ASX ANNOUNCEMENT

Abacus Property Group

2018 Half Year Results

Results highlights

- The Group[1] delivered an AIFRS statutory profit of $117.5 million in HY18
- Abacus underlying profit[2] was $77.3 million, up 11%
- 10% improvement in Abacus underlying earnings[2] per security to 13.4 cents
- Abacus HY18 distribution per security up 3% to 9.0 cents
- Distribution payout ratio of 67.2% of underlying profit
- Net tangible assets (*NTA*) of $3.13 per security, up 4%
- Continue to enhance overall portfolio quality with over $200 million of office assets added to the commercial portfolio delivering stable cashflows to drive recurring earnings
- $26.7 million of value added to the self-storage portfolio reflecting its enhanced city metropolitan footprint
- Self-storage portfolio delivered RevPAM[3] growth of 3.3% for the 6 month period
- Realised $88 million in cash from residential developments
- Group gearing at 21.3%

Abacus Managing Director, Dr Frank Wolf, commented "The business has continued to deliver strong results with another record result in HY18. We are pleased to recognise the robust contribution from all parts of the business, further validating our core plus diversified business. We have had impressive performances across our third party partnerships and continue to see solid returns from our developments business. Recent acquisitions to our investment portfolio will drive recurring earnings to support our continued growth in distributions to securityholders."

1 The Group consists of Abacus Property Group, Abacus Hospitality Fund and Abacus Wodonga Land Fund
2 Underlying profit and earnings per security are non-AIFRS measures that Abacus uses to assess performance and distribution levels. They are calculated in accordance with the AICD/Finsia principles.
3 RevPAM: Revenue per available square metre.

Segment review

1. Property Investments

- 101 properties valued at $1.93 billion
- Revaluation gains of $41.6 million across the portfolios

A. Commercial portfolio

- $55.0 million underlying EBITDA contribution up 3.8%
- 34 commercial properties valued at $1.275 billion
- Portfolio capitalisation rate: 6.95%
- Occupancy[4]: 90.4%
- Like for like rental growth of 1.9%[4]
- Weighted average lease expiry (WALE) profile of 4.1 years[4].

The commercial portfolio achieved strong returns by growing assets and revenue. Two properties valued at c.$56 million were acquired during the period with a further $144 million of acquisitions post balance date. These helped increase the portfolio's total assets to almost $1.3 billion across 34 properties. Underlying EBITDA increased 3.8% to $55 million largely driven by increased fee income from our third party capital platform.

Strong re-leasing activity across the industrial portfolio delivered 9.0% like for like rental growth. We continued to see the benefits of our redevelopment and refurbishment program across our retail portfolio with increases to occupancy and rental growth.

We believe in the near term, opportunities exist in the city fringe markets and in the super convenience based retail centres. We have acquired office assets in Abbotsford and Port Melbourne in Melbourne and Alexandria in Sydney. These properties provide solid, stable cashflows largely backed by high quality tenants in areas with low upcoming supply or areas of gentrification that will drive future rental growth and capital value over the long term. In retail, our main focus is the completion of the reconfiguration of Lutwyche City, Bacchus Marsh and Oasis shopping centres and the master planning for the bespoke enhancements of Ashfield Mall in Sydney.

B. Self-storage portfolio

- $23.4 million underlying EBITDA contribution up 7.4%
- 67 self-storage assets valued at $656 million
- Portfolio capitalisation rate: 7.6%
- Occupancy[5]: 88.3%
- Average rental pa[5]: $271 per sqm
- RevPAM[5]: up 3.3% to $239 per sqm

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

The self-storage portfolio continues to benefit from revenue growth and efficient and effective management. Trading across the portfolio continues to improve, delivering revenue growth of 7.4% for the period over the prior corresponding period. This drove underlying EBITDA growth of 7.4% to $23.4 million. Occupancy levels remain high at over 88% across the portfolio which helped support strong rental rate growth of 4.4% for the period. This led to another strong improvement in revenue per available square metre (RevPAM) of 3.3% to $239 per sqm over the six month period to 31 December 2017 and implies an annualised growth rate of over 6%.

We remain committed to a growth strategy in this sector. Growth has largely been through the acquisition of established facilities historically and while we continue to source established facilities we remain cautious of current market pricing. We anticipate future growth to occur through development opportunities via conversion of non self-storage assets into brand new self-storage facilities and through organic expansion of existing facilities. We remain committed to seeking assets in major metropolitan locations where facilities can generate rental rates in excess of the portfolio's average rental rate.

We added two new assets during the period that have conversion potential which we believe will deliver c.10,000 sqm of NLA. We now have 5 assets in various stages of planning and development with potential for c.26,000 sqm of NLA.

2. Developments

The developments division generated an underlying EBITDA result of $28.1 million for the period. This was a 14.9% increase on HY17's result attributable to increased returns from completed development projects. Total assets amount to $443.8 million a net $4.5 million reduction during the period. $82 million of capital and interest repayments were received during the period which was offset by additional interest accruals and drawdowns, mainly for Ashfield Central in Sydney which has increased external construction funding as it nears completion.

Project realisations and the receipt of interest payments during the period delivered over $88 million of cash to the business. The Abacus developments portfolio comprises over 8,000 units or land lots which equates to a cost base of c$56,000 per unit/land lot. This provides comfort that Abacus' exposure to residential apartment and land markets, where almost 90% is exposed to the Sydney market, is well protected and is on track to deliver returns in the future.

The development pipeline is skewed to the second half of FY18 with the FY18 pipeline due to complete over the next six to twelve months. We anticipate our two Sydney residential developments in Ashfield and Erskineville, with a total of 276 units, to commence settlements in May and June 2018 and whilst the substantive number of settlements will occur prior to financial year end we anticipate a small number of settlements will occur in early FY19. The Merivale project in South Brisbane is nearing completion with the IVY tower already completed and settlements commenced in late January with c.65% of settlements achieved to date. Settlements for EVE tower are anticipated to commence in mid-February and we anticipate the substantive number of settlements from both towers to complete prior to financial year end.

Earlier this week, Parramatta City Council (PCC) voted on our Camellia planning proposal in favour of the proposed 5.3:1 floor space ratio (FSR) that was previously endorsed by the Department of Planning & Environment (DP&E) as part of the current gateway determination. PCC determined to forward the planning proposal to the DP&E to finalise the site's rezoning to residential. We note that the DP&E have recently released its Draft Camellia Town Centre master plan[6] and we will now begin negotiations with the DP&E to finalise the density on this site. We are optimistic that Camellia will be realised in FY19 but to maximise outcomes for securityholders we recognise the complexity of the process with Government.

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6 http://planspolicies.planning.nsw.gov.au/index.pl?action=view_job&job_id=9087

Outlook

We have started the financial year well with solid performance across all businesses, delivering a record first half underlying profit. The business outlook for the remainder of the financial year is positive with the expectation of improving recurring earnings and delivering 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.

The Abacus balance sheet is conservatively geared with substantial acquisition and investment capacity. We remain committed to our investment strategies to increase allocations to self-storage and commercial properties. We anticipate our liquidity balances to remain robust as we see our CY18 residential development projects realised.

With a 67% payout ratio, Abacus reaffirms its targeted distribution of 18.0 cps for FY18.

In evaluating our expected FY18 underlying profit, and assessing the quality and sustainability of our earnings, we are confident that irrespective of the timing or quantum of Camellia or any of the other major land bank projects, our H218 result will be at least comparable with our H118 result.

Abacus Managing Director, Dr Frank Wolf, commented "I'm very pleased to be again delivering a record profit to securityholders. As Steven and I transition roles over the remainder of this financial year, I remain convinced in our value proposition via our diversified core plus strategy".

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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16 February 2018

Investor enquiries

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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 $2.0bn.