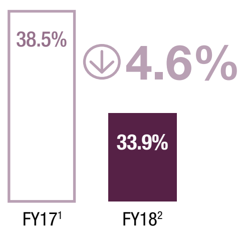
Financial Management

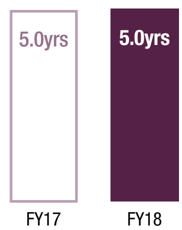
Further progress on balance sheet strategy

Strategic Execution

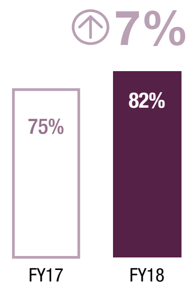
Maintain gearing within 35%-45% range



Maintained average debt maturity



Increase fixed debt percentage



Securityholders benefited from a number of accretive acquisitions made over the year which helped to improve on our initial Funds from Operations guidance by 5.9% (from at least 23.6 cents per security), while asset sales above book value and strong revaluation gains supported further reductions in gearing, leaving the balance sheet well positioned to take advantage of the right opportunities.

Highlights for FY18

- FFO of 25.0 cents per security
- Distributions of 22.2 cents per security equating to a payout ratio of 88.8%
- Gearing of 33.9%, down 460 basis points from 30 June 2017[1]
- NTA per security of $3.19, 10.8% above 30 June 2017
- Maintained a weighted average debt maturity of 5.0 years; and
- Increased the overall level of fixed debt to 82%, from 75% at 30 June 2017

Progress on Financial Management strategy

Over the year the Group extended $515 million of near term bank debt expiring in mid-FY19 to maintain a weighted average debt maturity of 5 years. After significant work in FY17 to further diversify the Group's debt funding profile, the Group now retains a good balance between shorter term, more flexible bank debt and longer term fixed debt. The Group will continue to act quickly and decisively on upcoming expiries, the first being in September 2020, and will look to all available debt markets for the best solution for Securityholders when new debt is required.

Gearing 33.9% as at 30 June 2018

Gearing as at 30 June 2018 was 33.9%, down from 38.5%[1] as at 30 June 2017, below the bottom of the target range of 35% - 45%.

17 The chart on page 17 tracks the events that impacted gearing during the year.

At financial year end the Group held $320 million of undrawn debt facilities as it pursues a number of growth opportunities. Over time, as part of a prudent gearing strategy, holding approximately $100 million in undrawn debt will to allow for flexibility in transactions, while aiming to minimise the cost burden of holding undrawn debt lines.

Fixed debt percentage increased to 82%

At 30 June 2018, fixed debt was 82%, up from 75% at 30 June 2017. The weighted average fixed debt maturity is 5.5 years which means a high percentage of debt is protected for the medium term against any future interest rate rises.

1. Gearing calculation changed during the period from interest bearing liabilities divided by total assets to interest bearing liabilities less cash divided by total assets less cash. This change brings Growthpoint's gearing calculation more closely in line with industry peers.
2. Gearing at 30 June 2018 below target gearing range. See page 17 of this report for pro forma.

Financial Management continued

Increasing Distributions and FFO per security

The graph at right illustrates the increase in distributions and FFO per security over five years, including FY19 guidance. Growthpoint has been able to achieve its medium-term target of growing distributions by 3%-4% annually, based on a high percentage of fixed income increases in leases (WARR of 3.3%) and a high proportion of debt costs being fixed. This, along with low operating expenses of approximately 0.4% of average gross assets per annum, has allowed the Group to grow distributions at a CAGR of 3.9% for the five years up to and including FY18.

Importantly, as the graph shows, over the same time period Growthpoint has been able to grow FFO at a higher rate of 4.0%, ensuring that distribution growth is covered by earnings growth.

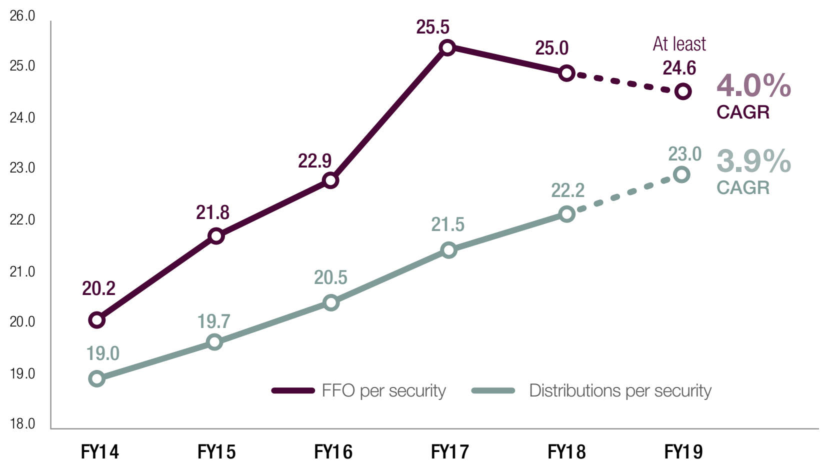
Outlook for FY19

Subject to market conditions, the Group expects FY19 FFO to be at least 24.6 cents per stapled security and distributions to be 23.0 cents per stapled security, representing a 3.6% increase in distributions to Securityholders. This is within the Group's medium-term target range of 3-4% increase in distributions per security growth per annum and equates to a FY19 payout ratio to FFO being a maximum 93.5%.

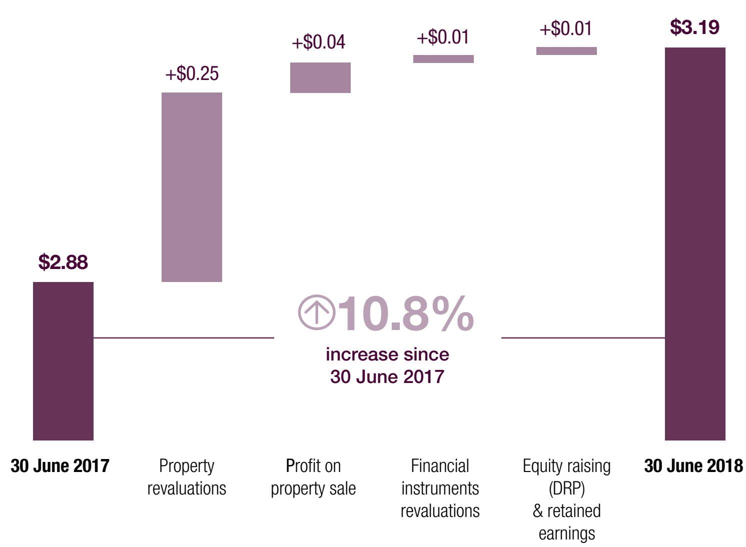
FY19 guidance takes into account the West Perth acquisition announced 18 July 2018, up to $110 million of asset sales expected to take place throughout FY19 and the Dividend Reinvestment Plan activated for the August 2018 distribution.

Growthpoint will continue to distribute as much FFO as is reasonably prudent to Securityholders. In determining its payout ratio, Growthpoint will consider its capital expenditure, tenant incentive and working capital requirements over the medium term as well as current and anticipated business and financial conditions, especially as they relate to raising debt and equity capital.

Long-term growth in FFO and distributions (cps)



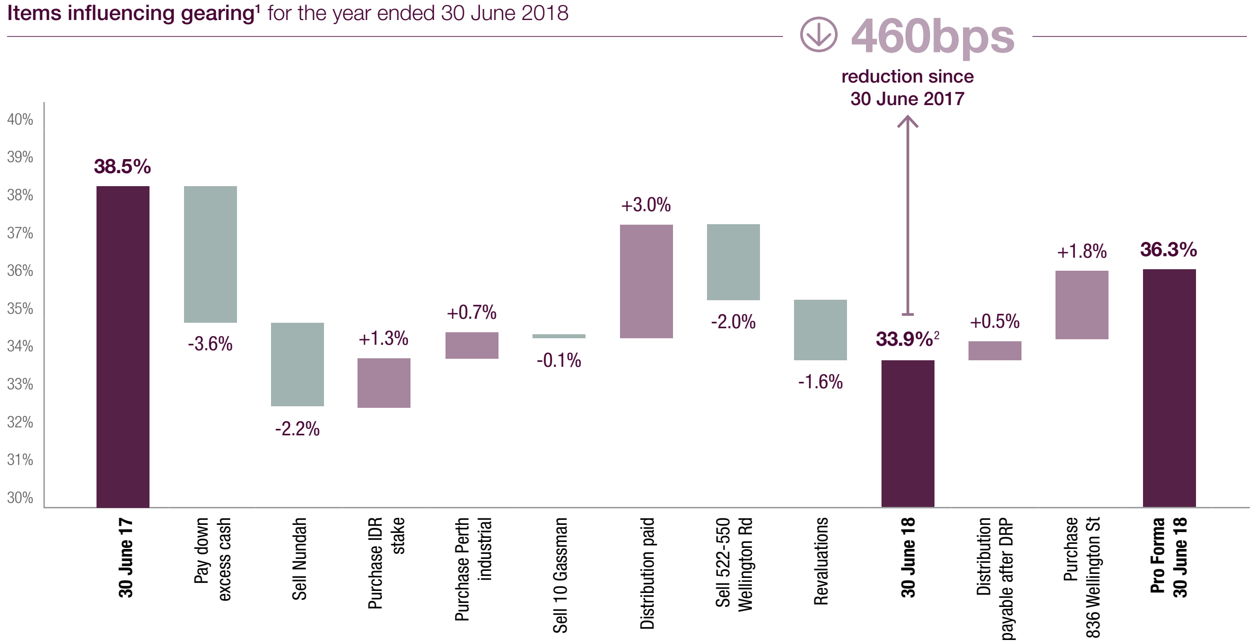
Movements in NTA per stapled security ($)



Key debt metrics and changes during FY18

		30 June 2018	30 June 2017	Change
Gross assets	*$'000*	**3,474,569**	3,328,372	146,197
Interest bearing liabilities	*$'000*	**1,197,555**	1,299,380	(101,825)
Total debt facilities	*$'000*	**1,523,482**	1,473,482	50,000
Undrawn debt	*$'000*	**320,000**	167,856	152,144
Gearing[1]	*%*	**33.9**	38.5	(4.6)
Weighted average interest rate	*%*	**4.4**	4.3	0.1
Weighted average debt maturity	*years*	**5.0**	5.0	–
Annual Interest Coverage Ratio (ICR) / Covenant ICR	*times*	**3.9 / 1.6**	4.1 / 1.6	(0.2) / –
Actual Loan to Value Ratio (LVR) / Covenant LVR	*%*	**36.1 / 60**	40.2 / 60	(1.9) / –
Weighted average fixed debt maturity	*years*	**5.5**	6.4	(0.9)
% of debt fixed	*%*	**82**	75	7
Debt providers	*no.*	**17**	17	–

Items influencing gearing[1] for the year ended 30 June 2018



1. Gearing calculation changed during the period from interest bearing liabilities divided by total assets to interest bearing liabilities less cash divided by total assets less cash. This change brings Growthpoint's gearing calculation more closely in line with industry peers.
2. Numbers may not sum due to rounding.

Funds From Operations (FFO)

FFO is the net profit available for distribution from the Group which excludes accounting adjustments such as fair value movements to the value of investment property and interest rate swaps, depreciation, profits or losses on sale of investment properties, deferred tax and amortisation of tenant incentives. FFO is non-IFRS financial information and has not been subject to review by the Group's external auditors.

FFO has been provided to allow Securityholders to identify that income which is available to distribute to them and will assist in the assessment of relative performance of the Group.

Reconciliation from statutory profit to FFO

	FY18	FY17	Change	% Change
	$'000	*$'000*	*$'000*	*%*
Profit after tax	**357,709**	**278,090**	**79,619**	**28.6**
Less non-FFO items:				
- Straight line adjustment to property revenue	(5,962)	(2,522)	(3,440)	
- Net changes in fair value of investment property	(166,958)	(118,157)	(48,801)	
- (Profit) / loss on sale of investment property	(24,419)	1,123	(25,542)	
- Net change in fair value of investment in securities	(10,368)	-	(10,368)	
- Net change in fair value of derivatives	573	(2,382)	2,955	
- Depreciation	293	162	131	
- Amortisation of incentives	16,327	9,969	6,358	
- Deferred tax benefit	(117)	(185)	68	
FFO	**167,078**	**166,098**	**980**	**0.6**

The FY18 payout ratio, calculated as distributions on ordinary stapled securities divided by FFO, was 88.8% (FY17: 84.3%).

Details about distribution components under the attribution managed investment trust or "AMIT" regime (only relevant for the full year distribution) and Fund Payment amounts (only relevant for foreign holders) will be made available on Growthpoint's website on or before the relevant distribution date.

For more information go to:

growthpoint.com.au/investor-centre/distributions/

Operating and capital expenses

Operating expenses		FY18	FY17
Total operating expenses	*$'000*	**13,362**	12,385
Average gross assets value	*$'000*	**3,377,737**	3,204,716
Operating expenses to average	*%*	**0.40**	0.39

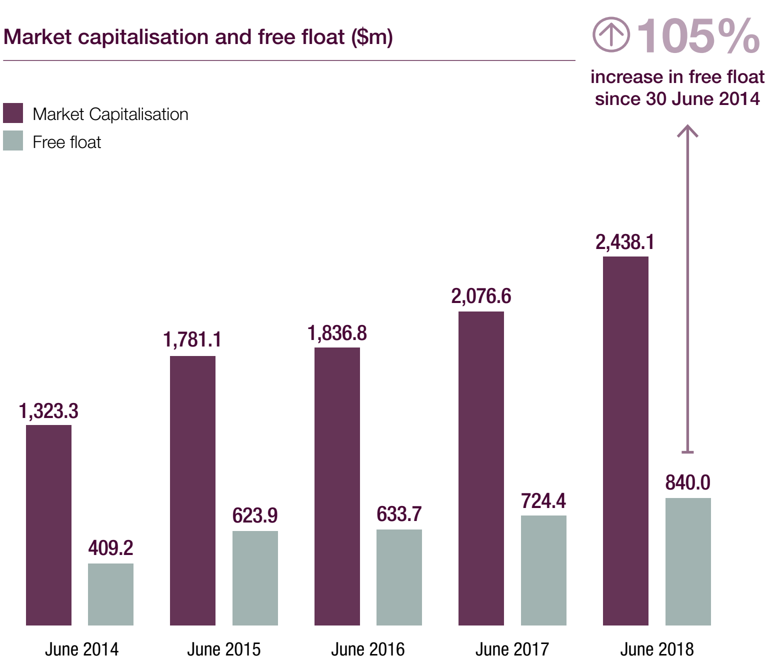
Capital expenditure		FY18	FY17
Total portfolio capex	*$'000*	**10,315**	10,042
Average property asset value	*$'000*	**3,236,038**	2,915,710
Capital expenditure to average property portfolio value	*%*	**0.32**	0.34

Five year performance summary

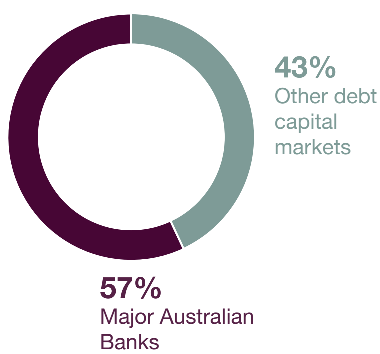
Long-term sustainable returns

As at 30 June		2018	2017	2016	2015	2014
Financial performance						
Investment income	*$m*	**466.3**	383.4	302.1	361.5	198.5
Profit for the period	*$m*	**357.7**	278.1	219.4	283.0	117.3
Financial position						
Total assets (at 30 June)	*$m*	**3,474.6**	3,328.4	2,879.6	2,407.1	2,128.8
Total equity (at 30 June)	*$m*	**2,157.0**	1,901.5	1,522.4	1,411.5	1,165.1
Securityholder value						
Basic and diluted earnings per security	*¢*	**53.5**	42.7	38.1	50.4	25.7
Funds From Operations per security	*¢*	**25.0**	25.5	22.9	21.8	20.2
Distributions per security	*¢*	**22.2**	21.5	20.5	19.7	19.0
Total Securityholder return[1]	*%*	**22.3**	6.3	7.4	36.4	10.8
Return on equity	*%*	**18.5**	18.6	13.5	23.9	17.5
Gearing (at 30 June)	*%*	**33.9**	38.5	41.2	36.3	40.3
NTA per security (at 30 June)	*$*	**3.19**	2.88	2.61	2.48	2.16
Market capitalisation (at 30 June)	*$m*	**2,438.1**	2,076.6	1,836.8	1,781.1	1,323.3
Other information						
Number of securities on issue (at 30 June)	*No.*	**675,384,368**	661,340,472	583,125,744	569,027,781	540,115,360

Market capitalisation and free float ($m)



Total debt facilities (%)
as at 30 June 2018



1. Source: UBS Investment Research.