Unwinding of Excess Hedge Positions

13 November 2009

The GPT Group today announced that it has finalised the unwinding of its $1.2 billion of excess offshore interest rate hedges at a cost of $152 million. The hedges were consistent with the Group's policy to hedge its interest rate exposures however, became excess to requirements as a result of the Group's exit from the majority of its offshore assets.

The termination of these hedges will result in a reduction of GPT's average interest rate across its borrowings of approximately 1.2%.

The mark to market value of these positions was -$317 million in December 2008 and -$160 million in June 2009.

The Group has also terminated foreign income hedges at a cost of $24 million. These positions were also excess to requirements.

The mark to market value of these positions was -$115 million in December 2008 and -$38 million in June 2009.

Michael O'Brien, Chief Financial Officer for GPT, said the removal of these instruments was a further step in simplifying the Group's financial position.

"We have now terminated our excess offshore interest rate and income hedges, removing the potential for substantial mark to market volatility within these instruments and significantly reducing our interest cost.

The strength of the Australian dollar against the US dollar and the Euro provided us with the opportunity to unwind the positions at a substantially lower cost than if we had unwound earlier in the year," Mr O'Brien said.

GPT has also reduced its US dollar denominated debt from US$276 million to $US130 million, in line with the value of its equity in its US seniors housing portfolio and retained a $US130 million interest rate hedge against this outstanding debt. With zero Euro denominated debt in place, this is the only foreign denominated debt the Group has on its balance sheet.

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