



Abacus Group Holdings Limited
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Abacus Group Projects Limited
ACN 104 066 104
Abacus Funds Management Limited
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Abacus Property Services Pty Limited
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Abacus Storage Funds Management Limited
ACN 109 324 834
Abacus Storage Operations Limited
ACN 112 457 075

ASX ANNOUNCEMENT

Abacus Property Group 2014 Half Year Results

Results highlights

- The Group's consolidated AIFRS statutory profit is \$47.3 million up from \$23.7 million in HY13
- Abacus underlying profit¹ \$46.0 million, up 8.3%
- Abacus underlying earnings per security 9.83 cents, up 2.5%
- Abacus HY14 distribution of 8.25 cents per security in line with HY13
- Net tangible assets (*NTA*) of \$2.34 per security, up 1.7%
- Gearing of 27.2%
- \$75 million raised through an institutional placement in November 2013
- Capital management initiatives provide up to \$220 million of acquisition capacity
- Commercial portfolio occupancy rises to 94.2%
- Commercial portfolio rent growth² of 3.6%

Abacus Managing Director, Dr Frank Wolf, commented: "We are pleased to have delivered another strong interim result. We have continued to demonstrate consistent growth in our underlying profit. Growth in earnings across our commercial and storage assets and development projects have helped deliver a 2.5% improvement to earnings per security. Group *NTA* continues its positive improvement, highlighting the continued strength of the business".

¹ Underlying profit and earnings per security are non-AIFRS measures that the Group uses to assess performance and distribution levels. They are calculated in accordance with the AICD/Finsia principles.

² Like for like properties excluding those assets classified as development, on a half year annualised basis

Capital management

Abacus' balance sheet continues to be strong with gearing remaining low at 27.2%, well within our target gearing limit of 35%. Abacus raised \$75 million in capital from institutional securityholders in November 2013 to provide available liquidity. We have capacity to acquire up to \$220 million of property. There are no significant debt expiries until HY15 and our average debt term to maturity is over 2.3 years³.

Mr Rob Baulderstone, Abacus Chief Financial Officer, noted "Our balance sheet is in a strong capital position as we remain focused on maintaining good levels of liquidity and gearing. This provides the Group with significant ability to add to our investment portfolio through acquisitions. We expect that the Group's weighted average interest rate will remain stable in the near term as we utilise the available capacity".

Segment review

Property

- 97 investment properties valued at \$1.33 billion
- Revaluation gains of \$3.5 million across the portfolio
- Bought \$107.5 million of properties during the period and sold \$79.6 million.

Commercial portfolio

- \$42.7 million EBITDA contribution for the six month period to 31 December 2013
- 48 commercial properties valued at \$933 million
- Portfolio capitalisation rate⁴: 8.54%
- Occupancy⁴: 94.2%
- Like for like rental growth of 3.6%⁴
- Weighted average lease expiry (WALE) profile of 4.1 years⁴.

Abacus' commercial portfolio metrics remain consistent with recent prior periods, illustrating the Group's ability to successfully manage our assets despite a weak economic and leasing environment. Portfolio occupancy and WALE has improved despite the impact of sales and acquisitions during the period. Pleasingly we have improved our like for like rental growth to 3.6%. We are focused on tenant retention, dealing with vacancies and maintaining revenue and cashflow.

The portfolio is diversified across asset classes that are well located, largely along the eastern seaboard in major metropolitan areas. While some geographic areas are challenging, we nevertheless believe the geographic diversification provides a level of security and stability to the portfolio's income and cashflows.

Storage portfolio

- \$12.7 million EBITDA contribution for the six month period to 31 December 2013
- 49 storage facilities valued at \$395 million
- Portfolio capitalisation rate: 9.1%

³ Includes the extension of the \$200 million storage facility for 5 years that was finalised in February 2014.

⁴ Excluding development assets.

- Occupancy: 84.1%
- Gross rental: \$251 per m².

Business trading across the portfolio improved, delivering revenue growth of 6.7% for the period over the prior corresponding period. This was largely driven by improved occupancy and increases in average rent across the portfolio. New acquisitions and added net lettable area (NLA) through expansion programs will also contribute to future revenue growth.

Abacus is a dominant owner and manager of storage facilities within the Australasian market. Our 49 owned facilities are positioned on 413,000m² of land and provide 230,000m² of NLA, which makes us the second largest owner in the sector. Abacus has been in the sector almost 10 years and our facilities are operated by Storage King, one of the best operators in Australia. Storage King has been operating since 1998. We understand the sector and believe that it offers promising investment returns in the future.

Property Ventures

The Property Ventures division generated \$12.1 million in EBITDA, a slight reduction from the previous year's result. Construction of our Bay Street project was completed prior to half year end with settlement of 36 of 93 units and the Coles retail space. The project contributed \$4 million to division profits with final profits due by June 2014. To date, three units remain to be settled. A number of other projects have been progressed during the period with outcomes anticipated over the next 12 months.

Funds Management

The funds management business generated a contribution of \$7.5 million for the year providing a return of 8.2% on total funds invested across the platform. This was slightly below the prior period result of \$10 million, which is consistent with the reduction of assets under management. The remaining unlisted retail funds are all consolidated into the Group's balance sheet, which requires our fund investments to be recognised as if the funds were liquidated at today's valuations. We have also reflected the impact of all potential liabilities under our guarantee obligations in our balance sheet. We continue to manage these funds to optimise the returns to unitholders.

Outlook

Abacus has delivered another strong result, illustrating the consistency and deliverability of the Abacus business. Pleasingly we have provided growth in underlying profit, earnings per security and NTA. We have a strong balance sheet with significant acquisition capacity which we believe will be utilised over the near term. Our growth strategies will continue to utilise our third party capital relationships as opportunities arise.

Our existing assets continue to show promise as we focus on revenue and cashflows while driving our core plus strategies across our investment and property ventures portfolios. Our property ventures division has successfully added to its pipeline with a number of new projects as we anticipate a number of projects will be realised over the near to medium term.

Frank Wolf said: "Our portfolio of assets and projects continues to perform well in the environment. Portfolio occupancy and like for like rental growth have shown improvements despite the sale of a number of strong assets. Our largest retail assets, Ashfield Mall and Birkenhead Point, continue to drive strong MAT growth despite the difficult retail environment. Opportunities will present themselves to grow the business further and I'm confident of a positive FY14".

Abacus is targeting a distribution of 16.75 cps for FY14, a 1.5% increase to FY13.

Further information

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

26 February 2014

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