Abacus Group Holdings Limited
ACN 080 604 619
Abacus Group Projects Limited
ACN 104 066 104
Abacus Funds Management Limited
ACN 007 415 590
Abacus Property Services Pty Limited
ACN 050 739 001
Abacus Storage Funds Management Limited
ACN 109 324 834
Abacus Storage Operations Limited
ACN 112 457 075

ASX ANNOUNCEMENT

Abacus Property Group - 2017 Full Year Results

Results highlights

- The Group's[1] consolidated AIFRS statutory profit is $285.1 million up 53% from $185.9 million in FY16
- Abacus underlying profit[2] was $186.8 million, up 51% from FY16 underlying profit of $124.0 million
- 46% improvement in Abacus underlying earnings[2] per security to 32.7 cents from 22.4 cents in FY16
- Abacus FY17 distribution per security up 3% to 17.5 cents
- Distribution payout ratio - 53.5% of underlying profit
- Net tangible assets (*NTA*) of $3.02 per security, up 13.5%
- Group gearing conservative at 20.5%
- Added over $55 million to the self-storage portfolio in the period and delivered RevPAM[3] growth of 3.1% for the period
- Realised over $170 million in cash from residential developments
- Over $200 million of commercial assets added to the portfolio.

Abacus Managing Director, Dr Frank Wolf, commented "The business has delivered record profits in FY17 with contributions from all parts of the business. The results validate our diversified core plus strategy that we have rigorously stuck to and championed over the years. This strategy provides resilience to earnings and has seen us grow recurring earnings whilst delivering strong profits from transactional activities to boost overall underlying profits. This enables us to provide our securityholders with a stable and growing distribution backed by recurring earnings while also expanding the balance sheet to drive future growth."

Capital management

The Abacus balance sheet has seen a further strengthening in its capital position at balance date with gearing reduced to 20.5%. Realisations across the property investment and development businesses during the year have increased the Group's available liquidity and provide ample capacity for acquisition or organic growth

1 The Group consists of the merged Abacus Property Group, Abacus Hospitality Fund, Abacus Wodonga Land Fund and ADIF II.
2 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.
3 RevPAM: Revenue per available square metre. This metric excludes assets in lease up and assumes a steady FX rate of NZ/AUD$1.0500.

opportunities. The $295 million of liquidity also allows for capital management initiatives to be considered if appropriate.

Mr Rob Baulderstone, Abacus Chief Financial Officer, noted "Our balance sheet continues to maintain good levels of liquidity and gearing, with capacity to add to our commercial and self-storage portfolios in line with our stated strategy for growing our recurring earnings base to fund distribution growth to our securityholders."

Segment review

Property investment

- 99 properties (commercial and self-storage) valued at $1.83 billion
- Revaluation gains of $74.8 million across the portfolios

Commercial portfolio

- $133.7 million underlying EBITDA contribution
- 34 commercial properties valued at $1.2 billion
- Portfolio capitalisation rate: 6.7%
- Occupancy[4]: 90.5%
- Like for like rental growth of 2.7%[4]
- Weighted average lease expiry (*WALE*) profile of 4.1 years[4].

The commercial portfolio achieved strong returns by growing assets and revenue during the period. The commercial portfolio delivered a 2.0 times increase in underlying EBITDA in FY17 driven by both increased rental income from existing and new assets and $50 million of profits from asset sales. The commercial portfolio has added seven assets valued at over $200 million since 30 June 2016 while also achieving revaluation gains of $48.2 million. This helped increase the portfolio's total assets to over $1.2 billion across 34 properties notwithstanding the sale of four commercial assets during the year for over $160 million.

Despite the portfolio metrics sensitivity to asset remixing that occurs as a result of our core plus value add strategy, occupancy, WALE and like for like rental growth levels were largely preserved during the period. Where vacancy and low leasing expiry levels are present, it will deliver opportunities to further grow recurring earnings levels as leasing strategies across the office and industrial sectors take advantage of current market conditions. The retail portfolio is now showing the returns of its redevelopment and refurbishment program with increases to occupancy, WALE and rental growth.

As mentioned, the portfolio saw the sale and acquisition of a number of assets during the year. Sales included Browns Road, an industrial asset in Clayton, Victoria and our share in the World Trade Centre office asset in Melbourne. These assets were replaced by acquisitions during the period which included a 50% interest in 324 Queen Street for $66 million and a 67% interest in 444 Queen Street for $24 million; both office assets are located in Brisbane. Acquisitions also included a 50% interest in Westpac House, Adelaide.

Abacus' third party capital joint ventures are an integral strategic investment platform for the Group. Abacus expanded the platform further during the year with a number of new joint ventures with new investment partners. Abacus currently has third party partnerships that have invested in over $1.3 billion of properties. As

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4 Excluding development assets.

the business has evolved across changing market cycles we continue to adjust our product offering to meet the needs of our investment partners, including entering into property management mandate opportunities when requested.

Self-storage portfolio

- $43.7 million underlying EBITDA contribution
- 65 self-storage assets valued at $629 million
- Portfolio capitalisation rate: 7.7%
- Occupancy[5]: 89.2%
- Average rental pa[5]: $262 per m^2
- RevPAM[5]: up 3.1% to $234 per m^2.

Business trading across the enlarged portfolio continues to improve, delivering rental growth of 13.6% for the period over the prior corresponding period. This drove underlying EBITDA growth of 14.2% to $43.7 million. Recent portfolio additions, increases in occupancy across the established portfolio[5] to 89.2% and the average rent to $262 per m^2 contributed to the improved result. This led to a strong improvement in revenue per available square metre (RevPAM) which grew 3.1% to $234 per m^2 over the year.

We continue to add to the portfolio through acquisitions. Four new assets were added for $22.0 million, adding a further 4.1% or 12,000m^2 of net lettable area (*NLA*) taking portfolio NLA to 302,000m^2. Two established facilities were acquired in strong catchments at Hume (ACT) and Ingleburn (NSW). The remaining two assets have conversion potential and we have already started the process to deliver c.5,000m^2 of NLA at Frenchs Forest (NSW) in FY18.

We continue to target conversion opportunities in metropolitan areas on Australia's eastern seaboard that will deliver higher average rental rates than the current portfolio average. We currently have 5 non-storage assets with conversion potential of c.16,000m^2 of NLA. We remain committed to growing our portfolio of self-storage assets in line with our stated strategy to enhance the Group's recurring earnings. We will always invest prudently in accordance with our investment return criteria.

Property developments

The property developments business generated an underlying EBITDA result of $55.0 million for the period. This was slightly down on last year's result due to lower contribution from finance income as projects are realised and loans are repaid. This is a strong result in light of the record FY16 result. Total assets amount to $448 million, a $51 million reduction during the period from the FY16 balance. This reflects a $135 million reduction from capital and interest repayments received during the period which was offset by additional interest accruals and drawdowns on new and existing loans. Additional drawdowns were heavily weighted to existing residential construction projects being Ashfield Central and One A in Sydney, NSW and Luminary in Hawthorn, VIC.

Project realisations and the receipt of interest payments during the period delivered over $170 million of cash to the business and was in excess of our projected target of $125 million in FY17. The developments business comprises c.9,500 units or land lots which equates to a cost base of c.$47,000 per unit/land lot. This provides comfort that the Group's exposure to residential markets, where almost 90% of units/land lots or 77% of invested capital are exposed to the Sydney market, should continue to deliver strong returns in the future.

5 Excluding assets awaiting conversion or newly converted assets in lease up.

Abacus successfully delivered the sale or completion of a number of residential projects providing over $30 million of equity profits in addition to all interest accruals that were earned throughout the projects. These successful projects were located in all major residential markets throughout the Eastern seaboard of Australia including Melbourne, Sydney, Brisbane and Canberra.

Residential development projects under construction and planned for completion in FY18 are progressing well. The Eminence in Carlton, VIC has completed and we are progressing settlements successfully without any terminations to date. Ivy and Eve in Brisbane and Erskineville in Sydney are anticipated to complete as expected over the year and we have been working with purchasers in preparation for settlement for some time.

We continue to work with all stakeholders to progress our rezoning approval at Camellia. We are awaiting responses from RMS and TfNSW on our submissions following their request for additional traffic studies. Meanwhile the NSW state government has green lit the Parramatta to Carlingford light rail service with an announced rail stop to be built adjacent to our Camellia site.

The development of the 15ha first stage at the Riverlands land sub-division project is progressing well with a development application submitted recently with the ultimate aim of achieving approval for c.422 lots in the near future for duplex housing.

Outlook

We are very proud of our record results for this financial year. While the financial results are strong we are also proud of delivering so successfully via our diversified core plus strategy. This continues to highlight our ability to grow returns across our business as we move through the differing cycles of each business sector.

The business outlook remains positive with expected growth in our recurring earnings base which provides scope to deliver on our stated distribution policy to grow distributions per security at c.2-3%pa for securityholders. We see our distribution growth as sustainable and stable despite any fluctuations in earnings per security due to higher or lower levels of transactional profits.

The balance sheet is on track to grow over the coming years, as our investment strategies increase investment allocated to self storage and investment properties as we expect the completion and realisation of our residential development projects. We will look to enhance our investment capacity utilising our third party capital platform.

Abacus is targeting a distribution of 18.0 cps for FY18, a 3% increase on FY17 distributions per security and at the high end of our stated distribution growth target.

Abacus Managing Director, Dr Frank Wolf, commented "The results speak for themselves. We are comfortable with our expectations to grow recurring earnings during the year from acquisition and organic opportunities within our portfolios. We have had a strong year for profits from transactional activity but the balance sheet and pipeline for transactions remains robust for FY18. We are excited to see what we can achieve this year".

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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Investor enquiries
Neil Summerfield
Head of Investor Relations
(+61) 2 9253 8640
www.abacusproperty.com.au

About Abacus
Abacus Property Group is a diversified property group that specialises in investing in core plus property opportunities across Australia's commercial property markets. Abacus was established in 1996 and listed on the ASX in November 2002. Abacus has achieved a successful track record of acquiring property based assets and actively managing those assets to enhance income and capital growth. Abacus has a market capitalisation of over $1.9bn.