

Cromwell announces equity raising and \$186m acquisition

Acquisition Summary

- Acquisition of 'HQ North' office tower in Fortitude Valley, Brisbane for \$186 million (Acquisition)
- HQ North is a new asset with high quality covenants and long WALT¹, consistent with strategy

Equity Raising Summary

The equity raising, to partly fund the Acquisition, comprises a placement and partially underwritten entitlement offer of new stapled securities (New Securities) to raise up to \$145.4 million

- \$31 million placement, at \$0.68 per New Security, to Redefine Properties Limited² (Placement)
- 1 for 6 non-renounceable pro-rata entitlement offer to raise up to \$114.4 million at \$0.68 per New Security (Entitlement Offer)
- Entitlement Offer partly underwritten by Redefine International PLC² up to \$35 million (Underwriting)

Cromwell also has the right, in July 2012, to call on Redefine Properties Limited to subscribe for a further \$11.5 million worth of stapled securities at \$0.68 per security

Debt Facilities Summary

New debt facilities negotiated³ to partly fund Acquisition and provide equity raising flexibility

- New 3 year facility of up to \$102.3 million negotiated in relation to the Acquisition on similar terms to other Cromwell facilities
- Additional tranche of up to \$27.9 million available for 18 month term if required

Financial Impact Summary

- Expected to be neutral for FY12 earnings, with EPS and DPS guidance maintained at 7.3 cents and 7.0 cents respectively
- Pro forma NTA⁴ decrease from \$0.73 to \$0.71 per security due to Acquisition transaction costs
- Pro forma gearing⁴ of 46% - 50%, compared to 49% at June 2011

¹ Weighted average lease term. Unless defined in this announcement, capitalised terms have the meanings given to them in the Acquisition presentation released to ASX by Cromwell today (Presentation).

² Redefine Properties Limited is a South African based, JSE listed company that is a related party of Redefine International PLC, the holding company of Redefine Australian Investments Limited, which is an existing substantial securityholder in Cromwell Property Group. Before the Equity Raising, Redefine Properties Limited and Redefine International PLC did not hold Cromwell Property Group stapled securities.

³ New debt facilities are credit approved but remain subject to agreement and execution of full documentation.

⁴ In this announcement, all pro forma financial data gives effect to the pro forma adjustments listed on slide 22 of the Presentation as though they had occurred on 30 June 2011 and gearing is defined as (total borrowings less cash) / (total tangible assets less cash). The lower end of the gearing range is based on a fully subscribed Entitlement Offer, while the upper end assumes the receipt of only the minimum amount committed by Redefine Properties Limited (including the proceeds of the option) and Redefine International PLC.

Transaction Announcement

Cromwell Property Group (ASX code: CMW) today announced a Placement of New Securities to raise \$31 million and an Entitlement Offer to raise up to \$114.4 million, for a combined total of approximately \$145.4 million (together the Placement and Entitlement Offer comprise the Offer).

The Offer will be conducted at a price of \$0.68 per New Security (Issue Price) and the Entitlement Offer is underwritten by Redefine International PLC up to \$35 million.

The net proceeds, after payment of costs, of the Placement and the underwritten portion of the Entitlement Offer will be used to partially fund the acquisition of the 'HQ North' office tower in Fortitude Valley, Brisbane. Any net proceeds of the Entitlement Offer in excess of the underwritten amount will be used for this purpose (with a lower amount of debt funding used) and to provide working capital. Should Cromwell exercise the Redefine Properties Limited option in July 2012, the proceeds of this exercise will be used to provide working capital.

Cromwell CEO, Paul Weightman said, "Consistent with Cromwell's strategy, the asset is high quality with a long weighted average lease term. The Acquisition also allows Cromwell to increase its weighting to the supply-constrained Brisbane office market at an attractive point in the valuation cycle."

The Acquisition

The Acquisition involves the purchase by Cromwell of the recently completed 'HQ North' office tower in Fortitude Valley, Brisbane from a wholly owned subsidiary of ASX listed contract engineering and construction company Leighton Holdings Limited (ASX: LEI) (Leighton) for \$186 million.

The HQ North asset is expected to enhance Cromwell's existing portfolio quality and will provide additional weighting to the Brisbane office market, an area in which Cromwell believes there is significant growth potential over the medium term.

Further information in relation to the Acquisition, the funding of the Acquisition and the effect that these matters and the Offer will have on Cromwell's financial position and performance can be found in the presentation given to ASX by Cromwell today.

Details of the Offer

Cromwell is undertaking a Placement and a partially underwritten Entitlement Offer. The combined Offer will raise up to \$145.4 million by way of a:

- Placement: a placement to Redefine Properties Limited of 45,588,235 fully paid New Securities at the Issue Price raising \$31 million
- Entitlement Offer: a 1 for 6 non-renounceable pro-rata offer to existing stapled securityholders of New Securities at the Issue Price to raise approximately \$114.4 million. The Entitlement Offer is underwritten by Redefine International PLC up to \$35 million.⁵

The Issue Price represents a 2.6% premium to the 5-day volume weighted average price of existing Cromwell stapled securities on ASX between 14 November and 18 November 2011 of \$0.663.

⁵ For further details regarding the underwriting arrangements, see the Entitlement Offer booklet given to ASX today.

New Securities issued under the Offer will rank equally with existing Cromwell stapled securities except that they will have only a pro rata entitlement to the December 2011 quarterly distribution from the date of allotment.

The Placement is expected to settle on 16 December 2011. Accordingly, the New Securities issued to Redefine Properties Limited under the Placement will not be entitled to participate in the Entitlement Offer.

Eligible securityholders who hold existing Cromwell stapled securities at the record date of 7.00pm 30 November 2011 (Record Date) will be entitled to participate in the Entitlement Offer. They will be entitled to apply for 1 New Security for every 6 existing Cromwell stapled securities at the Record Date. Securityholders may also apply for New Securities in excess of their entitlement (Additional New Securities).

The Entitlement Offer is non-renounceable and rights will not be tradeable on ASX or otherwise transferable. Eligible securityholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect of those entitlements that they do not take up.

Following the Placement the Redefine Group⁶ will hold approximately 25.1% in Cromwell Property Group. The extent of the Redefine Group's holding after the Entitlement Offer will depend upon the extent to which other securityholders exercise their rights. If no other securityholders participate in the Entitlement Offer, the relevant interest of the Redefine Group will increase to approximately 28.6%.

Securityholders eligible to participate in the Entitlement Offer will receive information shortly.

Financial impact

Whilst the Acquisition represents an exceptional investment opportunity for Cromwell, the boards of Cromwell consider it important to balance the requirements of existing and new securityholders.

As a result, the Issue Price for New Securities has been set at a level which is as close as possible to the underlying net asset value per security of Cromwell's assets and is not expected to be materiality dilutive to either NTA or FY12 operating earnings on a per security basis. This is consistent with previous offers over the past 2 years.

The Issue Price of \$0.68 per New Security represents a premium of 3.8% to the closing price of Cromwell stapled securities of \$0.655 per stapled security on 18 November 2011, the last trading day before the announcement of the Offer.

Operating earnings guidance for the 2012 financial year remains unchanged at 7.3 cents per stapled security, and distributions for that year are expected to be 7.0 cents per stapled security.

Gearing is expected to be in a range of 46% to 50% following the completion of the Acquisition and the Offer, compared to 49% at June 2011 and is expected to remain within Cromwell's stated target range of 40 to 55%. This ensures that Cromwell will remain well placed to benefit from any future increases in property valuations.

⁶ Redefine Group comprises Redefine Properties Limited, Redefine International PLC and Redefine Australian Investments Limited. Redefine Australian Investments Limited was a securityholder before the Offer. Redefine Properties Limited will become a securityholder as a result of its participation in the Placement. Redefine International PLC may become a securityholder as a result of it partially underwriting the Entitlement Offer.

Indicative timetable

○ Announcement of Placement and Entitlement Offer	22 November 2011
○ Existing Securities trade 'ex-Entitlement'	24 November 2011
○ Record date for determining Entitlements	7.00pm, 30 November 2011
○ Entitlement Offer opens	1 December 2011
○ Entitlement Offer closes	5.00pm 15 December 2011
○ Settlement and Allotment of Placement	16 December 2011
○ Settlement of New Securities under Entitlement Offer	20 December 2011
○ Allotment of New Securities under Entitlement Offer	21 December 2011
○ Expected despatch of holding statements	22 December 2011
○ Expected normal trading of New Securities on ASX	23 December 2011

Note: All times and dates in this announcement refer to Australian Eastern Daylight Time (AEDT)

Cromwell reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws and rules, to vary the dates of the Offer, including extending the Entitlement Offer, closing the Entitlement Offer early or accepting late applications, either generally or in particular cases, without notice. No cooling-off rights apply to the Entitlement Offer.

ENDS.

Media Enquiries:

Paul Weightman
Managing Director/CEO
+61 411 111 028
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

This announcement contains certain "forward-looking" statements. The words "anticipated", "expected", "projections", "forecast", "estimates", "could", "may", "target", "consider" and "will" and other similar expressions are intended to identify forward looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, indications or guidance on future earnings or financial position and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance that actual outcomes will not differ materially from these statements. To the full extent permitted by law, Cromwell and the Redefine Group and their respective directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.

An investment in Cromwell stapled securities is subject to investment and other known and unknown risks, some of which are beyond the control of Cromwell, including possible delays in repayment and loss of income and principal invested. Cromwell does not guarantee any particular rate of return or the performance of Cromwell nor do they guarantee the repayment of capital from Cromwell or any particular tax treatment. Persons should have regard to the risks outlined in the Acquisition and Equity Raising Presentation accompanying this announcement and released to ASX on 22 November 2011.

Past performance information given in this announcement is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

This announcement is not an offer or an invitation to acquire Cromwell stapled securities or any other financial products in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. This announcement is not a prospectus, product disclosure statement or other disclosure document under Australian law. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account of benefit of, any 'U.S. person' (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (**Securities Act**)) (**U.S. Person**). Cromwell stapled securities have not been, and will not be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to any U.S. Person without being so registered or pursuant to an exemption from registration.

This announcement is not financial advice or a recommendation to acquire Cromwell stapled securities and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek such legal, financial and/or taxation advice as they deem necessary or appropriate to their jurisdiction.

Cromwell is not licensed to provide financial product advice in respect of Cromwell stapled securities. Cooling off rights do not apply to the acquisition of Cromwell stapled securities.

This announcement contains certain financial data that are “non-GAAP financial measures” under Regulation G under the U.S. Securities Exchange Act of 1934, as amended. For example, the announcement presents gearing and interest coverage ratios for Group, which are calculated in accordance with Cromwell's debt covenants. These measures are not measures of or defined terms of financial performance, liquidity or value under AIFRS or U.S. GAAP. Moreover, certain of these measures may not be comparable to similarly titled measures of other companies.