11 May 2011

GPT Meeting of Securityholders

11 May 2011 at 2.00pm

Chairman's Address

Good afternoon ladies and gentlemen.

2010 was a turnaround year for GPT following a period of significant transformation in 2009.

That transformation was the re-imposition of a simple low leverage business strategy on a business that had been badly damaged by the Global Financial Crisis. The crisis revealed the vulnerability of a highly leveraged unfocussed business model.

There is always a tendency for people to want to talk about the future, especially when the recent past has been so troubled and destructive of value, but be assured the lessons from that recent past are indelibly printed into GPT's culture.

GPT's focus is on improving returns to securityholders through extreme focus on its core portfolio of quality Australian property assets, returns from funds management and delivery of successful developments. This is the bottom up property side of our business - owning, buying and developing good assets, but this bottom up is complemented by a top down financial approach, which no longer says buy and grow, but: 'what is our cost of capital?', 'is that investment dilutive?', 'does that asset add value?' In other words, GPT sees itself as having two key roles: property ownership and management, and capital allocation.

Given the relatively low volatility of property ownership and management, we believe it is the quality of long term capital allocation decisions that are the greatest drivers of performance. If there are a few good opportunities to invest new capital, GPT will look at all options, taking into account cost of capital and impact on returns to ensure the opportunity is appropriate to the times and our investment appetite. Hand in hand with the top down capital allocation approach, is a focus on expense management. For an industry that in the past has been growth focused, expense management tended to take a back seat – no more at GPT. Corporate expenses were reduced by 15% in 2010 and the management team continues to look at further opportunities for cost efficiencies.

Thus GPT's strategy is now simple – the group owns and actively manages a diversified portfolio of quality Australian property assets delivering long term benefits. In doing this, GPT is focused on delivering a secure, reliable investment with superior risk adjusted returns over time.

The word I have used to describe our strategy, simple, is a beguiling word. Simple can easily be confused with easy, but we do not operate in any easy world. We compete for funds and investments with huge sources of capital both domestically and globally. Super funds at home, Sovereign Wealth Funds globally, most with lower costs of capital than us, as well as the luxury of much longer investment horizons and less day to day market scrutiny.

So a tough environment in which to try and eke out a return. To compete in such an environment – simple, as a business approach, is a necessity. We have to be focused and intently aware of our environment if we have any chance of adding value.

Michael Cameron and his executive team have put a huge effort into communicating to the market place this simple, low leverage business strategy and I am very encouraged by the positive feedback we get from securityholders when they hear this strategy.

A good manifestation of the market reception to this strategy is share price performance. Since Michael was appointed CEO in April 2009, GPT's security price has outperformed other property stocks. The security price has increased by 60% compared to 21% for the ASX AREIT index.

While the security price performance was pleasing, the Board continued to exercise restraint on executive remuneration in 2010.

Executive incentive pay was higher in 2010 reflecting the positive performance of the business and continued progress in GPT's recovery. But I can assure all security holders that the Board is extremely mindful that rewards to executives are fair, balanced, market competitive and aligned with performance.

During 2010 we continued to strengthen the Board and management. At the Board level, Gene Tilbrook was appointed, while at the management level, Michael has made several senior appointments, including some from outside the property sector. The Board and management interact well, with plenty of rigorous assessment to keep people on their toes.

So to reiterate, we have not forgotten the past difficulties of GPT, but we believe we are well structured with our simple, low leverage business model to deliver superior returns to you over the long term.

With that overview, I would like to ask Michael Cameron to give an update on the Group's strategy and its performance in 2010.

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