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ASX Release

Charter Hall announces 10% increase in Operating EPS and \$140m equity raising

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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 2013 and a \$140 million equity raising via an Institutional Placement.

Results summary

- Statutory profit after tax of \$28.6 million, down 4.3% on pcp
- Statutory profit after tax of 9.32 cents per security (cps), down 6.9% on pcp
- Operating earnings of \$38.1 million, up 13.1% on pcp
- Operating earnings per security (OEPS) of 12.42cps, up 10.0% on pcp
- Distribution of 11.0 cents per security (cps), up 12.2% on pcp

Operational performance

- 6% growth in Australian property funds under management over the half year to \$10.5 billion
- Secured \$702 million of gross equity inflows during the half, with \$213 million raised since half year end
- Completed \$1.9 billion of property transactions during the half year
- Property funds investment yield stable at 7.6%

Institutional Placement

- Fully underwritten \$140 million Institutional Placement
- Securities to be issued at a fixed price of \$3.80 per security, representing a 3.6% discount to the closing price on 24 February 2014 of \$3.94
- New securities will rank equally with existing securities and will be entitled to the full distribution for the six months ending 30 June 2014

Charter Hall's Joint Managing Director, David Southon, said: "Our strong operational performance has driven property investment earnings growth, contributing to the 10% increase in OEPS, whilst leasing activity has contributed to extending our portfolio WALE to 6.1 years".

Charter Hall's business is focused on its two key earnings streams being the earnings generated from the services provided by its integrated *property funds management* platform, and *property investment* income generated from co-investing alongside its capital partners in property funds and partnerships. The following table sets out the earnings for each of the key earnings streams for the six months ended 31 December 2013.



	Operating Earnings	% of Total
Direct property investment	\$0.7m	2%
Investment in property funds	\$22.5m	56%
Total property investments	\$23.2m	58%
Property funds management	\$16.7m	42%
Property funds management and property investment operating earnings	\$39.9m	100%
Non-cash security based benefits expense	(\$1.8m)	
Operating earnings	\$38.1m	

Property Investments – Operating Earnings of \$23.2 million, up 7.6%

Charter Hall's property investments total \$622 million at 31 December 2013, up from \$603 million at 30 June 2013. The Group's investment portfolio annualised earnings yield has remained stable at 7.6%.

Charter Hall has co-invested an additional \$99 million across its managed funds during the period including investments in the Core Logistics Partnership, Charter Hall Retail REIT and Charter Hall Office Trust.

Sixty-one million dollars of this \$99 million investment was funded through the Group's active capital recycling program. Over the past two years, Charter Hall has realised \$187 million of capital from its co-investments and reinvested \$216 million into higher yielding investments. Over the next 12 months, the Group aims to recycle a further \$48 million, with \$8 million having already being completed since 1 January 2014.

The property investment portfolio has a 6.1 year WALE and 97% occupancy.

Property Funds Management – Operating Earnings of \$16.7 million, up 23.3%

The Group's Australian property funds under management (FUM) increased 6% over the half year to \$10.5 billion. The Group's offshore portfolio represents less than 1% of total FUM following the sale of Charter Hall Retail REIT's Polish assets.

The Group has actively raised equity across a number of its wholesale, listed and retail investor funds, securing \$702 million of gross new equity during the half, with an additional \$213 million post balance date. This included the launch of the successful \$125 million Charter Hall Direct WorkZone Trust, which raised \$72 million of equity over December 2013 and January 2014, closing oversubscribed and well ahead of schedule.

This equity has been reinvested across a number of high quality Australian office, retail and industrial assets including Charter Hall Office Trust's acquisition of the remaining 50% interest in the landmark No.1 Martin Place Sydney, taking its ownership to 100%; Charter Hall Retail REIT's acquisitions of Rosebud Plaza and Secret Harbour Shopping Centre; and the acquisition of 10 industrial assets by the Core Plus Industrial Fund, Direct Industrial Fund No.2 and Core Logistics Partnership.

Joint Managing Director, David Harrison, said: "The momentum of previous year's equity flows has continued and pleasingly all sources of equity have contributed to the Group's growth since June 2013. The \$489 million of net equity commitments have contributed to \$1.0 billion of office, retail and industrial asset acquisitions".



\$140 million Institutional Placement

In order to continue the Group's partnering business model and provide growth capital following an active three years of recycling, Charter Hall is undertaking a fully underwritten \$140 million Institutional Placement. This Placement will be used to repay drawn debt used for recent investments, fund identified investments and to provide capital for growth initiatives planned. These investments will drive sustainable funds management and investment income for Charter Hall.

Strategy and outlook

Charter Hall's strategy is to use its specialist property expertise to access, deploy, manage and invest equity alongside its partners to create value and provide sustainable income and capital returns for its investment partners and Charter Hall securityholders. 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 Group's FUM platform of 6-10% per annum
 - Driving further growth in property investment portfolio earnings and capital value
 - Diversifying sources of debt funding for the managed funds platform
 - Continuing to capitalise on a scalable operating platform to service FUM growth
- Reweighting the property investment portfolio by increasing the proportion of retail and industrial investments.

Charter Hall has increased its earnings guidance and barring unexpected events is projecting FY14 Operating Earnings per security growth of 7-9% on the expanded total capital base, and a distribution payout ratio of 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 22 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over \$10.5 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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to qualify, and to continue to qualify, for the exception provided by Section 3(c)(7) of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act").

This ASX announcement includes "forward-looking statements" within the meaning of securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as "may," "will," "expect," "scheduled," "intend," "plan," "estimate," "anticipate," "believe," "continue," "objectives," "outlook," "guidance" or other similar words, and include statements regarding certain plans, strategies and objectives of management. These forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Group, and its officers, employees, agents or associates. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward-looking statements and the Group assumes no obligation to update such information.

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