

CROMWELL POISED FOR GROWTH AFTER STRONG FIRST HALF

1H13 HIGHLIGHTS

- Statutory accounting profit of \$29.5 million, compared to a prior year loss of \$6.8 million
- Operating earnings of \$45.9 million, up 24% from \$37.0 million in 1H12
- Like-for-like increase of 3.8% in net property income
- Reduction in gearing¹ from 51% at June 2012 to 44%²
- \$143 million raised from institutional placements and \$39 million³ raised from security purchase plan (SPP)
- Completed the acquisition of the balance of the Cromwell Property Fund (CPF)
- Fund management momentum continued with completion of Ipswich fund and launch of Box Hill Trust
- FY13 operating earnings guidance maintained at not less than 7.5 cps, with distributions of 7.25 cps

Cromwell Property Group (ASX: CMW) today reported a 24% increase in operating earnings to \$45.9 million for the six months to 31 December 2012, driven by the secure revenue stream from its Australian property portfolio.

During the period, Cromwell completed an institutional placement, raising \$143 million and an SPP for existing securityholders closing in early February 2013, raising approximately \$39 million. Both were materially oversubscribed.

Shortly after December, Cromwell entered into an unconditional contract for the sale of a non core property in Adelaide. The proceeds of the sale will be applied as part of Cromwell's ongoing capital recycling programme.

As a result of these initiatives, Cromwell is positioned well to deliver on its short and long term growth strategies with \$198 million in cash available to fund new property acquisitions and to support the continued growth of Cromwell's funds management business.

The value of Cromwell's direct property portfolio increased to \$1.9 billion as a result of the acquisition of the balance of the CPF's \$168 million property portfolio.

Net property income increased 22% during the half (3.8% on a like-for-like basis), contributing to the strength of Cromwell's operating earnings of 3.8 cps which underpinned the payment of first half distributions totalling 3.6 cps.

Chief Executive Officer Paul Weightman said, "we achieved a number of significant milestones during the half, including the addition of a range of new properties from the CPF, continued growth of the funds management business and an extremely successful capital raising."

¹ Gearing calculated as (total borrowings less cash)/(total tangible assets less cash)

² Post settlement of SPP and sale of Grenfell Street, Adelaide

³ SPP closed in February 2013

"We have continued to deliver value for securityholders with increased operating earnings, distributions and net assets while retaining a sensible and conservative approach to portfolio management, capital management and growth to ensure any gains are sustainable well into the future."

PORTFOLIO UPDATE

Cromwell continued to execute its ongoing portfolio improvement strategy during the first half with a number of key achievements:

- Acquisition of CPF portfolio, which increased the number of assets to 26 with an average value of \$72.9 million
- Weighted Average Lease Expiry (WALE) of 6.0 years remains one of the longest in the sector
- Minimal medium term lease expiries with an average of only 8.8% of leases expiring in FY14-FY16
- Near completion of \$12 million refurbishment of 100 Waymouth Street, Adelaide

Mr Weightman said Cromwell remained focused on portfolio optimisation in order to extract maximum value for securityholders.

"The acquisition of the CPF assets provides us with some value-add opportunities in the medium term, whilst the refurbishment of the Waymouth Street and Qantas buildings, and the sale of Grenfell Street demonstrates our ongoing commitment to improving portfolio quality."

FUNDS MANAGEMENT

Cromwell currently manages four unlisted funds which provided total fees of \$3.56 million in the first half, up 60% from \$2.23 million in the same period last year. As at 31 December 2012, Cromwell had total external Funds Under Management (FUM) of \$718 million⁴.

The increase in revenue was primarily attributable to revenue derived from the successful completion of the \$50 million equity raising for the Cromwell Ipswich City Heart Trust (ICH) which closed early and oversubscribed in October 2012.

Mr Weightman said that "ICH attracted significant inflows from direct retail investors and it was clear that the rate of inflows increased as the margin between fixed income yields and direct property yields increased. The success of the ICH is indicative of much improved sentiment towards the direct property investment sector after a sustained period of stagnation."

"An increase in the forecast distribution of ICH announced in July 2012, combined with falling interest rates provided a good environment to attract yield-conscious investors. The response augurs well for the new Cromwell Box Hill Trust which was launched in December 2012 and has already attracted inflows at a significantly faster rate than ICH."

Cromwell's property securities business also benefited from increased investor focus and continuing strong returns with total wholesale and retail FUM increasing to above \$300 million.

Mr Weightman said the improved conditions for raising capital and a solid pipeline of new fund opportunities provides the potential for a significant increase in the contribution from the funds management business in coming years.

"With a distribution network of more than 17,000 retail investors, relationships with thousands of financial planners and momentum building, we believe we can grow funds management earnings significantly in coming years."

⁴ Based on completion value of Box Hill and Ipswich City Heart

CAPITAL MANAGEMENT

Cromwell has no material debt maturities until May 2014. Pro-forma gearing as at 31 December 2012 was 44%⁵, down from 51% at 30 June 2012, with debt diversified across five different banks and seven different facilities.

In addition, Cromwell continues to have strong support from its debt providers, with discussions underway with respect to extending the tenure of Cromwell's debt facilities and to expand potential future funding sources.

OUTLOOK

Cromwell has maintained its FY13 operating earnings guidance of at least 7.5 cps, representing a yield of 8.3% based on a closing price of \$0.90 on 13 February, 2013. The anticipated full year distribution of 7.25 cps equates to a distribution yield of 8.1%.

Cromwell will continue to seek investment property and funds management opportunities consistent with its strategy of providing superior, risk-adjusted returns to securityholders and investors over the long term.

"We are seeing increased competition for property assets, indicating property values may soon enter a new period of growth as cap rates reduce to close the yield gap between property and other asset classes." Mr Weightman said.

"We have the skills, resources and capital to take advantage of opportunities for growth, however we remain, committed to maintaining the disciplines that have contributed to our consistent outperformance."

ENDS.

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This announcement is to be read in conjunction with the 1H13 Results Presentation dated 14 February 2013 and the notes contained in that presentation.

⁵ Post settlement of SPP and sale of Grenfell Street, Adelaide