2018
Half Year Results – Overview

For the six months ended 31 December 2017

Dear Securityholders,

The Board and management are pleased to report continued robust operational and financial performance over the six months to 31 December 2017. Active portfolio management, prudent control of expenses and a focus on favourable leasing outcomes have all helped deliver funds from operations of 12.5 cps and a distribution to Securityholders of 11.0 cps, well on track to meet upgraded FY18 FFO guidance of at least 24.3 cps and distribution totalling 22.2 cps.

Statutory profit for the period was $207.3 million, up $94.3 million on the prior corresponding period driven by property revaluation gains and profits generated from asset sales.

Property portfolio performance

Of the Group's 56 properties, 31 were independently valued at 31 December 2017 and 25 were valued internally by the Directors' Valuations. In aggregate, the book value of the property portfolio increased over HY18 by $124.6 million equating to a 4.0% increase on a like-for-like basis. The key drivers of the valuation increase were a 17-basis point compression in the weighted average capitalisation rate over HY18 from 6.53% to 6.36% and improvements as a result of leasing undertaken in the portfolio.

Stake in ASX-listed Industria REIT (IDR)

On 11 July 2017, Growthpoint announced that it had acquired an 18.2% interest in Industria REIT for approximately $68.1 million, representing $2.30 per IDR security. The acquisition was funded from undrawn debt facilities which have since been paid down following asset sales completed and settled over HY18.

As management has previously stated, the stake in IDR was purchased at an attractive DPS yield of 7.2% at the time of acquisition which represented good value compared to pricing for direct real estate available in the market at the time of the acquisition. IDR's revaluation gains since July have validated the Group's decision to acquire the stake which is now trading at a 9.6% premium to the $2.30 per security acquisition price (based on IDR closing share price of $2.52 at 31 December 2017).

The Board and management continue to view Growthpoint's interest in IDR as a quality standalone investment. The Group will continue to actively review IDR and consider strategies that are in the best interests of Growthpoint Securityholders.

Direct property transactions

Acquisitions

Also in July 2017, Growthpoint announced the acquisition of four adjoining, modern industrial warehouses at 36 and 56 Tarlton Crescent and 2 and 10 Hugh Edwards Drive, Perth Airport, Western Australia for $46 million, providing an initial passing yield of 8.13%.

The properties were purchased fully leased to seven tenants with a weighted average lease expiry as at 30 June 2017 of 6.4 years, annual rent reviews either to CPI or a fixed 2.0% increase, a total lettable area of 31,954 sqm and total land area of 57,617 sqm. The properties are located in the Perth Airport industrial precinct approximately 11 kilometres from Perth's central business district and near the Group's only other asset in Western Australia, a Woolworths Regional Distribution Centre, also in the Perth Airport precinct.

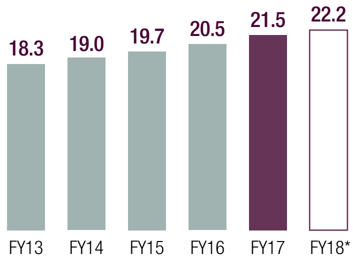
Divestments

In November 2017, the Group was also pleased to announce that it had entered into contracts for the sale of 522-550 Wellington Road, Mulgrave, Victoria for $90.75 million. The sale price represented a 37.7% premium to the 30 June 2017 book valuation of $65.9 million. Settlement of the sale occurred on 19 December 2017, with proceeds used to pay down existing debt and further reduce gearing.

This sale was a particularly favourable outcome for Growthpoint's Securityholders and an endorsement of the high quality and highly desirable property held within the portfolio. It was also in line with management commentary at the FY17 result that the Group would seek to realise upside from the sale of assets within the existing portfolio with future development potential to a higher and better use.

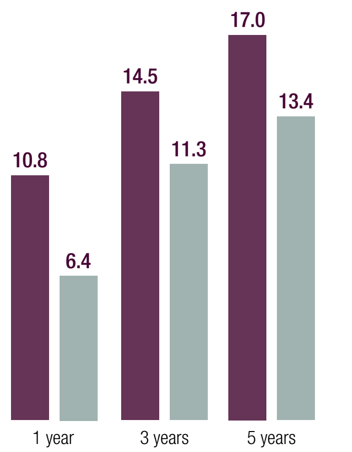
Management continues to evaluate the existing portfolio for further opportunities where higher underlying values can be realised.

Distributions (¢)
per stapled security



*Distribution guidance only.

Total Securityholder return over 1, 3 & 5 years (%)*



1. Source: UBS Investment Research: Annual compound returns to 31 December 2017

See Growthpoint's HY18 report and presentation for further information

HY18 at a glance

12.5cps
FFO

$207.3m
Statutory profit
83% increase on prior corresponding period

11.0cps
DPS

$3.3b
Property portfolio value

$3.08
Net tangible assets per security
6.9% increase from 30 June 2017

4.5★
NABERS energy rating
average across the office portfolio

98%
Portfolio occupancy

DIVESTMENT

522-550 Wellington Road, Mulgrave, Victoria

$90.75m

Sale price – represents a 37.7% premium on 30 June 2017 book value of $65.9 million

ACQUISITION

Perth Airport precinct: four adjoining, modern industrial warehouses

$46.0m

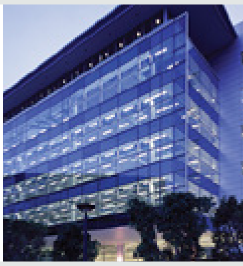
Purchase price – providing an initial passing yield of 8.13%

ACQUISITION

Industria REIT (ASX code: IDR)

18.2%

Interest – purchase price of $68.1 million with DPS yield of 7.2% at time of acquisition



Gearing

As a result of the above-mentioned asset sale, as well as continued improvement in the underlying value of assets in the portfolio, Growthpoint's gearing has reduced to 35.8%[1]; close to the bottom end of the Group's target gearing range of 35% to 45%. This is a significant achievement and consistent with management commentary 12 months ago that the Group would act swiftly to bring gearing back down to levels experienced prior to the acquisition of the GPT Metro Office Property Fund (GMF) where gearing increased to approximately 46%.

All things being equal, the Board's preference is to maintain gearing towards the lower end of the target range in the period ahead.

Update on Botanicca at Richmond – leasing and development

An update on our new tenants in Buildings 1 and 2 of the Botanicca precinct in Richmond; Country Road/David Jones, who recently signed 15-year leases to occupy the two buildings, have commenced moving into their new national headquarters. Building 1's fitout is complete and will house 700 people, while fitout works will commence on Building 2 from April 2018.

As previously indicated to the market, this positive long-term leasing outcome created the opportunity to explore a new 20,000 sqm office development on the site currently occupied by Building 3 and a large car park. Leasing marketing has now commenced under the management of agents JLL and Colliers with the design over 70% complete and initial building tenders currently being evaluated. Growthpoint will continue to provide updates on the progress of the Botanicca development as the project takes shape.

Distribution Reinvestment Plan (DRP)

The take-up under Growthpoint's DRP for the February 2018 distribution was 71.9%. As a result, the DRP will raise approximately $52.3 million through the issue of approximately 15.9 million new "GOZ" stapled securities (after allowing for withholding tax). Proceeds from the DRP will be used to pay down existing debt and position the Group for internal development opportunities and future acquisition opportunities.

Strategy and outlook

After a positive start to FY18 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.

The significant portfolio reshaping undertaken over the past two years leaves the Group's earnings profile materially de-risked and positioned in markets with the potential for greater income growth and long-term capital growth.

Consistent with recent management commentary, Growthpoint will continue to review the existing portfolio in consideration of asset sales where higher underlying values can be achieved.

We believe the recent increase in M&A activity validates Growthpoint's M&A strategy and that listed transactional activity will continue to increase. Growthpoint considers itself well positioned to take advantage of further listed opportunities should the right transactions present themselves.

Asset divestment, development and M&A provide opportunities for earnings accretion when attractive acquisition opportunities in the direct market are limited. Consequently, the Group is looking closely at these opportunities to continue to grow earnings.

With gearing reduced to 35.8%[1] from 40.7%[1] over the last 12 months, the Group's balance sheet is in a position to take advantage of attractive opportunities in the market should they become available.

Thank you for your continued support of Growthpoint Properties Australia.

T.J. Collyer

Geoff Tomlinson
Independent Chairman & Director

Timothy Collyer
Managing Director

Growthpoint Properties Australia Limited

1. Gearing calculation changed during the period from interest bearing liabilities divided by total assets to interest bearing liabilities less cash divided by total assets less cash. This change brings Growthpoint's gearing calculation more closely in line with industry peers.