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Cromwell announces \$250m equity raising

Cromwell Property Group (ASX code: CMW) today announces a \$250 million equity raising to partly fund the acquisition of a portfolio of office assets from the New South Wales (NSW) State Government (as announced to ASX on 22 May 2013) and to repay existing debt.

Highlights

- \$405 million acquisition of a portfolio of seven office assets (NSW Portfolio) from the NSW State Government (Acquisition)
- \$250 million equity raise at \$1.00 per Cromwell stapled security (Issue Price) (Equity Raising)
- A new 3 year debt facility of up to \$260 million¹ to partly fund the Acquisition. Cromwell anticipates drawing this facility to \$200 million
- Acquisition and Equity Raising expected to be operating earnings neutral for FY13 and accretive for FY14
- FY13 guidance of 7.5 cents EPS and 7.25 cents DPS
- FY14 guidance of 8.0 cents EPS and 7.5 cents DPS
- Pro forma Gearing² of 43%, in line with target gearing level

Details of the Equity Raising

Cromwell is undertaking an underwritten Equity Raising to raise \$250 million at an Issue Price of \$1.00 per new Cromwell stapled security (New Security). The Issue Price represents a 3.4% discount to the last closing price and a 3.8% discount to the five-day volume weighted average price of existing Cromwell stapled securities (Securities) on ASX between 16 May and 22 May 2013.

At the Issue Price, the New Securities are expected to provide a FY14 EPS and DPS yield of 8.0% and 7.5% respectively.

The Equity Raising will be by way of:

- a placement of approximately \$128 million offered to institutional investors (Placement)³; and
- a 1 for 12 non-renounceable pro-rata entitlement offer to existing eligible Securityholders to raise approximately \$122 million (Entitlement Offer) comprising:

¹ The new debt facility is credit approved but remains subject to agreement and execution of final documentation.

² In this announcement, all pro forma financial data gives effect to the pro forma adjustments listed on slide 21 of the Acquisition and Equity Raising Presentation accompanying this announcement and released to ASX on 23 May 2013 as though they had occurred on 31 December 2012 and Gearing is defined as (total borrowings less cash) / (total tangible assets less cash).

³ Securities issued under the Placement will not be entitled to participate in the Entitlement Offer

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- o an accelerated Institutional Entitlement Offer⁴ of approximately \$65 million; and
- o a Retail Entitlement Offer of approximately \$57 million

The Placement and Institutional Entitlement Offer are expected to settle on 7 June 2013. The Retail Entitlement Offer will be open from 31 May 2013 to 17 June 2013⁵.

Cromwell retail Securityholders with a registered address in Australia, New Zealand or South Africa as at 7.00pm (AEST) 28 May 2013 (Record Date) (Eligible Retail Securityholders)⁶, will be entitled to participate in the Retail Entitlement Offer at the same Issue Price as the Institutional Entitlement Offer and on the terms, and subject to the conditions, set out in the booklet to be sent to Eligible Retail Securityholders shortly (Retail Offer Booklet). Eligible Retail Securityholders may also apply for New Securities in excess of their entitlement (subject to scale back at Cromwell's discretion as described in the Retail Offer Booklet).

New Securities issued will rank equally with existing Cromwell Securities and have full entitlement to the June 2013 quarterly distribution.

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.

Redefine⁷, Cromwell's largest Securityholder, has committed to take up its pro rata entitlement under the Entitlement Offer and pro rata share of the Placement, so as to maintain its interest in Cromwell at approximately 26%.

The Acquisition

As announced on 22 May 2013, Cromwell has entered into unconditional agreements to purchase a portfolio of seven office assets from the NSW State Government, with settlement anticipated to occur in mid June 2013. The total consideration for the NSW Portfolio is \$405 million, which represents an attractive initial portfolio yield of 9.0%.

68% of the NSW Portfolio is leased to Government Property NSW with an overall NSW Portfolio WALE of 10.0 years, increasing Cromwell's weighted average lease expiry and exposure to high quality Government tenants.

The NSW Portfolio comprises three Sydney CBD assets (\$316m) and four regional NSW assets (\$89m) and is expected to enhance Cromwell's existing portfolio quality and provide additional weighting to the Sydney and broader NSW office market.

Cromwell CEO, Paul Weightman said, "The acquisition of the NSW Portfolio is consistent with our strategy of providing secure, steadily growing distributions to investors through the management of a portfolio of high quality assets with a long weighted average lease expiry. The

⁴ Under the Institutional Entitlement Offer, New Securities in respect of institutional entitlements not subscribed for, as well as the right to subscribe for New Securities which would otherwise have been offered to ineligible Securityholders, will be placed into an institutional bookbuild at the Issue Price.

⁵ Retail Securityholders will be given the opportunity to have New Securities issued to them at the same time as New Securities are issued to institutional Securityholders under the accelerated Institutional Entitlement Offer. Further details are available in the Retail Offer Booklet

⁶ Other eligibility criteria will be set out in the Retail Offer Booklet

⁷ Redefine refers to Redefine Properties Limited and Redefine Australian Investments Limited, or either of them, as applicable. The commitment by Redefine is not underwritten. Redefine's participation in the Entitlement Offer will occur in the Institutional Entitlement Offer

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NSW Portfolio significantly increases our investment portfolio to over \$2.3 billion, improves the WALE to 6.7 years and increases exposure to the Sydney office market.”

Financial impact of the Acquisition and Equity Raising

The Acquisition and Equity Raising are expected to be operating earnings neutral for FY13 and accretive for FY14.

EPS and DPS guidance for FY13 remain unchanged at 7.5 cents and 7.25 cents respectively.

FY14 EPS guidance following completion of the Acquisition and Equity Raising is 8.0 cents, with FY14 DPS increasing to 7.5 cents.

Pro forma NTA is expected to increase from \$0.68 to \$0.71 per Security.

Pro forma Gearing is expected to be maintained at 43% (including cash of approximately \$150m) following the completion of the Acquisition and Equity Raising, ensuring that Cromwell will be well positioned to take advantage of future opportunities as they arise.

Additional information

Further information in relation to the Acquisition and the effect that this and the Equity Raising will have on Cromwell's financial position and performance can be found in the presentation given to ASX by Cromwell today.

Potential further acquisitions

Cromwell is currently in exclusive due diligence discussions in relation to the acquisition of a number of predominantly office assets. These assets may be acquired on balance sheet or for unlisted property funds managed by Cromwell. Any acquisition or other transaction opportunity, is conditional on a number of items, including due diligence, negotiation of transaction documents and Cromwell Board approval. Should Cromwell progress with any acquisition, or other transaction opportunity, an announcement will be made at the appropriate time, if required.

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Indicative timetable

Key Event	Date ¹
Trading Halt	Wednesday, 22 May 2013
Announcement of Acquisition and Equity Raising	Thursday, 23 May 2013
Placement And Institutional Entitlement Offer Opens	Thursday, 23 May 2013
Placement And Institutional Entitlement Offer Closes	Friday, 24 May 2013
Trading Recommences	Monday, 27 May 2013
Record Date To Determine Entitlements	7.00pm Tuesday, 28 May 2013
Retail Entitlement Offer Opens	Friday, 31 May 2013
Last Date For Receipt Of Early Retail Entitlement Offer Applications	5.00pm Thursday, 6 June 2013
Settlement of New Securities under Institutional Placement & Entitlement Offer and early Retail Entitlement Offer Acceptances	Friday, 7 June 2013
Issue Of New Securities Under Institutional Placement & Entitlement Offer And Early Retail Entitlement Offer Acceptances	Tuesday, 11 June 2013
Retail Entitlement Offer Closes	5.00pm Monday, 17 June 2013
Settlement of New Securities Under Retail Entitlement Offer	Monday, 24 June 2013
Issue Of New Securities Under Retail Entitlement Offer	Tuesday, 25 June 2013

1. All times and dates in this announcement refer to Australian Eastern Standard Time (AEST)

The above timetable is indicative only and subject to change. Cromwell, in conjunction with the underwriters and subject to the Corporations Act, the ASX Listing Rules and other applicable laws, has the right to vary any of the above dates, including the last date for acceptance of early retail applications and the retail Entitlement Offer closing date, without notice and to accept late applications, in each case, either generally or in particular cases. Cromwell also reserves the right not to proceed with the whole or part of the Entitlement Offer at any time prior to allotment of New Securities under the retail Entitlement Offer. In that event, application money will be returned without interest. The commencement of quotation of New Securities is subject to confirmation from ASX.

Eligible Retail Securityholders are encouraged to carefully read the Retail Offer Booklet for further details relating to the Retail Entitlement Offer. Securityholders who are in any doubt as to how they should respond should consult their stockbroker, accountant or other independent professional adviser without delay.

STOCK LENDING AND OTHER TRANSACTIONS

Cromwell has been provided with a confirmation from ASX that allows it, in determining entitlements under the Entitlement Offer, to ignore any changes in security holdings that occur after the commencement of the trading halt (other than registration of transactions that were effected through ASX Trade before the halt). Accordingly, a person who is a registered Cromwell Securityholder at 7.00pm (AEST) on the Record Date as a result of a dealing that occurred after the commencement of the trading halt (other than registrations of transactions that were effected through ASX Trade before the halt) may not be entitled to receive an entitlement under the Entitlement Offer. If a Cromwell Securityholder has existing Cromwell Securities out on loan at the Record Date, the borrower will be regarded as the Securityholder for the purposes of determining entitlements under the Entitlement Offer (provided that those borrowed securities have not been on-sold).

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 underwriters and their respective directors, officers, employees, advisers,

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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.

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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 pro forma financial information. The pro forma historical financial information included in this announcement does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission. Investors should also be aware that certain financial data included in this announcement is "non-IFRS financial information" under ASIC Regulatory Guide 230 Disclosing non-IFRS financial information published by the Australian Securities and Investments Commission (ASIC) and "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934. These measures include distributions per security, earnings per security, gearing and net tangible assets per security. The disclosure of such non-GAAP financial measures in the manner included in this announcement would not be permissible in a registration statement under the Securities Act. Cromwell believes this non-IFRS financial information provides, and these non-GAAP financial measures provide, useful information to users in measuring the financial performance and conditions of Cromwell. The non-IFRS financial information and these non-GAAP financial measures do not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information or non-GAAP financial measures and ratios included in this announcement.