
ASX ANNOUNCEMENT

Abacus Property Group 2012 Full Year Results

Key financial highlights

- The Group's consolidated AIFRS statutory profit after fair value charges of \$54.3 million relating to the swaps liability is \$8.5 million (\$28.6 million in FY11)
- For comparative purposes, if Abacus¹ had not adopted AASB10 then its statutory profit would have been \$24.5 million (\$17.4 million in FY11)
- Abacus underlying profit \$76.8 million (\$72.2 million in FY11)
- Abacus underlying earnings per security² 19.2 cents (19.4 cents in FY11)
- Abacus FY12 distribution of 16.5 cents per security (16.5 cents in FY11)
- Abacus cashflows from operations³ of \$79.6 million
- Net tangible assets (including fair value movements) attributable to Abacus securityholders of \$2.34 per security
- Gearing of 28.6%

These are the first full year results that account for the effect of the adoption of AASB10 by the Group. Comparison with prior period results needs to take into account the consolidation of the funds into the 30 June 2012 results both for the full year and the comparative period.

The Group's statutory profit for the twelve months to 30 June 2012 is down on the previous period substantially due to swap mark to market movements of \$54 million. Of this charge, \$35 million relates to Abacus' interest rate swaps liability, and the remaining \$19 million relates to the swap positions of the funds Abacus consolidates. These charges are non-cash and do not impact Abacus' distributions.

1 Abacus is the listed group and excludes Abacus Hospitality Fund, Abacus Diversified Income Fund II and Abacus Miller Street Fund.

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

3 Cashflow from operations of Abacus is \$70.9 million and profits of \$8.8 million from Epping Office Park included in investing activities cashflows.

Growing the business and positioning it for further asset and earnings growth

Abacus has a clear focus on growing its ownership of directly owned assets which will provide a strong platform to pursue growth opportunities, while also increasing and strengthening the Group's recurring earnings.

A highlight of the FY12 year was the successful merger of Abacus Property Group with Abacus Storage Fund. The merger locked in ownership of a high quality and strategically important \$330 million portfolio of self storage assets that should bolster the Group's recurring earnings.

Abacus made a number of important acquisitions during the year, further expanding its third party capital joint ventures. These acquisitions continue the focus on improving the quality of the Group's assets and their high quality recurring cashflows. Abacus' third party capital joint ventures now have over \$270 million of properties, including \$100 million of assets acquired post balance date. These joint ventures enable Abacus to accelerate growth and maximise returns.

The improvement in the investment property portfolio's quality and Abacus' liquidity was assisted with the sale of over \$100 million of lower yielding and capital intensive development assets and a further \$50 million of lower growth non-core assets. The combination of these sales has been successfully transacted above book value.

Abacus has also had successful realisations of assets via its property ventures business, both during and after the year, at above book value. These settlements have further contributed to liquidity and demonstrated the robustness of the Group's NTA. These transactions continue to illustrate the core plus potential of the balance sheet.

Operational review

The Abacus investment property portfolio (including the storage portfolio) delivered an EBITDA contribution of \$80 million. Direct property investments now total \$1.3 billion, including the newly merged storage portfolio.

Investment property portfolio

- \$909 million of investment properties⁴
- Portfolio⁴ capitalisation rate: 8.48%
- Occupancy⁴: 94.3%
- Like for like rental growth⁴ of 3.7%
- Weighted average lease expiry (WALE) profile⁴ of 4.2 years.

Abacus' portfolio metrics for its non-storage portfolio improved during FY12 with both occupancy, WALE and rental growth improving on FY11 to 94.3% from 92.1%, 4.2 years from 4.0 years and 3.7% from 3.2% respectively. The portfolio's transactions for the year have delivered value with the average yield of new assets of 8.6% outstripping the 6% yield on the sold assets.

Third party joint ventures now total over \$273 million, with a further \$300 million of asset acquisition potential under the Heitman JV. This business should have an increasing contribution to fee based income as retail funds management fees reduce over time.

⁴ Excluding the storage portfolio.

Storage portfolio

- \$359 million of storage assets
- Portfolio capitalisation rate: 9.18%
- Occupancy: 82.1%
- Rental gross rent: \$238 per m²

The storage portfolio has traded well over the year. Abacus aims to drive earnings through steady rental growth, low cost/value added opportunities inherent within the portfolio and opportunistic acquisitions. Consistent with this strategy the portfolio added approximately 5,000m² of lettable area during the period.

Property ventures business

A strong contribution of \$17 million in HY12 following the realisation of a number of projects helped the division to generate \$25 million in EBITDA for FY12. Projects focus on select residential and commercial development opportunities in core markets with experienced local joint venture partners. We have continued to de-risk the business during the year following strong cash inflows while those projects in sales or planning stages have registered strong pre-sales.

- Sale of Lewisham residential joint venture for \$48.5 million reducing the capital exposure over the remaining two RCL projects
- Current residential construction projects Rosebery (Sydney, NSW) and Bay Street (Brighton, VIC) have successful pre-sales programs

Funds management business

The funds management business contributed \$18 million to the Abacus's EBITDA. Abacus completed and implemented its strategic review of its unlisted retail funds management platform. The merger with the Abacus Storage Fund reduced assets under management to \$493 million and was a significant first step in the implementation of the strategic review of this business. Remaining fund strategies have been finalised and unitholder approvals obtained. Fund capital positions are stable with no financing obligations due in FY13 and allow for the steady realisation of the strategies for the funds.

Capital management

Abacus has its best balance sheet of recent times, with a better quality asset mix and via capital management initiatives delivering cheaper funding, longer maturities and better covenants. As at 30 June 2012, the Group had net assets of \$1,108 million. The movement in NTA is predominantly due to the impact of fair value swap movements. These movements should have no real impact to NTA over time as the swaps unwind.

Abacus has complimented its higher quality asset mix with low gearing, high liquidity and funding with a weighted maturity of over 3 years.

Abacus continues to have minimal debt maturities until FY15. Our undrawn aggregate capacity (across all facilities) is over \$223 million and available liquidity is in excess of \$100 million. Abacus gearing at 30 June 2012

remained low at 28.6%, well within our target gearing of 35%. In consolidating the joint venture and fund assets proportionally based upon Abacus' equity interest, look through gearing also remains low at 34.4%.

Outlook

Abacus has delivered a strong full year underlying result with contributions across all core businesses. Transactions continue to deliver core plus returns and further illustrate the value add potential of the balance sheet. The business is stronger and more resilient, and market conditions favour Abacus' core plus investment approach. We are well positioned to access opportunities and to grow the business.

Abacus' position of strength offers real capacity to reinvest into our growth strategies to acquire well, improve our assets and cashflows and generate sustainable distributions and higher total returns to our securityholders over the long term

Further information

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

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