



ASX/MEDIA ANNOUNCEMENT

BUSINESS UPDATE

Tuesday, 1 May 2012

Charter Hall Group (ASX:CHC) (the Group or Charter Hall) refers to the announcement made by Charter Hall Office REIT (ASX:CQO) (CQO) on 30 April 2012 confirming implementation of the privatisation of CQO by Reco Ambrosia Pte Ltd (an affiliate of Government of Singapore Investment Corporation Pte Ltd), the Public Sector Pension Investment Board of Canada and Charter Hall. The new unlisted trust will be known as Charter Hall Office Trust (CHOT).

Charter Hall has been appointed the investment, property and development manager for CHOT. It is expected that the net fee revenue that Charter Hall will earn from managing CHOT will be generally consistent with the net revenue earned previously from managing the Australian assets of CQO.

With the implementation of the privatisation, CQO will today change from a listed REIT to a wholesale unit trust with liquidity reviews every five years. As such, the Charter Hall Board will review the \$47 million carrying value of the CQO/CHOT management rights and appropriate accounting treatment. As a consequence of the contractual liquidity review in year five, Charter Hall will amortise the carrying value of the management rights over a six year period. Amortisation of these management rights will have no impact on operating earnings however will be included in statutory earnings as a non cash item. Charter Hall is appointing an independent adviser to assist the Board on assessing the carrying value of the management rights, post implementation of the privatisation.

By way of a business update, Charter Hall re-affirms its earnings guidance for the 2012 financial year (FY12) for operating earnings per security (OEPS) of approximately 24 cents. This includes approximately 2 cents per security (cps) for the net earnings associated with CQO's United States (US) portfolio disposal after deducting costs associated with the closure of the US office, costs associated with retention of the management rights and implementation of the organisational restructure but excluding any provision for the clawback of the Charter Hall Opportunity Fund No.4 (CHOF4) performance fees referred to below.

In the 31 December 2011 Interim Financial Report at Note 5, Charter Hall reported a contingent liability of up to \$14.2 million may be incurred in relation to the potential CHOF4 clawback of performance fees received in respect of the 2007, 2008, 2009 and 2010 financial years. The amount of any clawback will



not be known until all assets of CHOF4 are realised and this is not expected to occur until FY13 at the earliest. An independent valuation is currently being prepared for the largest remaining un-realised asset of CHOF4. Following receipt of the independent valuation, a provision of up to \$14.2 million may be required in the FY12 financial statements of Charter Hall to account for any clawback of previously paid CHOF4 performance fees. Any provision for this one off expense of up to \$14.2 million would negatively impact the OEPS guidance of approximately 24 cents, by up to a maximum of 4.76cps.

There are no other performance fees received by the Group from other Charter Hall managed funds in prior periods that are subject to clawback arrangements.

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About the Charter Hall Group:

Charter Hall Group (ASX:CHC) is one of Australia's leading fully integrated property groups, with 20 years' experience managing high quality property on behalf of institutional, wholesale and retail clients. Charter Hall has over \$10 billion of funds under management across the office, retail, industrial and residential sectors. The Group has offices in Sydney, Melbourne, Brisbane, Adelaide, Perth, Warsaw and Chicago.

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.