



ASX/MEDIA ANNOUNCEMENT

CHARTER HALL INCREASES OPERATING EPS BY 4.6% IN 1HY13 AND FUM TO \$10 BILLION¹

Tuesday, 26 February 2013

Charter Hall Group (ASX:CHC) ('Charter Hall' or the 'Group') today announced its half year results for the six months to 31 December 2012.

Results summary:

- ◆ Statutory profit after tax of \$29.9 million, up 52.7% on the prior corresponding period (pcp)
- ◆ Operating earnings of 11.76 cents per security (cps), up 4.6%² on pcp
- ◆ Half year distribution of 9.80 cps, up 7.7% on pcp
- ◆ Net Tangible Assets (NTA) per security of \$2.12, down by \$0.01 from 30 June 2012

Operational performance:

- ◆ Secured \$570 million of new equity commitments during 1HY13
- ◆ Secured \$1.3 billion of Australian office, retail and industrial property assets, delivering 12% growth in funds under management (FUM) to \$10.0 billion today
- ◆ Charter Hall realised \$41 million of equity co-investments and reinvested \$53 million during 1HY13
- ◆ Increased co-investment property earnings yield from 6.7% to 7.4%

Charter Hall's Joint Managing Director, David Harrison, said: "Following an active start to the current financial year, we are pleased to have delivered a solid half year result for our investors, increasing operating earnings by 4.6% on the prior corresponding period. Our strategic focus on accessing, deploying and managing equity invested in core Australian real estate has strengthened our business, delivering improved quality of earnings.

"In line with this strategy, over the first half year we have secured \$570 million of new equity commitments from our wholesale, listed and retail investors and secured \$1.3 billion of Australian office, retail and industrial property assets which has increased total portfolio FUM to \$10 billion," Mr Harrison said.

¹ As at 26 February 2013.

² Prior year excludes specific items of the \$2.3 million net loss relating to net CQO transaction fees and restructuring costs. There are no specific items in 1HY13.



Charter Hall's business is focused on its two key earnings streams, being property investments that deliver rental income returns, plus the earnings generated from the integrated property funds management platform. Property investment comprises Charter Hall's co-investment in property funds and its directly owned property investments. The following table sets out the earnings for each of the key earnings streams reported by EBITDA for the six months ended 31 December 2012.

Key earnings stream	1HY13 EBITDA	Percentage
Investment in property funds	\$18.3m	52%
Direct property investment	\$2.7m	8%
Total property investments	\$21.0m	60%
Property funds management	\$14.2m	40%
Total	\$35.2m	100%

The reporting segments have changed for the current financial year to reflect that the majority of Charter Hall's earnings are generated from managing funds and property investments, principally in Australian property assets.

Total property investments - EBITDA of \$21.0 million, representing 60% of the Group's EBITDA

Charter Hall's property co-investments total \$532 million at 31 December 2012, which is in line with previous periods. The annualised co-investment earnings yield has increased to 7.4% from 6.7% in the prior period, which was driven by active management of the Group's investment portfolio and lower borrowing costs in the managed funds.

Charter Hall's investment in property funds represents 95% of the total property investment portfolio with improvement in property funds co-investment earnings across the current investment portfolio supplemented by contributions from investments in the new partnerships.

Charter Hall owns direct property through its consolidated Direct Retail Fund (DRF). The direct property income, as a component of total income, is reducing as the strategy to sell down the DRF portfolio is progressed.

Property funds management – EBITDA of \$14.2 million, representing 40% of the Group's EBITDA

The Group has remained focused on growing its Australian platform, with Australian property FUM increasing by \$1.1 billion since 30 June 2012. Today, total portfolio FUM is \$10.0 billion.



This growth follows the establishment of new funds and partnerships across the Group's three core property sectors and the acquisition of a number of strategic properties. In the office sector, Charter Hall's Core Plus Office Fund acquired 9 Castlereagh Street in Sydney for \$172.5 million in February 2013.

Within the retail sector, Charter Hall Retail REIT successfully raised \$119 million of capital from its institutional and retail investors, making it the first S&P ASX A-REIT 200 stock to raise growth equity above the value of its NTA in several years. The Group also established a new wholesale partnership with Telstra Super in October 2012 to acquire the \$207 million Bunnings portfolio.

Given the industrial sector's attractive property fundamentals, Charter Hall has actively increased its exposure to this sector, launching the Direct Industrial Fund No. 2 and establishing a new \$400 million Core Logistics Partnership with two Australian institutional investors in February 2013.

Charter Hall continues to see positive interest from institutional and retail investors in Australian property, with the Group securing over \$840 million of new equity since 30 June 2012 across its unlisted wholesale, listed and retail platforms.

Opportunistic funds

As previously announced, Charter Hall will not reinvest in new opportunistic development funds once the remaining \$23 million of equity invested in CHOF 4 and 5 has been realised. CHOF 5 continued to progress its existing developments with capital being realised on progressive completion of projects at Aquilo and Lacrosse in Melbourne during the half year. In respect of the Little Bay Sydney development, estate works continue with completion scheduled for August 2013. A commercial dispute persists between the development alliance partners and ongoing negotiations are being undertaken in an attempt to resolve this dispute and agree on the future direction of the project.

Active capital management approach

Charter Hall has continued to focus on recycling its property portfolio to seed additional high value opportunities for the Group and its investors. During the period, Charter Hall realised \$41 million of capital from its co-investments and reinvested \$53 million into new higher yielding investments. The Group aims to recycle a further target \$113 million of equity over the next eighteen months.

The Group refinanced \$0.6 billion across its managed funds during the period which resulted in an improved weighted average maturity of 3.2 years and a weighted average cost of debt of 6.2%. Charter Hall has maintained its low balance sheet gearing of 1.4%.

Strategy and outlook

Charter Hall's strategy is to access, deploy and manage equity that is invested into core real estate sectors to create value and provide sustainable income and capital returns for securityholders and external investors. Charter Hall is focused on:

- ◆ Executing strategies to achieve the objectives of its investors
- ◆ Enhancing return on equity and continuing to improve the quality of earnings for securityholders through:
 - Sourcing equity to invest into core real estate sectors
 - Targeting growth in the Australian FUM platform by 6-10% per annum
 - Realising and redeploying over \$100 million of capital in property and development investments over the next two years
 - Driving further growth in property investment portfolio earnings and capital values
 - Diversifying sources of debt funding for the managed funds platform
 - Continuing to capitalise on a scalable operating platform to service FUM growth

Charter Hall's Joint Managing Director, David Southon, said: "We continue to see growing investor interest in Australian property, with domestic and offshore pension funds increasing their allocation to property from other asset classes. In addition, this year has also seen a large increase in the Australian superannuation sector, with SMSF and retail investors also seeking alternative sources of income due to falling term deposit interest rates.

"Given these trends and with well-established relationships across wholesale, listed and retail equity sources, Charter Hall is well positioned in the current climate," Mr Southon said.

Barring unexpected events, forecast FY13 operating earnings are expected to be in the range of 22.5 to 23.5 cents per unit, representing 5% to 9% growth over financial year 2012.

For further information, please contact:

David Harrison
Joint Managing Director
T: +61 8908 4033
david.harrison@charterhall.com.au

David Southon
Joint Managing Director
T: +61 8908 4025
david.southon@charterhall.com.au

Investor enquiries:
Nick Kelly
Head of Investor Relations
T: +61 2 8908 4028
nick.kelly@charterhall.com.au

Media enquiries:
Rachel Mornington-West
Head of Marketing and Communications
T: +61 2 8908 4093
rachel.mornington-west@charterhall.com.au



About the Charter Hall Group:

Charter Hall Group (ASX:CHC) is one of Australia's leading fully integrated property groups, with over 21 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has circa \$10 billion of funds under management across the office, retail, industrial and residential sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide and Perth.

The Group's success is underpinned by a highly skilled and motivated team with diverse expertise across property sectors and risk-return profiles. Sustainability is a key element of its business approach and by ensuring its actions are commercially sound and make a difference to its people, customers and the environment, Charter Hall can make a positive impact for its investors, the community and the Group.