Space to thrive

2019 Half Year Report

For the six months ended 31 December 2018

Growthpoint Properties Australia

Growthpoint Properties Australia Trust ARSN 120 121 002
Growthpoint Properties Australia Limited ABN 33 124 093 901 AFSL 316409

www.growthpoint.com.au

GROWTHPOINT PROPERTIES

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About this Report

This is the Half Year Report for Growthpoint Properties Australia (comprising Growthpoint Properties Australia Limited, Growthpoint Properties Australia Trust and their controlled entities) for the six months ended 31 December 2018. It is available online at www.growthpoint.com.au and in hard copy. Persons can request a hard copy through any of the communication methods listed on page 58.

This report provides readers with an overview of Growthpoint's business including summaries of the strategies, objectives, assets, operating model, achievements, key risks and opportunities at 21 February 2019 as well as detailed financial information over the last six months, one year and five year periods. There are also references which enable readers to obtain more information should they wish to.

About the Directors' Report

The Directors' Report which follows was signed in Melbourne on 21 February 2019 in accordance with a resolution of the Directors of Growthpoint Properties Australia Limited.

The Directors' Report comprises pages 3 to 21 of this report except where referenced otherwise.

HY19 Highlights.

- $548.3 million acquisitions, developments and expansions committed
- Successful completion of $135 million Rights Offer
- Upgraded FY19 FFO Guidance to at least 24.8cps
- NTA uplift of $0.17, or 5.3%, versus 30 June 2018
- Gearing at bottom end of target range

Funds From Operations
12.5cps
No change on HY18

Distributions per security
11.4cps
+3.6% on HY18

Net Property Income
$111.3m
+2.3% on HY18

Property portfolio value
$3.9bn
+15.0% on 30 June 2018

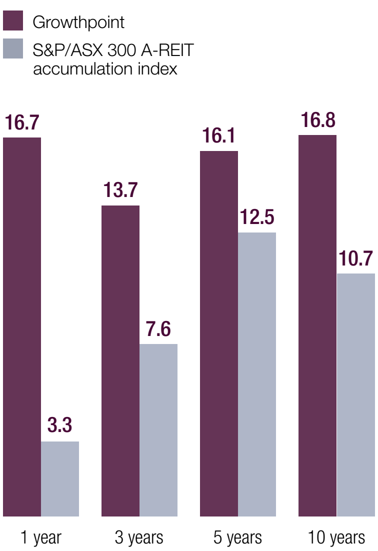
Net tangible assets per security
$3.36
+5.3% on 30 June 2018

Portfolio occupancy
99%
(30 June 2018: 98%)

Introduction from Chairman and Managing Director.

Geoff Tomlinson
Independent Chairman & Director

Timothy Collyer
Managing Director



Total Securityholder return over 1, 3, 5 & 10 years (%)[1]

1. Source: UBS Investment Research: Annual compound returns to 31 December 2018.
2. Before acquisition costs.

Office and Industrial sectors continue to outperform.

It is with pleasure that we present our results for the six months to 31 December 2018 which show further progress of Growthpoint's strategy to own well-leased, well-located commercial real estate that contribute to growing income returns for our Securityholders.

Our continued focus on acquisitions, portfolio repositioning and property enhancement helped deliver funds from operations of 12.5 cps, the same as the prior corresponding period, and a distribution to Securityholders of 11.4 cps, a 3.6% increase on the prior corresponding period. This places us well on track to meet our upgraded FY19 FFO guidance of at least 24.8 cps and FY19 distributions of 23.0 cps.

Statutory profit for the period was $188.8 million, down 8.9% on the prior corresponding period, with property revaluation gains offset by the non-repeat of profits generated from asset sales in the prior corresponding period.

We successfully completed several significant transactions in the half year, including the acquisition of 100 Skyring Terrace, Newstead, QLD for $250 million[2] in December 2018, funded in part by a $135 million Rights Offer which achieved substantial support from new and existing Securityholders. The property is a modern, highly green credentialed building, completed in 2014, fully leased with two major ASX-listed tenants. It has a long weighted average lease expiry (WALE) and attractive rental growth profile – characteristics very much in line with the Group's strategy of delivering income growth to Securityholders.

Settlement of the acquisition of 836 Wellington Street, West Perth, WA occurred in October 2018. This acquisition added another well leased, modern, A-Grade building to Growthpoint's growing office portfolio, which is now valued at $2.7 billion. The acquisition of West Perth was Growthpoint's first office investment in Perth and came after a long period of

due diligence on the Perth office market. The removal of substantial sub-leasing space from the market over the past 12-18 months along with subdued recent development activity provides for a more attractive entry point into the Perth office market.

These acquisitions continue Growthpoint's portfolio and income enhancement strategy. Growthpoint owns the largest metropolitan office portfolio in the A-REIT sector, together with CBD office assets and a large industrial / logistics portfolio totalling $1.2 billion. The acquisitions add to the defensive characteristics of the portfolio, which include a history of high occupancy levels, a long WALE and quality listed company and government tenants.

Construction has commenced at Botanicca Corporate Office Park in Richmond, VIC for a new office development comprising approximately 19,300 square metres (sqm) of A-grade office accommodation across two towers. The development is tracking ahead of schedule with completion expected in the first half of 2020. We are receiving strong engagement from a number of prospective tenants and will update the market as leasing progresses.

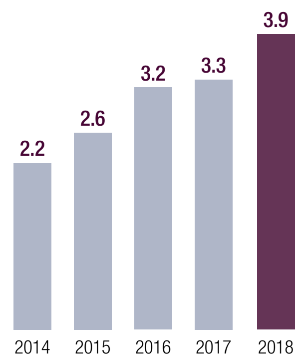
In January we welcomed the opportunity to again partner with Woolworths in the expansion of one of their key distribution

100 Skyring Terrace, Newstead, QLD

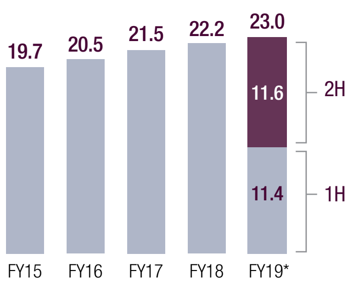
Property portfolio value

$3.9bn

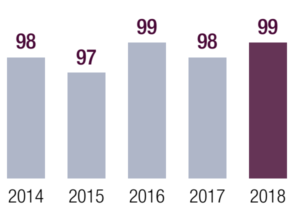
(30 June 2018: $3.4bn)



Total portfolio value ($bn)
as at 31 December



Distributions (¢)
per stapled security



Portfolio occupancy (%)
as at 31 December

*Distribution guidance only.

centres at Gepps Cross, SA. Under the terms of the agreement, Growthpoint is funding the $57 million development and will receive a coupon for the project costs as they are incurred at a yield of 6.75% p.a. Upon practical completion the lease over the entire property will reset to 15 years.

As part of the overall transaction, Growthpoint has also agreed with Woolworths to an early surrender of its lease at 120 Northcorp Boulevard, Broadmeadows, VIC. Our long-standing relationship with Woolworths across multiple sites was a factor in achieving what is an excellent result for both parties and we look forward to working with Woolworths on the Gepps Cross expansion.

The portfolio again achieved strong valuation gains as investor demand for quality office and logistics assets remained high. Positive transactional evidence and improving market rents were the main drivers, with valuation gains strongest in New South Wales and Victoria. In aggregate, the book value of the property portfolio increased by $163.4 million equating to a 4.9% increase on a like-for-like basis over the half. The positive spread between long-term bond yields and property yields suggests healthy appetite for well-leased commercial property will remain in the near-term.

Valuation gains and equity raised in HY19 helped gearing (35.0%) remain at the bottom of the target range. Proceeds raised from asset sales planned in the second half of FY19 are expected to reduce gearing further (provided current market conditions persist). Outside any significant transactions, a significant change in the property market or the wider economy, management and the Board expect to maintain gearing toward the lower end of the Group's target gearing range in the period ahead.

After a strong start to FY19 we are confident in the outlook for the remaining six months of the financial year. Growthpoint remains committed to achieving continually growing income returns and long-term capital appreciation for Securityholders and we thank investors for their ongoing support.

Geoff Tomlinson
Independent Chairman & Director

T.J. Collyer
Timothy Collyer
Managing Director

$548.3m accretive opportunities committed since June 2018.

$150.0m
July 2018[1]

$91.3m
October 2018[2]

Botanicca 3 development

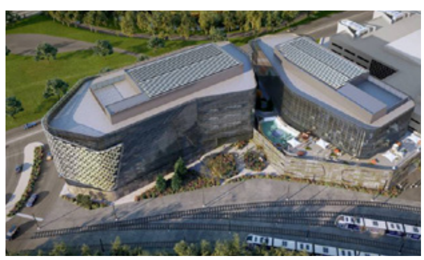
Inaugural office investment in Perth, Western Australia

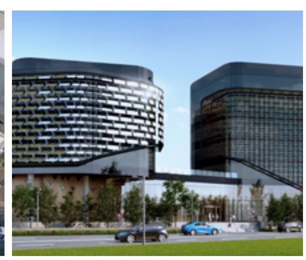
- Modern, A-Grade office building
- 100% leased to Commonwealth of Australia
- Long WALE (8.1 years)
- Annual rent reviews of 3.75%

West Perth office acquisition

Construction of new 19,300 sqm office building underway in Richmond, Victoria

- Construction currently tracking ahead of schedule with completion expected in first half of 2020
- Strong engagement from a number of prospective tenants
- Expected to deliver fully let yield on development cost of between 7.5% and 8.5% with opportunity for capital gain above development cost





1. Market value as if complete, assuming vacant possession.
2. Prior to acquisition costs.

Asset sales anticipated in 2H19

- 89 Cambridge Park Drive, Cambridge, TAS
- 7 Laffer Drive, Bedford Park, SA

$250.0m
December 2018[3]

$57.0m
January 2019

Newstead office acquisition

Gepps Cross expansion

Expansion of Woolworths Distribution Centre

- $57 million expansion, including an extension of the existing temperature controlled and ambient warehouses, construction of a new recycling facility and other ancillary improvements.
- GOZ to receive coupon for project costs as they are incurred at yield of 6.75% p.a.
- Lease reset for 15 years at practical completion

Successful equity raising and Newstead office acquisition

- Acquisition of modern, A-Grade office building for $250 million[3]
- Partly funded by $135 million Rights Offer which achieved substantial support from new and existing Securityholders

Property details

Property type	**Office**
Purchase price[3]	**$250m**
Occupancy	**100%**
Major tenant	**Bank of Queensland**
WALE	**7.4 years**
Car parks	**195 spaces**
Site area	**5,157 sqm**

3. Prior to acquisition costs.

Property portfolio overview.

Total portfolio value

$3,860.8m

(30 June 2018: $3,356.1m)

Portfolio occupancy

99%

(30 June 2018: 98%)

WALE

5.1yrs

(30 June 2018: 5.3 years)

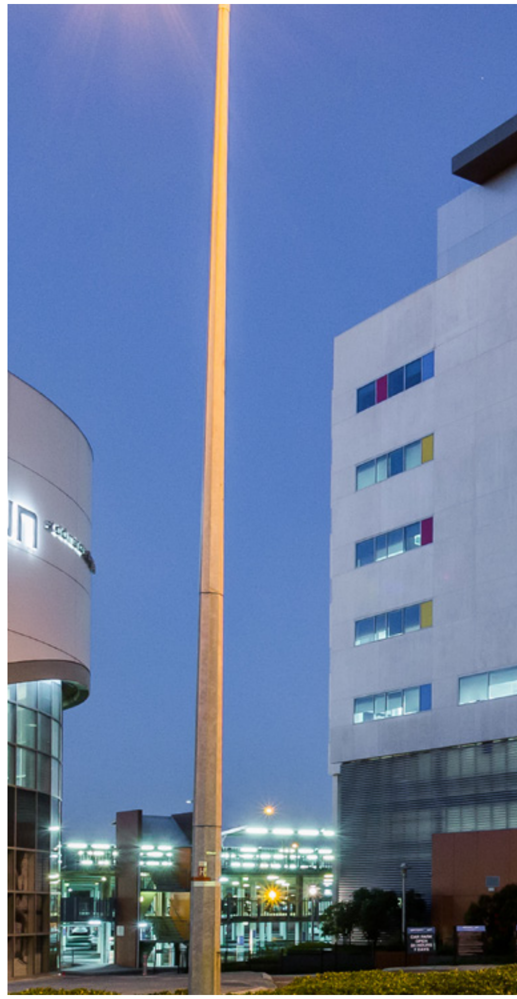
Number of assets	59
Total lettable area	1,038,683 sqm
Weighted average capitalisation rate	6.0%
WARR[1]	3.3%
Weighted average property age	10.7 years
Average value (per sqm)	$3,717
HY net property income[2]	$108.8m
Number of tenants	151

Michael Green
Chief Investment Officer

Investor sentiment towards both the office and industrial sectors remained positive over the course of HY19, despite increased equity market volatility toward the end of the period.

Positive yield spreads to funding costs, low vacancy rates and improving market rents, particularly in Sydney and Melbourne, drove significant national commercial real estate transactional activity in 2018, reaching record levels ($41.8 billion)[3]. Australian office markets continue to attract significant volumes of capital from domestic and offshore investors, accounting for more than half of the total transactions ($21.8 billion)[3] in 2018, while industrial remains the favoured sector globally benefiting from growth in online spending.

While risks are emerging across some sectors of the Australian property market, we believe the outlook for office and industrial property leased to high quality tenants is positive. Over the past 12 months the Australian economy added 284,100[4] jobs (above the long-run average) and population growth remains strong, particularly across the Eastern seaboard of Australia. With over 81% of Growthpoint's tenants being either Australian government agencies or listed corporates, we have confidence in the source of income that underpins Growthpoint's growing distribution.



Our focus over the course of 2019 will be on upcoming lease expiries, with good progress already made at properties with near term expiries. We will also continue to seek both direct and indirect investment opportunities in office and industrial property as well as look to enhance the value of the existing portfolio where the right opportunities exist.

1. Assumes CPI change of 1.8% per annum as per Australian Bureau of Statistics release for CY18.
2. Excludes IDR distributions.
3. Cushman & Wakefield, Australian National Investment MarketBeat report, Q4 2018.
4. Australian Bureau of Statistics, Labour Force, Dec 2018.

836 Wellington Street, West Perth, WA

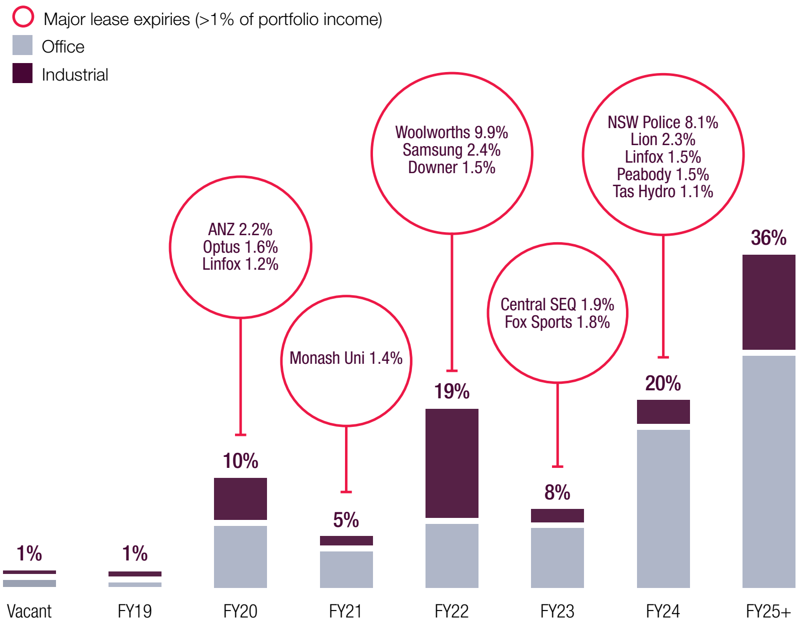
Top ten tenants

by passing rent, as at 31 December 2018

	%	WALE (yrs)
Woolworths	14	4.0
NSW Police	8	5.4
Commonwealth of Australia	7	7.6
Bank of Queensland	4	8.1
Country Road/ David Jones	4	13.5
Linfox	4	4.4
Samsung Electronics	2	3.2
Lion	2	5.3
ANZ Banking Group	2	1.2
Jacobs Group	2	7.8
TOTAL / Weighted Ave.	**49**	**5.8**
Balance of portfolio	51	4.3
Total portfolio	**100**	**5.1**

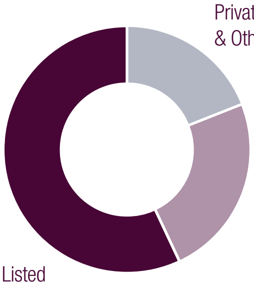
Portfolio lease expiry profile (%)

per financial year, by income

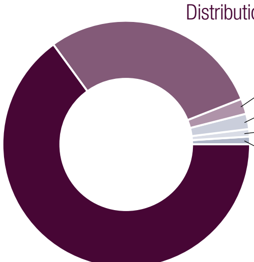


Sector diversity (%)
by property value,
as at 31 December 2018

Tenant type (%)
by income,
as at 31 December 2018



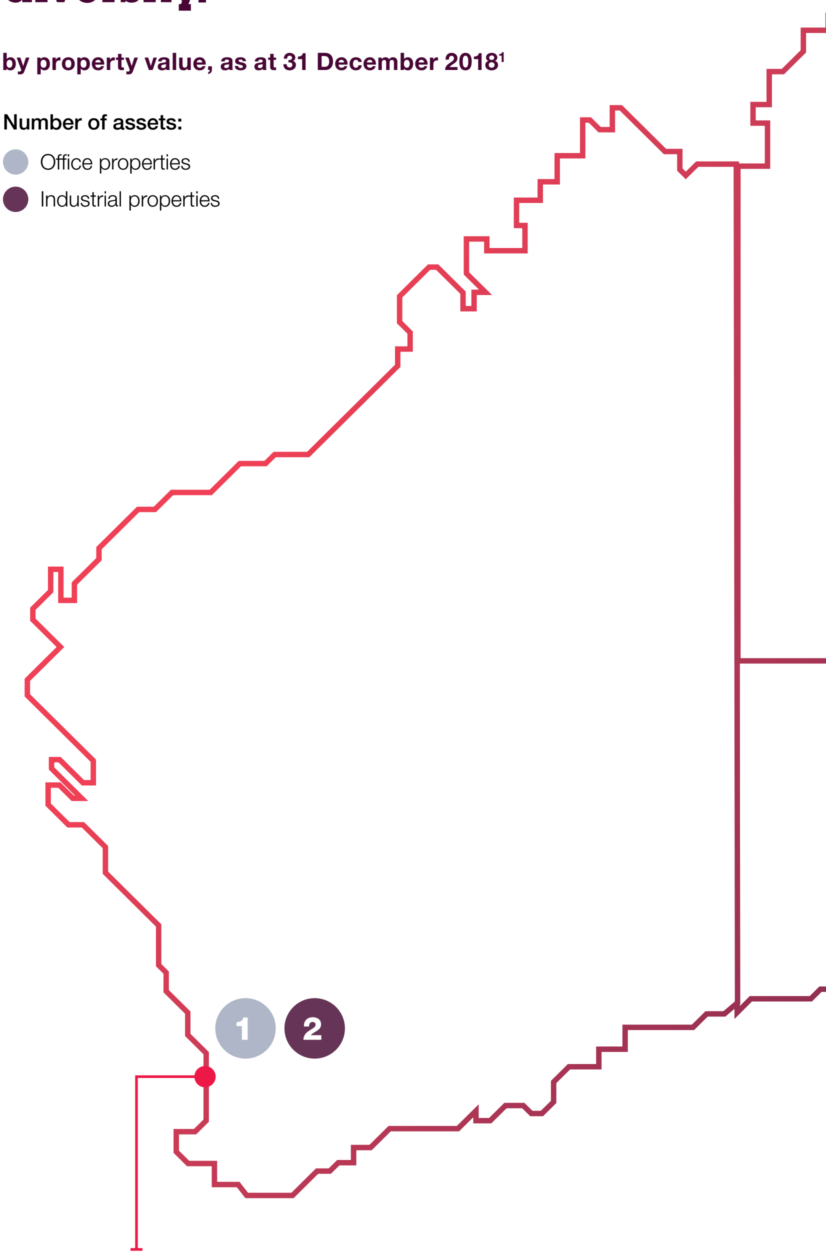
Tenant use (%)
by income,
as at 31 December 2018



Geographic diversity.

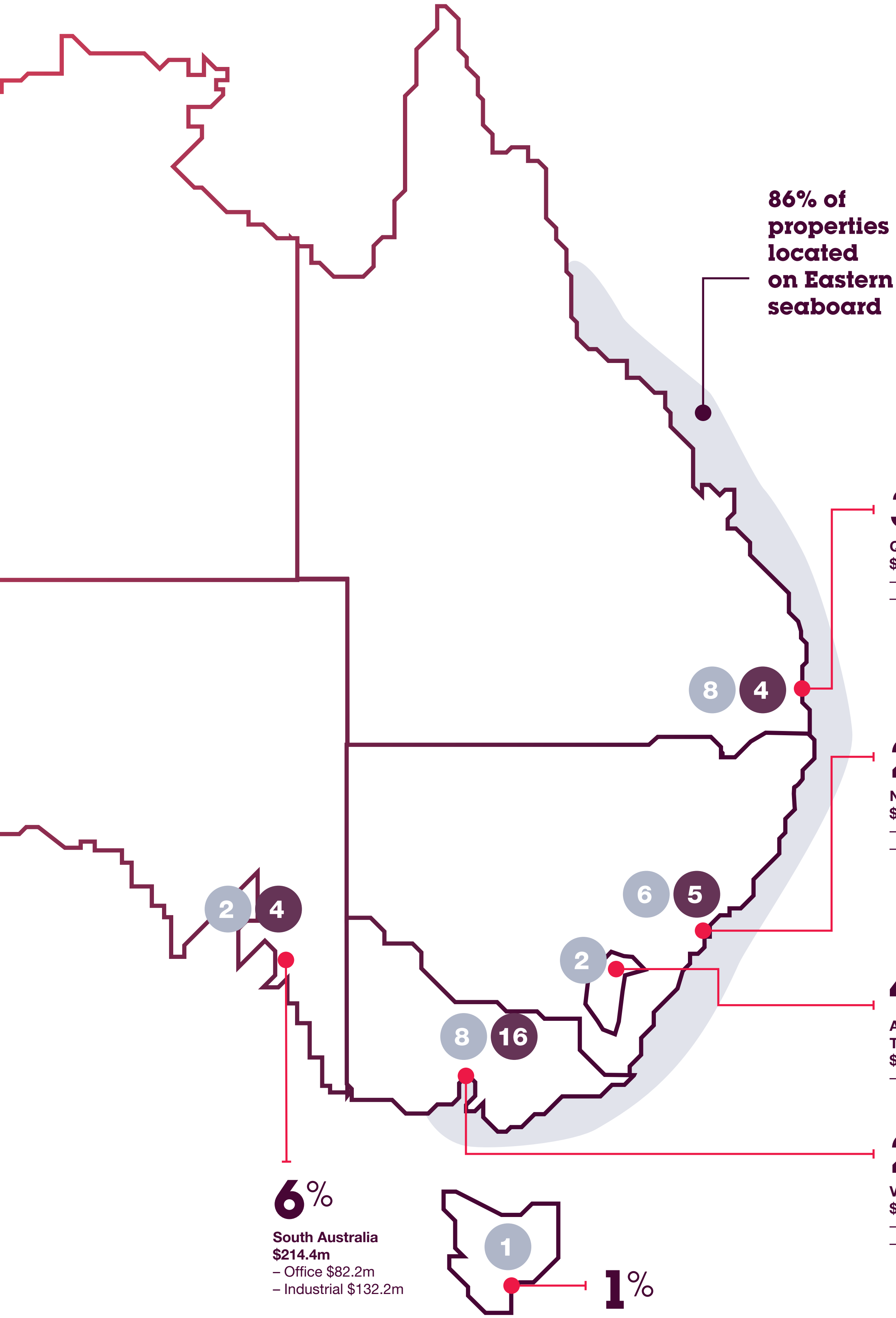
by property value, as at 31 December 2018[1]

Number of assets:
- Office properties
- Industrial properties



8%
Western Australia
$310.2m
– Office $91.3m
– Industrial $218.9m

1. Figures may not sum due to rounding.



30%
Queensland
$1,153.0m
– Office $899.5m
– Industrial $253.5m

24%
New South Wales
$950.9m
– Office $745.3m
– Industrial $205.7m

4%
Australian Capital Territory
$170.5m
– Office $170.5m

27%
Victoria
$1,036.8m
– Office $661.7m
– Industrial $375.0m

6%
South Australia
$214.4m
– Office $82.2m
– Industrial $132.2m

1%
Tasmania
$25.0m
– Office $25.0m

Office portfolio review.


75 Dorcas Street, South Melbourne, VIC

Office conditions remain favourable, with good employment growth and positive net absorption in most major office markets.

Vacancy rates are low, with national CBD office market vacancy currently 8.6%[1], down from 10.4%[1] 12 months ago. This helped support growth in face and effective rents in major markets, with strong growth recorded in the second half of 2018 in a number of markets including Melbourne Fringe (3.0%)[1], Melbourne South East Suburbs (2.4%)[1] and Parramatta (4.1%)[1]. Appetite for Australian office assets remains high, with office yields still attractive on a relative basis to other developed countries and a continuing positive spread to long-term bond yields.

These positive conditions drove like-for-like valuation growth of $124.9 million (5.7%) over the six months to 31 December 2018 across Growthpoint's office portfolio. Additional leasing of 4,185 sqm was achieved and occupancy was maintained at 98%.

Acquisitions

On 31 October 2018 Growthpoint acquired 836 Wellington Street, West Perth, WA for $91.3 million (before acquisition costs) reflecting a market yield of 6.25%. The property is 100% leased to the Commonwealth of Australia (Department of Home Affairs) with a 8.1 year WALE and annual rent reviews of 3.75%[2]. Built in 2009, the property is a modern A-Grade office building consisting of 11,973 sqm over 6 floors with 138 secured car bays. The building has strong environmental credentials with a 5.5 Star NABERS Energy rating and a 4 Star NABERS Water rating.

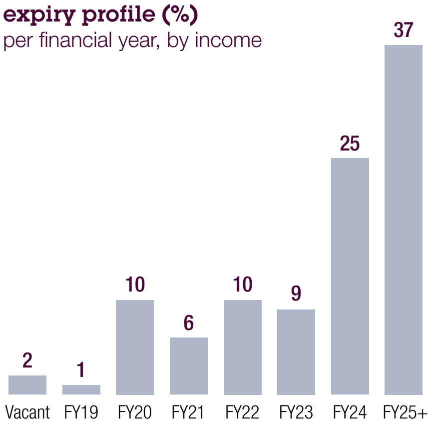
On 7 December 2018, Growthpoint acquired 100 Skyring Terrace, Newstead, QLD for $250 million (before acquisition costs). The property is a modern building, completed in 2014, fully leased with two major ASX-listed tenants, an initial passing yield of 6.1%, a 7.4 year WALE and attractive rental growth profile with a WARR of 3.9% per annum. The building also has high green credentials, with a 5.5 Star NABERS Energy Rating.

Leasing

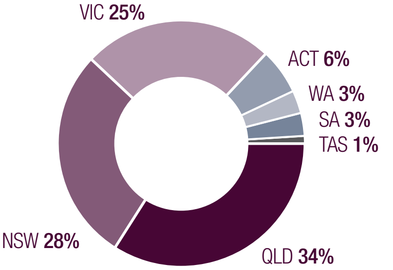
HY19 was another successful period of leasing for Growthpoint with new or extended leasing completed at seven properties across 4,185 sqm with an average annual rent review of 3.7% and an average lease term of 6.6 years.

- Renewal of lease to Jacobs Group (Australia) at A1, 32 Cordelia Street, South Brisbane, QLD for a further 7.9 years. The lease renewal to Jacobs Group began on 1 November 2018 and comprises 1,311 sqm with fixed rent increases of 3.75% per annum.
- Further leasing success at 333 Ann Street, Brisbane, QLD bringing total occupancy to 96%, from 44% at 30 June 2015. Four new leases were signed, the largest being across 867 sqm on Level 12 to EML payments for 7 years. The lease commenced on 10 August 2018 and has fixed rent increases of 3.75% per annum.

Office portfolio lease expiry profile (%)
per financial year, by income



Office portfolio geographic diversity (%)
by property value, as at 31 December 2018



1. JLL, Australian National Office Overview and Outlook Report, 4Q17 and 4Q18.
2. 3.75% annual escalations until expiry with a market rent review on 1 February 2021 (market rent review features ratchet clause).

Office portfolio total value

$2,675.5m

(30 June 2018: $2,209.3m)

Office portfolio occupancy

98%

(30 June 2018: 98%)

Office portfolio WALE

5.4yrs

(30 June 2018: 5.5 years)

Number of assets	**28**
Total lettable area	**321,616 sqm**
Weighted average capitalisation rate	**5.8%**
WARR[3]	**3.6%**
% of total portfolio	**69%**
HY NPI	**$68.5m**

- A new lease at 109 Burwood Road, Hawthorn, VIC to Green Energy Trading over 518 sqm for 7 years from 1 November 2019. The lease to Green Energy Trading provides for fixed rent increases of 4.00% per annum.

Growthpoint's major tenant in Buildings 1 and 2 within the Botanicca Corporate Park in Richmond, VIC, Country Road/ David Jones, has completed moving into its new national headquarters. Building 1 was completed in April 2018 and is now occupied by 650 employees, while fitout works were completed in Building 2 in September 2018, with the building now occupied by approximately 750 employees.

Development

Construction has commenced on the new office development at Botanicca Corporate Park. The new building, known as Building 3, will comprise 19,300 sqm of office space and is currently tracking for completion in the first half of 2020. The benefits of providing development certainty to prospective tenants has been evident with strong interest in the site which occupies a major corner in the sought after Melbourne suburb of Richmond, located just 5 kilometres from the Melbourne CBD. Feedback from prospective tenants has been positive with interest expressed in the modern design specifications and convenient location of the new building. Growthpoint will update the market as leasing progresses.

Valuation

Continued investor appetite for office assets along Australia's Eastern seaboard and improving market rent fundamentals resulted in valuation increases across Growthpoint's office portfolio. Since 30 June 2018, the value of the office property portfolio has increased by $124.9 million or 5.7% on a like-for-like basis. The weighted average capitalisation rate across the office portfolio tightened from 6.0% to 5.8%.

Valuation highlights for the six months to 31 December 2018 include:

- 1 Charles Street, Parramatta, NSW ($36.0 million or 11.6% increase);
- Building 3 Development, 572-576 Swan Street, Richmond, VIC ($31.0 million); and
- A1, 32 Cordelia Street, South Brisbane, QLD ($8.0 million or 9.5% increase).

Top ten office tenants

by passing rent, as at 31 December 2018

	%	WALE (yrs)
NSW Police	12	5.4
Commonwealth of Australia	11	7.6
Bank of Queensland	5	8.1
Country Road/ David Jones	5	13.5
Samsung Electronics	4	3.2
Lion	3	5.3
ANZ Banking Group	3	1.2
Jacobs Group	3	7.8
Collection House	3	7.4
Queensland Urban Utilities	3	4.3
TOTAL / Weighted Ave.	**52**	**6.7**
Balance of portfolio	48	3.9
Total portfolio	**100**	**5.4**

3. Assumes CPI change of 1.8% per annum as per Australian Bureau of Statistics release for CY18.

Industrial portfolio review.

Drivers of demand for industrial/logistics remain largely positive, with solid export levels, strong population growth and continued growth in e-commerce retail.

State and Federal investment in transport infrastructure, particularly in New South Wales and Victoria is improving connectivity and providing continued support to the industrial economy. Leasing activity was strong along the Eastern seaboard with the most active tenant groups being transport, postal and e-retailing businesses, as beneficiaries of the growth in online retail.

Appetite for well-located assets remains strong in both leasing and investment markets, and this was reflected in another strong period of like-for-like valuation growth of $38.5 million (or 3.4%) over the six months to 31 December 2018, excellent leasing outcomes to high quality tenants (over 68,251 sqm leased[1]) and occupancy improved to 99% (from 98%).

Expansion of 599 Main North Road, Gepps Cross, SA

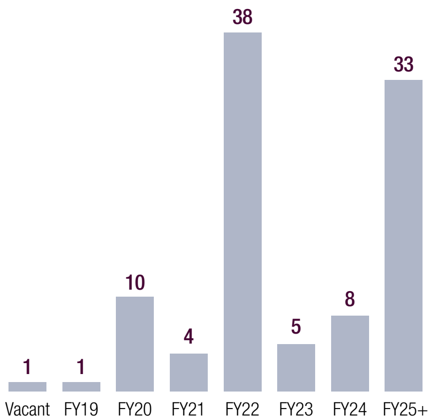
On 4 January 2019, Growthpoint entered into contracts with Woolworths Limited to fund the $57 million expansion of 599 Main North Road, Gepps Cross, SA.

The expansion, which is expected to achieve practical completion by mid-2020, will include an extension of the existing temperature controlled and ambient warehouses, construction of a new recycling facility and other ancillary improvements. The site currently serves as Woolworths' South Australian head office and primary distribution centre servicing South Australia and the Northern Territory. Growthpoint is funding the development and will receive a coupon for the project costs as they are incurred at a yield of 6.75% p.a. On completion, the total project cost will be rentalised via a new 15-year lease over the expanded property, which will comprise ~90,000 sqm of lettable area.

Top ten industrial tenants
by passing rent, as at 31 December 2018

	%	WALE (yrs)
Woolworths	44	4.0
Linfox	11	4.4
Australian Postal Corporation	5	5.5
Laminex Group	3	3.5
Brown & Watson International	3	6.6
Paper Australia	2	0.7
Reward Supply Co.	2	0.7
The Workwear Group	2	8.5
Autocare Services	2	11.8
Symbion	2	10.0
TOTAL / Weighted Ave.	**76**	**4.5**
Balance of portfolio	24	4.3
Total portfolio	**100**	**4.4**

Industrial portfolio lease expiry profile (%)
per financial year, by income



1. Includes recently announced lease extension to Woolworths at 599 Main North Road, Gepps Cross, SA (announced 4 January 2019).

Early surrender of 120 Northcorp Boulevard, Broadmeadows, VIC

As part of the Gepps Cross transaction with Woolworths, Growthpoint has agreed to an early surrender of the lease at 120 Northcorp Boulevard, Broadmeadows, VIC. It is expected the rental income surrendered will amount to 10 months at most but could be as little as 4 months depending on the exact timing of Woolworths departure which is yet to be confirmed.

The early surrender of the lease at Broadmeadows provides the opportunity to explore development options for the 25 hectares of industrial/logistics land. Site coverage is currently less than 25% and tenant demand for high quality logistics space in Melbourne's North is strong. We are also actively canvassing the market for large occupiers who can lease the existing facility, with significant land for future expansion.

Leasing

No significant leasing transactions were completed over the six months to 31 December 2018[2]. A number of new or extended leases commenced this half year that were previously reported and Growthpoint continues to engage with tenants well ahead of upcoming lease expiries.

Valuation

The value of the industrial property portfolio (excluding disposals) increased by $38.5 million over 1H19, or 3.4% on a like-for-like basis.

The weighted average capitalisation rate across Growthpoint's industrial property portfolio is 6.5% at 31 December 2018 down from 6.8% at 30 June 2018.

Valuation highlights include:

- 70 Distribution Street, Larapinta, QLD ($8.0 million or 3.6% increase);
- 599 Main North Road, Gepps Cross, SA ($5.2 million or 6.6% increase[2]); and
- Lots 2, 3 & 4, 34-44 Raglan Street, Preston, VIC ($4.5 million or 18.4% increase).

Industrial portfolio total value

$1,185.3m

(30 June 2018: $1,146.8m)

Industrial portfolio occupancy

99%

(30 June 2018: 99%)

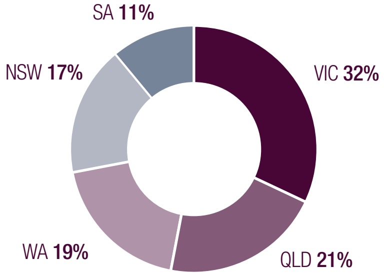
Industrial portfolio WALE

4.4yrs

(30 June 2018: 4.9 years)

Number of assets	**31**
Total lettable area	**717,067 sqm**
Weighted average capitalisation rate	**6.5%**
WARR[3]	**2.8%**
% of total portfolio	**31%**
HY NPI	**$40.3m**

Industrial portfolio geographic diversity (%)
by property value, as at 31 December 2018



2. 31 December 2018 leasing and valuation does not take into consideration expansion and lease extension which was announced on 4 January 2019.
3. Assumes CPI change of 1.8% per annum as per Australian Bureau of Statistics release for CY18.

Financial Management.

Funds From Operations (FFO)

12.5cps

No change on HY18

Distributions

11.4cps

Increase of 3.6% on HY18

Gearing at bottom of 35-45% range

35.0%

(30 June 2018: 33.9%)

HY19 Distribution	**11.4cps**
FY19 FFO Guidance	at least **24.8cps**
FY19 Distribution Guidance	**23.0cps**
NTA per security	**$3.36**
Fixed debt %	**69%**

Dion Andrews
Chief Financial Officer

Highlights for HY19

- FFO of 12.5 cents per security, no change on HY18
- Distributions of 11.4 cents per security, an increase of 3.6% on HY18, equating to a payout ratio to FFO of 95.8%
- FY19 FFO guidance increased during the period to ‘at least’ 24.8 cps (from 24.6 cps)
- NTA per security of $3.36, 5.3% above 30 June 2018
- Gearing of 35.0%, 110 basis points higher than 30 June 2018
- Successful completion of $135 million Rights Offer, achieving oversubscriptions on both the institutional and retail components
- All-in cost of debt reduced from 4.4% p.a. at 30 June 2018 to 4.1% p.a. at 31 December 2018

Summary

It has been a strong start to FY19 from a financial management perspective, with two accretive acquisitions completed putting the Group in a position to upgrade FFO guidance to at least 24.8 cps. The successful equity raising to help fund the acquisition of 100 Skyring Terrace, Newstead, QLD was an excellent outcome, with strong appetite for new GOZ securities resulting in oversubscriptions across both the institutional and retail components. Revaluation gains across both the office and industrial portfolios supported strong growth in NTA per security and helped maintain gearing at the bottom of the Group’s target range. The payout ratio for the half of 95.8% was elevated as a result of newly issued securities as part of the Rights Offer being entitled to the interim dividend (FY19 forecast payout ratio maximum of 92.7% based on current guidance).

Debt strategy

Growthpoint retains good access to debt through both local banking relationships and offshore debt capital markets. The Group recently extended $515 million of debt to domestic institutions, with all major domestic banks expressing interest. A bridge facility was put in place to help fund the Newstead acquisition in December 2018 and this is expected to be replaced by additional debt capital markets issuances. The earliest debt expiry is February 2020 and the Group continues to look at all available debt markets for the best possible funding structure.


333 Ann Street, Brisbane, QLD

Stress Testing Covenants

Growthpoint has three main debt and lending covenants which are regularly stress tested. **They are:**

Loan to value ratio (LVR) <60%
(currently 37.4%)
To breach this covenant the GOZ cap rate would need to rise by
365bps[1]

Interest coverage ratio (ICR) >1.6x
(currently 4.0x)
To breach this covenant, Net Property Income would need to fall by
60.2%[1]

Secured property percentage >85%
(currently 97.9%)
Secured property percentage must remain above
85%

1. For illustrative purposes only as at 31 December 2018 balance date and assumes no change to other inputs that could impact the calculation of this metric.

Key debt metrics and changes during HY19

		31 December 2018	30 June 2018	Change
Gross assets	$'000	**3,992,538**	3,474,569	517,969
Interest bearing liabilities	$'000	**1,424,119**	1,197,555	226,564
Total debt facilities	$'000	**1,673,482**	1,523,482	150,000
Undrawn debt	$'000	**244,000**	320,000	(76,000)
Gearing	%	**35.0**	33.9	(1.1)
Weighted average interest rate	%	**4.1**	4.4	0.3
Weighted average debt maturity	years	**4.2**	5.0	(0.8)
Annual Interest Coverage Ratio (ICR) / Covenant ICR	times	**4.0 / 1.6**	3.9 / 1.6	0.1 / –
Actual Loan to Value Ratio (LVR) / Covenant LVR	%	**37.4 / 60**	36.1 / 60	1.3 / –
Weighted average fixed debt maturity	years	**5.0**	5.5	(0.5)
% of debt fixed	%	**69**	82	(13)
Debt providers	no.	**17**	17	–

Gearing, headroom and fixed debt percentage

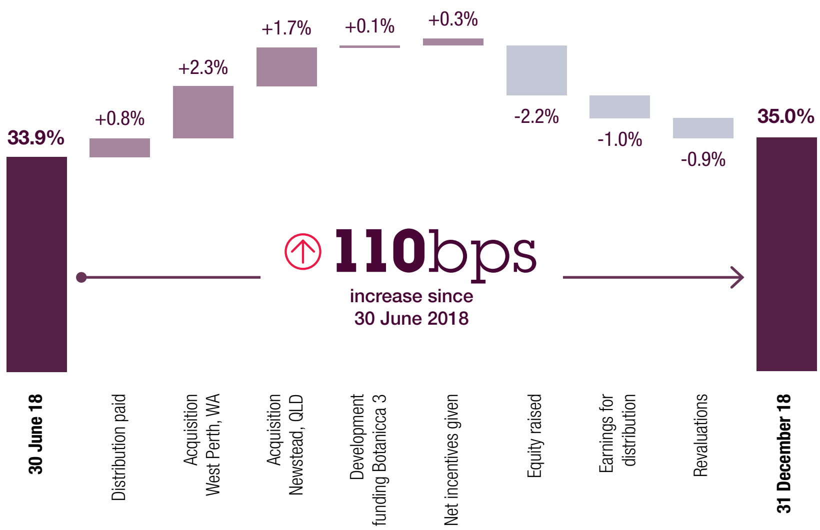
Gearing as at 31 December 2018 was 35.0%, up 110 basis points from 33.9% at 30 June 2018, yet remains at the bottom of the Group's target range of 35% to 45%. The chart to the right highlights the movements impacting gearing over the half year.

At 31 December 2018 the Group held $244 million of undrawn debt to help fund the new office development in Richmond, Victoria (~$80 million in total) and expansion of Gepps Cross, South Australia (~$57 million in total). Both projects are expected to achieve practical completion by mid-2020. Growthpoint will continue to target approximately $100 million as an undrawn balance to allow for flexibility in transactions, while aiming to keep the cost burden of undrawn debt lines low.

Growthpoint's fixed debt percentage fell to 69% at 31 December 2018, from 82% at 30 June 2018, as a result of the bridge facility being in place at the 31 December 2018 balance date. On 15 January 2019 the Group transacted a new, 5-year $150 million, interest rate swap which increased the fixed debt percentage to 79%.

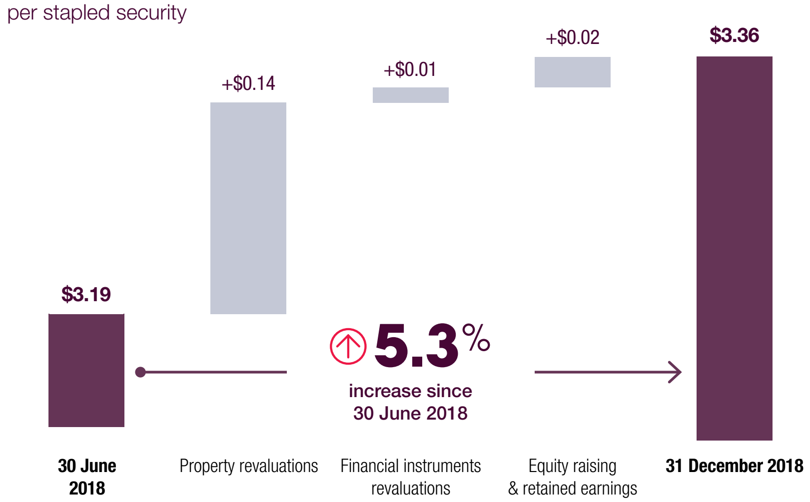
Items influencing gearing (%)

for the six months ended 31 December 2018



Movements in NTA ($)

per stapled security



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, investment in securities 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

	HY19	HY18	Change	% Change
	$'000	*$'000*	*$'000*	*%*
Profit after tax	**188,757**	**207,291**	**(18,534)**	**(8.9)**
Less non-FFO items:				
- Straight line adjustment to property revenue	(2,937)	(2,903)	(34)	
- Net changes in fair value of investment property	(101,407)	(102,893)	(1,486)	
- (Profit)/ loss on sale of investment property	–	(24,401)	24,401	
- Net change in fair value of investment in securities	(2,370)	(6,517)	4,147	
- Net change in fair value of derivatives	(5,324)	4,177	(9,501)	
- Depreciation	147	86	61	
- Amortisation of incentives	9,247	7,464	1,783	
- Deferred tax benefit	456	172	284	
FFO	**86,569**	**82,476**	**4,093**	**5.0**

The HY19 payout ratio, calculated as distributions on ordinary stapled securities divided by FFO, was 95.8% (HY18: 88.3%).

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:

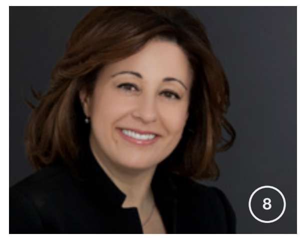
growthpoint.com.au/investor-centre/distributions/

Operating and capital expenses

Operating expenses		**CY18**	CY17
Total operating expenses	*$'000*	**13,506**	13,066
Average gross assets value	*$'000*	**3,526,881**	3,295,858
Operating expenses to average gross assets	*%*	**0.38**	0.40

Capital expenditure		**CY18**	CY17
Total portfolio capex	*$'000*	**9,045**	15,889
Average property asset value	*$'000*	**3,449,335**	3,083,095
Capital expenditure to average property portfolio value	*%*	**0.26**	0.52

Board of Directors.



1. Geoffrey Tomlinson (71)
BEC
Independent Chairman (since 1 July 2014) and Director (since 1 September 2013)
Over 46 years' experience in the financial services industry.

2. Timothy Collyer (50)
B.Bus (Prop), Grad Dip Fin & Inv, AAPI, F Fin, MAICD
Managing Director (since 12 July 2010)
Over 30 years' experience in A-REITs and unlisted property funds, property investment, development and valuations.

3. Maxine Brenner (56)
BA, LLB
Independent Director (since 19 March 2012)
Maxine has over 28 years' experience in corporate advisory, mergers and acquisition, financial and legal advisory work.

4. Estienne de Klerk (49)
BCom (Industrial Psych), BCom (Hons) (Marketing), BCom (Hons) (Acc), CA (SA)
Director[1] (since 5 August 2009)
Over 22 years' experience in banking and property finance and over 17 years' in the listed property market.

5. Grant Jackson (52)
Assoc. Dip. Valuations, FAPI
Independent Director (since 5 August 2009)
Over 32 years' experience in the property industry, including 29 years as a qualified valuer.

6. Francois Marais (64)
BCom, LLB, H Dip (Company Law)
Director[2] (since 5 August 2009)
Over 28 years' experience in the listed property market.

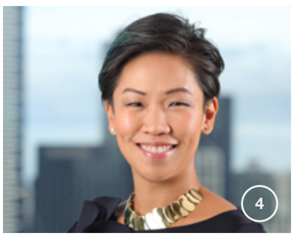
7. Norbert Sasse (54)
BCom (Hons) (Acc), CA (SA)
Director[3] (since 5 August 2009)
Over 23 years' experience in corporate finance and over 15 years' experience in the listed property market.

8. Josephine Sukkar AM (55)
BSc (Hons), Grad Dip Ed
Independent Director (since 1 October 2017)
Over 29 years' experience in the construction industry.

Full bios on all Directors can be found online at **growthpoint.com.au/about/board/**

1. Not deemed independent as South African CEO of Growthpoint Properties Limited (GRT).
2. Not deemed independent as Chairman of GRT.
3. Not deemed independent as Group CEO of GRT.

Executive Management.



1. Timothy Collyer
B.Bus (Prop), Grad Dip Fin & Inv, AAPI, F Fin, MAICD

Managing Director (since 12 July 2010)

Over 30 years' experience in A-REITs and unlisted property funds, property investment, development and valuations.

2. Michael Green
B.Bus (Prop)

Chief Investment Officer

Over 16 years' experience in listed and unlisted property fund management, property investment and development.

3. Dion Andrews
B.Bus, FCCA, GAICD

Chief Financial Officer, Company Secretary (since 8 May 2014)

Over 17 years' experience in accounting roles in a corporate capacity.

4. Yien Hong[1]
LLB (Hons), B.Comm, B.Arts, MAICD

General Counsel & Company Secretary (since 13 April 2018)

Over 21 years' experience across debt finance, property, funds, M&A, structured finance, derivatives and project finance as well as risk management and governance.

Full bios on all Executive Management can be found online at **growthpoint.com.au/about/executive-management/**

1. Yien Hong has been appointed Company Secretary and General Counsel on a 12-month contract. Aaron Hockly was on parental leave until 13 April 2019. He has now resigned (effective 13 April 2019) and a search for a permanent replacement has begun.

What's inside.

About the Interim Financial Report

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Growthpoint Properties Australia during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Consolidated Statement of Profit or Loss and Other Comprehensive Income.

For the half year ended 31 December 2018	Notes	**Half year 2018**	Half year 2017
		$'000	*$'000*
Revenue			
Property revenue	2.1	**130,584**	126,025
Distributions from investment in securities		**2,518**	2,429
Straight line adjustment to property revenue		**2,937**	2,903
Net changes in fair value of investment properties		**101,407**	102,893
Profit on sale of investment properties		**–**	24,401
Net change in fair value of investment in securities	2.3	**2,370**	6,517
Net change in fair value of derivatives		**5,324**	(4,177)
Net investment income		**245,140**	260,991
Expenses			
Property expenses	2.1	**(21,828)**	(19,631)
Other expenses from ordinary activities		**(6,228)**	(6,084)
Total expenses		**(28,056)**	(25,715)
Profit from operating activities		**217,084**	235,276
Interest income		**266**	141
Borrowing costs		**(27,518)**	(28,082)
Net finance costs		**(27,252)**	(27,941)
Profit before income tax		**189,832**	207,335
Income tax expense		**(1,075)**	(44)
Profit for the period		**188,757**	207,291
Profit attributable to:			
Owners of the Trust		**186,751**	207,827
Owners of the Company		**2,006**	(536)
		188,757	207,291
Distribution to Securityholders	3.4	**(82,963)**	(72,789)
Change in net assets attributable to Securityholders / Total Comprehensive Income		**105,794**	134,502
Basic and diluted earnings per stapled security (cents)		**27.3**	31.3

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position.

as at 31 December 2018	Notes	31-Dec-18	30-Jun-18
		$'000	*$'000*
Current assets			
Cash and cash equivalents	4.3	**40,955**	31,463
Trade and other assets	2.5	**7,828**	6,583
Assets held for sale	2.4	**45,188**	64,250
Total current assets		**93,971**	102,296
Non-current assets			
Plant & equipment		**804**	930
Investment properties	2.2	**3,815,575**	3,291,800
Investment in securities	2.3	**80,867**	78,497
Derivative financial instruments	3.2	**731**	–
Net deferred tax assets		**590**	1,046
Total non-current assets		**3,898,567**	3,372,273
Total assets		**3,992,538**	3,474,569
Current liabilities			
Trade and other liabilities	2.6	**38,497**	37,370
Distribution to Securityholders	3.4	**82,963**	75,643
Current tax payable		**829**	67
Total current liabilities		**122,289**	113,080
Non-current liabilities			
Trade and other liabilities	2.6	**87**	69
Interest bearing liabilities	3.1	**1,424,119**	1,197,555
Derivative financial instruments	3.2	**2,299**	6,892
Total non-current liabilities		**1,426,505**	1,204,516
Total liabilities		**1,548,794**	1,317,596
Net assets		**2,443,744**	2,156,973
Securityholders' funds			
Contributed equity	3.3	**1,879,508**	1,698,702
Reserves		**7,789**	7,616
Accumulated profits		**556,447**	450,655
Total Securityholders' funds		**2,443,744**	2,156,973

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity.

For the half year ended 31 December 2018	Contributed equity	Share-based payments reserve	Deferred tax expenses charged to equity	Profits reserve	Accumulated profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 30 June 2018	1,698,702	7,054	555	7	450,655	**2,156,973**
Total comprehensive income for the period						
Profit after tax for the period	–	–	–	–	188,757	**188,757**
Total other comprehensive income	–	–	–	–	–	**–**
Total comprehensive income for the period	–	–	–	–	188,757	**188,757**
Transactions with Securityholders in their capacity as Securityholders:						
Contributions of equity, net of transaction costs	180,806	–	–	–	–	**180,806**
Distributions provided or paid	–	–	–	–	(82,963)	**(82,963)**
Share-based payment transactions	–	173	–	–	–	**173**
Deferred tax expense charged to equity	–	–	–	–	–	**–**
Total transactions with Securityholders	180,806	173	–	–	(82,963)	**98,016**
Balance at 31 December 2018	1,879,508	7,227	555	7	556,447	**2,443,744**

Total recognised income and expense for the year is attributable to:	
– Trust	**186,751**
– Company	**2,006**
Growthpoint Properties Australia	**188,757**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity (cont.)

For the half year ended 31 December 2017	Contributed equity	Share-based payments reserve	Deferred tax expenses charged to equity	Profits reserve	Accumulated profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 30 June 2017	1,653,735	5,825	537	7	241,377	**1,901,481**
Total comprehensive income for the year						
Profit after tax for the year	–	–	–	–	207,291	**207,291**
Total other comprehensive income	–	–	–	–	–	**–**
Total comprehensive income for the year	–	–	–	–	207,291	**207,291**
Transactions with Securityholders in their capacity as Securityholders:						
Contributions of equity, net of transaction costs	–	–	–	–	–	**–**
Distributions provided or paid	–	–	–	–	(72,789)	**(72,789)**
Share-based payment transactions	(8)	618	–	–	–	**610**
Deferred tax expense charged to equity	–	–	–	–	–	**–**
Total transactions with Securityholders	(8)	618	–	–	(72,789)	**(72,179)**
Balance at 31 December 2017	1,653,727	6,443	537	7	375,880	**2,036,594**

Total recognised income and expense for the year is attributable to:	
– Trust	**207,827**
– Company	**(536)**
Growthpoint Properties Australia	**207,291**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement.

	Half year 2018	Half year 2017
	$'000	$'000
Cash flows from operating activities		
Cash receipts from customers	**110,336**	130,536
Cash payments to suppliers	**(31,563)**	(37,167)
Cash generated from operating activities	**78,773**	93,369
Interest paid	**(24,360)**	(27,232)
Taxes refunded/(paid)	**35**	(53)
Net cash inflow from operating activities	**54,448**	66,084
Cash flows from investing activities		
Interest received	**266**	141
Distributions received from investment in securities	**1,259**	1,214
Receipts from sale of investment properties	**–**	194,748
Payments for investment properties	**(377,623)**	(58,842)
Payments for investment in securities	**–**	(68,129)
Payments for plant & equipment	**(21)**	(24)
Net cash inflow/(outflow) from investing activities	**(376,119)**	69,108
Cash flows from financing activities		
Proceeds from external borrowings	**327,500**	196,047
Repayment of external borrowings	**(101,500)**	(259,091)
Proceeds from equity raising	**181,728**	–
Equity raising costs	**(922)**	–
Distributions paid to Securityholders	**(75,643)**	(72,086)
Net cash inflow/(outflow) from financing activities	**331,163**	(135,130)
Net increase in cash and cash equivalents	**9,492**	62
Cash and cash equivalents at the beginning of the period	**31,463**	31,459
Cash and cash equivalents at the end of the period	**40,955**	31,521

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements.

Section 1: Basis of preparation

in this section ...

This section shows the basis of reporting for the Group and confirms compliance with accounting standards.

Reporting entity

Growthpoint Properties Australia was formed by the stapling of two entities: Growthpoint Properties Australia Limited and its controlled entities ("the Company") and Growthpoint Properties Australia Trust ("the Trust"). The Company is the Responsible Entity for the Trust. Growthpoint Properties Australia is also referred to as "the Group".

The Group was established for the purpose of facilitating a joint quotation of the Company and the Trust and their controlled entities on the Australian Securities Exchange (ASX Code: GOZ). The constitutions of the Company and the Trust ensure that, for so long as the two entities remain jointly quoted, the number of shares in the Company and the number of units in the Trust shall be equal and the shareholders of the Company and the unitholders of the Trust are identical. The Company, both in its personal capacity and in its capacity as the Responsible Entity of the Trust, must at all times act in the best interests of the Group. The Group is a for profit entity.

The consolidated interim financial report includes financial statements for Growthpoint Properties Australia, the stapled consolidated group, which is domiciled in Australia, as at, and for the six months ended, 31 December 2018. The Group's registered address is Level 31, 35 Collins Street, Melbourne, VIC 3000, Australia.

The ultimate parent entity of the Group is Growthpoint Properties Limited.

Working capital deficiency

The Group has undrawn facilities of $244 million and sufficient working capital and cashflows in order to fund all requirements arising from the net current asset deficiency as at 31 December 2018. The deficiency is largely driven by the provision for the 31 December 2018 distribution.

Statement of compliance

This consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting*, the *Corporations Act 2001* and IAS 34 *Interim Financial Reporting*.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by Growthpoint Properties Australia during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This consolidated interim financial report was authorised for issue by the Directors of the Group on 21 February 2019.

The Group is of a kind referred to in ASIC Corporations (Rounding in Directors' / Financial Reports) Instrument 2016/191 and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Accounting policies

The accounting policies applied by the Group in this interim financial report are consistent with those of the previous financial year ended 30 June 2018 and the corresponding interim reporting period.

New accounting standards amendments adopted by the Group

The Group applied the following accounting standards amendments that became mandatory for the first time during the reporting period:

IFRS 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. It has also introduced revised rules for hedge accounting and impairment. IFRS 9 has been applied retrospectively by the Group and did not result in a change to the classification or measurement of the Group's financial instruments. Consequently, there is no material impact on the Group's consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers* sets out the requirements for recognising revenue that applies to most contracts with customers, with some exceptions. The Group's main source of income includes rental income, interest and gains on financial instruments held at fair value through profit or loss, which are all excepted from the scope of IFRS 15. The application of IFRS 15 has no material impact on the Group's consolidated financial statements.

Notes to the Financial Statements (cont.)

Section 2: Operating results, assets and liabilities

In this section ...

This section shows the assets used to generate the Group's trading performance and provides information on the office and industrial property segments that make up that performance. It also shows the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 3.

On the following pages, there are sections covering investment properties, other non-current assets and acquisitions and disposals.

2.1 Segmental information

The Group operates wholly within Australia and derives income directly and indirectly from property investments. The Group segments net property income and property revaluations into Office and Industrial segments and those results are shown below:

	Office	Industrial	**Total**
	$'000	*$'000*	*$'000*
Statement of Profit or Loss and Other Comprehensive Income for the half year to 31 December 2018			
Revenue, excluding straight line lease adjustment	82,132	48,452	**130,584**
Property expenses	(13,665)	(8,163)	**(21,828)**
Net Property Income Segment results	68,467	40,289	**108,756**
Net changes in fair value of investment properties	64,329	37,077	**101,407**
Segment results	132,796	77,366	**210,163**
Income not assigned to segments			**8,091**
Expenses not assigned to segments			**(28,422)**
Net profit before income tax			**189,832**
Statement of Profit or Loss and other Comprehensive Income for the half year to 31 December 2017			
Revenue, excluding straight line lease adjustment	78,742	47,283	**126,025**
Property expenses	(12,519)	(7,112)	**(19,631)**
Net Property Income Segment results	66,223	40,171	**106,394**
Net changes in fair value of investment properties	62,648	40,244	**102,893**
Profit on sale of investment properties	1,908	22,493	**24,401**
Segment results	130,779	102,908	**233,688**
Income not assigned to segments			**11,990**
Expenses not assigned to segments			**(38,343)**
Net profit before income tax			**207,335**

Property values are also reported by segment and this information is reported in note 2.2.

Notes to the Financial Statements (cont.)

2.2 Investment properties

Determination of fair value

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued generally, typically values all of the Group's investment properties each financial year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the net present value of the estimated cash flows expected from ownership of the property, a discounted cash flow valuation. A discount rate or target internal rate of return that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and, when appropriate, counter-notices, have been served validly and within the appropriate time.

Investment Property Values

			Latest External Valuation		Consolidated Book Value	
Industrial Properties			Date	Valuation	**31-Dec-18**	30-Jun-18
				$'000	*$'000*	*$'000*
Victoria						
120 Northcorp Boulevard	Broadmeadows	VIC	31-Dec-18	73,000	**73,000**	77,400
1500 Ferntree Gully Road & 8 Henderson Road	Knoxfield	VIC	30-Jun-18	44,000	**45,000**	44,000
9-11 Drake Boulevard	Altona	VIC	31-Dec-18	35,000	**35,000**	34,500
40 Annandale Road	Melbourne Airport	VIC	30-Jun-18	34,800	**34,000**	34,800
Lots 2,3 & 4, 34-54 Raglan St	Preston	VIC	31-Dec-18	29,000	**29,000**	24,500
120-132 Atlantic Drive	Keysborough	VIC	31-Dec-18	26,900	**26,900**	25,250
130 Sharps Road	Melbourne Airport	VIC	31-Dec-18	25,500	**25,500**	25,100
120 Link Road	Melbourne Airport	VIC	31-Dec-18	17,800	**17,800**	17,000
20 Southern Court	Keysborough	VIC	30-Jun-18	15,800	**15,800**	15,800
6 Kingston Park Court	Knoxfield	VIC	30-Jun-18	12,300	**12,400**	12,300
3 Millennium Court	Knoxfield	VIC	31-Dec-18	12,300	**12,300**	11,500
31 Garden Street	Kilsyth	VIC	31-Dec-18	12,150	**12,150**	11,200
60 Annandale Road	Melbourne Airport	VIC	30-Jun-18	11,700	**11,700**	11,700
101-111 South Centre Road	Melbourne Airport	VIC	31-Dec-18	9,000	**9,000**	8,800
19 Southern Court	Keysborough	VIC	30-Jun-18	8,100	**8,200**	8,100
75 Annandale Road	Melbourne Airport	VIC	30-Jun-18	7,650	**7,300**	7,650
Queensland						
70 Distribution Street	Larapinta	QLD	31-Dec-18	228,000	**228,000**	220,000
13 Business Street	Yatala	QLD	31-Dec-18	13,100	**13,100**	13,750
5 Viola Place	Brisbane Airport	QLD	31-Dec-18	9,900	**9,900**	8,700
3 Viola Place	Brisbane Airport	QLD	31-Dec-18	2,500	**2,500**	2,450

Notes to the Financial Statements (cont.)

2.2 Investment properties (cont.)

Investment Property Values (cont.)

Industrial Properties			Latest External Valuation Date	Latest External Valuation Valuation	Consolidated Book Value 31-Dec-18	Consolidated Book Value 30-Jun-18
				$'000	$'000	$'000
Western Australia						
20 Colquhoun Road	Perth Airport	WA	31-Dec-18	171,000	**171,000**	163,750
2 Hugh Edwards Drive	Perth Airport	WA	30-Jun-18	17,150	**17,150**	17,150
58 Tarlton Crescent	Perth Airport	WA	30-Jun-18	13,350	**13,350**	13,350
10 Hugh Edwards Drive	Perth Airport	WA	30-Jun-18	8,900	**8,900**	8,900
36 Tarlton Crescent	Perth Airport	WA	30-Jun-18	8,500	**8,500**	8,500
New South Wales						
27-49 Lenore Drive	Erskine Park	NSW	30-Jun-18	68,750	**72,750**	68,750
6-7 John Morphett Place	Erskine Park	NSW	31-Dec-18	49,100	**49,100**	46,500
51-65 Lenore Drive	Erskine Park	NSW	31-Dec-18	36,650	**36,650**	34,500
34 Reddalls Road	Kembla Grange	NSW	30-Jun-18	26,000	**26,750**	26,000
81 Derby Street	Silverwater	NSW	31-Dec-18	20,400	**20,400**	18,500
South Australia						
599 Main North Road	Gepps Cross	SA	31-Dec-18	84,200	**84,200**	79,000
1-3 Pope Court	Beverley	SA	30-Jun-18	22,500	**22,500**	22,500
12-16 Butler Boulevard	Adelaide Airport	SA	31-Dec-18	16,100	**16,100**	15,800
10 Butler Boulevard	Adelaide Airport	SA	31-Dec-18	9,400	**9,400**	9,100
Total Industrial Properties				1,180,500	**1,185,300**	1,146,800

Office Properties			Latest External Valuation Date	Latest External Valuation Valuation	Consolidated Book Value 31-Dec-18	Consolidated Book Value 30-Jun-18
				$'000	$'000	$'000
Victoria						
75 Dorcas Street	South Melbourne	VIC	30-Jun-18	190,000	**192,500**	190,000
Building 2, 572-576 Swan Street	Richmond	VIC	30-Jun-18	90,600	**111,500**	90,600
109 Burwood Road	Hawthorn	VIC	30-Jun-18	106,000	**106,500**	106,000
Building B, 211 Wellington Road	Mulgrave	VIC	31-Dec-18	73,500	**73,500**	74,000
Building 1, 572-576 Swan Street (i)	Richmond	VIC	31-Dec-18	62,500	**62,500**	59,750
Building C, 211 Wellington Road	Mulgrave	VIC	31-Dec-18	60,000	**60,000**	57,250
Building 3, 572-576 Swan Street (i)	Richmond	VIC	31-Dec-18	54,000	**54,000**	23,000
Car Park, 572-576 Swan Street	Richmond	VIC	30-Jun-18	1,200	**1,200**	1,200

(i) These properties were split into separate titles during the period (previously presented as a combined property).

Notes to the Financial Statements (cont.)

2.2 Investment properties (cont.)

Investment Property Values (cont.)

Office Properties			Latest External Valuation Date	Latest External Valuation Valuation	Consolidated Book Value 31-Dec-18	Consolidated Book Value 30-Jun-18
				$'000	$'000	$'000
Queensland						
100 Skyring Terrace (iii)	Newstead	QLD	31-Oct-18	250,000	**250,000**	–
15 Green Square Close	Fortitude Valley	QLD	30-Jun-18	144,000	**147,500**	144,000
333 Ann Street	Brisbane	QLD	30-Jun-18	130,000	**132,500**	130,000
CB1, 22 Cordelia Street	South Brisbane	QLD	30-Jun-18	104,500	**103,000**	104,500
A1, 32 Cordelia Street	South Brisbane	QLD	31-Dec-18	92,000	**92,000**	84,000
A4, 52 Merivale Street	South Brisbane	QLD	30-Jun-18	82,500	**85,000**	82,500
CB2, 42 Merivale Street	South Brisbane	QLD	31-Dec-18	61,500	**61,500**	60,000
Car Park, 32 Cordelia Street & 52 Merivale Street	South Brisbane	QLD	31-Dec-18	28,000	**28,000**	27,000
South Australia						
33-39 Richmond Road	Keswick	SA	30-Jun-18	62,000	**62,000**	62,000
7 Laffer Drive (ii)	Bedford Park	SA	31-Dec-17	19,500	**–**	20,000
New South Wales						
1 Charles Street	Parramatta	NSW	31-Dec-18	346,000	**346,000**	310,000
Building C, 219-247 Pacific Highway	Artarmon	NSW	31-Dec-18	130,000	**130,000**	123,500
5 Murray Rose Avenue	Sydney Olympic Park	NSW	31-Dec-18	103,000	**103,000**	100,500
3 Murray Rose Avenue	Sydney Olympic Park	NSW	30-Jun-18	101,000	**102,500**	101,000
102 Bennelong Parkway (iv)	Sydney Olympic Park	NSW	30-Jun-18	31,750	**32,000**	–
6 Parkview Drive (iv)	Sydney Olympic Park	NSW	30-Jun-18	32,500	**31,750**	–
Tasmania						
89 Cambridge Park Drive (ii)	Cambridge	TAS	31-Dec-17	27,000	**–**	26,700
Australian Capital Territory						
10-12 Mort Street	Canberra	ACT	30-Jun-18	93,500	**96,500**	93,500
255 London Circuit	Canberra	ACT	31-Dec-18	74,000	**74,000**	74,000
Western Australia						
836 Wellington Street (v)	West Perth	WA	30-Jun-18	91,325	**91,325**	–
Total Office Properties				2,641,875	**2,630,275**	2,145,000
Total investment properties					**3,815,575**	3,291,800

(ii) These properties have been transferred to assets held for sale.
(iii) This property was acquired on 7 December 2018.
(iv) These properties were transferred from assets held for sale.
(v) This property was acquired on 31 October 2018.

Notes to the Financial Statements (cont.)

2.2 Investment properties (cont.)

Valuation basis

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for comparable properties in similar location and condition and subject to similar leases.

External valuations were conducted by Savills, Urbis, m3property, JLL, CBRE and Colliers. The fair value of properties not externally valued as at 31 December 2018 were based solely on Director valuations.

At each reporting date, the Directors update their assessment of the fair value of each property in accordance with the Group's accounting and valuation policies.

The Group determines a property's value within a range of reasonable fair value estimates and, in making that assessment, considers information from a variety of sources including:

- Current prices for comparable investment properties, as adjusted to reflect differences for location, building quality, tenancy profile and other factors.
- Discounted cash flow projections based on estimates of future cash flows.
- Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from analysis of market evidence.

At reporting date, the key assumptions used by the Group in determining fair value were in the following ranges for the Group's portfolio of industrial properties:

	Dec-18	Jun-18
Discount rate	**6.5% - 8.5%**	6.8% - 8.8%
Terminal yield	**5.8% - 9.8%**	6.0% - 10.0%
Capitalisation rate	**5.5% - 8.9%**	5.8% - 8.8%
Expected vacancy period	**3-12 months**	3-12 months
Rental growth rate	**2.8% - 4.0%**	2.5% - 4.0%

For the office portfolio, the following ranges were used:

	Dec-18	Jun-18
Discount rate	**6.5% - 7.8%**	6.8% - 9.0%
Terminal yield	**5.5% - 7.5%**	6.0% - 8.5%
Capitalisation rate	**5.3% - 14.9%**	5.3% - 14.4%
Expected vacancy period	**6-12 months**	6-12 months
Rental growth rate	**3.2% - 4.0%**	3.0% - 4.5%

Commentary on Discount Rates

Date of valuation	Dec-18	Jun-18
Weighted average 10-year discount rate used to value the Group's properties	**6.89%**	7.11%
10-year bond rate	**2.32%**	2.63%
Implied property risk premium	**4.57%**	4.48%

As the above table shows, over the six months to 31 December 2018, the weighted average discount rate utilised in the valuation of the Group's property portfolio has tightened (lowered) by 22 basis points. Over the same time period the implied property risk premium has increased by 9 basis points. The implied property risk premium is the difference between the weighted average discount rate and the 10-year Australian Government bond yield. The increase in the implied property risk premium is due to the 10-year Australian Government bond yield reducing by a greater amount than the Group's weighted average discount rate, over the six months to 31 December 2018 (31 basis points and 22 basis points, respectively).

Notes to the Financial Statements (cont.)

2.2 Investment properties (cont.)

Commentary on Capitalisation Rates

Office

Australian office markets recorded $19.53 billion[1] of transaction volumes in 2018 ($8.8 billion in HY19[1]) – the highest figure on record. Multiple capital sources competed for assets with strong activity from domestic and offshore groups. International purchasers remain active, accounting for approximately half of all transactions (by value) in 2018[1]. Sydney and Melbourne remain the focal points of investment, however a greater number of capital sources are also exploring opportunities in Brisbane, Adelaide, Perth and Canberra, given higher yields and improving leasing markets. The office sector yield compression cycle, which commenced in 2012, continued over the six months to 31 December 2018, tightening by between 0 and 25 basis points in major Eastern seaboard office markets. Sales transactions over the past six months provided good evidence for the Group's own office properties. The weighted average capitalisation rate used in valuing the Group's office portfolio has firmed from 6.0% to 5.8% over the six months to 31 December 2018.

Industrial

A strong flow of capital continues to seek placement in the major Australian industrial markets, stemming from a diverse range of investor types, including; local private investors, property syndicates, institutional investors and offshore buyers. Despite this, transaction volumes have been restrained by the lack of stock available, particularly a lack of property portfolios. Transaction volumes within the Australian industrial market in HY19 were below the long-term average (i.e. 10-year average) for the first time since 2012[1]. The Eastern seaboard continued to record the highest concentration of sales, accounting for more than 80% of sales (by value) in 2018[1]. Strong competition for relatively few assets led to further yield compression over the six months to 31 December 2018, particularly in Melbourne and Sydney. The weighted average capitalisation rate used in valuing the Group's industrial portfolio has firmed from 6.6% to 6.5% over the six months to 31 December 2018.

Uncertainty around property valuations

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for comparable property in terms of investment characteristics such as location, lettable area and land area, building characteristics, property condition, lease terms and rental income potential, amongst others.

The fair value of investment property has been assessed to reflect market conditions at the end of the reporting period. While this represents the best estimate of fair value as at the balance sheet date, the current market uncertainty means that if an investment property is sold in future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements.

An increase in discount rates, terminal yields, capitalisation rates and expected vacancy periods would decrease the value of investment property. Conversely, a decrease in these inputs would increase the value of investment property.

An increase in rental growth rates would increase the value of investment property, where as a decrease would decrease the value of investment property.

Contractual obligations

At 31 December 2018, the following contractual obligations relating to expansions at existing investment properties were in place:

- Under an expansion clause in the current lease to Symbion at 120-132 Atlantic Drive, Keysborough, VIC, the tenant can request a 3,000 sqm expansion at any point during the term of the lease (which currently expires on 20 December 2028). The Group would be responsible for funding this expansion. Upon completion of such expansion works, the lease would be reset so that at least seven years remained and rent would be charged on the additional lettable area constructed under the expansion clause.
- Under a warehouse expansion clause in the current lease to Brown & Watson International at 1500 Ferntree Gully Road, Knoxfield, VIC, the tenant can request an expansion of the warehouse over the vacant land at any point during the initial term prior to the latest date for exercising the first option (which is 13 August 2024). The Group would be responsible for funding this expansion. Upon completion, the lease would be reset so that at least seven years remained and rent would be charged on a formula utilising the construction costs under the warehouse expansion clause.

The two property expansions detailed above have an estimated aggregate cost of not more than $5.0 million.

The Group also has an obligation in June 2019 to make available $6.0 million to the tenant at 1 Charles Street, Parramatta, NSW to spend on capital expenditure or refurbishment at the property.

The Group has entered a Building contract with the Hacer Group for the construction of an office building at Building 3, 572-576 Swan Street, Richmond, VIC, for a contracted sum of $79.3 million. As at 31 December 2018 progress payments had totalled $11.2 million. The project is due for completion in the first half of 2020.

1. Source: JLL Research.

Notes to the Financial Statements (cont.)

2.2 Investment properties (cont.)

Reconciliation of value of investment property

	six months to 31-Dec-18	six months to 30-Jun-18
	$'000	*$'000*
At fair value		
Opening balance	**3,291,800**	3,285,000
Acquisitions	**361,772**	134
Construction and expansion costs	**12,775**	–
Capital expenditure	**5,124**	3,921
Lease incentives and leasing costs	**29,946**	8,734
Amortisation of lease incentives and leasing costs	**(9,247)**	(8,863)
Net reclassification (to) / from available for sale	**19,062**	(64,250)
Straight lining of revenue adjustment	**2,937**	3,059
Net gain from fair value adjustment	**101,407**	64,065
Closing balance	**3,815,575**	3,291,800

2.3 Investment in securities

Determination of fair value

Investment in securities contains a financial asset designated at fair value through profit or loss at inception. The fair value of investment in securities is the price that would be received to sell this asset in an orderly transaction between market participants at the measurement date. This fair value is based on the last traded market price from the Australian Securities Exchange (ASX) of the relating security at reporting date.

The following table represents the fair value movement in investment in securities for the half year ended 31 December 2018.

Reconciliation of movement in Fair value of Industria REIT stapled securities	six months to 31-Dec-18	six months to 30-Jun-18
	$'000	*$'000*
Opening balance	**78,497**	74,646
Net gain from fair value adjustment	**2,370**	3,851
Closing balance	**80,867**	78,497

An off-market purchase of 29,621,555 Industria REIT (IDR) stapled securities was completed in July 2017. The last traded market price of an IDR stapled security on the ASX was $2.73 as at 31 December 2018.

Notes to the Financial Statements (cont.)

2.4 Current assets held for sale

As at 31 December 2018, there are two properties classified as held for sale (June 2018: 2). Details of the value of properties held for sale are shown in the table below:

	31-Dec-18	30-Jun-18
	$'000	*$'000*
Quad 2, 6 Parkview Drive, Sydney Olympic Park, NSW (i)	**–**	32,500
Quad 3, 102 Bennelong Parkway, Sydney Olympic Park, NSW (i)	**–**	31,750
7 Laffer Drive, Bedford Park, SA (ii)	**20,188**	–
89 Cambridge Park Drive, Cambridge, TAS (ii)	**25,000**	–
Closing balance	**45,188**	64,250

(i) The sales campaign for these 2 properties was discontinued and they have been restored to Investment properties and are measured at fair value as at 31 December 2018.

(ii) Sales terms for these 2 properties were conditionally agreed between the parties on 17 December 2018. These properties are measured at the conditionally agreed sale prices; representing their fair value as at 31 December 2018 and reclassified from Investment properties.

2.5 Trade and other assets

Determination of fair value

The fair value of trade and other assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Trade and other assets can be analysed as follows:

	31-Dec-18	30-Jun-18
	$'000	*$'000*
Rent receivables	**712**	538
Distribution receivables	**1,259**	1,244
Prepayments	**5,857**	4,801
	7,828	6,583

Impaired rent receivables

As at 31 December 2018, no rent receivables of the Group were impaired (30 June 2018: nil impairment).

Notes to the Financial Statements (cont.)

2.6 Trade and other liabilities

Trade and other liabilities can be analysed as follows:

	31-Dec-18	30-Jun-18
	$'000	*$'000*
Current		
Trade payables	**2,452**	2,340
Non-trade payables	**1,052**	865
GST payable	**1,307**	1,881
Accrued expenses - other	**13,552**	12,378
Prepaid rent	**18,403**	18,052
Other liabilities (i)	**1,731**	1,854
	38,497	37,370
Non-current		
Non-trade payables	**87**	69
	87	69

(i) Other liabilities represents an obligation to fund capital expenditure by the Company as the custodian of the Charles Street Property Trust. An equal amount was received and is held as cash.

Notes to the Financial Statements (cont.)

Section 3: Capital structure and financing costs

In this section ...

This section outlines how the Group manages its capital and related financing costs.

3.1 Interest bearing liabilities

The table below summarises the movements in the Group's interest bearing liabilities during the six months to 31 December 2018.

	Opening balance 1 Jul 2018	Movement during period	**Closing balance 31 Dec 2018**	Facility limit	Maturity
	$'000	*$'000*	*$'000*	*$'000*	
Secured loans					
Syndicated bank facility					
- Facility B	100,000	–	**100,000**	100,000	Mar-23
- Facility C	245,000	–	**245,000**	245,000	Dec-21
- Facility D	70,000	–	**70,000**	70,000	Dec-21
- Facility E	100,000	17,000	**117,000**	150,000	Jun-23
- Facility G	30,000	59,000	**89,000**	150,000	Sep-21
- Facility H	–	–	**–**	75,000	Sep-20
- Facility I	–	–	**–**	75,000	Nov-20
- Facility J	–	150,000	**150,000**	150,000	Feb-20
Loan note 1	200,000	–	**200,000**	200,000	Mar-25
Loan note 2	100,000	–	**100,000**	100,000	Dec-22
Loan note 3	60,000	–	**60,000**	60,000	Dec-22
Fixed bank facility 1	90,000	–	**90,000**	90,000	Dec-22
USPP 1	130,344	–	**130,344**	130,344	Jun-27
USPP 2	52,138	–	**52,138**	52,138	Jun-29
USPP 3	26,000	–	**26,000**	26,000	Jun-29
Total loans	1,203,482	226,000	**1,429,482**	1,673,482	
Less unamortised upfront costs	(5,927)	564	**(5,363)**		
Total interest bearing liabilities	1,197,555	226,564	**1,424,119**		

The weighted average all-in interest rate (including bank margin and amortisation of upfront fees paid) at 31 December 2018 was 4.14% per annum (30 June 2018: 4.44% per annum). Refer to note 3.2 for details on interest rate swaps.

Notes to the Financial Statements (cont.)

3.2 Derivative financial instruments

Determination of fair value

The fair value of interest rate and cross currency swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a substitute instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

Derivative financial instruments

Derivative financial instruments can be analysed as follows:

	31-Dec-18	30-Jun-18
	$'000	*$'000*
Interest rate swap contracts – carried at fair value through profit and loss:		
Total non-current derivative financial instrument assets	**731**	–
Total non-current derivative financial instrument liabilities	**(2,299)**	(6,892)
	(1,568)	(6,892)

Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and currency rates in accordance with the Group's financial risk management policies. The gain or loss from re-measuring the interest rate and cross currency swaps at fair value is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income immediately.

Interest rate swap contracts – carried at fair value through profit and loss

Interest rate swaps in effect at 31 December 2018 covered 23% (30 June 2018: 27%) of the loan principal outstanding. With total fixed interest rate debt of $984 million outstanding, the total fixed interest rate coverage of outstanding principle is 69% (30 June 2018: 82%).

The average fixed interest rate of swaps at 31 December 2018 was 2.30% per annum (30 June 2018: 2.30% per annum) and the variable interest rate (excluding bank margin) is 1.96% per annum (30 June 2018: 1.97% per annum) at balance date.

See table below for further details of interest rate swaps in effect at 31 December 2018:

Counterparty	**Amount of Swap**	Swap Expiry	Fixed Rate	Term to Maturity
	$'000		*% p.a.*	*Years*
Interest rate swaps				
NAB	**25,000**	Jun-2020	2.36%	1.5
CBA	**75,000**	Nov-2021	2.20%	2.9
CBA	**25,000**	Jun-2020	2.36%	1.5
Westpac	**50,000**	Jun-2021	2.48%	2.5
ANZ	**50,000**	Dec-2020	2.42%	2.0
ANZ	**50,000**	Jun-2021	2.33%	2.5
Westpac	**50,000**	May-2021	2.10%	2.4
Total / Weighted average	**325,000**		2.30%	2.3

The interest rate swap contracts require settlement of net interest receivable or payable each 30 days. The settlement dates generally coincide with the dates on which interest is payable on the underlying debt. The interest rate swap contracts are settled on a net basis.

Notes to the Financial Statements (cont.)

3.2 Derivative financial instruments (cont.)

Cross currency swap contracts – carried at fair value through profit and loss

Cross currency swaps in effect at 31 December 2018 covered 100% (30 June 2018: 100%) of currency exposure outstanding.

See table below for further details of cross currency swaps in effect at 31 December 2018:

Counterparty	Amount of Swap	Swap Expiry	Fixed Rate	Term to Maturity
	$'000		*%*	*Years*
Cross Currency Swaps				
NAB	**32,586**	Jun-2027	5.29%	8.5
Westpac	**32,586**	Jun-2027	5.29%	8.5
ANZ	**32,586**	Jun-2027	5.27%	8.5
CBA	**32,586**	Jun-2027	5.26%	8.5
NAB	**13,034**	Jun-2029	5.47%	10.5
Westpac	**13,034**	Jun-2029	5.47%	10.5
ANZ	**13,034**	Jun-2029	5.45%	10.5
CBA	**13,034**	Jun-2029	5.44%	10.5
Total / Weighted average	**182,480**		5.33%	9.0

At balance date, these interest rate and cross currency swap contracts were net liabilities with a fair value of $1,568,000 (30 June 2018: liabilities of $6,892,000) for the Group. In the period ended 31 December 2018 there was a gain from the net change in fair value of $5,324,000 for the Group (Dec 2017: loss of $4,177,000).

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	**Total**
	$'000	*$'000*	*$'000*	*$'000*
31 December 2018				
Derivative financial assets	–	(731)	–	**(731)**
Derivative financial liabilities	–	2,299	–	**2,299**
	–	1,568	–	**1,568**
30 June 2018				
Derivative financial assets	–	–	–	**–**
Derivative financial liabilities	–	6,892	–	**6,892**
	–	6,892	–	**6,892**

The fair value for investment in securities has been categorised as Level 1 in the fair value hierarchy based on quoted prices (unadjusted) in an active market.

The fair value for investment properties has been categorised as Level 3 in the fair value hierarchy based on the significant unobservable inputs into the valuation techniques used.

Notes to the Financial Statements (cont.)

3.3 Contributed Equity

Contributed Equity

Contributed equity can be analysed as follows:

	Six months to 31-Dec-18	Six months to 31-Dec-18	Six months to 31-Dec-17	Six months to 31-Dec-17
	No. ('000)	*$'000*	*No. ('000)*	*$'000*
Opening balance at 1 July	**675,385**	**1,698,702**	661,341	1,653,735
Issues of ordinary stapled securities during the half year:				
Securities issued on acquisition of assets	**39,023**	**135,020**	–	–
Distribution reinvestment plan	**13,047**	**46,708**	–	–
Securities issued under Employee Incentive Plans	**294**	**–**	375	–
Cost of raising capital	**–**	**(922)**	–	(8)
	52,364	**180,806**	375	(8)
Closing balance at 31 December	**727,749**	**1,879,508**	661,716	1,653,727

Distribution reinvestment plan

The Distribution Reinvestment Plan is not operative for the 31 December 2018 distribution of the Group but was operative for the 30 June 2018 distribution.

3.4 Distributions

Period for distribution	Total distribution	Total stapled securities	Distributions per stapled security
	$'000	*('000)*	*(cents)*
Half year to 31 December 2018	**82,963**	727,749	11.40
Half year to 31 December 2017	**72,789**	661,716	11.00

Notes to the Financial Statements (cont.)

3.5 Share-based payment arrangements

Determination of fair values

Fair value is calculated based on the present value of the performance right on the date of issuance in future periods, discounted at a market-related discount rate.

Share-based payment arrangements

Following an independent review of the remuneration structures for Growthpoint Properties Australia, the Nomination, Remuneration and HR Committee (the Committee) decided to move the current Long-Term Incentive (LTI) structure from a "backward looking" to a "forward looking" structure. For the financial year ending on 30 June 2019, instead of measuring performance during the 3-year period from 1 July 2016 to 30 June 2019 and determining relative Total Shareholder Return (TSR) and Return on Equity (ROE) for that period, the assessment period will instead be from 1 July 2018 to 30 June 2021. The same relative TSR and ROE measures will be used with the same hurdle rates. Once the assessment of performance is complete at the end of the performance period, the relevant performance rights will vest (i.e. in three years' time).

There will be a transition period between when the current plans cease, and the new plans become fully effective (no vesting under the new plan can occur until after the measurement of the first three-year performance period ending 30 June 2021 is complete). The Group will continue to operate "backward looking" LTI plans in the transition period with steadily reducing opportunities under each "backward looking" plan until they are phased out completely with the first vesting under the new "forward looking" structure. The Committee asked for an independent review of these transitional arrangements and it was found that there is no advantage/ disadvantage arising from the transitional arrangements to either the Group or the employees.

The reason for this change is to bring the structure of the LTI measurement into line with general market practice.

During the period, $173,000 was recognised in the share-based payments reserve (Dec 17: $617,712). This represents the amounts recognised under the plans in operation and is the portion of the fair value of the total cost recognised of the unissued securities, which remain conditional on employment with the Group at the relevant vesting date.

As of the date of the report, the number of securities to be granted and vested in the future cannot be determined until the performance rights fully vest.

Backward looking LTI

At 31 December 2018, the Group has the following share-based payment arrangements:

Backward looking Employee Incentive Plans FY15, FY16, FY17, FY18 and FY19

The Group has introduced employee incentive plans for all employees (including the Managing Director). The plans are designed to link employees' remuneration with the long-term goals and performance of the Group and with the maximisation of wealth for its Securityholders. The current measures for the plans, which are reviewed regularly by the Committee and/or the Board are described in full on page 43 (in the remuneration report section of the directors' report) in the 2018 Annual Report of the Group.

Under each plan, each eligible employee is sent a letter of invitation to the plan which outlines the percentage of their base salary that they can earn as performance rights. Acceptance of this invitation is the grant date for those performance rights. The percentage of the maximum possible earnings for each employee is determined by the percentage of the measures under each plan that are achieved.

Subject to the employee remaining employed by the Group, on or about 30 September of each year, the employee will receive 25% of his or her performance rights under each plan, as they vest, by the issue of stapled securities in the Group. Securities will be issued for an equivalent amount at an issue price per security based on the volume weighted average price of the securities over the first 20 trading days in September prior to the relevant vesting date.

Any director in the plan will have their grant ratified at the Group's Annual General Meeting and following approval will be issued their securities on the same basis as the employees. The performance rights are cumulative and, subject to some exceptions, immediately vest in the case of a takeover of the Group or a redundancy.

Notes to the Financial Statements (cont.)

3.5 Share-based payment arrangements (cont.)

During the period, the first tranche of the FY18, second tranche of the FY17, third tranche of the FY16 and fourth tranche of the FY15 Employee Incentive Plan performance rights were determined with the results shown on the table below:

Plan identification	Plan participants	Tranche	Cost
			$
FY18 Plan	Director	N/A	**N/A**
FY18 Plan	Employees	N/A	**N/A**
FY17 Plan	Director	2	**211,506**
FY17 Plan	Employees	2	**357,891**
FY16 Plan	Director	3	**100,698**
FY16 Plan	Employees	3	**133,135**
FY15 Plan	Director	4	**156,357**
FY15 Plan	Employees	4	**169,354**

It was determined that neither of the hurdles for the FY18 Employee Incentive Plan were reached and therefore no securities will vest under this plan.

The fair value of performance rights under the backwards looking FY19 Employee Incentive Plan was determined on the grant date of those rights and then "trued-up" at 31 December 2018 where allowed. The fair value of these rights for directors is estimated as $562,272 and for other employees $989,705. This estimate is based on achieving 74.5% of the maximum payable under the FY19 plan (note that under the transitional arrangements outlined above, only 50% of the opportunity under this backwards looking plan can actually be earned). This is seen as a reasonable estimate for fair value as it is based on the average percentage achieved for comparable performance measures in the FY16 and FY17 plans which were then adjusted for information available on likely achievement as at 31 December 2018. The actual costs of performance rights cannot be determined until FY20 and the first issue of securities under the FY19 plan will not occur until FY20.

The table below outlines the value of backward looking performance rights granted during the period to 31 December 2018, where those values can be determined. It also outlines the value of performance rights that were issued as Stapled Securities in the Group.

Plan identification	Plan participants	Issue date	Value of securities issued on conversion of performance rights	Number of securities issued on conversion of performance rights	Value of performance rights still to vest	Percentage of plan that vested during the period
			$	*No.*	*$*	*%*
FY18 Plan	Director	N/A	N/A	N/A	N/A	N/A
FY18 Plan	Employees	N/A	N/A	N/A	N/A	N/A
FY17 Plan	Director	30/10/2018	211,506	55,104	N/A	25%
FY17 Plan	Employees	30/10/2018	357,891	93,242	N/A	25%
FY16 Plan	Director	30/10/2018	100,698	26,235	N/A	25%
FY16 Plan	Employees	30/10/2018	133,135	34,687	N/A	25%
FY15 Plan	Director	30/10/2018	156,357	40,736	N/A	25%
FY15 Plan	Employees	30/10/2018	169,354	44,123	N/A	25%

Notes to the Financial Statements (cont.)

3.5 Share-based payment arrangements (cont.)

Forward looking LTI

At 31 December 2018, the Group has one forward looking LTI plan in place, being the Employee Incentive Plan FY19.

The Group has introduced employee incentive plans for all employees (including the Managing Director). The plans are designed to link employees' remuneration with the long-term goals and performance of the Group and with the maximisation of wealth for its Securityholders. The current measures for the plans, which are reviewed regularly by the Committee and/or the Board are described in full on page 43 (in the remuneration report section of the directors' report) in the 2018 Annual Report of the Group.

Under each plan, each eligible employee is sent a letter of invitation to the plan which outlines the percentage of their base salary that they can earn as performance rights. Acceptance of this invitation is the grant date for those performance rights. The percentage of the maximum possible earnings for each employee is determined by the percentage of the measures under each plan that are achieved.

Each plan participant receives 100% of their performance rights on acceptance of the invitation letter. The value of the performance rights is calculated using the volume weighted average price of the securities over the first 10 trading days in July of FY19. Subject to the participant remaining employed with the Group, the achievement of hurdles will be assessed following the end of the FY21 year. Following this, performance rights will vest (at the level of achievement of the hurdles), by the issue of stapled securities in the Group.

Any director in the plan will have their grant ratified at the Group's Annual General Meeting and following approval will be issued their securities on the same basis as the employees. The performance rights are cumulative and, subject to some exceptions, immediately vest in the case of a takeover of the Group or a redundancy.

Notes to the Financial Statements (cont.)

Section 4: Other notes

4.1 Related party transactions

Movements in securities

The movement in the number of ordinary stapled securities in the Group held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Securityholder	Opening securities 1 Jul 2018	Securities granted as compensation	Acquired securities	Disposed securities	Closing securities 31 Dec 2018
	No.	*No.*	*No.*	*No.*	*No.*
G. Jackson	**170,309**	–	19,778	–	**190,087**
N. Sasse	**1,520,087**	–	136,373	–	**1,656,460**
E. de Klerk	**1,601,804**	–	151,052	–	**1,752,856**
T. Collyer	**953,492**	122,075	60,940	–	**1,136,507**
F. Marais	**155,348**	–	13,936	–	**169,284**
A. Hockly	**45,005**	35,810	3,446	(20,000)	**64,261**
D. Andrews	**85,815**	35,020	6,847	–	**127,682**
M. Green	**45,201**	35,293	4,561	–	**85,055**
G. Tomlinson	**81,467**	–	7,309	–	**88,776**
M. Brenner	**7,245**	–	–	–	**7,245**
J. Sukkar	**–**	–	14,000	–	**14,000**

During the period from 1 July 2018 and ending on 31 December 2018, a total of 228,198 stapled securities with a total value of $876,280 were issued to key management personnel upon vesting of Performance Rights under Employee Incentive Plans.

Securityholder	Opening securities 1 Jul 2017	Securities granted as compensation	Acquired securities	Disposed securities	Closing securities 31 Dec 2017
	No.	*No.*	*No.*	*No.*	*No.*
G. Jackson	**164,799**	–	–	–	**164,799**
N. Sasse	**1,470,908**	–	–	–	**1,470,908**
E. de Klerk	**1,549,983**	–	–	–	**1,549,983**
T. Collyer	**790,960**	162,532	–	–	**953,492**
F. Marais	**150,322**	–	–	–	**150,322**
A. Hockly	**–**	45,005	–	–	**45,005**
D. Andrews	**42,257**	43,558	–	–	**85,815**
M. Green	**47,370**	43,831	–	(46,000)	**45,201**
G. Tomlinson	**78,831**	–	–	–	**78,831**
M. Brenner	**7,245**	–	–	–	**7,245**
J. Sukkar	**–**	–	–	–	**–**

During the period from 1 July 2017 and ending on 31 December 2017, a total of 294,926 stapled securities with a total value of $937,862 were issued to key management personnel upon vesting of Performance Rights under Employee Incentive Plans.

Notes to the Financial Statements (cont.)

4.1 Related party transactions (cont.)

Director transactions

A number of directors, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

One of these entities transacted with the Group in the reporting period. The terms and conditions of the transaction were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-related parties on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to directors and entities over which they have significant control or significant influence were as follows:

Director	Transaction	**Half year 2018**	Half year 2017
		$	$
G. Jackson (i)	Investment property valuation	$50,000	59,500
G. Jackson (i)	Statutory valuation	$15,100	–
Aggregate amounts payable at the reporting date valuations		$23,500	35,250

(i) The Group used the valuation services of m3property, a company that Mr Jackson is a director of, to independently value five properties (2018: 6).The Group has also used m3property for statutory valuations reviews during the six months to 31 December 2018. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms and Mr Jackson was not directly involved in the Group's engagement of m3property.

4.2 Subsequent events

On 4 January 2019, the Group announced an expansion to its Woolworths distribution centre at 599 Main North Road, Gepps Cross, SA with a cost of approximately $57 million. The Group will fund the expansion and earn a coupon on the project costs as they are expended of 6.75% per annum. On completion, the total project cost will be rentalised via a new 15-year lease over the entire property. This cost has not been provided for in the interim consolidated financial statements.

On 15 January 2019, the Group executed a new 5-year interest rate swap with a face value of $150 million at a fixed rate of 2.063% per annum.

Other than noted above there has not arisen a transaction or event of an unusual nature likely to effect significantly the operations of the business, the results of these operations, or the state of affairs of the entity in future financial years from the end of the interim period to the date of this report.

4.3 Cash and cash equivalents

Cash and cash equivalents includes a balance of $1,731,000 (30 June 2018: $ 1,854,000) in restricted cash which is being held by the Group as the custodian of the Charles Street Property Trust. These funds are not available for general use by the Group.

Directors' declaration.

In the opinion of the Directors:

(a) the attached Financial Statements and notes set out on pages 23 to 46 are in accordance with the *Corporations Act 2001*, including:

i) complying with Australia Accounting Standard AASB *134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and

ii) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of the Group.

T.J. Collyer.

Timothy Collyer
Managing Director
Growthpoint Properties Australia Limited

Melbourne, 21 February 2019

Auditor's independence declaration.

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Growthpoint Properties Australia Limited, being the Responsible Entity for Growthpoint Properties Australia Trust

I declare that, to the best of my knowledge and belief, in relation to the review of Growthpoint Properties Australia Limited, being the Responsible Entity of Growthpoint Properties Australia Trust for the half-year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Dean Waters

Partner

Melbourne

21 February 2019

Independent Auditor's report.

Independent Auditor's Review Report

To the stapled security holders of Growthpoint Properties Australia

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Growthpoint Properties Australia (the Stapled Group Half-year Financial Report).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Stapled Group Half-year Financial Report is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Group's*** financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** of the Stapled Group comprises:

- Consolidated statement of financial position as at 31 December 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated cash flow statement for the half-year ended on that date
- Sections 1 to 4 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Stapled Group*** comprises, Growthpoint Properties Australia Trust (the Trust) and the entities it controlled at the half year's end or from time to time during the half-year, and Growthpoint Properties Australia Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of Growthpoint Properties Australia Limited, being the Responsible Entity of the Trust, are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Independent Auditor's report (cont.)

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Stapled Group's financial position as at 31 December 2018 and its performance for the half-year period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Growthpoint Properties Australia, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

KPMG

Dean Waters

Partner

Melbourne

21 February 2019

Detailed portfolio information.

Office Portfolio

Address			Book Value	Valuer	Cap rate	Discount rate	Major tenant	WALE	Lettable area	Site area
			$'000		*%*	*%*		*years*	*sqm*	*sqm*
75 Dorcas St	South Melbourne	VIC	192,500	Directors	5.8	6.8	ANZ Banking Group	2.9	23,811	9,632
Bldg 2, 572-576 Swan St	Richmond	VIC	111,500	Directors	5.3	6.8	Country Road Group	13.5	14,602	7,201
109 Burwood Rd	Hawthorn	VIC	106,500	Directors	5.8	6.8	Orora	5.4	12,388	3,529
Bldg B, 211 Wellington Rd	Mulgrave	VIC	73,500	JLL	6.3	7.0	Monash University	2.0	12,780	11,040
Bldg 1, 572-576 Swan St	Richmond	VIC	62,500	JLL	5.3	7.0	Country Road Group	13.5	8,554	8,262
Bldg C, 211 Wellington Rd	Mulgrave	VIC	60,000	Savills	6.0	7.0	BMW Australia Finance	4.0	10,289	11,070
Bldg 3, 572-576 Swan St	Richmond	VIC	54,000	JLL	–	–	–	–	–	8,557
Car Park, 572-576 Swan St	Richmond	VIC	1,200	Directors	14.9	–	Country Road Group	8.4	–	3,756
100 Skyring Tce	Newstead	QLD	250,000	Directors	5.8	6.5	Bank of Queensland	7.4	24,665	5,157
15 Green Square Cl	Fortitude Valley	QLD	147,500	Directors	6.0	6.9	Queensland Urban Utilities	3.2	16,442	2,519
333 Ann St	Brisbane	QLD	132,500	Directors	6.0	7.0	Federation University	4.0	16,341	1,563
CB1, 22 Cordelia St	South Brisbane	QLD	103,000	Directors	6.3	7.0	Downer Group	3.5	11,529	5,772
A1, 32 Cordelia St	South Brisbane	QLD	92,000	Urbis	5.9	6.9	Jacobs Group	7.0	10,004	2,667
A4, 52 Merivale St	South Brisbane	QLD	85,000	Directors	5.9	7.0	University of the Sunshine Coast	4.5	9,405	2,331
CB2, 42 Merivale St	South Brisbane	QLD	61,500	Colliers	5.9	6.9	Peabody Energy	6.1	6,598	3,158
Car Park, 32 Cordelia St & 52 Merivale St	South Brisbane	QLD	28,000	Colliers	6.0	7.5	Secure Parking	0.9	–	9,319
1 Charles St	Parramatta	NSW	346,000	JLL	5.3	6.5	NSW Police	5.4	32,356	6,460
Bldg C, 219-247 Pacific Hwy	Artarmon	NSW	130,000	Savills	5.8	6.8	Fox Sports	4.3	14,375	4,212
5 Murray Rose Ave	Sydney Olympic Park	NSW	103,000	m3property	5.8	6.8	Lion	5.3	12,386	3,826
3 Murray Rose Ave	Sydney Olympic Park	NSW	102,500	Directors	6.2	6.8	Samsung	3.2	13,423	3,980
102 Bennelong Pkwy	Sydney Olympic Park	NSW	32,000	Directors	6.3	7.0	GE Grid Australia	0.8	5,239	6,635
6 Parkview Dr	Sydney Olympic Park	NSW	31,750	Directors	6.3	6.8	Universities Admissions Centre	2.0	5,033	7,788
33-39 Richmond Rd	Keswick	SA	62,000	Directors	7.3	7.8	Coffey Corporate	4.6	11,835	4,169
7 Laffer Dr	Bedford Park	SA	20,188	Potential Disposal	–	–	Westpac Banking Corporation	6.6	6,343	33,090
10-12 Mort St	Canberra	ACT	96,500	Directors	6.3	7.0	Commonwealth of Australia	6.2	15,398	3,064
255 London Cct	Canberra	ACT	74,000	CBRE	5.9	6.8	Commonwealth of Australia	8.7	8,972	2,945
836 Wellington St	West Perth	WA	91,325	Directors	6.3	7.3	Commonwealth of Australia	8.1	11,973	4,304
89 Cambridge Park Dr	Cambridge	TAS	25,000	Potential Disposal	–	–	Hydro Tasmania Consulting	5.3	6,876	28,080
Total / Weighted Average			**2,675,463**		**5.8**	**6.8**		**5.4**	**321,616**	**204,086**

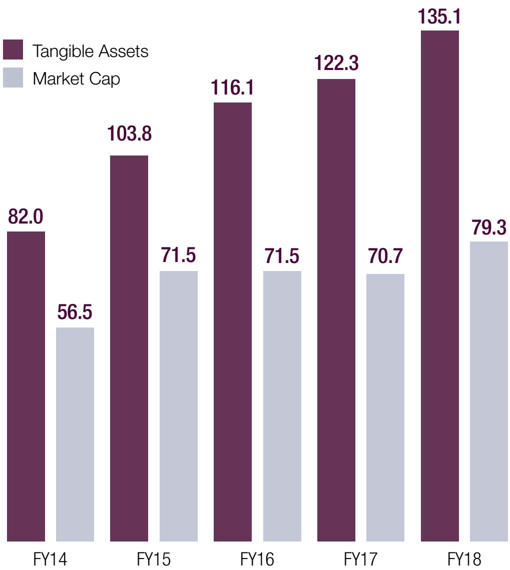
Detailed portfolio information (cont.)

Industrial Portfolio

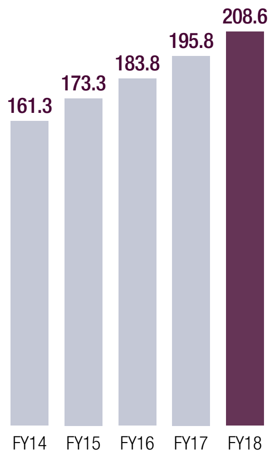
Address			Book Value	Valuer	Cap rate	Discount rate	Major tenant	WALE	Lettable area	Site area
			$'000		*%*	*%*		*years*	*sqm*	*sqm*
120 Northcorp Blvd	Broadmeadows	VIC	73,000	Urbis	6.5	7.3	Woolworths	2.6	58,320	250,000
1500 Ferntree Gully Rd & 8 Henderson Rd	Knoxfield	VIC	45,000	Directors	5.8	7.0	Brown & Watson International	7.0	22,009	40,844
9-11 Drake Blvd	Altona	VIC	35,000	m3property	6.3	7.0	Peter Stevens Motorcycles	4.1	25,743	41,730
40 Annandale Rd	Melbourne Airport	VIC	34,000	Directors	8.0	7.0	Australia Postal Corporation	5.5	44,424	75,325
Lots 2, 3 & 4, 34-54 Raglan St	Preston	VIC	29,000	CBRE	6.5	7.0	Paper Australia	0.7	26,980	42,280
120-132 Atlantic Dr	Keysborough	VIC	26,900	Urbis	5.5	6.5	Symbion	10.0	12,864	26,181
130 Sharps Rd	Melbourne Airport	VIC	25,500	Urbis	8.0	6.8	Laminex Group	3.5	28,100	47,446
120 Link Rd	Melbourne Airport	VIC	17,800	Savills	8.3	7.5	The Workwear Group	8.5	26,517	51,434
20 Southern Crt	Keysborough	VIC	15,800	Directors	6.3	7.0	Sales Force National	4.0	11,430	19,210
6 Kingston Park Crt	Knoxfield	VIC	12,400	Directors	6.5	7.0	NGK Spark Plug	3.4	7,645	12,795
3 Millennium Crt	Knoxfield	VIC	12,300	m3property	6.0	7.0	Orora	2.2	8,040	14,750
31 Garden St	Kilsyth	VIC	12,150	Savills	6.3	7.0	Cummins Filtration	4.9	8,919	17,610
60 Annandale Rd	Melbourne Airport	VIC	11,700	Directors	8.3	7.3	Garden City Planters	9.4	16,276	34,726
101-111 South Centre Rd	Melbourne Airport	VIC	9,000	Savills	7.8	7.8	Direct Couriers	8.9	14,082	24,799
19 Southern Crt	Keysborough	VIC	8,200	Directors	6.5	7.3	Transms	0.3	6,455	11,650
75 Annandale Rd	Melbourne Airport	VIC	7,300	Directors	8.0	7.3	Neovia Logistics Services	0.8	10,280	16,930
70 Distribution St	Larapinta	QLD	228,000	Savills	6.6	6.5	Woolworths	3.2	76,109	250,900
13 Business St	Yatala	QLD	13,100	Urbis	6.8	7.5	Reward Supply Co.	0.7	8,951	18,630
5 Viola Pl	Brisbane Airport	QLD	9,900	Urbis	7.5	7.8	CEVA Logistics	0.7	14,726	35,166
3 Viola Pl	Brisbane Airport	QLD	2,500	Urbis	7.5	7.5	Cargo Transport Systems	4.2	3,431	12,483
27-49 Lenore Dr	Erskine Park	NSW	72,750	Directors	5.5	7.0	Linfox	4.7	29,476	76,490
6-7 John Morphett Pl	Erskine Park	NSW	49,100	CBRE	5.8	7.0	Linfox	1.3	24,881	82,280
51-65 Lenore Dr	Erskine Park	NSW	36,650	Urbis	5.5	7.0	Linfox	9.2	3,720	36,720
34 Reddalls Rd	Kembla Grange	NSW	26,750	Directors	6.0	7.3	Autocare Services	11.8	355	141,100
81 Derby St	Silverwater	NSW	20,400	CBRE	5.5	6.8	IVE Group Australia	3.7	7,984	13,490
599 Main North Rd	Gepps Cross	SA	84,200[1]	Urbis	6.3	7.3	Woolworths	2.6	67,238	233,500
1-3 Pope Crt	Beverley	SA	22,500	Directors	7.5	8.0	Aluminium Specialties Group	2.4	14,459	25,660
12-16 Butler Blvd	Adelaide Airport	SA	16,100	m3property	8.9	8.5	Cheap as Chips	1.9	16,800	30,621
10 Butler Blvd	Adelaide Airport	SA	9,400	m3property	8.4	8.5	Toll Transport	3.1	8,461	16,100
20 Colquhoun Rd	Perth Airport	WA	171,000	Savills	6.1	7.0	Woolworths	6.8	80,374	193,936
Hugh Edwards Dr & Tarlton Cr	Perth Airport	WA	47,900	Directors	7.6	8.1	Mainfreight	5.3	32,018	57,617
Total / Weighted Average			**1,185,300**		**6.5**	**7.0**		**4.4**	**717,067**	**1,952,403**

1. 31 December 2018 valuation does not take into consideration expansion and lease extension which was announced on 4 January 2019.

About Growthpoint South Africa.



Growth in tangible assets and market capitalisation (Rbn)
as at 30 June 2018



Growth in distributions (R¢)
per share, as at 30 June 2018

Gross assets (R)[1]
$132.9bn
(AUD: $13.1bn)

Gearing (SA only)
35.4%

Market capitalisation (R)[1]
$79.3bn
(AUD: $7.8bn)

Listing	**JSE**
Ranking on JSE (by market cap)	**23**
Net assets[1]	**R83.2bn / AU$8.2bn**
Distributable income[2]	**R6.1bn / AU$612m**
ICR (SA only)	**3.6x**
No. of employees (SA only)	**610**
Properties[3]	**549**

Growthpoint Properties Limited of South Africa ("GRT") owns 66.0% of the securities of Growthpoint (at 30 June 2018) and is its major Securityholder.

Other information about GRT

- Included in the JSE Top 40 Index
- Top ten constituent of FTSE EPRA / NAREIT Emerging Index
- Included in the FTSE/JSE Responsible Investment Index, FTSE4Good Index and the Dow Jones Sustainability Index
- Underpinned by high-quality, physical property assets, diversified across sectors (Retail, Office and Industrial) and geography (South Africa, Australia, Poland and Romania)
- 15-year track record of uninterrupted dividend growth
- Sustainable quality of earnings that can be projected with a high degree of accuracy
- Well capitalised and conservatively geared
- Best Practice corporate governance
- Transparent reporting
- Dynamic and proven management track record
- Recipient of multiple sustainability, governance and reporting awards
- Baa3 global scale rating from Moody's

As of 30 June 2018 Growthpoint represents:

- 18.2% of GRT's gross property assets
- 16.6% of GRT's net property income
- 14.2% of GRT's total distributable income

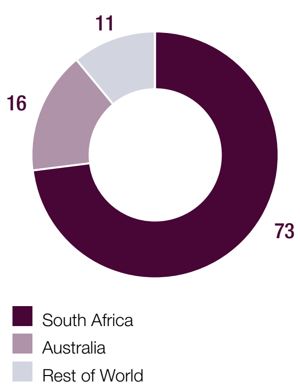
1. Closing exchange rate used AUD:ZAR=10.16.
2. For the 12 month period using an average exchange rate of R9.97/AUD.
3. 455 properties in South Africa, including 50% ownership of the prestigious V&A Waterfront. 47 Properties in Eastern Europe, 20 in Romania and 27 in Poland, through its 29% holding of AIM listed Globalworth Real Estate Investments Ltd and its 21.6% holding of Warsaw listed Globalworth Poland Real Estate N.V.

Securityholder information.

Top 20 Legal Securityholders as at 18 February 2019

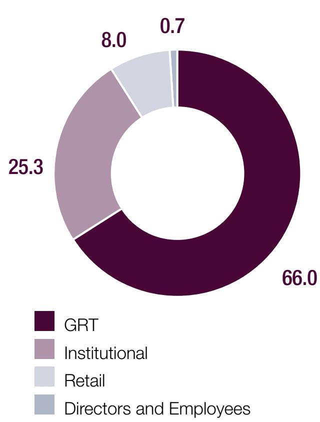
Rank	Name	No. of Securities	% of Securities
1	GROWTHPOINT PROPERTIES LIMITED	480,025,424	**65.96**
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	62,091,057	**8.53**
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	39,738,153	**5.46**
4	CITICORP NOMINEES PTY LIMITED	37,286,846	**5.12**
5	EMIRA PROPERTY FUND	24,058,566	**3.31**
6	NATIONAL NOMINEES LIMITED	17,606,250	**2.42**
7	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	5,418,882	**0.74**
8	BNP PARIBAS NOMS PTY LTD <DRP>	4,600,690	**0.63**
9	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,364,554	**0.32**
10	SHARON INVESTMENTS PTY LTD	2,252,000	**0.31**
11	RABINOV HOLDINGS PTY LTD	2,000,200	**0.27**
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,605,213	**0.22**
13	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	983,442	**0.14**
14	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	853,211	**0.12**
15	MR MAX KARL KOEP	832,015	**0.11**
16	JONAERE PTY LTD <JDM LEGACY A/C>	780,000	**0.11**
17	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	733,709	**0.10**
18	MS KYLIE MAREE CECILIA THOMAS	627,872	**0.09**
19	BNP PARIBAS NOMS (NZ) LTD <DRP>	590,939	**0.08**
20	BAINPRO NOMINEES PTY LIMITED	544,711	**0.07**
Total Top 20 Securityholders		**684,993,734**	**94.13**
Total balance remaining		**42,754,811**	**5.87**

Location of Growthpoint Securityholders* (%)
as at 18 February 2019



* Figures are approximate and based on beneficial ownership.

Growthpoint Securityholders* (%)
as at 18 February 2019



Securityholder information (cont.)

Distribution of Securityholders as at 31 January 2019

There is currently only one class of Growthpoint securities, being ordinary securities, and there are no securities currently held in escrow. All of Growthpoint's securities are quoted on the ASX and no other stock exchanges. Growthpoint does not currently have any share buy-back plans in place.

The number of Securityholders holding less than a marketable parcel of 131 securities (based on the 31 January 2019 closing price of $3.82) is 270 and they hold 3,535 Growthpoint securities. In accordance with the ASX Listing Rules, a "marketable parcel" is "…a parcel of securities of not less than $500…"

Range	Total holders	Securities	% of Issued Capital
1 - 1,000	952	432,294	0.06
1,001 - 5,000	1,452	3,924,341	0.54
5,001 - 10,000	626	4,524,579	0.62
10,001 - 100,000	805	20,522,798	2.82
100,001 - 9,999,999,999	83	698,344,533	95.96
Rounding			0.00
Total	**3,918**	**727,748,545**	**100.00**

As at 31 January 2019, there were 727,748,545 fully-paid stapled securities held by 3,918 individual Securityholders.

Substantial holders as at 18 February 2019

Name	No. of Securities	% of issued capital
Growthpoint Properties Limited	480,025,424	**65.96**

Frequently asked questions.

How do I update my contact details?

Please update your details via **Computershare**. Please note you will require your holder identification number.

How do I buy or sell Growthpoint securities?

Growthpoint securities trade on the ASX under the code 'GOZ'. To buy or sell securities directly you must transact via an ASX approved broker (including on-line brokers such as NAB, E-Trade and Commsec). More details are available at **asx.com.au/products/shares/buying-selling-shares.htm**.

Growthpoint cannot sell direct to you other than via the DRP or, in certain limited circumstances, additional equity raisings.

Why does Growthpoint outsource its registry function to Computershare?

Most ASX-listed entities outsource this function to a third party registry provider. Growthpoint does not have the scale or in-house resources (including technology) to in-source this function. Computershare is one of the largest registry providers in Australia and is included in the ASX's top 100 companies with a market capitalisation of approximately $7.0 billion. Growthpoint has chosen Computershare on the basis of its price and service offering. Growthpoint regularly considers Computershare's performance (including any complaints or feedback received from Securityholders), pricing and services versus other providers to determine if it should continue to outsource this function to Computershare.

I have lost or not received a tax statement, holding statement or report. How can I obtain a replacement?

Contact Computershare in the first instance. Details are supplied below.

Contacting Computershare

For direct holders for Growthpoint securities, most matters can be dealt with on-line at: **www-au.computershare.com/Investor/**

Note that you will require your holder identification number.

If you cannot resolve matters on-line, contact details for Computershare are:

- **Address:** Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, VIC 3067 Australia
- **Telephone:** 1300 850 505 (within Australia) or +61(0) 3 9415 4000 (from outside of Australia)
- **Facsimile:** +61(0) 3 9473 2500
- **Email:** **webqueries@computershare.com.au**

For indirect holders, i.e. holders that hold securities via fund, custodian or other third party, you should contact that party. Computershare will only be able to assist those with holdings directly on Growthpoint's Securityholder register.

Complaints

Growthpoint Properties Australia aims to provide each Securityholder with a professional and high level of client service in managing the Stapled Group. If you have a complaint, you may contact us in writing to our registered address or by email to **complaints@growthpoint.com.au**, detailing the complaint. A response will normally be provided within 15 working days. All complaints should be addressed to the Complaints Manager.

The Responsible Entity is a member of the Australian Financial Complaints Authority (AFCA), an external, independent complaints handling organisation. AFCA can be contacted on 1800 931 678, should your complaint not be resolved by Growthpoint Properties Australia.

Contact us:

Web: **growthpoint.com.au**
Phone: 1800 260 453
Email: info@growthpoint.com.au

Connect with us:

in **Growthpoint Properties Australia**

Glossary of terms.

$ or dollar refers to Australian currency unless otherwise indicated

AFSL Australian Financial Services Licence

A-REIT Australian Real Estate Investment Trust

AUD Australian Dollars

ASX Australian Securities Exchange

bn billion

Board the board of directors of the Company

CAGR compound annual growth rate

Capex capital expenditure

Cap rate or capitalisation rate refers to the market income produced by an asset divided by its value or cost

CBD central business district

Company or responsible entity Growthpoint Properties Australia Limited

cps cents per security

CY16, CY17, CY18 the calendar year ended 31 December in the year listed i.e. "CY18" means the calender year ended 31 December 2018

discount rate the interest rate used in a discounted cash flow (DCF) analysis to determine the net present value of an asset's future cash flows

distributions the amount Securityholders receive by way of income in their hand (before any tax or brokerage costs). It is similar to a dividend by a company but it is payable by the Trust

dps distributions per security

DRP Distribution Reinvestment Plan

Funds From Operations (FFO) refer to explanation at the top of page 19

dps distribution per security

FY15, FY16, FY17 and FY18 the 12 months ended on 30 June in the year listed i.e. "FY18" means the 12 months ended 30 June 2018

FY19, FY20, FY21, FY22 and FY23 the 12 months ending on 30 June in the year listed i.e. "FY19" means the 12 months ending 30 June 2019

HY15, HY16, HY17, HY18 and HY19 the six months ended on 31 December in the prior calendar year listed i.e. "HY19" means the six months ended 31 December 2018

HY20, HY21, HY22 and HY23 the six months ending on 31 December in the prior calendar year listed i.e. "HY20" means the six months ending 31 December 2019

ICR Interest coverage ratio

Gearing interest bearing liabilities less cash divided by total assets less cash

GOZ the ASX trading code that Growthpoint trades under.

gross assets the total value of assets

Growthpoint or the Group Growthpoint Properties Australia comprising the Company, the Trust and their controlled entities

Growthpoint SA or GRT Growthpoint Properties Limited of South Africa (Growthpoint's majority Securityholder) which trades on the JSE under the code "GRT"

IDR Industria REIT

IFRS International Financial Reporting Standards

JLL the Australian arm of Jones Lang LaSalle, an international professional services and investment management firm

JSE Johannesburg Stock Exchange

m million

MER management expense ratio

NABERS National Australian Built Environment Rating System (a national system for measuring environmental performance of buildings)

NPI Net Property Income plus distributions from equity related investments

NTA net tangible assets

REIT real estate investment trust

Securityholder an owner of Growthpoint securities

S&P Standard & Poor's

sqm square metres

sustainability a process for ensuring activities are able to be continued and assets and resources are able to endure for a medium-long-term

Syndicated Facility syndicated loan facility from CBA, NAB, WBC and ANZ to Growthpoint

Trust Growthpoint Properties Australia Trust

WALE weighted average lease expiry

WARR weighted average rent review

Contact details.

Retail Investors:

Computershare Investor Services Pty Limited
GPO Box 2975, Melbourne VIC 3001 Australia

Phone (within Australia): 1300 850 505
Phone (outside Australia): +61 (0)3 9415 4000
Fax: +61 (0)3 9473 2500
Email: webqueries@computershare.com.au

Institutional Investors:

Daniel Colman – Investor Relations Manager
Email: info@growthpoint.com.au
Investor Services Line: 1800 260 453

www.growthpoint.com.au

Corporate directory.

Growthpoint Properties Australia Limited
ABN 33 124 093 901; AFSL No 316409

Growthpoint Properties Australia Trust
ARSN 120 121 002

Registered Office

Level 31, 35 Collins Street,
Melbourne VIC 3000 Australia

Phone: (03) 8681 2900
Fax: (03) 8681 2910

www.growthpoint.com.au

Directors

Geoffrey Tomlinson, Timothy Collyer, Maxine Brenner, Estienne de Klerk, Grant Jackson, Francois Marais, Norbert Sasse, Josephine Sukkar

Company Secretaries

Dion Andrews, Yien Hong[1]

Auditor
KPMG

Tower 2, 727 Collins Street
Melbourne VIC 3008 Australia

ASX Code

Growthpoint Properties Australia securities are listed on the Australian Securities Exchange (Code GOZ).

1. Yien Hong has been appointed Company Secretary and General Counsel on a 12-month contract. Aaron Hockly was on parental leave until 13 April 2019. He has now resigned (effective 13 April 2019) and a search for a permanent replacement has begun.

2019 Securityholder calendar*

21 February 2019

- Results for the half year ended 31 December 2018 announced to ASX

28 February 2019

- Distribution paid for the half year ending 31 December 2018

4 March 2019

- HY19 interim report sent to Securityholders

1 May 2019

- Investor Update released to ASX

22 August 2019

- Results for the full year ended 30 June 2019 announced to ASX

30 August 2019

- Distribution paid for the half year ending 30 June 2019
- FY18 Annual Report sent to Securityholders

31 October 2019

- Investor Update released to ASX

21 November 2019

- Annual General Meeting

* Dates indicative and subject to change by the Board.

This brochure was printed using soy based inks, produced by an ISO 14001 EMS accredited manufacturer.

The printer is also ISO 9001 QMS and ISO 14001 EMS accredited.

Growthpoint Properties Australia **2019 Half Year Report**

2019 Half Year Report

Growthpoint Properties Australia
Level 31, 35 Collins Street, Melbourne VIC Australia
Investor Services Line: 1800 260 453

www.growthpoint.com.au

GROWTHPOINT PROPERTIES