
ASX ANNOUNCEMENT

Abacus Property Group Half Year Results 2013

Key financial highlights

- **The consolidated Group's AIFRS statutory profit is \$23.7 million (\$2.4 million in HY12)**
- **Abacus¹ underlying profit \$42.4 million (\$39.8 million in HY12)**
- **Abacus underlying earnings per security² 9.59 cents (10.35 cents in HY12)**
- **HY13 distribution of 8.25 cents per security (8.25 cents in HY12)**
- **Abacus cashflow from operations of \$59.1 million**
- **Net tangible assets attributable to Abacus securityholders of \$2.30 per security**
- **Abacus gearing of 26.3%**

Abacus Managing Director, Dr Frank Wolf commented "We are pleased to deliver a strong underlying profit result of \$42.4 million for the six months to 31 December 2012. This is an increase of 7% on the corresponding period of HY12. A stable performance by all businesses and asset realisations during the period delivered robust cashflow from operations".

1 Abacus is the listed entity and excludes Abacus Hospitality Fund, Abacus Miller Street Fund and ADIF II which are consolidated under AASB10.

2 Underlying profit and earnings per security are a non-IFRS measure which Abacus uses to assess performance and distribution levels. They are calculated in accordance with AICD/Finsia principles.

Capital management

Abacus' balance sheet continues to be very strong. Gearing at 31 December 2012 remained low at 26.3%, well within our target gearing range. As a result, Abacus has circa \$190 million of acquisition capacity to use for accretive acquisitions. The Group's NTA has reduced slightly, mostly as a result of fair value movements. Abacus has no significant debt expiring until late 2014. The Group's weighted cost of funding during the period was 6.9%.

Mr Rob Baulderstone, Abacus Chief Financial Officer, noted "We are pleased with the continued strength of the Group's capital position. It is a major focus and is a result of our active and conservative management. The Group's acquisition capacity and its low cost of funding will enable Abacus to deliver on its strategies."

Operational review

As at 31 December 2012, Abacus' investment portfolio (both the commercial and storage portfolios) delivered an underlying EBITDA contribution of \$44.8 million. Investment assets total \$1.2 billion, following the sale of a number of properties during the period.

Commercial portfolio

- \$811 million of commercial properties
- Portfolio capitalisation rate³: 8.52%
- Occupancy³: 93.2%
- Like for like rental growth of 2.5%³
- Weighted average lease expiry (WALE) profile of 4.2 years³.

Abacus' commercial portfolio metrics have largely remained consistent with FY12; a robust result in a weakening economic environment. The portfolio is diversified across asset classes which are well located, largely along the eastern seaboard in major metropolitan areas. We believe this provides a level of security and stability to the portfolio's rental cashflows.

The high quality portfolio offers embedded long term capital and earnings growth that Abacus is focused on delivering. We will also focus on driving our third party strategy to leverage and expand our capital base to add to the \$750 million of high quality assets the group has acquired since 2009.

Storage portfolio

- \$364 million of storage assets
- Portfolio capitalisation rate: 9.2%
- Occupancy: 80.1%
- Rental gross rent: \$242 per m²

³ Excluding development assets

Business trading across the storage portfolio has remained stable over the period. The Victorian market has experienced some discounting affecting revenue growth. This has been offset by the New Zealand market that continues to deliver revenue growth of approximately 6%pa. Abacus continues to make progress on expanding and driving returns from existing sites where strong demand allows for low cost expansion. 3,000m² will be added to Riccarton, NZ site.

Property ventures business

The property ventures division generated \$14 million in underlying EBITDA during the period. A site at Lewisham, which was part of the RCL portfolio, was sold in August 2012 for \$48.5 million. Our residential development projects at Rosebery (Sydney, NSW) and Bay Street (Brighton, VIC) are being delivered ahead of schedule and remain on target for settlements during the calendar year ending 31 December 2013.

Funds management business

The funds management business contributed \$10 million in underlying EBITDA, generating a return of 7.8% on total funds invested across the platform. We remain committed to delivering on the strategies articulated for each of our funds. It was pleasing to note the improved RevPAR⁴ results across the two Cairns hotels in the hospitality fund with Esplanade and Tradewinds hotels reporting growth of 11% and 9% respectively from this time last year.

Outlook

Abacus has delivered a strong half year underlying result. Cashflow from operations continues to exceed underlying profits and distributions to securityholders.

We seek sensible long term opportunities that will drive earnings and capital growth. This will be facilitated by the growth of our third party strategy. We will also utilise our available gearing capacity on accretive acquisitions, delivering returns from our joint ventures and developments, improving the operating and core plus returns from the investment portfolio and the reinvestment of recovered funds management capital over time.

Dr Frank Wolf said "Our portfolio has significant capital growth opportunities that we intend to progress. We have access to liquidity and asset pipeline and our focus is to acquire opportunities which will underpin long term securityholder value. Since 2009 we have participated in over \$1 billion of acquisitions and sales and we believe these strategies will drive the Abacus' cash backed earnings and deliver strong returns to our securityholders over time."

Abacus is targeting a distribution of 16.5cps for FY13. We believe that Abacus offers investors a strong investment opportunity comprising a distribution yield that is one of the highest in the S&P/ASX AREIT 200 index and the potential of a high total return.

⁴ RevPAR is a performance metric in the hospitality industry that indicates the revenue per available room.

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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