Cromwell PROPERTY GROUP

CROMWELL DELIVERS STRONG FIRST HALF EARNINGS

HIGHLIGHTS

- First Half Operating Earnings of $32.9 million or 3.7 cps
- Distributions of 3.5 cps
- Near term debt expiries refinanced with no maturities until FY14[1]
- On track to achieve minimum FY11 EPS of 7.0 cps, assuming no transactional income
- $330 million growth in asset base underpinned by acquisition of three properties
- Heads of agreement to expand Qantas Headquarters and increase lease term[2]

Cromwell Property Group (ASX:CMW) is on track to achieve full year earnings of at least 7.0 cps after reporting a first half result that was underpinned by recurring income from its portfolio of investment properties.

The Group reported first half operating earnings of $32.9 million or 3.7 cents per security, in line with guidance. The result was based largely on recurring property income, with only $250,000 in net transaction income earned during the half, compared to $2.95 million for the same period the previous year.

Cromwell Property Group CEO Paul Weightman said FY2011 had been a period of consolidation as the Group steadily worked to improve the quality of its investment property portfolio by acquiring premium assets and selling smaller properties.

“During this period we have pursued a strategy of rebalancing our property portfolio towards assets with long lease profiles, which we believe will offer the highest risk-weighted return whilst improving the value of those assets through development and refurbishment,” Mr Weightman said.

“The reward for this hard work can be seen in our exceptional leasing profile. We have an average of just 5.4 per cent leasing expiry in each of the next five years and one of the longest weighted-average lease terms in the sector.”

Property Revaluations and NTA

Cromwell completed valuations on 13 assets during the half, resulting in a decrease of $4.7 million or 0.3% at 31 December 2010.

The Group’s NTA per security at 31 December 2010 was $0.70, down slightly from $0.71 cents at 30 June 2010. Its weighted average capitalisation rate (WACR) improved to 8.31 per cent at 31 December 2010, from 8.61 per cent at 30 June 2010, due partly to improved asset quality

[1] Reflects expected debt maturity based on agreed credit approved terms. Loan facilities subject to final documentation and conditions precedent.
[2] Agreement is subject to certain conditions including finalisation of scope and costs for refurbishment and expansion of the property.

Cromwell Property Group (ASX:CMW)
Cromwell Corporation Limited ABN 44 001 056 980
Cromwell Property Securities Limited ABN 11 079 147 809 AFSL 238052
as responsible entity for Cromwell Diversified Property Trust ABN 30 074 537 051 ARSN 102 982 598

Level 19, 200 Mary Street, GPO Box 1093, Brisbane QLD 4001
Phone +61 7 3225 7777 | Fax +61 7 3225 7788 | Email cromwell@cromwell.com.au | www.cromwell.com.au

from recent acquisitions. The portfolio's weighted average lease term (WALT) increased to 6.0 years from 4.9 years over the same period.

During the half, the Group achieved a significant improvement in its portfolio quality through the acquisition of 321 Exhibition Street, VIC for $90 million, the remaining one third of the TGA Complex, ACT, for $25 million and the Qantas Headquarters in Mascot, NSW for approximately $143 million.

The Qantas Headquarters acquisition, which was settled in August, also provided an additional weighting to the promising Sydney office market. Since balance date, Cromwell has agreed terms with Qantas for an extension of the lease term from 10 years to 22 years and an expansion and refurbishment of the property, to take place over the next 2-3 years. Details and costs of the expansion are expected to be finalised in coming months and, if finalised, would increase the Group's WALT to 7 years, one of the longest in the REIT sector.

In line with its strategy to divest smaller non-core assets, the Group also sold the Village Cinema Centre in Hobart, Tasmania, for $15.9 million during the half-year. Since balance date Cromwell has also sold its only Western Australian asset, at 78 Mallard Way, Cannington, for $8.6 million and the Scrivener Building, at 27 Thynne Street, Bruce ACT, for $9.5 million.

The Group also achieved significant leasing success during the half-year, reaching agreement with Origin Energy to commit to 100 per cent of the office space at 321 Exhibition Street in Melbourne, retaining anchor tenant Reed Elsevier at the 475-501 Victoria Avenue office complex in Sydney and leasing the Hoppers Crossing distribution centre in Melbourne to the Woolworths/Lowes joint venture.

Funds Management

During the first half of 2011, Cromwell actively sought to grow its funds management business, first entering exclusive due diligence to acquire Orchard Fund Management and then, more recently, exclusive due diligence on the Centro MCS direct property syndicate funds management business.

In the case of Orchard, Cromwell withdrew its offer in July after key financiers of Orchard refused to accept proposals with regard to term, interest rate margins, and loan to valuation ratio convents that Cromwell believed could have enabled it to manage the funds appropriately.

The Centro negotiations ceased after the balance date when Centro Properties Group was unable to obtain approval from its head stock lenders for the proposed sale.

Cromwell CEO Paul Weightman said the intensive negotiations had reflected Cromwell's determination to thoroughly examine all opportunities while diligently protecting the interests of Cromwell investors.

"We are disappointed that neither of these acquisitions proceeded as we believe we could have made a significant difference to the interests of investors in syndicates managed by both businesses," Mr Weightman said.

"We believe both businesses represented significant opportunities for the Group and we will continue to look for complementary businesses, but will only proceed if we are confident a transaction will bring benefits to Cromwell securityholders."

Mr Weightman said Cromwell's focus would remain on simple property products with stable, long-term cash flows. He said Cromwell had the capability, experience and platform to continue to grow its funds management business organically through the acquisition and syndication of individual properties.

Capital Management

Cromwell enjoys a strong debt profile with credit approved terms now agreed for all FY11 and FY12 maturities. On completion of the refinances, which are subject to documentation and conditions precedent, the Group expects to have a pro-forma weighted average debt maturity of 3.3 years, with no maturities until FY14.

During the period Cromwell also completed a placement and rights issue of more than $75 million to help fund the acquisition of the Qantas Headquarters.

"We will continue to pursue our prudent approach to capital management, recycling existing capital into quality properties and raising new capital only at a price which we believe reflects the underlying value of our assets," Mr Weightman said.

Strategy and Outlook

Mr Weightman said the Group's focus would remain on identifying and acquiring Australian assets with long lease profiles and quality tenants.

The Group remained well placed to deliver solid earnings in FY11 through continued strong underlying property earnings, possibly supplemented by improving contributions from its funds management business.

The Group gave guidance for FY11 operating earnings of a minimum of 7.0cps, after factoring in the cost of the early debt refinance and assuming no transactional income. Distributions per security will be retained at 7.0 cps per annum and will continue to be paid quarterly.

"Looking forward, we intend to maintain our disciplined approach to growth in the second half, working to maximise the quality of our portfolio through acquisitions and refurbishment of existing assets," Mr Weightman said.

"We are well placed to deliver solid earnings in growth in FY12 through continued strong underlying property earnings. We will aim to supplement those earnings by organic growth in our funds management business, while also remaining alert to any potential acquisitions that could bolster our funds management business."

ENDS.

Media Enquiries:
Paul Weightman
Managing Director/CEO
0411 111 028
pweightman@cromwell.com.au

Cromwell Securityholder Enquiries:
Investor Services Centre
1800 334 533 (within Australia)
+61 7 3225 7777 (outside Australia)
invest@cromwell.com.au