

## ASX ANNOUNCEMENT GROWTHPOINT PROPERTIES AUSTRALIA (ASX Code: GOZ)

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18 August 2014

### RESULTS FOR YEAR ENDED 30 JUNE 2014

The Directors of Growthpoint Properties Australia Limited are pleased to announce the results for Growthpoint Properties Australia (“**Growthpoint**” or “**Group**”) for the year ended 30 June 2014 (“**FY 14**”) comprising (in order of release):

1. This announcement which includes an Appendix 4E.
2. FY 14 Annual Report including financial statements, directors’ report and external auditor report.
3. Investor Presentation.
4. FY 14 results summary (which is being mailed to all Securityholders).

Managing Director, Timothy Collyer, said:

“There are ten key themes to the FY 14 result:

1. **Achievement of forecasts:** Growthpoint has again met its earnings guidance of 20.0 cents per stapled security (at the top of the guidance range) and distribution guidance of 19.0 cents per stapled security.
2. **High total return:** for FY 14, Growthpoint’s return on equity<sup>1</sup> was 17.5% and 12.7% per annum for the five years to 30 June 2014 or 63.4% on a cumulative basis. Total securityholder return<sup>2</sup> for FY 14 of 10.8%<sup>3</sup> and 18.6% per annum over the five years to 30 June 2014<sup>4</sup>
3. **Five year track record:** Growthpoint is now able to present a five year track record, having commenced as Growthpoint Properties Australia on 5 August 2009. These results show our ability to transact, improve the portfolio, increase distributions to Securityholders and execute announced strategy. Over the last five years, we have grown and diversified the portfolio, reduced gearing and average debt costs, maintained low operating costs and significantly improved liquidity in Growthpoint’s securities. Throughout the Annual Report and Investor Presentation, both of which follow this release, you will see continued reference to this five year track record across all areas of Growthpoint’s operations.
4. **Quality property portfolio:** Growthpoint owns an enviable \$2.1 billion portfolio of modern, well-leased and well-located properties in every State of Australia as well as in Canberra, split 50/50 between office and industrial. Other key features include a long weighted average lease expiry or WALE of 6.9 years<sup>5</sup>, weighted average fixed rent reviews of 3.2% per annum<sup>6</sup>, a high occupancy rate at 98% and only 8% of the portfolio leases potentially expiring over the next two years.
5. **Future acquisitions:** despite the market for quality, well-leased properties becoming more competitive, FY 14 was Growthpoint’s biggest year for acquisitions in total dollars with \$345.1 million of office and industrial property acquired. It was also the second largest in percentage terms with the portfolio increasing by 24.5%.
6. **Leasing:** Growthpoint operates a “pure landlord” strategy with 100% of its income derived from rent under leases to quality tenants. As a result, leasing is critical to returns for Securityholders. In FY 14, Growthpoint leased over 124,000m<sup>2</sup> (new and extended leases) out of a total portfolio of 1,036,740m<sup>2</sup>. Whilst Growthpoint has achieved significant leasing

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<sup>1</sup> Closing net tangible assets per stapled security less opening net tangible assets per stapled security plus distributions per stapled security divided by opening net tangible assets per stapled security.

<sup>2</sup> Distributions plus security price appreciation.

<sup>3</sup> Source: UBS Investment Research.

<sup>4</sup> Source: UBS Investment Research.

<sup>5</sup> As at 30 June 2014.

<sup>6</sup> Assumes CPI of 3.0% per annum as per ABS release for the year to 30 June

success to date, the Brisbane office market remains challenging and this is where a majority of Growthpoint's upcoming lease expiries are located. However, given only 8% of the portfolio's leases come up for renewal over the next two years, Growthpoint's excellent portfolio which continues to attract and retain tenants and Growthpoint's willingness to meet the market, Growthpoint is confident that it will maintain a high occupancy level over the short to medium term.

7. **Index inclusion:** Growthpoint would readily qualify for S&P/ASX 300 Index inclusion by market capitalisation and freefloat<sup>7</sup> as ranked 132<sup>nd</sup> and 205<sup>th</sup>, respectively, on 30 June 2014. Based on Standard and Poors' published index criteria, trading volumes have been sufficient to the date of this release for inclusion in the S&P/ASX 300 Index in September 2014, however, Standard and Poors' retain discretion to admit on rebalance date. It is expected that the additional trading volumes arising from inclusion in the S&P/ASX 300 Index will result in Growthpoint being included in the S&P/ASX 200 Index relatively quickly. Growthpoint was the 15<sup>th</sup> largest A-REIT listed on the ASX by market capitalisation at 30 June 2014 and the 12<sup>th</sup> largest by gross assets.
8. **Debt capital markets issuance:** On 1 August 2014, Growthpoint announced that Moody's had issued it with an investment grade rating (Baa2 for senior secured debt). This is the first step in Growthpoint's plan to diversify its debt sources from solely bank debt to include a debt capital markets issuance. An initial issuance will likely be by way of issuing an Australian Medium Term Note or a US Private Placement which Growthpoint is targeting to issue in the next 18 months. The primary aim of a capital markets issuance is to increase the average tenor of Growthpoint's debt. Growthpoint is in the process of revising its banking facilities and has lowered its gearing level to 40.9% (within the Board's target range of 40%-45%); both steps are intended to support a potential capital issuance.
9. **Development upside:** Growthpoint is actively considering a number of development opportunities within its existing portfolio including:
  - a. a redevelopment of part of the Richmond site in Victoria for offices, subject to a pre-commitment being in place. Growthpoint will also explore the potential for a large residential redevelopment for this site;
  - b. tenant-initiated expansions at five industrial properties in Queensland and Victoria; and
  - c. the six distribution centres leased to Woolworths offer significant development potential should Woolworths require additional lettable area as these sites have low site coverage of approximately 30%. In addition, the 19.1 hectare site in Mulgrave adjoins a large residential estate and so offers long-term residential development opportunities subject to re-zoning.
10. **Operating expenses:** FY 14 saw a slight increase in operating expenses as a percentage of average gross assets (0.39% to 0.47%) primarily due to the timing of property acquisitions resulting in recurring expenses commencing before the assets were included on Growthpoint's balance sheet as well as some one-off or unusual items which are not expected to continue. Growthpoint expects its operating expenses or MER<sup>8</sup> to return to its five-year average of 0.4% of gross assets in the year ending 30 June 2015 ("FY 15"); one of the lowest of the A-REIT sector.

## Outlook

### *Rental demand*

The slowdown in office occupancy demand and the consequential increase in vacancy rates across most Australian markets has continued, with a recent improvement in vacancy rates in Sydney and Melbourne. Growthpoint is less exposed to any slowdown in industrial occupier

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<sup>7</sup> The value of securities considered available for trading. In accordance with Standard and Poors' announced methodology, for Growthpoint this is all of its securities on issue except for those owned by Growthpoint Properties Limited of South Africa and the Emira Property Fund as these entities hold more than 5% of the total securities, are corporate holders and are not in the practice of trading the securities.

<sup>8</sup> management expense ratio comprising all of Growthpoint's costs other than interest divided by the average gross assets for the year.

demand as it has limited near-term lease expiries within its quality industrial portfolio. Growthpoint remains well positioned with a weighted average lease term (WALE) of 7.3 years for the industrial portfolio and 6.5 years for the office portfolio, a rising rental income through fixed annual rent increases and minimal near term lease expiries underpinning stable and growing distributions to securityholders.

*Asset values*

Growthpoint's property portfolio is yet to see a significant increase in valuations (1.7% in FY 14) with most of the 8% increase in net tangible assets per stapled security in FY 14 coming from raising equity at prices above net tangible asset backing rather than from property revaluation gains. Valuation increases (lower capitalisation rates) are expected to continue in FY 15 as demand to acquire well-leased, quality property continues to increase in Australia.

*Divestments*

Growthpoint did not sell any properties in FY 14, however, it may consider the sale of some assets and recycle capital into assets which better meet Growthpoint's investment criteria."

**Growthpoint's Chairman**

On 30 June 2014, Lyn Shaddock retired as Chairman after seven years in the role. Directors and employees would like to acknowledge the contribution made by Lyn and thank him for his wisdom and leadership. Lyn intends to remain as a director until the annual general meeting on 26 November 2014.

Geoff Tomlinson replaced Lyn as Chairman from 1 July 2014. Directors and employees are looking forward to working with Geoff.

**FY 15 Guidance**

Directors reaffirm their guidance for the FY 15 distribution to securityholders of 19.7 cents per security, 3.7% higher than FY 14, providing an attractive distribution yield of approximately 8.0% based on the 30 June 2014 closing price of \$2.45.

**Appendix 4E**

The Appendix 4E for FY 14 appears on the following pages of this announcement.

**[www.growthpoint.com.au](http://www.growthpoint.com.au)**

***Media and investor enquiries should be directed to:***

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**Growthpoint Properties Australia**

Growthpoint Properties Australia is a publicly traded ASX listed A-REIT (ASX Code: GOZ) that specialises in the ownership and management of quality investment property. GOZ owns interests in a diversified portfolio of 51 office and industrial properties throughout Australia valued at approximately \$2.1 billion and has an investment mandate to invest in office, industrial and retail property sectors. In August 2014, GOZ announced that Moody's had issued it with an investment grade rating of Baa2 for senior secured debt.

GOZ aims to grow its portfolio over time and diversify its property investment by asset class, geography and tenant exposure through individual property acquisitions, portfolio transactions and corporate activity (M&A transactions) as opportunities arise.

## ASX ANNOUNCEMENT

GROWTHPOINT PROPERTIES AUSTRALIA (GOZ)  
 18 AUGUST 2014

# APPENDIX 4E

## RESULT FOR THE YEAR ENDED 30 JUNE 2014

### 1. DETAILS OF REPORTING PERIODS:

The current reporting period is the 12 months to 30 June 2014. The previous corresponding reporting period was for the 12 months to 30 June 2013.

### 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

#### 2.1/2.2/2.3 Revenue and profit from ordinary activities and net profit for the year attributable to stapled securityholders:

	Year ended 30-Jun-14	Year ended 30-Jun-13	Change
	\$'000	\$'000	%
Revenue from ordinary activities	177,656	159,639	11.3%
Net profit before unrealised items	91,069	76,423	19.2%
Net profit attributable to securityholders	117,348	93,956	24.9%

#### 2.4/2.5 Amounts per stapled security of distributions paid/payable during the year:

	Stapled securities	Record date	Payment date
	(cents)		
Interim distribution GOZ	9.40	31-Dec-13	28-Feb-14
Interim distribution GOZN (i)	1.10	31-Dec-13	28-Feb-14
Interim distribution GOZNA (ii)	2.60	31-Dec-13	28-Feb-14
Final distribution GOZ	9.60	30-Jun-14	29-Aug-14

- (i) Stapled securities that were issued as a result of the Rights Issue in December 2013 and traded under the ASX code GOZN until the ex-distribution date of 23 December 2013 received a pro-rata share of the GOZ distribution from issue date until the record date of 31 December 2013.
- (ii) Stapled securities that were issued as a result of the Placement in November 2013 and traded under the ASX code GOZNA until the ex-distribution date of 23 December 2013 received a pro-rata share of the GOZ distribution from issue date until the record date of 31 December 2013.

#### 2.6 Explanation of figures in 2.1 to 2.4:

Commentary on the above figures is included in the attached announcement, presentation and annual financial report.

### 3. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

See annual financial report released on the ASX on 18 August 2014.

### 4. STATEMENT OF FINANCIAL POSITION

See annual financial report released on the ASX on 18 August 2014.

### 5. STATEMENT OF CASH FLOWS

See annual financial report released on the ASX on 18 August 2014.

## 6. DETAILS OF DISTRIBUTIONS:

	Stapled security	Total distribution	Payment date
	(cents)	\$'000	
Interim distribution GOZ	9.40	<b>38,960</b>	28-Feb-14
Interim distribution GOZN	1.10	<b>449</b>	28-Feb-14
Interim distribution GOZNA	2.60	<b>531</b>	28-Feb-14
Final distribution GOZ	9.60	<b>46,850</b>	29-Aug-14
<b>Total distributions paid GOZ</b>	<b>19.00</b>	<b>86,790</b>	

Total distributions paid to GOZ security holders for the current reporting period were 19.0 cents per stapled security. This is a 3.8% increase on the 18.3 cents per stapled security for the previous corresponding reporting period.

## 7. DETAILS OF DISTRIBUTION REINVESTMENT PLANS IN OPERATION:

The Distribution Reinvestment Plan ("DRP") is in operation for the distribution payable on or about 29 August 2014 in respect of the 30 June 2014 record date. The DRP price is \$2.42 per stapled security. Subject to market conditions and requirements for equity, the Group intends to operate the DRP for future distributions.

## 8. STATEMENT OF CHANGES IN EQUITY

See annual financial report released on the ASX on 18 August 2014.

## 9. NET TANGIBLE ASSETS PER STAPLED SECURITY:

	30-Jun-14	30-Jun-13	Change
	\$	\$	%
Net tangible assets (NTA) per stapled security	2.16	2.00	8.0

## 10. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE YEAR:

Not applicable.

## 11. DETAILS OF ASSOCIATED AND JOINT VENTURES:

Not applicable.

## 12. ANY OTHER SIGNIFICANT INFORMATION REQUIRED

Not applicable.

## 13. ACCOUNTING STANDARDS USED FOR FOREIGN ENTITIES:

Not applicable.

## 14. COMMENTARY ON RESULTS FOR THE YEAR

See annual financial report released on the ASX on 18 August 2014.

## 15. IS THIS REPORT BASED ON ACCOUNTS WHICH HAVE BEEN AUDITED

Yes.

## 16. IF THE ACCOUNTS HAVE NOT BEEN AUDITED, THE LIKELIHOOD OF QUALIFICATION

Not applicable, see 15 above.

## 17. DESCRIPTION OF AUDIT DISPUTE OR QUALIFICATION:

Not applicable.