

CHAIRMAN'S ADDRESS – ANNUAL GENERAL MEETING

The 2012 financial year has been a successful one for Cromwell as we continue the process of improving our portfolio through acquisition and refurbishment while still remaining true to our philosophy of prudent capital management.

This disciplined approach allowed us to achieve another year of strong earnings with an operating profit of \$80 million, or 7.5 cents per Cromwell security. The result represented a 23% increase on the previous year. This was achieved despite the continuing weak economic environment featuring low consumer and investor confidence, low inflation and sluggish growth. Distributions were maintained at 7 cents per security.

Net operating earnings from the property portfolio, after property outgoings costs, were up 28% on the previous year. The majority of this increase was attributable to the HQ North and Bundall Corporate Centre properties which were acquired during the year. As part of our process of continuous portfolio improvement, we took the opportunity to sell one asset, the Masters Distribution Centre at Hoppers Crossing in Victoria, from which we felt we had already maximised our potential return.

Statutory net profit of \$23 million was significantly impacted by one-off acquisition expenses of \$12 million mostly due to stamp duty costs and a \$38 million decrease in the value of interest rate derivatives. The fall in value of interest rate derivatives was a non-cash item which will reverse in future years as the underlying interest hedges expire.

We believe valuations for quality property have passed their low point. We expect solid, but unspectacular growth in asset values over the next 12 months as our economy continues to adjust to a moderation in the mining boom and lower growth.

Our capital management continues to be prudent, with our gearing currently around 50% and within our preferred range of 35-55%. This is easily sustainable for a business such as Cromwell with a revenue stream derived almost entirely from rents, and a majority of those from government or blue chip tenants. We expect to begin the process of moving that gearing level slightly lower over the next 12 months, as valuations begin to recover. Cromwell has no material debt facilities maturing until May 2014 and an unblemished history (which we will work hard to ensure continues) of being able to successfully extend or refinance facilities at maturity.

Consistent with our disciplined approach to capital management, Cromwell raised \$131 million in new equity during the year, through placements and an entitlement offer, to fund the acquisition of HQ North, the Bundall Corporate Centre and for working capital. I would like to thank all securityholders who took up their rights under the offer.

One of the highlights of the year was the success of the Cromwell Ipswich City Heart Trust. The features of the Trust, including its single asset profile, seven year investment term, strong monthly distribution and long lease to a blue chip tenant, all contributed to the steady inflow of investment funds. Many Cromwell securityholders also invest in our unlisted funds and we thank you for your continuing support.

This style of asset and Trust structure provides us with a high-quality model on which to base future unlisted investment opportunities. We are working hard to review a number of potential

assets for future unlisted trusts and look forward to announcing at least one new investment opportunity over coming months.

As we look to the future we continue to be confident that despite the widespread concerns about the economy there are still significant opportunities for savvy property investors to buy assets at prices which will be considered bargains in future years.

While the systems and skills which support the achievements of our goals are quite complex, our approach to creating value has remained unchanged for many years. We simply seek to acquire high-quality assets, with good cash flows and desirable tenants. We seek properties that we believe are under valued or mis-priced, to which we can add value. We acquire those assets on attractive yields either for Cromwell Property Group or to offer them to investors in an unlisted trust as appropriate. It is an approach which has served us well despite the market challenges of recent years and we are confident it will continue to provide a platform for future growth.

Borrowing costs are currently at, or very close, to all-time lows and quality properties are currently trading at a very large, and we believe an unsustainable discount to the financial securities that they are ultimately measured against, such as government bonds. This would appear to represent a very attractive opportunity for long term investors.

At some point this wide margin between commercial property yields and those of other low-risk assets will reduce. When this happens it will probably happen relatively quickly, either through an increase in the value of quality assets to reduce their yield or an increase in rents and interest rates as growth returns to our economy.

While we wait patiently for that re-rating to occur, we will do all that we prudently can to ensure that Cromwell and our security holders are well positioned to benefit from that event. We will continue to hold a portfolio comprising premium assets with reliable cashflows secured by long-term leases and will seek to add to that portfolio as opportunities arise. However, we will only do so in a way which is not materially dilutive to our key financial measures, operating earnings per security, distributions per security and net assets per security.

I would like to thank Paul and his team for their tireless work through the year which has left us in a very strong position to continue to grow our earnings and capitalise on future opportunities. We are very fortunate at Cromwell to have such talented people at the coal face.

I would also like to thank my fellow board members for their insights and their efforts.

Finally, thank you also to you, our investors, for your continued support as we reap the benefits of our patience and discipline in these demanding times and look forward to continued growth in the future.

Geoffrey H Levy, AO
Chairman

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CEO'S ADDRESS – ANNUAL GENERAL MEETING

Despite continued challenging conditions in the property market and in the broader economy, 2012 was a successful and rewarding year for Cromwell. We achieved record operating earnings, continued to improve the quality of our property portfolio and grew our funds management business.

Even excluding the assets acquired during the year, our like-for-like net property earnings still enjoyed strong growth of 6.8% in 2012. This revenue growth can be attributed to the strong leasing profile of Cromwell's portfolio, combined with our in-house management model, which allowed us to get the best out of each of our assets.

One of the highlights of the year for Cromwell was the \$63 million acquisition of the Bundall Corporate Centre in December, 2011. In this instance, Cromwell took advantage of an opportunity that presented itself to reacquire an asset we had owned in the past and disposed of for a substantial profit. We bought it for \$53 million in December 2005 and sold it in October 2007 for \$106 million.

We repurchased the properties for \$63.5 million the asset being significantly improved by the construction of an extra building, the Wyndham Corporate Centre, which has a net lettable area of approximately 8,000m² and a 5 Star Green Star rating.

The Bundall Corporate Centre offers the opportunity for further value adding over time as approximately two thirds of the asset's land area is currently being under-utilised as car parking. We know the property well, having previously owned and managed it, and believe it offers itself to a range of further commercial and residential projects.

In Brisbane, our acquisition of the HQ North office tower for \$186 million on an initial yield of 8.26% was another significant step in rebalancing our investment portfolio towards larger, high quality office assets in predominantly CBD core and fringe markets. The property was almost immediately revalued to \$194 million.

HQ North, located in Brisbane's Fortitude Valley adjoining the CBD, also provides additional weighting to the Brisbane office market where we believe there is growth potential over the medium term. The building was completed in 2010 and was the winner of the national Urban Taskforce 2011 Development of the Year Award. It was also awarded a 6 Star Green Star Office As Built rating, making it the largest development in Australia with this rating and enhancing its attractiveness to government tenants.

These two acquisitions are good examples of our strategy to purchase assets that are under valued or mis-priced by the market and assets can add value through redevelopment, repositioning, refurbishment and releasing.

Since June 2008, Cromwell has acquired five assets with an average value of \$132 million, an average yield of 8.2% and a weighted average lease expiry of 8.7 years. We have sold six assets with an average value of just \$9 million, an average yield of 9.1% and a weighted average lease expiry of 3.4 years.

We plan to continue to upgrade the portfolio, with further smaller assets identified for sale over the medium term. We will recycle the capital into larger, higher quality assets.

Our funds management business has been very active this year, launching and recently closing its latest back-to-basics unlisted property syndicate, the Cromwell Ipswich City Heart Trust.

The Ipswich Trust is a 7-year single property syndicate which commenced distributions at rate of 7.75% pa paid monthly. Distributions increased to 8.00% pa in July 2012. Just like the successful Cromwell Riverpark Trust before it, Ipswich Trust's income is underpinned by a long-term pre-commitment from a blue chip tenant. In this case the Queensland Government has signed a 15-year lease over 91% of the building's net lettable area.

We are also pleased that the Cromwell Phoenix Property Securities Fund, which we formed in 2008 to invest in listed A-REITs and other property related investments, has continued its strong record of outperformance. The Fund again won the title of Fund Manager of the Year (Australian Property Securities), from Money Management/Lonsec and outperformed its benchmark index, the ASX300 A-REIT index, by 8.2%. This fund has averaged 26% per annum returns for the 3 years to June 2012 and has outperformed the benchmark index 13% per year over that period. Whilst the easy money has been made in A-REIT's, with a significant re-rating of the whole sector in the past 12 months, we still have a strong belief in the Cromwell Phoenix team's ability to outperform market returns over the long term.

In another significant step for the Group during the 2012 financial year, we made an offer to the unlisted Cromwell Property Fund unitholders to acquire their units in the fund in return for Cromwell securities, with consideration to be calculated on an NTA for NTA basis. The transaction was approved by fund unit holders and completed in October 2012 and means that Cromwell now has 100% ownership of the fund's five investment properties, which are valued at approximately \$168 million. The performance of the fund since its inception in 2006 was unfortunately well below the standards we set for ourselves, being the only fund we have managed to underperform it's benchmark. That is a big disappointment to us, as it has been for investors in the fund. However the merger with Cromwell has generated a lot of positive feedback from fund unitholders as it provided them access to stable distributions and a liquidity option, while enabling Cromwell to acquire a portfolio of properties with minimal transaction costs that have the potential for substantial value add in future years. This transaction has enhanced our reputation as a manager and we believe it will stand our funds management business in good stead in marketing our investment offerings in the future.

Looking forward, the outlook for Cromwell remains positive despite the cautious mood of consumers and investors and the continued weak pace of economic growth. There seems little prospect that the macro-environment will improve in the near future as the mining boom and related employment growth is forecast to recede, while construction, retail, and manufacturing sectors remain in the doldrums.

A continued diet of bad news from overseas, including the likelihood of a double-dip European recession and continued weakness in the US, seems likely to see a continuation of negative consumer sentiment in the short term. However, the resulting flight to safety by investors should eventually result in a contraction in yields on high-quality property assets and we expect Cromwell's NTA to reflect the upward pressure on asset values in the coming years.

We expect to achieve at least modest growth in both operating earnings and distributions per security in the 2013 financial year, underpinned by our strong property portfolio and continuing growth in our funds management business.

We have forecast minimum operating earnings of 7.5 cents per security for the year to 30 June, 2013, and distributions have increased to 7.25 cents per security per annum. The current year result will be impacted by the loss of income from the 100 Waymouth Street building in Adelaide which is currently undergoing a \$12 million refurbishment. This loss is expected to be at least

partially offset by an increase in funds management income as a result of the success of the Ipswich Trust and further similar funds which we expect to announce shortly.

Our investment strategy remains unchanged with a focus on identifying and acquiring high quality assets in CBD and fringe markets. We are at all times seeking to acquire assets which offer the potential for superior returns which we can further enhance through active management. We will also continue to divest smaller, non-core property assets valued below \$40 million as part of an ongoing portfolio refinement strategy.

Our disciplined approach to executing this strategy over many years has been one of the major factors contributing to the Group's ability to outperform the market over the medium and long term. Benchmarking our performance against the S&P/ASX 300 A-REIT Accumulation Index provides strong evidence that the strategy we have adopted is the best way to deliver consistent returns. Over the five years to June 2012 we have outperformed the index by 12.7% per annum while over the last three years we have outperformed by 9.3% per annum.

Of course our strategy is only as strong as the people we employ to implement it. On that note I would like to conclude by thanking the staff and management of Cromwell for their continued efforts. I would also like to thank the Board for their continued support.

Paul Weightman
CEO

ENDS.