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ASX release

Abacus Property Group 2011 Half Year Results

Key financial highlights

- Underlying profit* $46.3 million, up 50% on HY10
- Underlying earnings per security 12.56 cents, up 25% on HY10
- AIFRS statutory profit attributed to securityholders of $10.2 million, down 52% on HY10
- HY11 distribution of 8.25 cents per security, up 10% on HY10
- Group gearing 21.2%
- Net tangible assets $2.83

Abacus has delivered a strong underlying profit of $46.3 million for the six months to 31 December 2010, an improvement of $15.5 million on the prior corresponding period. This was supported by the sale of 343 George Street. Recurring profits of $32.3 million adequately covered HY11 distributions of $30.6 million.

As a result of its strong and liquid balance sheet, Abacus made several high quality property acquisitions during the period. These properties are in superior locations and we believe they will support future profitability and growth in distributions. The existing property portfolio has performed in line with expectations and recent leasing activity since 31 December 2010 has improved operating metrics and will continue to secure net rental income for FY11.

Our property ventures business remains well positioned with a number of internal and joint venture development projects achieving development and rezoning approvals. Abacus achieved success in the residential developments at Bay Street and Riverlands, while also receiving a conditional offer on the residential infill development at Lewisham during the period.

Our funds management business has stabilised following successfully renegotiating bank funding across its managed funds. Abacus will continue to drive its property portfolios to realise value and continue to raise funds in ADIF II, with good inflows anticipated.

* Underlying profit and earnings per security have been calculated in accordance with the AICD / Finsia principles

Operational review

Investment property portfolio

- Direct property investments of $891 million
- Portfolio capitalisation rate: 8.54%
- Occupancy 91%
- Annualised like for like rental growth 2.6%
- Weighted lease expiry profile 3.8 years[1].

The investment property portfolio delivered an EBITDA contribution of $46 million. Operating metrics fell slightly during the period as a number of large leases expired, many of which have now been re-leased.

The portfolio experienced a net decrease in value of approximately 1.3% largely due to a reduction in net rental income from assets where redevelopment is imminent.

Abacus successfully acquired over $400 million[2] of high quality assets either directly or in concert with capital partners during the six month period to 31 December 2010. Accessing this level of acquisitions demonstrates Abacus' ability to source and execute on a significant quantum of transactions. It also illustrates Abacus' ability to access sophisticated third party capital, which is a key strategy of the Group.

Property ventures

Effective 1 July 2010, joint ventures and developments and the property finance divisions merged to create a new property ventures division. The new division has a total of $211 million invested in 18 projects, of which 78% are in preferred positions. A further $22 million is invested in minority positions in listed and unlisted securities in property-related entities, including a minority interest in a global retirement group.

The division generated $10 million in EBITDA during the period and a number of projects reached significant milestones in their trajectory to profit, including:

- Conditional offer received for Lewisham high density infill residential site of approximately $40+ million
- Edgecliff on the Beach, Hampton, residential settlements have fully repaid senior bank debt
- Bay Street, Brighton, development application submitted to VCAT was approved with our preferred design fully endorsed
- Bankstown local council has approved the rezoning of Riverland's 82ha development site for residential

Abacus was pleased to deliver on its targeted recovery of its existing loan book by December 2010 after realising its childcare exposure. The transaction delivered $9 million cash and 6 freehold childcare

[1] Recent leasing activity has subsequently increased the portfolio WALE to 4.4 years

[2] Includes 4 Martin Place, Sydney where Abacus acted as agent and provides property management services

centres with new long term leases to an established childcare operator. Abacus intends to undertake an orderly sell down of these centres throughout 2011.

Funds management

The funds management business contributed $7 million to the Group's results. Abacus has external assets under management of $810 million, with over 40% exposed to the strongly performing Abacus Storage Fund. This fund continues to be rated as one of the best unlisted property funds.

The refinancing of bank debt for Abacus Storage Fund and ADIF II has been finalised and the refinancing of Abacus Hospitality Fund (AHF) is materially advanced. This is indicative of the strong support Abacus enjoys, along with its managed funds, from the banking community.

Abacus continues to pursue active management strategies to achieve the stability and sustainability of its current funds and to attract new equity:

- AHF funding restructured with $11 million of debt forgiveness and a further $5 million provision, following an assessment of its recovery as a result of a more volatile trading outlook and continued strength of the A$
- ADIF II implemented a number of additional product enhancements to attract new equity. During the period we were pleased that ADIF II was awarded the Rainmaker Marketing Excellence Award for the best new investment product in 2010. ADIF II inflows are continuing and following the product enhancements we anticipate good inflows during 2011.

Capital management

Abacus continues to have a strong, secure and liquid balance sheet. Abacus has dealt with the majority of bank refinancing across both its headstock and funds management platform following its recent syndicated facility and other new facilities for its managed funds.

- New ABP facilities totalling $536 million with ANZ, CBA, WBC and Scotiabank
- New $190 million 3 year Storage facility with WBC, ANZ and NAB
- New $50 million 3 year ADIF II facility with CBA
- Extended $64 million facility for the Virginia Park joint venture for a further 3 years
- Finalising terms for new $80 million 3 year AHF facility

As at 31 December 2010, Abacus had net assets of $1,099 million, with net tangible assets per security of $2.83. Abacus has a total of $13 million debt maturing in FY11 and enjoys an average term to maturity of over 2.6 years. Our undrawn aggregate capacity (across all facilities) is now over $260 million and available liquidity[3] is over $110 million. Group gearing at 31 December 2010 was maintained at approximately 21% and covenant gearing at 27%.

[3] Facility able to be drawn against existing security at current valuations as at 31 December 2010.

Abacus' active management of its portfolio will drive its capital management requirements, as evidenced by asset sales of over $92 million in HY11 to provide liquidity for future acquisitions. Abacus currently has sufficient facility and liquidity available to meet its settlement obligations in relation to its December 2010 acquisitions. It is anticipated that Group gearing will increase to circa 27-30%.

Outlook

Abacus remains well positioned to benefit from a market recovery, with a well stocked balance sheet of core plus properties and property venture projects that should underpin future profits.

The market continues to present good acquisition opportunities and our successful third party capital strategy, where we co-invest with significant providers of investment capital, will enable Abacus to achieve a greater number of larger, higher quality property purchases. This strategy will enable the group to scale its capital, optimise its liquidity, improve its portfolio mix and enhance future returns.

Abacus is on track to deliver a targeted distribution for FY11 of 16.5cps, which is a 5% increase on FY10.

Further information

Further information on Abacus' half year results and an update on current operations are provided in the financial report and investor presentation.

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17 February 2011

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