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## ASX/Media release

MACQUARIE

Macquarie CountryWide Trust results for the 12 months to 30 June 2006

Macquarie CountryWide Trust (MCW)

# MACQUARIE COUNTRYWIDE EXCEEDS EARNINGS FORECAST

**25 August 2006**

Macquarie CountryWide Trust (ASX:MCW) today announced its full year result for the 12 months to 30 June 2006 had exceeded its earnings forecast. Macquarie CountryWide reported distributable earnings per unit of 16.2 cents, up 14.4 per cent on the prior year and a 12 month return on equity of 21.0 per cent. The Trust's total distribution of 15.91 cents per unit (up 10 per cent) includes a foreign tax credit of 0.51 cents per unit and is 53.5 per cent tax advantaged. Substantial organic income growth in all markets, realising investment profits and a continued focus on active redevelopments have contributed to this result.

Outgoing chief executive officer Kylie Rampa said the positive result had been driven by continued strong performance from the Trust's Australian and US portfolio, which have delivered comparable net operating income (NOI) growth of 3.5 per cent. This superior income growth combined with substantial demand for retail investment property has enabled the Trust to dispose of 11 mature assets, realising strong investment profits in excess of 11 per cent.

Macquarie CountryWide successfully repositioned the portfolio by selling mature assets and reinvesting proceeds into better quality assets in high growth markets. "Using capital from strategic sales to increase the Trust's investment in the First Washington portfolio has delivered greater exposure to high income growth properties leading to higher earnings for investors," Ms Rampa said.

"The Trust's strategic move six years ago into offshore markets has proven a success. The New Zealand and US portfolios (ex-First Washington) have delivered a 28 per cent total return to investors since acquisition," Ms Rampa said.

### Highlights

- 12 month return on equity of 21.0 per cent (net profit/contributed equity)
- Earnings per unit exceeded forecast, up 14.4 per cent to 16.2 cpu

- Total distributions up 10 per cent to 15.91 cpu, including a foreign tax credit of 0.51 cpu; cash distributions of 15.40 cpu, up 7.4 per cent and 53.5 per cent tax deferred
- Strong revaluations contributed to an 11.0 per cent increase in net tangible assets (NTA) up 19 cents to $1.92 per unit
- Net profit increased 71.1 per cent to $236.6 million
- Realised investment profits of $8 million
- Successful completion of eight redevelopment projects in Australia generating an average year 1 development yield of 9.9 per cent and a 33 per cent development profit on the $45.9 million project investment
- Commenced US redevelopment pipeline with three projects forecast to provide an average 18 per cent year one development yield and 35 per cent development profit on the US$5.3 million expected investment.

**Active asset management delivers property income growth and strong total returns**

All portfolios continue to perform strongly contributing to the average 3.5 per cent growth in comparable net operating income. The First Washington portfolio, in which the Trust increased its interest during the year, has performed particularly well, experiencing a 3.9 per cent increase in comparable net operating income - well above acquisition forecasts.

Anchor tenants contributing to turnover rent have reported an average 3.9 per cent increase in sales across the Australian and New Zealand portfolios.

Recently appointed CEO (effective 1 September 2006) Steven Sewell said consistently strong anchor tenant sales growth across all markets reflects favourable consumer spending habits for non-discretionary goods and leasing success. "Macquarie CountryWide's focus on non-discretionary retail real estate has underpinned the Trust's consistent performance and the strength of investors' income," he said.

The Trust completed eight redevelopment projects in Australia during the year, investing $45.9 million and achieving a 33 per cent development profit of $15.1 million and a total return of 32.8 per cent. Another nine development projects were underway or commenced during the year with a forecast cost of $73 million, the Trust's busiest development pipeline to date.

Macquarie CountryWide is working with joint venture partner Regency Centers Corporation (Regency) on a number of redevelopment projects in the US costing US$5.3 million (100 per cent interest). These projects are expected to deliver a year 1 development yield of 18.3 per cent and development profit of 35 per cent. Additional projects are in advanced stages of planning.

**Strong revaluations deliver attractive total asset returns**

The Trust's commitment to actively manage its assets to grow net property income and increase asset values has been reflected in independent revaluations completed during the year. Favourable market conditions have also contributed to this result. Revaluations were undertaken on 229 of the Trust's 241 properties resulting in a $200 million increase in book value.

Positive revaluations contributed to an 11.0 per cent increase in NTA from $1.73 to $1.92.

**Portfolio repositioning increased exposure to higher growth opportunities**

Macquarie CountryWide continued to reposition its portfolio over the year through targeted disposals and acquisitions.

Explaining the Trust's investment strategy Mr Sewell said: "We are looking to realise opportunities to sell mature assets and reinvest proceeds into greenfield developments, redevelopments of existing properties and acquisition opportunities that increase earnings for investors."

The Trust sold 11 assets during the year for $77.9 million (Trust share) – 11.2 per cent above book value. The joint venture is in the process of selling a further five non-core properties in the US that have a book value of US$80.4 million (Trust share) and will continually assess opportunities to realise investment profits for investors by taking advantage of the strong investment market for quality real estate.

The most significant acquisition occurred when the Trust increased its investment in the high performing First Washington portfolio from 65 per cent to 75 per cent, effective 1 January 2006. During the year, the Trust also bought a 75 per cent interest in two US properties from Regency for a total purchase price of US$16.4 million (Trust share). Further, we added to the Trust's redevelopment pipeline through the acquisition of a development site opposite the Trust's existing supermarket in Maylands, Western Australia for $4 million. Post balance date, the joint venture purchased the Publix anchored Merchants Crossing in Florida for US$18.8 million (Trust share).

**New management company aims to maximise MCW property performance**

Macquarie CountryWide's ability to drive property performance has been strengthened by Macquarie Bank Group's establishment of Macquarie Real Estate Management Services (MREMS), a property management business that will service listed and unlisted real estate investment products managed by entities within the Macquarie Real Estate division.

Mr Sewell said: "Using Macquarie Bank Group's in house property management business is expected to forge even closer mutually beneficial relationships with tenants, which will in turn deliver investors the potential for higher income from rental growth and turnover rent."

**Outlook**

Mr Sewell said Macquarie CountryWide would continue to take advantage of strong demand for quality real estate by selling mature properties to realise investment profits and reinvest proceeds into higher growth opportunities. This includes redevelopments and acquisitions in current and new markets.

"We will take advantage of Macquarie Real Estate's global platform with over 500 real estate professionals operating in 11 countries to explore acquisition opportunities. We are actively reviewing all of our existing markets as well as Europe and Asia as we seek to diversify the portfolio further and grow returns for investors," he said.

Macquarie CountryWide remains focused on investing in grocery anchored retail real estate located in established markets with attractive demographics. We will continue to look for centres with quality tenants on long leases that feature attractive asset and income growth prospects.

Redevelopments across the US and Australian portfolios are also expected to make an important contribution to performance in the year ahead with the opportunity for higher asset values and improved rental income delivering strong total property return prospects.

*Macquarie CountryWide is listed on the Australian Stock Exchange with property assets of $5.0 billion. More than $A28 billion in property assets is managed by entities within the Macquarie Bank Group and by associates across a portfolio of listed and unlisted property trusts, unlisted development funds and property investment syndicates, globally.*

*Regency is a leading owner, manager and developer of US grocery anchored shopping centres with a $US4.0 billion national real estate portfolio (assets at cost before depreciation) of over 390 high quality properties.*

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All quoted figures are compared to the same period last year and currencies denominated in Australian currency unless otherwise stated.

This information has been prepared by Macquarie CountryWide Management Limited ABN 46 069 709 468 (MCML), the Responsible Entity of the Macquarie CountryWide Trust, without taking account of any person's objectives, financial situation or needs and because of that, you should, before acting on this information, consider the appropriateness of the information, having regard to your objectives, financial situation and needs. MCML does not receive fees in respect of the financial product advice it may provide.

Past performance is not a reliable indication of future performance. Due care and attention has been exercised in the preparation of forecast information, however forecasts, by their very nature, are subject to uncertainty and contingencies many of which are outside the control of MCML. Actual results may vary from any forecasts provided and any variation may be materially positive or negative.

MCML receives fees for operating MCW, which are calculated by reference to the value of the assets and the performance of MCW. Entities within the Macquarie Bank Group may also receive fees for managing the assets of, and providing resources to MCW. For more detail on fees, see our latest annual report. To contact us, call 1300 365 585 (local call cost).

## Appendix

### Distribution

A final distribution of 7.8 cents per unit is expected to be paid, resulting in a total cash distribution for the year of 15.4 cents per unit and 15.91 cents per unit including foreign tax credits. Cash distributions are 53.5 per cent tax advantaged.

| | | |
|---|---|---|
| Total Cash Distribution<br>(53.5 per cent tax advantaged) | 15.40 cents per unit | 7.4% growth |
| Plus foreign tax credit | 0.51 cents per unit | |
| Total Distribution | 15.91 cents per unit | 10.0% growth |

### Key CountryWide statistics

| | Year ended 30 Jun 2006 | Year ended 30 Jun 2005 | % Change |
|---|---|---|---|
| Earnings per unit (including gains on sale) | 16.16 cents | 14.13 cents* | 14.4% |
| Cash distribution per unit incl. foreign tax credit | 15.91 cents | 14.46 cents* | 10.0% |
| Cash distribution per unit | 15.40 cents | 14.34 cents* | 7.4% |
| Cash distribution per unit | 15.40 cents | 14.80 cents | 4.1% |
| Distributable earnings | $193.8 m | $118.1 m | 64.1% |
| Net profit | $236.6 m | $138.3 m | 71.1% |
| Weighted average number of units on issue | | | |
| - by allotment date | 1,198,769,265 | 835,780,743 | 43.4% |
| - by distribution entitlement | 1,206,754,465 | 939,870,346 | 28.4% |
| Total assets | $3,062.9 m | $2,556.7 m | 19.8% |
| Total book value of properties (consolidated basis) | $5,034.5 m | $4,328.2 m | 16.3% |
| Unitholders' equity | $2,311.0 m | $2,015.8 m | 14.6% |
| Total borrowings - CountryWide | $584.6 m | $451.7 m | 29.4% |
| - Joint Venture interest | $2,051.6 m | $1,818.4 m | 12.8% |
| Gearing ratio - balance sheet ** | 18.5% | 21.6% | |
| - consolidated basis (post further planned dispositions) ** | 49.6% | 51.2% | |
| Number of units on issue | 1,218,622,794 | 1,149,440,097 | 6.0% |
| Number of unitholders | 14,927 | 13,970 | 6.9% |
| Net tangible assets per unit *** | $1.92 | $1.73 | 11.0% |
| Market capitalisation | $2,217.9 m | $2,201.2 m | 0.8% |
| Number of properties | 241 | 249 | -3.2% |
| Retained distributable earnings **** | $10.5 m | $2.6 m | |

* Adjusted for bonus element as required by Accounting Standard AASB 133.

** Gearing is calculated as total borrowings and deferred settlements, less cash over total assets less cash.

*** After payment of June half year distribution in August and excluding deferred tax liabilities recognised under AIFRS.

**** After payment of June half year distribution in August.

**Note: All amounts referred to are in Australian currency unless otherwise stated.**