have strong building blocks in place to continue our progress towards becoming Australia's best performing property group. Thank you for your ongoing support.

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