

ASX Release

Charter Hall Group drives 10.6% growth in Operating Earnings per security 10.4% growth in FUM 25 February 2015

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Charter Hall Group (ASX:CHC) (Charter Hall or the Group) today announced its half year results for the six months to 31 December 2014.

Half Year Financial Results Summary

- Statutory profit after tax of \$39.9 million, up from \$28.6 million
- Operating earnings of \$48.4 million, up 27.1% from \$38.1 million
- Operating earnings of 13.74 cents per security up 10.6% over pcp
- Distribution of 12.1 cents per security up 10.0% over pcp

Key Achievements for the 6 months to 31 December 2014

- 10.4% growth in Australian funds under management (FUM) to \$12.7 billion
- Secured \$944 million of gross equity flows with \$741 million of net flows post divestments
- Completed \$2.0 billion of property transactions
- Co-invested a further \$164 million, partially funded by \$88 million of recycled capital

Charter Hall's Joint Managing Director, David Southon, said: "We have achieved solid organic growth across our Australian platform over the past six months to deliver a 10.6% increase in operating earnings per security and a 10.4% increase in our Australian portfolio, which now totals \$12.7 billion."

Charter Hall's business is focused on its two key earnings streams; Property Investment income generated from co-investing alongside the Group's capital partners in property funds and partnerships and earnings generated from Property Funds Management, utilising our full service integrated platform.

Property Investments – Operating Earnings up 22.8% to \$28.4 million

With a focus on enhancing the quality of its portfolio, Charter Hall has actively diversified its Property Investments towards long weighted average lease expiry (WALE) industrial and retail assets in addition to a new investment in the hospitality sector through its Long WALE Investment Partnership.

This focus has resulted in the Group's Property Investments increasing to \$795 million and generating an earnings yield of 7.6%. The diversification and exposure of the Group's portfolio is actively managed at a sector, fund and asset level with the total portfolio occupancy remaining strong at 97.6% and the WALE increasing from 7.6 years to 9.5 years.

David Harrison, Charter Hall's Joint Managing Director, said: "Our enhancement of portfolio quality is evidenced by the increased WALE of 9.5 years, improved investment grade tenant composition and better balanced sector weightings which have markedly lowered the risk profile of the portfolio. In particular, exposure to long WALE industrial, retail and hospitality now represents 63% of Property Investments with the balance being a diversified office exposure. We continue to secure external capital partner support for these sector exposures and long lease and tenant quality profiles".



Property Funds Management – Operating Earnings up 27.4% to \$21.3 million

The Group's focus on diversification and portfolio enhancement drove a 10.4% increase in Charter Hall's funds under management, with the portfolio totalling \$12.7 billion and comprising 270 properties at 30 December 2014.

Across its managed funds, \$944 million of gross equity was secured with this equity being invested in \$1.4 billion of new acquisitions.

Two hundred and eighty-four leasing transactions were completed across the total portfolio totalling 300,000sqm, including a number of major leasing renewals within the office portfolio. At the Core Plus Office Fund's Kogarah asset in Sydney, Westpac renewed its lease for an additional 20 year period and an additional 10 year agreement was secured with the government in PFA's Cannington property in Perth.

David Southon said: "The active management of our portfolio, investment in our assets and partnership with our tenants remains the key focus for our property teams. We aim to further enhance both income yield and total returns of these portfolios with \$1.6 billion of development projects underway in Charter Hall Group managed funds across the office, industrial and retail portfolios, including the 333 George Street redevelopment in Sydney."

Strategy and Outlook

The Group remains focused on:

- Continuing to deliver strong fund performance for investors
- Securing quality assets within the core property sectors
- The active management of its property portfolio
- Investing alongside capital partners
- Focusing on growing high quality earnings streams
- Maintaining growth in FUM across all equity sources
- Improving the efficiency and scalability of the platform.

David Harrison said: "We expect quality property with secure cash flow to remain highly attractive to both institutional and retail investors in a low interest rate and low inflationary environment".

Absent unexpected events, Charter Hall's guidance for FY15 is unchanged at 7-9% growth on FY14 operating earnings per security. The distribution payout ratio is expected to be between 85% and 95% of operating earnings per security.

About Charter Hall

Charter Hall Group (ASX:CHC) is one of Australia's leading fully integrated property groups, with over 23 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over \$12.7 billion of funds under management across the office, retail and industrial 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.

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