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Cromwell announces acquisition of Valad Europe and €150 million Convertible Bond Issue

Cromwell Property Group (ASX code: CMW) (Cromwell) today announces the acquisition of Valad Europe, a pan European property funds manager with assets of approximately €5.3 billion under management, to be funded by an underwritten €150 million Convertible Bond issue¹.

Highlights

- €145 million (A\$208 million)² acquisition of Valad Europe (Acquisition)
- Pan European platform managing €5.3 billion (A\$7.6 billion)² with 24 mandates across 13 countries
- Represents the acquisition of a scale, critical mass funds management platform
- Increase in total Cromwell external assets under management to approximately \$9.0 billion³ and funds management earnings contribution to approximately 14%⁴
- €150 million (A\$216 million)² underwritten Convertible Bond issue (Convertible Bond Issue)
- Acquisition and Convertible Bond Issue expected to be operating earnings neutral for FY15 and greater than 5% accretive for FY16

The Acquisition

Cromwell has entered into a conditional share purchase agreement to purchase Valad Europe from Blackstone Real Estate Partners VI (Blackstone) and Valad Europe senior management. The Acquisition is conditional on Cromwell and Valad Europe receiving regulatory approvals from the UK Financial Conduct Authority and the Guernsey Financial Services Commission. These approvals are expected to be received by 9 April 2015, with settlement immediately thereafter.

Valad Europe is a pan European property funds management business with assets under management (including investment capacity) of approximately €5.3 billion (A\$7.6 billion)² across 24 mandates and funds and 13 geographies.

Valad Europe was originally part of the Australian listed Valad Property Group until Valad Property Group was acquired by Blackstone in 2011. Following that, Blackstone and the Valad

¹ Upsize option of €50 million

² A\$:€ exchange rate of 0.6956

³ Based on Cromwell AUM as at June 2014 adjusted for sale of Exhibition Street and including 45% of Phoenix Portfolios AUM, 50% of Oyster Property Group AUM (at 31 December 2014), Valad Europe AUM (including investment capacity) (at 31 December 2014) and assumes completion of property currently under construction in Cromwell managed funds

⁴ Based on FY15 pro forma post tax, post convertible bond interest as though Valad Europe was acquired on 1 July 2014

Cromwell Property Group (ASX:CMW) comprising Cromwell Corporation Limited (ABN 44 001 056 980) and 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).

Further information and media releases can be found at the Cromwell website: www.cromwell.com.au

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Europe management team separated the Valad Europe business from the rest of the group and rebranded it as Valad Europe.

Cromwell CEO, Paul Weightman said, "The acquisition of Valad Europe presents the opportunity to acquire a successful, value add property funds management platform with scale across a number of geographies and sectors. The business is a strong cultural fit with Cromwell, is complementary to our existing funds management operations, and furthers our strategy to increase the earnings contribution from funds management to approximately 20%.

We welcome Martyn McCarthy and the rest of the Valad Europe team and look forward to continuing to grow the Valad Europe business, and to taking advantage of future opportunities across the two platforms."

Martyn McCarthy, Executive Chairman of Valad Europe said "We are very pleased to have in Cromwell a long term capital partner who is committed to funds management, and is supportive of our continued aspirations to deliver strong performance to, and alignment with, our investor and banking financial partners."

Anthony Myers, Head of Real Estate Europe at Blackstone, said "Valad Europe has been a successful investment for us and the business continues to strengthen its presence in the European market. We wish the team well with Cromwell and are confident that they will continue to create further success."

The total consideration for the Acquisition is €145 million (A\$208 million)². The funds management platform is being acquired on an attractive EBITDA multiple of approximately 6.4x⁵.

Convertible Bond Issue

The Convertible Bonds will be issued by Cromwell SPV Finance Pty Ltd (Issuer) and will pay a fixed coupon rate of no more than 2.375% per annum (underwritten maximum) for a term of five years. The Convertible Bonds will rank as unsubordinated, unconditional, and unsecured obligations of the Issuer, guaranteed by Cromwell, and are intended to be listed on the Singapore Exchange Securities Trading Limited.

Prior to maturity, the Convertible Bonds are convertible into Cromwell stapled securities at a price of at least \$1.12 per stapled security (underwritten minimum) (subject to certain adjustments), which reflects a premium of 5% to the Cromwell stapled security closing price on 23 January 2015.

The Convertible Bonds have been offered outside the United States in compliance with Regulation S (Category 1) of the US Securities Act of 1933, as amended, and will not be registered under the US Securities Act.

Merrill Lynch (Australia) Futures Limited is acting as sole book runner and underwriter to the issue. Following the bookbuild, the final issue size, coupon and conversion price will be determined.

⁵ Calculated based on allocation of purchase price to funds management business of €110 million divided by Valad Europe's forecast FY15 EBITDA of €17.1 million, which excludes performance fees and co-investment income

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Indicative timetable

Key Event	Date*
Trading Halt	Tuesday, 27 January 2015
Announcement of Acquisition and Convertible Bond Issue	Tuesday, 27 January 2015
Convertible Bond offer	Tuesday, 27 January 2015
Trading recommences	Wednesday, 28 January 2015
Settlement of Convertible Bond	Wednesday, 4 February 2015
Completion of Acquisition	on or before Thursday, 9 April 2015

* All dates in this announcement are subject to change

Impact of the Acquisition and Convertible Bond Issue

The Acquisition and Convertible Bond Issue are expected to be operating earnings neutral for FY15 and greater than 5% accretive for FY16.

Cromwell's external assets under management will increase to approximately \$9.0 billion⁶ and funds management earnings contribution will increase to approximately 14%⁷.

Pro forma Gearing⁸ is expected to increase to 45.4% following the completion of the Acquisition and Convertible Bond Issue, which remains within Cromwell's target gearing range of 35% to 55%.

Additional information

Further information in relation to the Acquisition and the effect that it and the Convertible Bond Issue will have on Cromwell's financial position and performance can be found in the presentation provided to the ASX by Cromwell today.

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⁶ Based on Cromwell AUM as at June 2014 adjusted for sale of Exhibition Street and including 45% of Phoenix Portfolios AUM, 50% of Oyster Property Group AUM (at 31 December 2014), Valad Europe AUM (including investment capacity) (at 31 December 2014) and assumes completion of property currently under construction in Cromwell managed funds

⁷ Based on FY15 pro forma post tax, post convertible bond interest as though Valad Europe was acquired on 1 July 2014

⁸ Gearing calculated as (total borrowings less cash)/(total tangible assets less cash), including the impact of the Convertible Bond Issue

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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

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An investment in the Convertible Bonds is subject to investment and other known and unknown risks, some of which are beyond the control of Cromwell and/or the Issuer, including possible delays in repayment and loss of income and principal invested. Neither Cromwell nor the Issuer guarantees any particular rate of return or the performance of Cromwell nor do they guarantee the repayment of capital from Cromwell or the Issuer or any particular tax treatment. Persons should have regard to the risks outlined in the Management Presentation accompanying this announcement and released to ASX.

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 the Convertible Bonds, 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 may not be distributed or released in the United States or to, or for the account or benefit of, a person in the United States. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither the Convertible Bonds nor the Cromwell stapled securities into which the Convertible Bonds may be converted have been, and will be, registered under the U.S. Securities Act of 1933, as amended (**Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and therefore, may not be offered or sold, directly or indirectly, in the United States unless they have been registered under the Securities Act, or are offered or sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and any other applicable U.S. securities laws.

This announcement is not financial advice or a recommendation to acquire Convertible Bonds under the Convertible Bond Issue 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.

Neither Cromwell nor the Issuer is licensed to provide financial product advice in respect of the Convertible Bonds or the Cromwell stapled securities except to the extent that general financial product advice in respect of the issue of Cromwell Diversified Property Trust units as a component of the Cromwell stapled securities is provided in this announcement, it is provided by Cromwell Property Securities Limited (**CPSL**). CPSL and its related bodies corporate, and their associates, will not receive any remuneration or benefits in connection with that advice. Directors and employees of CPSL do not receive specific payments of commissions for the authorised services provided under its Australian financial services licence. They do receive salaries and may also be entitled to receive bonuses, depending upon performance. CPSL is a wholly owned subsidiary of Cromwell Corporation Limited. Cooling off rights do not apply to the acquisition of Cromwell stapled securities/convertible bonds.

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.