



PROPERTY GROUP

1H16

# Results Presentation

19 February 2016

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# Section 1

## 1H16 Highlights

# 1H16 Highlights – Strong Result Boosted by Transactional Income

- ➔ **Operating profit<sup>1</sup> up 22% to \$88.8 million (5.1 cps)**
- ➔ **Statutory profit<sup>1</sup> up 124% to \$195.5 million (11.2 cps)**
  
- ➔ **Active asset management focus continues**
  - ➔ Reduction in near term expiry profile including success with 9,000+ sqm at Chatswood
  - ➔ 100 Waymouth Street, Terrace Office Park and Bligh Street all sold above book value
  - ➔ Tuggeranong and Northpoint works ongoing
  
- ➔ **Funds management business generates record operating profit**
  - ➔ Wholesale Funds business includes first full six months contribution from Europe
  - ➔ Active trading of assets in Europe and also disposal of the Cromwell Box Hill Trust asset
  - ➔ AUM decreased slightly to \$9.8 billion (\$10.1 billion 30 June 2015)
  
- ➔ **Capital management position improves**
  - ➔ Cash and Cash Equivalents increased 135% to \$256 million
  - ➔ Portfolio gearing reduced to 29%<sup>2</sup>, Group gearing reduced to 38%<sup>3</sup>
  - ➔ Moody's Rating

1) See Appendix for further details of operating profit and reconciliation to statutory profit. The terms 'operating profit' and 'profit from operations' are used interchangeably

2) Portfolio gearing removes impact of convertible bond

3) Group gearing calculated as (total borrowings less cash)/(total tangible assets less cash)

# 1H16 Highlights – Funds Contribute 21% of Operating Profit

- Operating profit up 22% at \$88.8 million (\$72.9 million in 1H15)
- Operating profit per security of 5.1 cps (4.2 cps 1H15)
- Statutory profit up 124% to \$195.5 million (\$87.2 million in 1H15)
- Payout ratio of 78%

→ Operating profit boosted by:

- Inclusion of European business for full period
- Performance fees from the sale of asset in the Cromwell Box Hill Trust

	1H16	1H15	Change
<b>Statutory profit (\$'000)</b>	<b>195,530</b>	<b>87,169</b>	<b>124%</b>
<b>Statutory profit (cents per security)</b>	<b>11.2</b>	<b>5.0</b>	<b>124%</b>
Property Investment (\$'000)	70,404	69,744	1%
Funds Management Internal (\$'000)	(1,043)	2,803	(137%)
Funds Management Retail (\$'000)	8,812	168	5,145%
Funds Management Wholesale (\$'000)	10,739	293	3,565%
Development (\$'000)	(98)	(147)	(33%)
<b>Operating profit (\$'000)<sup>1</sup></b>	<b>88,814</b>	<b>72,861</b>	<b>22%</b>
<b>Operating profit (cents per security)</b>	<b>5.1</b>	<b>4.2</b>	<b>21%</b>
<b>Distributions (\$'000)</b>	<b>69,583</b>	<b>67,201</b>	<b>4%</b>
<b>Distributions (cents per security)</b>	<b>4.0</b>	<b>3.9</b>	<b>3%</b>
Payout ratio (%)	78%	92%	(15%)

1) See Appendix for further details of operating profit and reconciliation to statutory profit



ATO Building in the Cromwell Box Hill Trust

# 1H16 Highlights – Gearing Down, Cash and NTA up

	Dec-15 (\$'000)	June-15 (\$'000)
<b>Assets</b>		
Cash and Cash Equivalents	255,695	108,693
Investment Properties	2,083,219	2,137,648
Investment in Associates	76,684	77,229
Receivables	31,567	19,089
Intangibles	166,551	165,696
Investments At Fair Value	40,180	37,549
Other Assets	14,941	46,190
<b>Total Assets</b>	<b>2,668,837</b>	<b>2,589,094</b>
<b>Liabilities</b>		
Borrowings	(1,106,660)	(1,157,760)
Derivative Financial Instruments	(31,824)	(39,150)
Distribution Payable	(34,867)	(34,708)
Payables	(45,369)	(46,262)
Other Liabilities	(17,535)	(17,003)
<b>Total Liabilities</b>	<b>(1,236,255)</b>	<b>(1,294,883)</b>
<b>Net Assets</b>	<b>1,432,582</b>	<b>1,294,211</b>
Securities on issue ('000)	1,747,704	1,739,759
<b>NTA per security</b> (including interest rate swaps)	<b>\$0.73</b>	<b>\$0.65</b>
<b>NTA per security</b> (excluding interest rate swaps)	<b>\$0.74</b>	<b>\$0.67</b>
<b>Gearing<sup>1</sup></b>	<b>38%</b>	<b>45%</b>
<b>Gearing (look-through)<sup>1</sup></b>	<b>40%</b>	<b>47%</b>

- Cash and Cash Equivalents have increased 135% to \$256 million from \$109 million FY15
- NTA, which does not take into account any value for the growing funds management business, increased 12.3% from \$0.65 FY15 to \$0.73
- Portfolio gearing<sup>2</sup> of 29% down from 36% FY15
- Group gearing<sup>1</sup> of 38% down from 45% FY15
- Moody's Rating issued providing additional flexibility in gaining access to various capital markets

- 1) Group gearing calculated as (total borrowings less cash)/(total tangible assets less cash). Look through gearing adjusts for the 50% interest in Northpoint Tower
- 2) Portfolio gearing removes impact of convertible bond

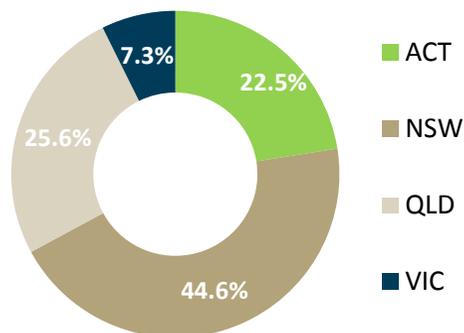


## Section 2

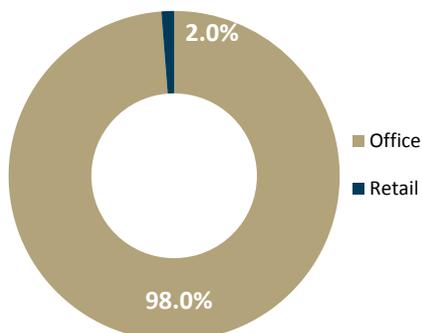
# Property Portfolio

# Property Portfolio Remains Robust

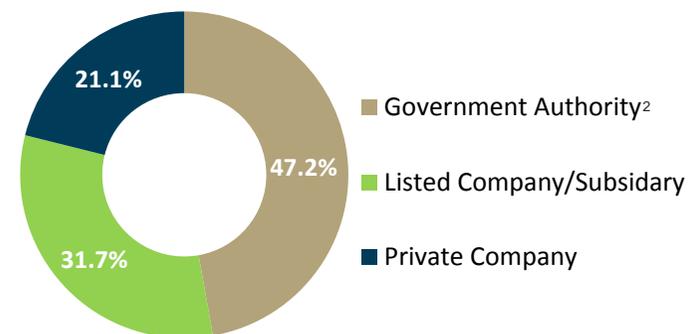
Geographic Diversification<sup>1</sup>



Sector Diversification<sup>1</sup>



Tenant Classification<sup>1</sup>



Top 5 Tenants <sup>1</sup>	% of Gross Income	Cumulative %	Credit Rating <sup>3</sup>
Federal Government	25.5%	25.5%	AAA
Qantas	12.8%	38.3%	BBB-
NSW State Government	12.2%	50.5%	AAA
QLD State Government	9.5%	60.0%	AA+
AECOM Australia Pty Ltd	4.3%	64.3%	
<b>TOTAL</b>	<b>64.3%</b>		

- Very strong tenant profile
  - Government<sup>2</sup> contributes 47% of income
  - Top 5 tenants account for 64% of income
- 9,000+ sqm leased or renewed at Victoria Avenue, Chatswood (See Case Study)
- Remain overweight to recovering Sydney office markets
- Canberra exposures being actively managed

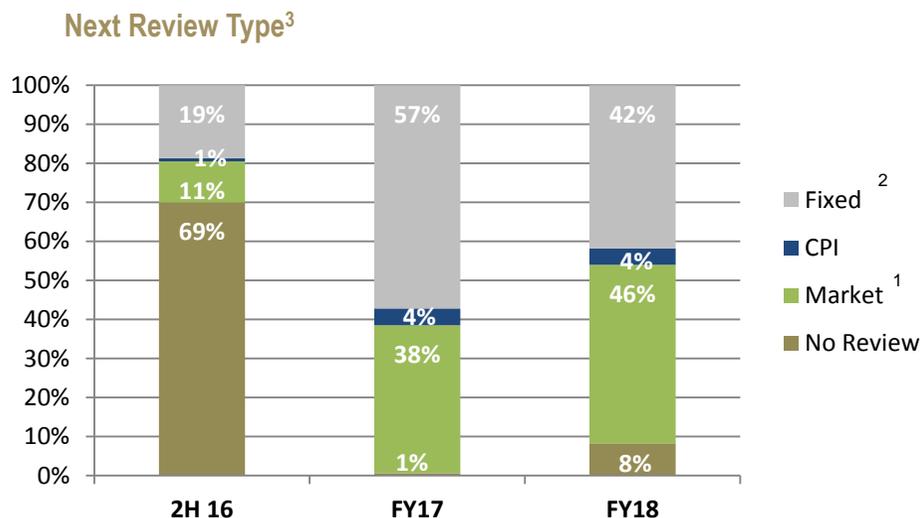
1) By gross passing income

2) Includes Government owned and funded entities

3) S&P Ratings as at 18 February 2016

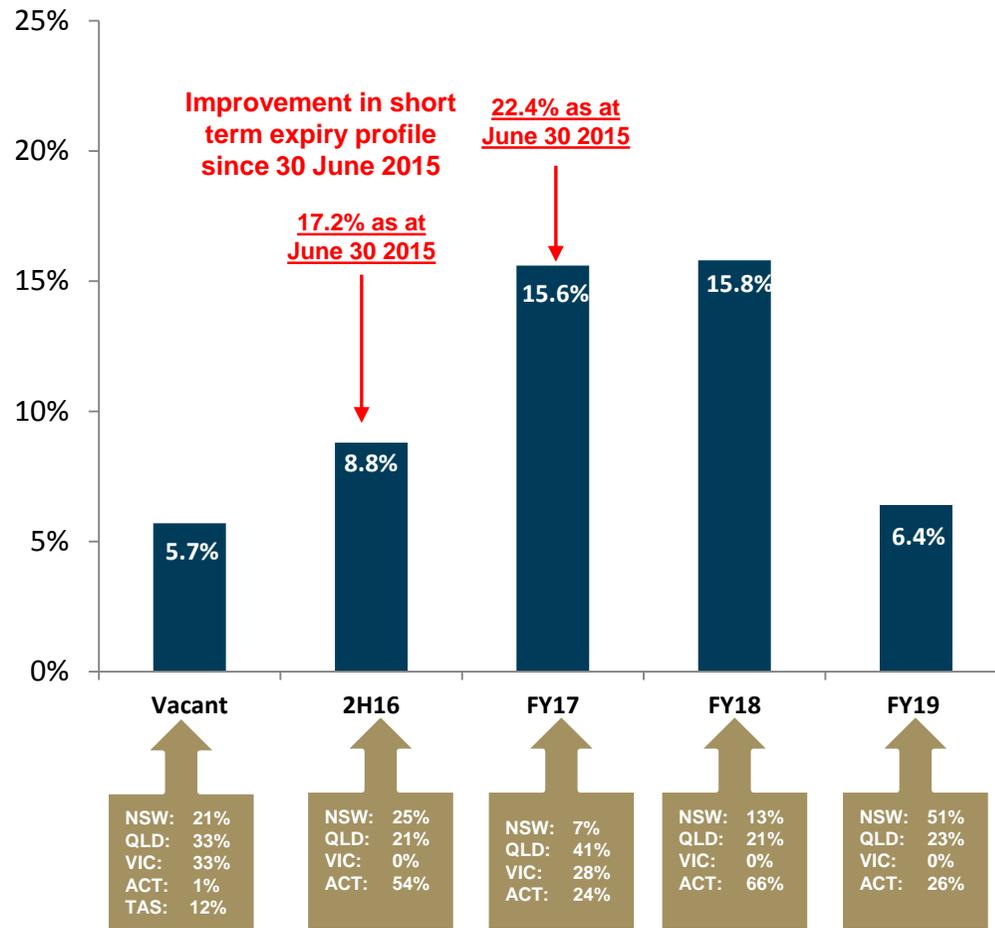
# Property Portfolio – Actively Managing Lease Expiry Risk

- ➔ WALE of 5.7 years with vacancy of 5.7%
- ➔ Expiry profile cushioned against current soft conditions
  - ➔ Average fixed review of 3.7% over 19% of portfolio in 2H16
  - ➔ Average fixed review of 3.2% over 57% of portfolio in FY17
  - ➔ Average fixed review of 3.9% over 42% of portfolio in FY18



- 1) Includes vacancy and expiring leases
- 2) Includes CPI reviews with a fixed minimum amount
- 3) Calculated on current gross passing income, subject to review

**Lease Expiry Profile % Gross Income**



# Property Portfolio – Lease Expiries FY16, FY17, FY18

Lease Expiries representing >1% income (FY16-FY18)

Property	Tenant	Area (sqm)	Expiry Status	% of Total Portfolio Rental Income	Comment
<b>FY16</b>					
13 Keltie Street , Woden, ACT	Department of Veteran Affairs	20,274	Jun-16	4.2%	Heads of Agreement executed over 7,052 sqm until June 2018
200 Mary Street, Brisbane, QLD	QER	3,590	Mar-16	1.7%	Heads of Agreement executed over 2,350 sqm of new lease deals
<b>FY17</b>					
700 Collins Street, Melbourne VIC	BOM	17,051	Jul-16	4.5%	Terms agreed in principle for 10 year renewal
TGA Complex, Symonston ACT	Federal Government	18,524	Jun-17	4.2%	Lease renewal negotiations progressing well
Synergy Building, Kelvin Grove QLD	QUT	9,474	Nov-16	3.1%	Terms agreed to extend lease until 2021
Health House, Brisbane QLD	Qld Government	13,326	Jun-17	2.5%	Lease extended for 6 months. Options for asset being examined
<b>FY18</b>					
Tuggeranong Office Park, Greenway ACT	Federal Government	30,757	Aug-17	10.5%	Options for asset being examined
Forestry House, Brisbane QLD	Qld Government	13,387	Nov-17	2.3%	Options for asset being examined

# Case Study: 9,000+ sqm leased or renewed at Victoria Avenue

- Demand is at highest levels seen since Cromwell purchased the Victoria Avenue, Chatswood asset in 2006
- Strong demand for good quality, well managed office space in North Sydney in general
- Chatswood is uniquely placed to absorb any future large vacant tranches of space without creating a major imbalance in the local market
- New leases and renewals included:
  - Ventia. 7 years for 2,773 sqm (new)
  - Interleasing. 10 years for 1,330 sqm (new)
  - Reed Elsevier. 5 years for 1,800 sqm (renewal)
  - Leighton Contractors (CIMIC). 5 years for 2,733 sqm (renewal)
  - Stewart Brown. 5 years for 880 sqm (renewal)

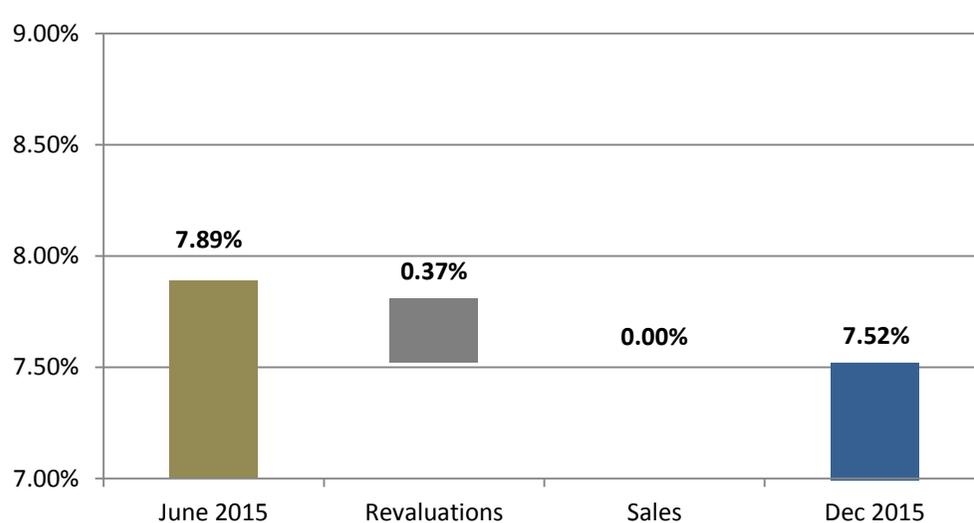


Victoria Avenue, Chatswood

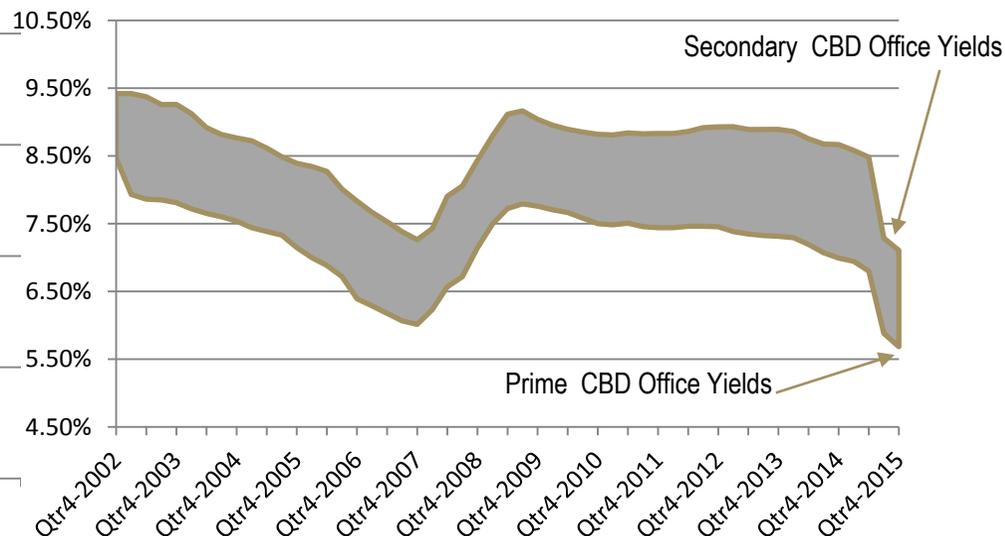
# Property Portfolio – Valuations Continue To Rise

- ➔ Fair value increase in investment property of \$105 million net of capex and incentives
- ➔ Weighted Average Cap rate improved by 0.37% to 7.52% since FY15 (8.20% FY14)
- ➔ Spread between primary and secondary cap rates is now compressing
- ➔ Prime and secondary valuations are stronger (yields are now lower) than the 2007 market peak

Weighted Average Cap Rate Change



Prime vs. Secondary Office Yields

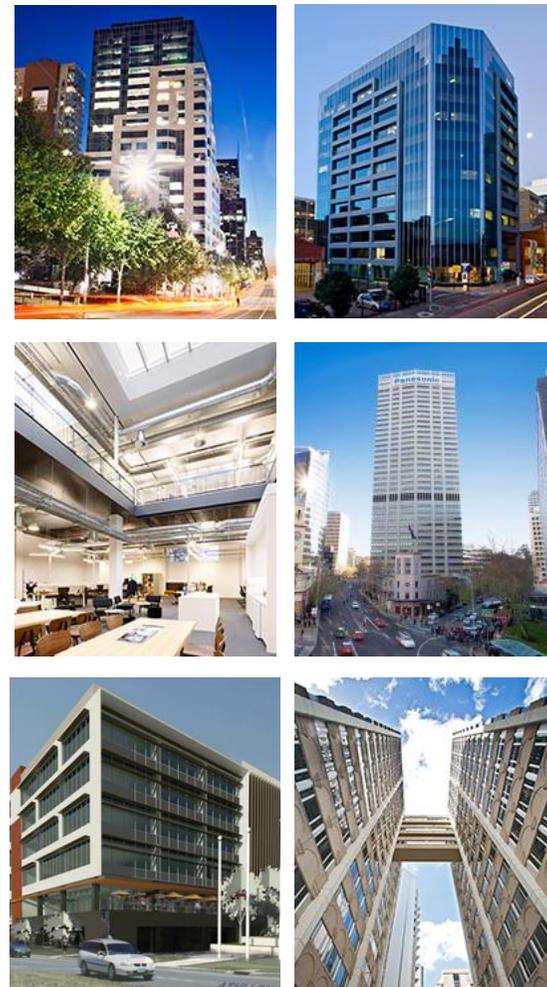


Source: JLL



# Property Portfolio – Active Management Remains a Focus

- Core portfolio assets have strong tenant covenants, long WALEs, fixed rental escalations
- Active portfolio assets have short WALEs and are either sold or transformed
- Once transformation has occurred, asset is realised or recycled into the core portfolio



# Property Portfolio – Transformation And Recycling Track Record

## Core Portfolio

- 14 assets worth \$1.6 billion, 75% of current portfolio by value
- WALE of 7.8 years
- Weighted property ungeared IRR since acquisition of 10.8%
- Average valuation uplift over costs of 17.4%

## Active Portfolio

- 12 assets worth \$0.6 billion, 25% of current portfolio by value
- WALE of 2.1 years

## Recycled Assets Trading Track Record

- Five assets sold for a total of \$412 million over the last 24 months
- Net proceeds from asset sales have exceeded cost by \$69 million
- Generating weighted ungeared IRR of 13.3%



Health & Forestry house  
Brisbane, QLD



Artist Impression,  
Northpoint Building, NSW



Artist Impression:  
Tuggeranong Office Park, ACT



Artist Impression,  
Terrace Office Park, QLD

Statistics include 50% share of Northpoint Tower

# Case Study: 100 Waymouth Street, Adelaide

## Next-life asset transition, active leasing strategy, disposal at significant premium

Property Data		Asset Management Challenge	Results	
Property Type	Office	<ul style="list-style-type: none"> <li>Purchased in 2003</li> <li>Whole building tenant vacated in 2012</li> <li>Asset required significant upgrade to attract new tenants</li> </ul>	<ul style="list-style-type: none"> <li>Fully refurbished asset leased to blue chip tenants (Origin Energy and Beyond Bank) with a 8.5 year WALE</li> <li>2015 cap rate of 7.50% compared with 8.73% before the refurbishment</li> <li><b>Asset sold in December 2015 for \$73 million. This represented a premium of 17.6% over book value of \$62.1 million and a yield of 6.8%</b></li> </ul>	
Address	100 Waymouth Street, Adelaide SA			
City/Sub-Market	Adelaide / Office	<th>Key Actions</th> <td rowspan="6">  </td>	Key Actions	
Construc./Refurb.	1989/2013			
Rental Area	12,304sqm			
No. of Tenants	2 tenants			
Acquisition Date	April 2003			
Purchase Price	\$30,420,000			



FOYER BEFORE



FOYER AFTER

# Case Study: Tuggeranong Office Park, ACT

## New building on site, retained tenant, occupancy extended

Property Data		Asset Management Challenge	Results	
<b>Property Type</b>	Office	<ul style="list-style-type: none"> <li>• Whole of asset lease expiry in December 2016</li> <li>• Need to retain the tenant on the property</li> </ul>	<ul style="list-style-type: none"> <li>• Retained tenant on the property</li> <li>• New 15 year lease in a brand new A grade building</li> <li>• Cemented the precinct as a major campus office location</li> <li>• New building expected to be completed in mid 2017</li> </ul>	
<b>Address</b>	Athllon Drive, Tuggeranong ACT			
<b>City/Sub-Market</b>	Tuggeranong / Office	<th>Key Actions</th> <td></td>	Key Actions	
<b>Construc./Refurb.</b>	Existing building 1991		<ul style="list-style-type: none"> <li>• Signed agreement for lease with Federal Government to construct a new building on the site</li> <li>• Planned 2 year construction period</li> <li>• Agreed terms for a new 15 year lease over estimated 30,704 sqm to single tenant</li> <li>• Occupancy extended to at least August 2017</li> </ul>	
<b>Rental Area</b>	Existing building 30,757sqm New building 30,704sqm			
<b>No. of Buildings/Units</b>	5 blocks in existence			
<b>Acquisition Date</b>	June 2008			
<b>Purchase Price</b>	\$166,025,000			



AERIAL OF THE SITE



ARTIST IMPRESSION

# Case Study: Northpoint Tower, North Sydney

## Wholesale capital partnership to transform North Sydney CBD

### Property Data

<b>Property Type</b>	Office
<b>Address</b>	100 Miller Street, North Sydney NSW
<b>City/Sub-Market</b>	North Sydney / Office
<b>Construc./Refurb.</b>	1977/1997
<b>Rental Area</b>	35,162sqm
<b>No. of Tenants</b>	Circa 90 tenants
<b>Acquisition Date</b>	December 2013
<b>Purchase Price</b>	\$278,686,500



### Asset Management Challenge

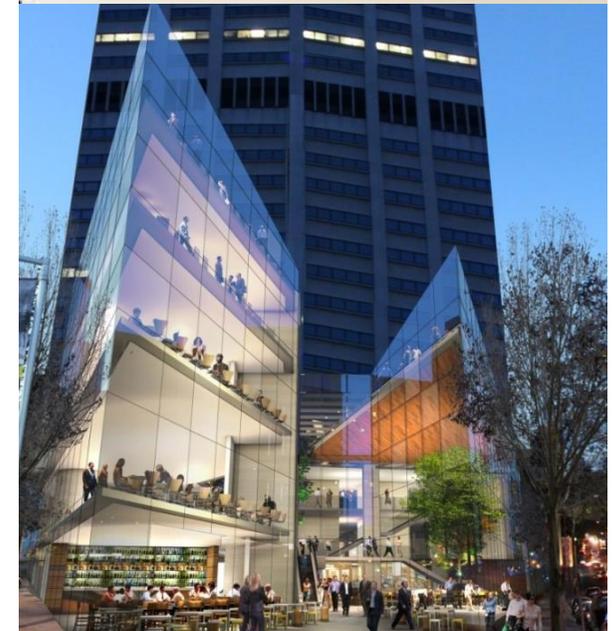
- Purchased in December 2013 post a failed raising by a competitor
- Asset last refurbished in 1997
- Opportunity to significantly reposition asset
- Attractive metrics of 8.7% passing yield and \$7,849 per sqm

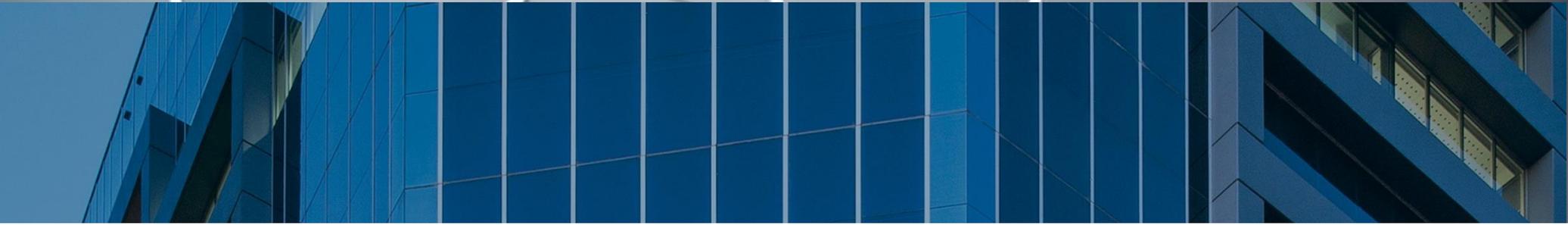
### Key Actions

- Activate leasing campaign to fill office vacancies
- DA submitted for:
  - Major retail tenant, eat street and speciality stores
  - High end dining and rooftop bar
  - Boutique hotel
- The redevelopment will facilitate North Sydney Council's desire to reposition the area as an after hours destination outside of the Sydney CBD

### Results

- DA passed and a 2 year construction project has commenced





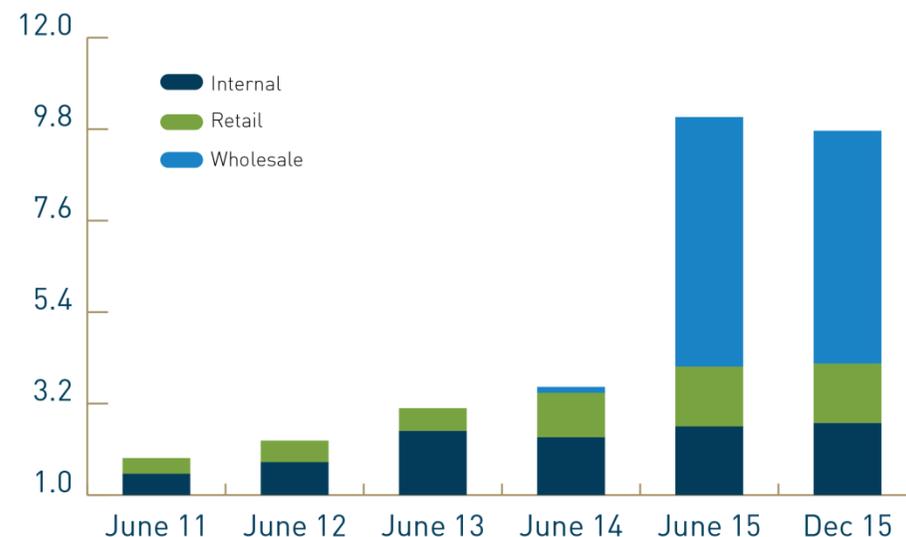
## Section 3

# Funds Management

# Strong Funds Management Operating Profit

- Operating Profit of \$19.6 million (\$0.5 million 1H15)
  - Wholesale Funds operating profit of \$10.7 million (\$0.3m 1H15)
  - Retail Funds operating profit of \$8.8 million (\$0.2 million 1H15)
- Result incorporates first full half of European business and benefits from strong transactional income particularly in retail
- Total AUM of \$9.8 billion
  - Wholesale AUM of \$5.6 billion (\$6.0 billion FY15) due to active trading on a number of portfolios
  - Retail AUM of \$1.5 billion (\$1.4 billion FY15) inclusive of sale of asset in the Cromwell Box Hill Trust
  - Internal AUM of \$2.7 billion (\$2.7 billion FY15)
- 1H16 transactional activity unlikely to be repeated in 2H16

Change in AUM (\$bn)<sup>1</sup>



1) Includes 45% of Phoenix Portfolios AUM, 50% of Oyster Group AUM and 100% of Valad Europe as at their respective exchange rates on 31 December 2015

# Funds Management – Wholesale (Australia and Europe)

## Australasia

- Bevan Towing recently appointed Head of Australasian Wholesale Unlisted Funds Management
- Brief to target Australian and Asian wholesale capital for investment into our Australasian and European platforms

## Europe

- Valad Netherlands Diversified Partnership launched with €325m of €500 million investment capacity now invested
- Completed €320+ million asset management and sales process for the Bridge Portfolio in Germany
- Partnered with Goldman Sachs to acquire the Omikron and Chronos Portfolios of 47 assets in aggregate in the Netherlands
- Valad European Income Fund extended for three years and €200+ million refinancing completed
- 68,500 sqm Haagse Poort office building in The Hague acquired for €114 million, the largest single Dutch office transaction at the time
- Completed the largest Polish retail letting of 2015, comprising 170,000 sqm of space generating €11 million of annual rental income
- Proceeding with operational integration and single brand strategy



# Funds Management – Retail (Australia and New Zealand)

## Australia

- Cromwell Funds Management selectively purchased three properties on behalf of fund unitholders during 1H16
- 2015 Australian Property Institute's Winner of the Commonwealth Bank of Australia Funds Management Award
- Cromwell Phoenix Core Listed Property Fund included on BT and Macquarie Wrap just nine months after inception
- A-REIT award winner for the third consecutive year at the 2015 Professional Planner/Zenith Fund Awards

## New Zealand

- AUM at Oyster Group grew from NZ\$ 733 million to NZ\$ 749 million
- Two private placement syndicates closed fully subscribed - Westpac office building and Countdown Supermarket (both Auckland)
- Three year asset management mandate secured for Tauranga Crossing retail development (Tauranga) 44,000 sqm
- Successful retail syndication of NZ\$ 23 million Home Straight Business Park in Hamilton about 5 kms north of the Hamilton CBD



# Case Study: Cromwell Box Hill Trust

## ATO Building, Cromwell Box Hill Trust

- Cromwell received an unsolicited approach for the recently completed ATO Box Hill building
- The proposed sale was put to a unitholder vote. Unitholders voted to sell
- The building, owned by the Cromwell Box Hill Trust, was sold in September 2015 for \$156 million, an 18.6% premium above the March 2015 valuation of \$131.5 million
- Unitholders' original \$1.00 investment in December 2012 earned \$0.21 per unit in monthly distributions over the life of the Trust and unitholders received a Special Distribution Payment of \$1.335 per unit post settlement





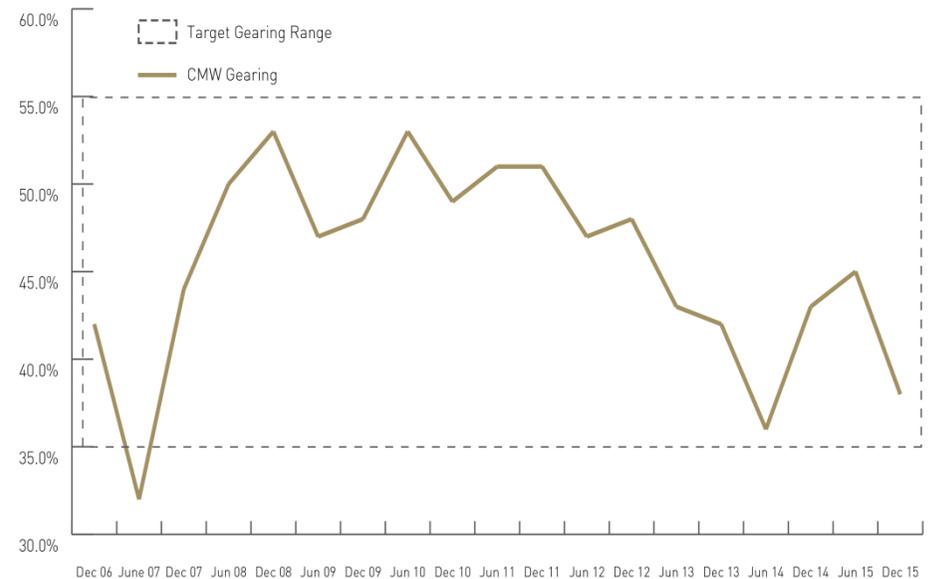
## Section 4

# Capital Management

# Capital Management – Recent Initiatives Strengthen Position

- Conservative approach mandated by Board
- Cash and Cash Equivalents of \$256 million
- Cromwell is fully hedged until May 2019
- Portfolio gearing<sup>1</sup> of 29% (31% look-through)
- Group gearing<sup>2</sup> of 38% (40% look-through)
- Moody's Investors Service has assigned a Baa2 Secured Debt Rating for Cromwell's secured debt and a Baa3 Issuer Rating for Cromwell
- Cromwell has a strong cash position, gearing at the lower end of its target range, access to capital and is willing to recycle capital into higher value adding opportunities

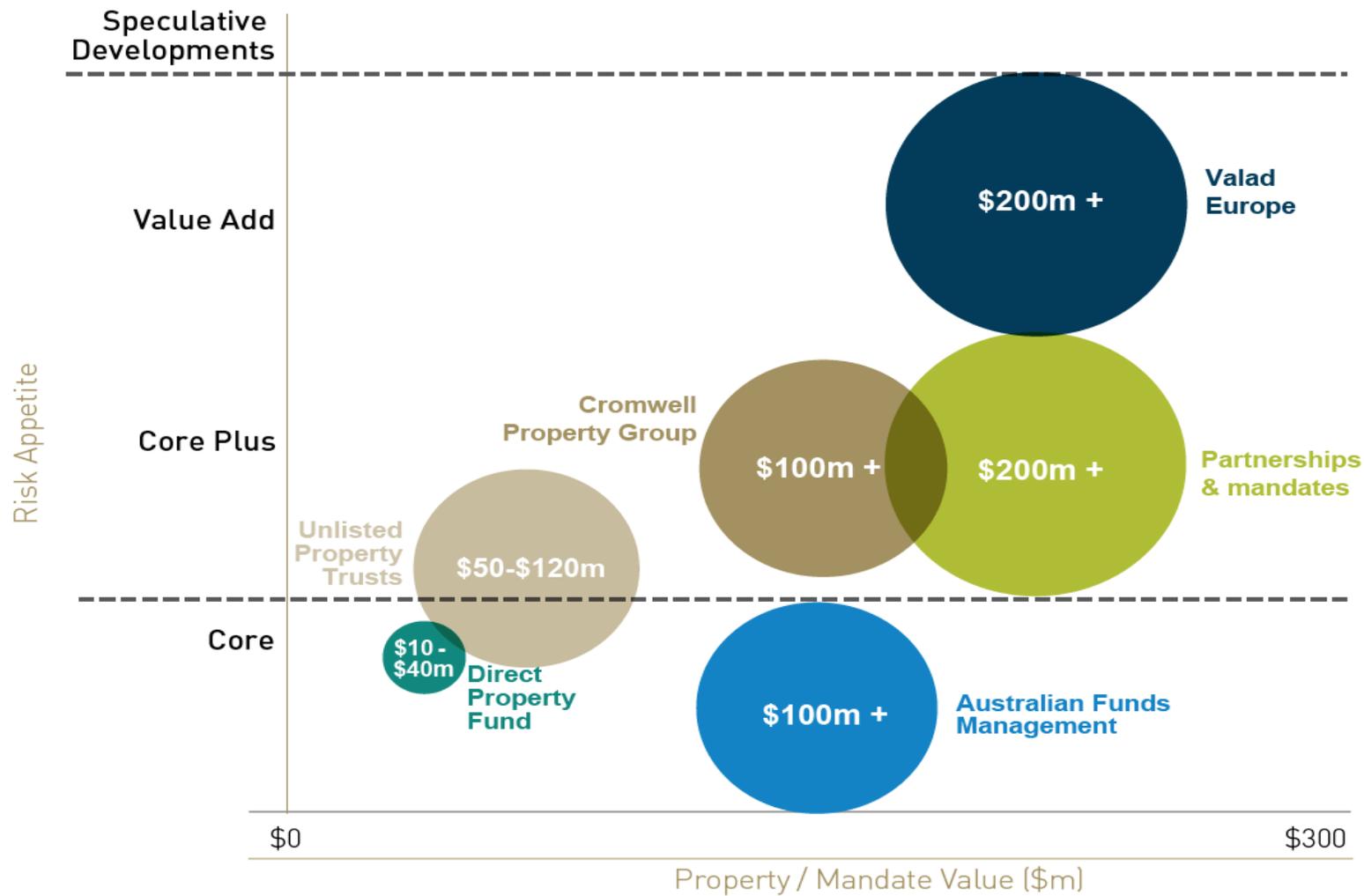
CMW Group Gearing



1) Portfolio gearing removes impact of Convertible Bond

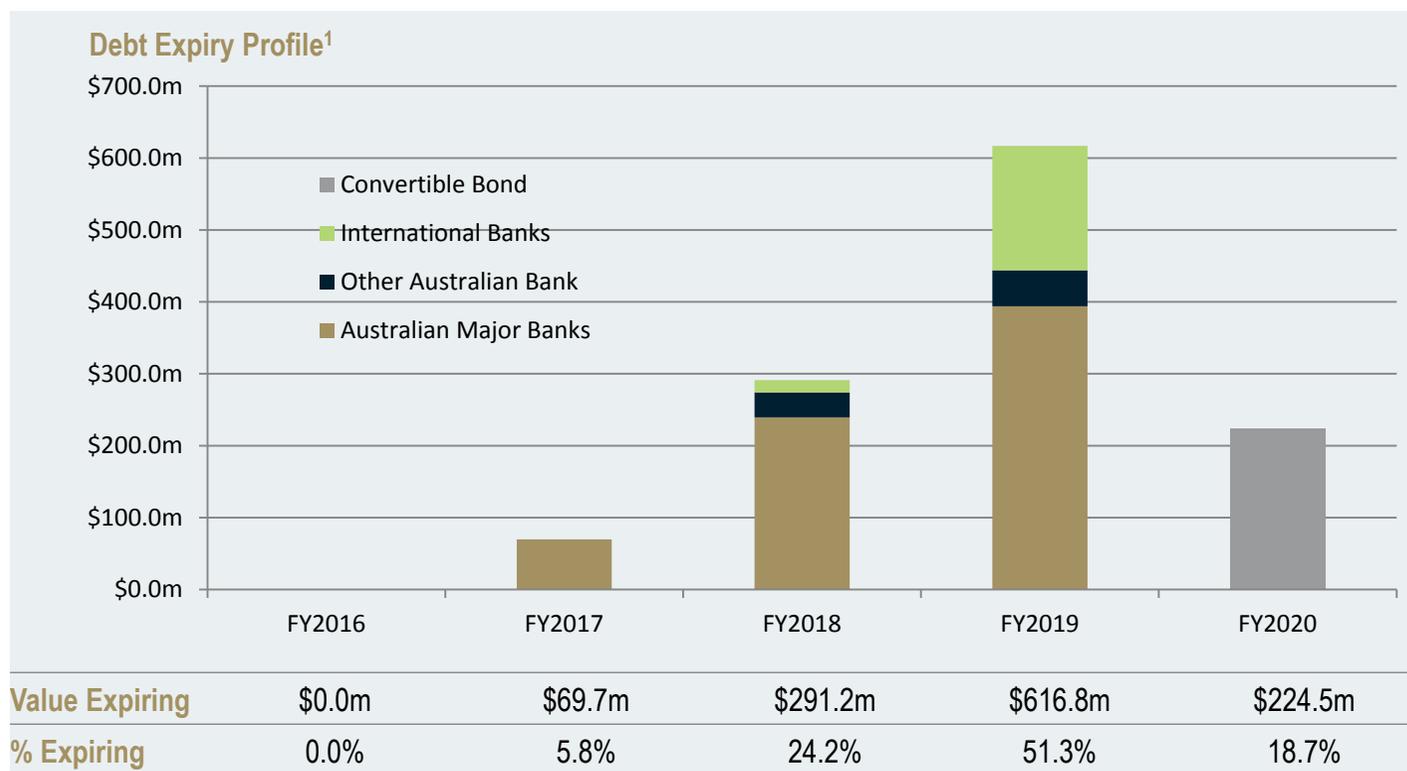
2) Group gearing is calculated as (total borrowings less cash)/(total tangible assets less cash). Look-through gearing adjusts for the 50% interest in Northpoint Tower

# Capital Management – Asset Allocation Strategy



# Capital Management – Diversified Debt Profile<sup>1</sup>

- Facilities are diversified across eight lenders and a Convertible Bond issue with varying maturity dates
- Weighted average debt expiry of 3.1 years with 70% not expiring until FY19

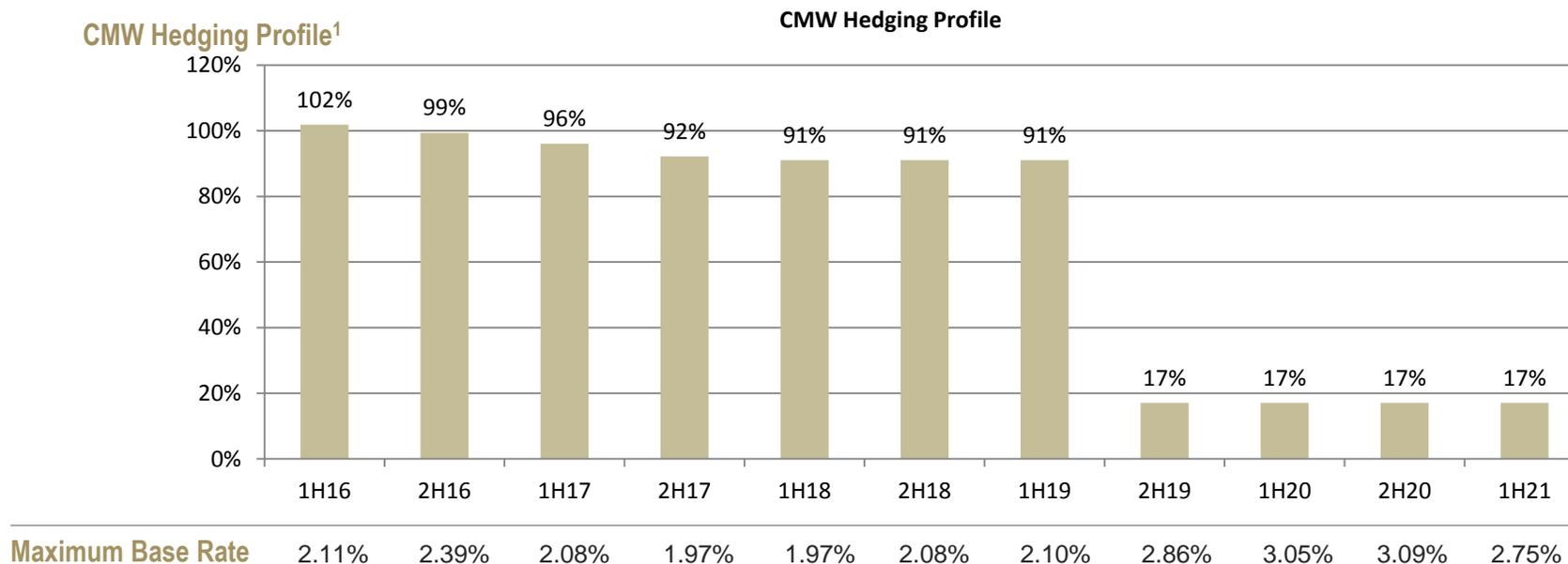


1) Includes 50% of Northpoint Debt

<b>Key Terms of Convertible Bond</b>	
<b>Offer Size</b>	€150 million
<b>Ranking</b>	Senior, unsecured, subordinated to Cromwell's secured bank facilities
<b>Term</b>	Five years from February 2015
<b>Coupon</b>	2.0% per annum payable semi-annually in arrears
<b>Conversion Price</b>	A\$1.1503
<b>Reference Price</b>	A\$1.07 (the closing price on January 23, 2015)
<b>Anti-dilution Protection</b>	Standard provisions
<b>Dividend Protection</b>	Terms allow for payment of Cromwell's FY15 distribution, grown by 3% during the life of the bond

# Capital Management – Interest Rate Hedging

- Targeting lower interest rates again in FY16
- Weighted average margin of 1.49% on current facilities<sup>1</sup>
- Average interest rates on existing debt expected to be 5.0% in FY16<sup>1</sup>
- Weighted average hedge term of 3.6 years
- Long term accreting interest rate cap expiry in May 2019
- High degree of certainty over interest expense until FY19

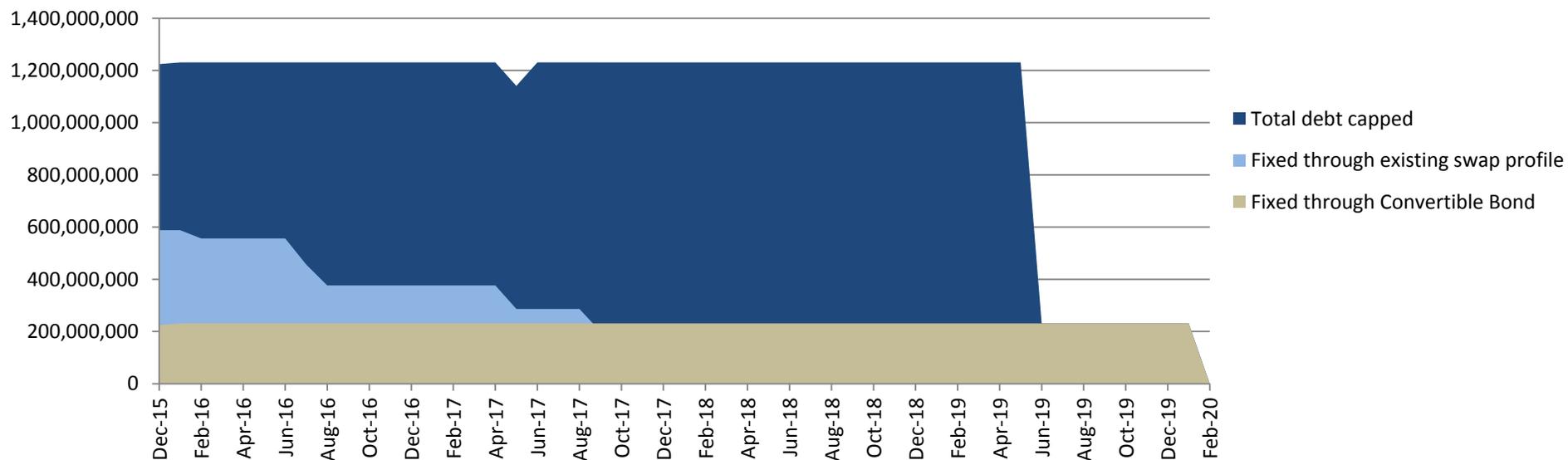


1) Includes 50% of Northpoint debt and the balance and capitalised interest on the Tuggeranong construction debt

# Capital Management – Interest Rate Hedging

- ➔ Interest rates for \$1.2bn of debt are effectively hedged or fixed until May 2019
- ➔ Accreting interest rate cap entered into in August 2014 will cover \$1bn by December 2017
- ➔ The cap allows Cromwell to benefit from low variable interest rates when they are below 3.39%<sup>1</sup>
- ➔ Existing swaps remain in place and will be replaced by the new interest rate cap as they expire
- ➔ Debt costs are anticipated to reduce further over the next few years

**CMW Hedging Profile**



1) Excludes facility margins and line fees



## Section 5 Outlook

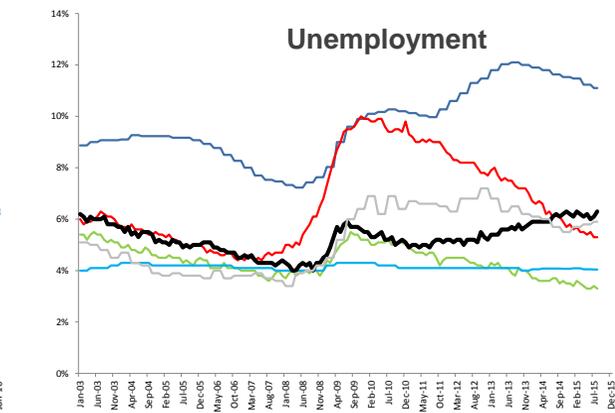
# Outlook - Lower A\$ To Drive A Slow, Structural Transition In Economy

- ➔ Growth suppressed in near term due to end of mining boom. Adjustment a direct negative impact on GDP
- ➔ Falling A\$ from US\$0.96 to US\$0.70 is providing a boost to tourism, education, exports, currency sensitive industries
- ➔ Business and consumer confidence remain subdued
- ➔ Underlying inflation contained as booming property markets have held the RBA back from further rate cuts

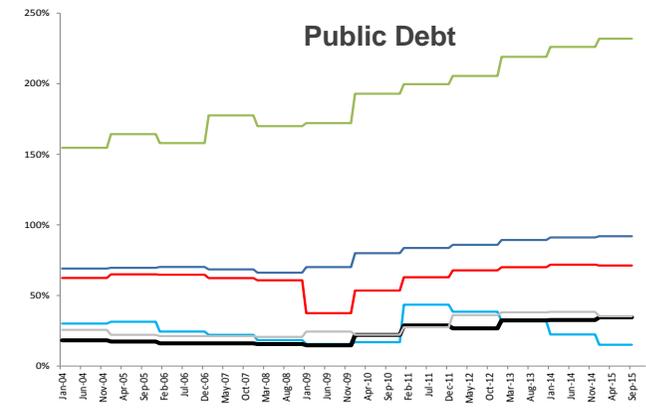
Australian Statistics (Q4'15)		
Metric	Value	Trend
Population	24m	↑
Unemployment Rate	5.8%	↔
GDP   GDP per capita	US\$1,454bn   US\$37.8k	↔
Australian Public Debt (%GDP)	33.9%	↑
Australian Household Debt (%GDP)	122%	↑
10 Year Bond Rate	2.79%	↑



Source: Bloomberg. Trading Economics



— Eurozone — US — Japan — China



— Australia — New Zealand

# Outlook – Demand High, Leasing Conditions Uneven

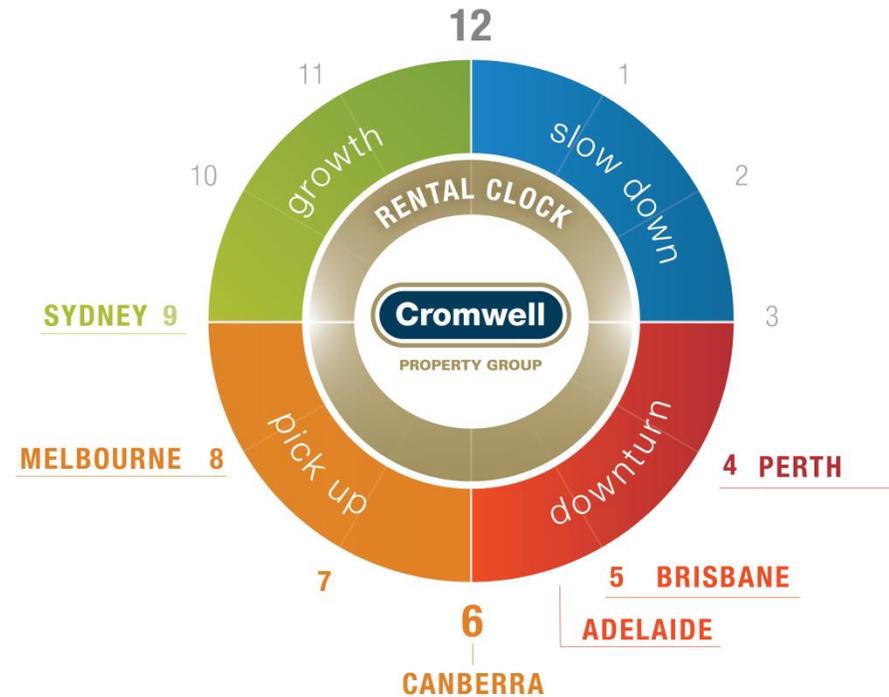
## Market Overview

- Commercial property sales of \$25 billion in 2015 (40% from offshore)
- Yields are still c.3% higher than other global gateway cities
- Demand will continue, focus will move to fringe/secondary stock
- Business conditions are mildly positive but economic growth will be relatively constrained for the near future
- CDB Office net absorption is positive, vacancy is below long-term averages in both SYD/MEL but elevated in other cities

## Our Preference

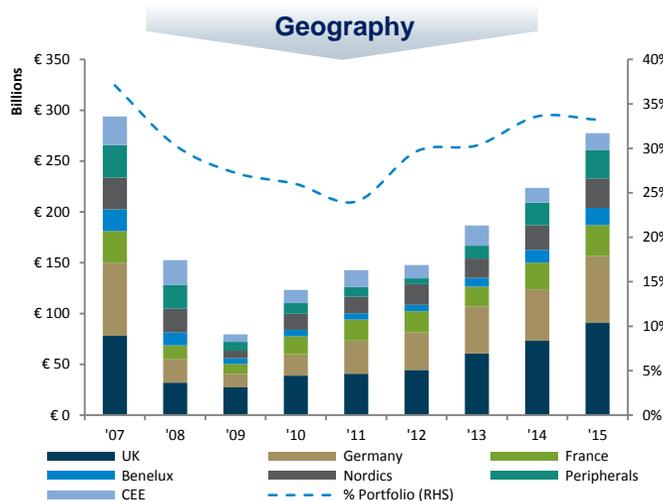
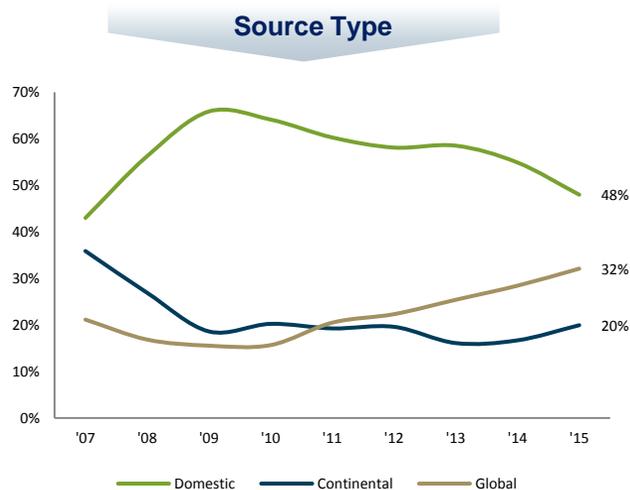
- Continues to be well leased, commercial office property
- A-Grade assets in secondary locations with transformation potential
- Pockets of value exist in select markets but asset selection is key

## Cromwell Rental Property Clock Office Rental Markets: Key cities



# Outlook – High Volumes, Increased Appetite for European Property

- ➔ European transactions volumes up 23% to €135bn in half after a ~24% year on year increase last year
- ➔ Cross-border capital accounted for >50% of transactions, with a growing share (c.32%) from global players
- ➔ Increasing premium for scale with number of portfolios traded c.35% of total deal volume
- ➔ Search for yield means assets up the risk curve being targeted, specialist sectors now account for >€60bn, up 50% on prior period
- ➔ Cautious optimism continues looking ahead as the pace of fundraising activity remains close to pre-crisis levels and yields across the spectrum continue to tighten but at a decelerating rate



# Outlook

## Property

- Significant demand for property with long leases to continue
- Disconnect between capital values and rental growth to remain
- Leasing conditions improving in Sydney with a reduction in incentives being seen, remaining challenging elsewhere
- Selective growth opportunities available, asset selection remains key

## Funds Management

- 1H16 transactional income unlikely to be repeated in 2H16
- Focus on cross border capital flows and operational integration
- Significant interest in investing into Europe

**FY16 operating earnings forecast has been maintained at not less than 9.0 cps. FY16 distributions forecast will increase 0.1 cps to 8.2 cps**

1) As at 31 December 2015 unless otherwise specified

2) Gearing calculated as (total borrowings less cash)/(total tangible assets less cash) post asset sales

3) FY16 guidance

4) Includes assets under construction at 'as if complete value', 45% Phoenix Portfolios assets under management and 50% of Oyster Group assets under management

## Cromwell Property Group 1H16 Snapshot<sup>1</sup>



Market cap:	\$1.8 bn <sup>1</sup>
Security price:	\$1.05 <sup>1</sup>
Group gearing:	38% <sup>2</sup>
Operating earnings guidance:	9.0 cps <sup>3</sup>
Distributions guidance:	8.2 cps <sup>3</sup>

## Investment Portfolio<sup>1</sup>

Portfolio value:	\$2.2 bn
Number of assets:	26
Weighted Average Cap Rate:	7.52%
Weighted Average Lease Exp:	5.7 yrs

## Funds Management Platform<sup>1</sup>

Assets under management:	\$9.8 bn <sup>4</sup>
Number of funds:	30+

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Appendix  
Additional Information

# 1H16 Operating and Statutory Profit Reconciliation

	1H16 (\$'000)	1H15 (\$'000)
<b>Profit from operations</b>	<b>88,814</b>	<b>72,861</b>
<b>Operating EPS (cents per security)</b>	<b>5.1 cps</b>	<b>4.2 cps</b>
Gain on sale of investment properties	19,386	1,070
Loss on disposal of other assets	(201)	-
Business combination costs	-	(727)
Other transaction costs	(1,372)	-
Fair value net gain / (write-downs)		
Investment properties	105,457	27,869
Derivative financial instruments	3,457	(8,901)
Investments at fair value through profit or loss	3,567	279
Non-cash property investment income / (expense)		
Straight-line lease income	1,240	3,269
Lease incentive amortisation	(7,432)	(5,550)
Lease cost amortisation	(728)	(588)
Other non-cash expenses:		
Amortisation of finance costs	(3,457)	(1,085)
Net exchange gain / (loss) on foreign currency borrowings	(6,020)	-
Amortisation and depreciation, net of deferred tax expense <sup>1</sup>	(3,972)	(353)
Relating to equity accounted investments <sup>2</sup>	(3,227)	(952)
Net foreign exchange gains	60	-
Net tax losses incurred / (utilised) <sup>3</sup>	(42)	(23)
<b>Profit for the year</b>	<b>195,530</b>	<b>87,169</b>
<b>Statutory EPS (cents per security)</b>	<b>11.2 cps</b>	<b>5.0 cps</b>

1) Comprises depreciation of plant and equipment and amortisation of intangible assets, including management right and associated deferred tax liability upon the acquisition of Valad Europe

2) Comprises fair value adjustments included in share of profit of equity accounted entities

3) Comprises tax expense attributable to changes in deferred tax assets recognised as a result of carried forward tax losses

# Segment Result – Operating Earnings<sup>1</sup>

	Property Investment (\$'000)	Funds Management Internal (\$'000)	Funds Management Retail (\$'000)	Funds Management Wholesale (\$'000)	Property Development (\$'000)	Dec-15 (\$'000)
<b>Segment revenue</b>						
Sales to external customers	115,675	3,950	11,469	40,307	-	171,401
Sales - intersegmental	513	8,785	-	-	-	9,298
Operating profits of equity accounted entities	4,112	-	458	-	-	4,570
Distributions	-	-	56	1,116	-	1,172
Interest	1,478	400	73	32	-	1,983
Other income	100	104	-	5	-	209
<b>Total segment revenue and other income</b>	<b>121,878</b>	<b>13,239</b>	<b>12,056</b>	<b>41,460</b>	<b>-</b>	<b>188,633</b>
<b>Segment expenses</b>						
Property outgoings, rates and taxes	(17,087)	-	-	-	-	(17,087)
Property development cost	-	-	-	-	(98)	(98)
Intersegmental costs	(8,785)	(464)	(44)	(5)	-	(9,298)
Funds management costs	-	-	(894)	-	-	(894)
Employee benefits expense	-	(10,730)	(787)	(17,694)	-	(29,211)
Finance costs	(24,805)	-	-	(2,299)	-	(27,104)
Administration and overhead costs	(797)	(3,240)	(304)	(6,813)	-	(11,154)
<b>Total segment expenses</b>	<b>(51,474)</b>	<b>(14,434)</b>	<b>(2,029)</b>	<b>(26,811)</b>	<b>(98)</b>	<b>(94,846)</b>
Tax expense	-	152	(1,215)	(3,910)	-	(4,973)
<b>Segment operating profit for the year</b>	<b>70,404</b>	<b>(1,043)</b>	<b>8,812</b>	<b>10,739</b>	<b>(98)</b>	<b>88,814</b>
<b>Segment contribution to operating profit</b>	<b>79%</b>	<b>(1%)</b>	<b>10%</b>	<b>12%</b>	<b>(0%)</b>	<b>100%</b>

1) Excludes certain non operating items. Refer to statutory accounts for complete segment result

# Property Portfolio – Top 10 Assets

Asset	State	Class	Book Value	Cap Rate	Occupancy	WALE	Major Tenants
Qantas HQ	NSW	Office	400,000,000	6.00%	100%	15.6 yrs	Qantas
700 Collins Street	VIC	Office	218,000,000	6.25%	77%	3.1 yrs	Bureau of Meteorology, Metro Trains
HQ North Tower	QLD	Office	201,800,000	7.50%	97%	4.4 yrs	AECOM, Bechtel, Technology One
Kent Street, Sydney	NSW	Office	201,000,000	6.75%	95%	4.7 yrs	Symantec, Sydney Ports, HLB Mann Judd
McKell Building	NSW	Office	170,000,000	6.75%	100%	12.5 yrs	NSW State Government
Victoria Avenue	NSW	Office	167,000,000	7.25%	95%	4.5 yrs	Reed Elsevier, Leighton Contractors
Northpoint Tower, North Sydney <sup>1</sup>	NSW	Office	140,000,000	7.75%	92%	2.3 yrs	Secure Parking Pty Ltd, Griffith Hack Lawyers
Tuggeranong Office Park	ACT	Office	102,000,000	11.00%	100%	1.7 yrs	Federal Government
Bundall Corporate Centre	QLD	Office	80,000,000	8.75%	85%	4.1 yrs	Wyndham Resorts, Corporate Executive Offices
Synergy	QLD	Office	75,000,000	8.00%	100%	1.6 yrs	QUT
<b>Top 10 Assets</b>			<b>1,754,800,000</b>	<b>7.12%</b>	<b>95%</b>	<b>6.3 yrs</b>	
Balance of Portfolio			447,730,000	9.11%	94%	4.2 yrs	
<b>Total</b>			<b>2,202,530,000</b>	<b>7.52%</b>	<b>94%</b>	<b>5.7 yrs</b>	

1) Represents Cromwell's 50% interest

# Property Portfolio – Top 20 leases

Tenant	Category	Building	Expiry Date	Rental Income
Qantas Airways Limited	Listed Company/Subsidiary	Qantas HQ	Dec-32	12.8%
Commonwealth of Aust. Dept of FaHCSIA	Government Authority	Tuggeranong Office Park	Aug-17	10.5%
Government Property NSW	Government Authority	McKell Building	Jun-28	6.5%
Bureau of Meteorology	Government Authority	700 Collins Street	Jul-16	4.5%
AECOM Australia Pty Ltd	Listed Company/Subsidiary	HQ North Tower	Apr-20	4.3%
Therapeutic Goods Administration	Government Authority	TGA Complex	Jun-17	4.2%
Department of Veterans Affairs	Government Authority	Lovett Tower	Jun-16	4.1%
QLD University of Technology	Government Authority	Synergy	Nov-16	3.1%
The State of Queensland Department of Public Works	Government Authority	Health House	Jun-17	2.5%
The State of Queensland Department of Public Works	Government Authority	Forestry House	Nov-17	2.3%
Technology One Limited	Listed Company/Subsidiary	HQ North Tower	Apr-21	2.1%
Symantec (Australia) Pty Ltd	Listed Company/Subsidiary	Kent Street, Sydney	Jul-21	2.1%
Reed Elsevier Australia Pty Limited	Listed Company/Subsidiary	Victoria Avenue	Dec-20	1.9%
Metro Trains Melbourne Pty Ltd	Private company	700 Collins Street	Feb-25	1.9%
Government Property NSW	Government Authority	Crown Street, Wollongong	Jun-28	1.8%
QER Pty Ltd	Private Company	Cromwell House	Mar-16	1.7%
Commonwealth of Australia	Government Authority	19 National Circuit	Sep-18	1.7%
Government Property NSW	Government Authority	Station Street, Penrith	Jun-28	1.5%
Wyndham Vacation Resorts Asia Pacific Pty Ltd	Listed Company/Subsidiary	Bundall Corporate Centre	Jun-21	1.2%
Government Property NSW	Government Authority	Farrer Place, Queanbeyan	Jun-28	1.2%
<b>Total from top 20 Leases</b>				<b>71.9%</b>

# Property Portfolio – Net Property Income

Like for like income growth		1H16 (\$'000)	1H15 (\$'000)	Variance	Comments
	Vodafone Call Centre, Kingston TAS	3,641	1,072	239.6%	\$2.5 million surrender fee paid Dec-15
	700 Collins Street, Melbourne VIC	5,880	5,561	5.7%	Medibank expired Sept 14 vacating 15,000 sqm. 3 floors leased to Metro Trains in FY15
	475 Victoria Avenue, Chatswood NSW	6,289	5,958	5.6%	Rent Surrender Fee for Reeds Level 12 Tower 2
	Forestry House	3,315	3,158	5.0%	
	Synergy, Kelvin Grove QLD	4,174	3,980	4.9%	
	203 Coward Street, Mascot NSW	12,937	12,535	3.2%	
	Crown Street, Wollongong	1,299	1,280	1.5%	
	Lovett Tower	3,836	3,784	1.4%	
	TGA Complex, Symonston ACT	4,248	4,204	1.0%	
	Tuggeranong Office Park, Greenway ACT	10,404	10,404	-	
	19 National Circuit, Barton ACT	1,514	1,526	(0.8%)	
Office <sup>1</sup>	Bull Street, Newcastle	734	740	(0.8%)	
	Oracle Building, Lyneham ACT	1,535	1,572	(2.4%)	
	Kent Street, Sydney	6,695	6,882	(2.7%)	
	McKell Building	5,477	5,656	(3.2%)	
	Station Street, Penrith	1,137	1,192	(4.6%)	
	HQ North Fortitude Valley QLD	8,145	8,634	(5.7%)	
	Farrer Place, Queanbeyan	955	1,051	(9.1%)	
	Health House	2,809	3,367	(16.6%)	18 month lease extension from Jul-15 at lower rent.
	200 Mary Street, Brisbane QLD	3,191	3,903	(18.2%)	Fair Work lease expiry over 3 levels Dec-14, 2 remain vacant
	Bundall Corporate Centre, QLD	2,996	3,685	(18.7%)	Regus took over CEO lease Sep-15 at lower rent; Cth Games lease expired over full floor Jun-15; some smaller leases expiring
	<b>Office Total</b>	<b>91,211</b>	<b>90,144</b>	<b>1.2%</b>	

1) Includes only properties held for all of 1H15 and 1H16. Northpoint is equity accounted and therefore excluded from above analysis

# Property Portfolio – Net Property Income

Like for like income growth		1H16	1H15	Variance	Comments
		(\$'000)	(\$'000)		
Retail <sup>1</sup>	Village Cinemas, Geelong VIC	620	613	1.1%	
	Regent Cinema Centre, Albury NSW	662	674	(1.8%)	
	<b>Total Retail</b>	<b>1,282</b>	<b>1,287</b>	<b>(0.4%)</b>	
<b>Total held properties</b>		<b>92,493</b>	<b>91,431</b>	<b>1.2%</b>	

Sales, Purchases and Other		1H16	1H15	Variance	Comments
		(\$'000)	(\$'000)		
Sales	Henry Waymouth Centre, SA	2,197	2,294	(4.2%)	Asset sold Dec-15
	Terrace Office Park, Bowen Hills QLD	554	954	(41.9%)	Asset sold Sep-15
	Bligh Street, Sydney NSW	570	2,582	(77.9%)	Asset sold Aug-15
	321 Exhibition Street, Melbourne VIC	0	1,829	(100.0%)	Asset sold Aug-14
	HomeBase	0	48	(100.0%)	Asset sold Dec-13
	380-390 LaTrobe Street, Melbourne	0	36	(100.0%)	Asset sold Nov-13
	Brooklyn Woolstore	0	(28)	(100.0%)	Asset sold Dec-13
	Bridge Street, Hurstville NSW	(4)	1,703	(100.2%)	Asset sold Jul-15
Other	Consolidations - PM/FM Fees	3,455	3,241	6.6%	
	Consolidations - Cromwell Rent & Outgoings	(488)	(433)	12.7%	
	Borrowdale House	30	0	N/A	Asset purchased Jun-15
	Sturton Road, Edinburgh Park , SA	(49)	(44)	11.4%	
	Car Parking	(113)	(14)	716.6%	
<b>Total Sales &amp; Other</b>		<b>6,152</b>	<b>12,168</b>	<b>(49.4%)</b>	
<b>Total Net Property Income</b>		<b>98,645</b>	<b>103,599</b>	<b>(4.8%)</b>	

1) Includes only properties held for all of 1H15 and 1H16

# Property Portfolio – Movement In Book Value

- ➔ Portfolio significantly improved through acquisitions since 2010
- ➔ In-sourced facilities management model delivers consistently low lifecycle capex

	1H16 (\$'000)	FY15 (\$'000)	FY14 (\$'000)	FY13 (\$'000)	FY12 (\$'000)	FY11 (\$'000)	FY10 (\$'000)
<b>Opening Balance</b>	<b>2,101,048</b>	<b>2,249,470</b>	<b>2,396,000</b>	<b>1,724,400</b>	<b>1,444,850</b>	<b>1,064,100</b>	<b>1,117,175</b>
Acquisitions	-	8,010	-	661,346	263,422	322,405	-
Property Improvements	19,399	16,496	44,484	76,319	50,199	40,403	1,311
<b>Lifecycle Capex</b>	<b>1,421</b>	<b>6,817</b>	<b>6,828</b>	<b>6,301</b>	<b>2,614</b>	<b>3,029</b>	<b>2,231</b>
Disposals	(150,903)	(205,849)	(250,009)	(42,439)	(39,329)	(33,735)	(22,128)
Transferred to held for sale	-	(36,600)	-	-	-	-	-
Straight Lining of Rental Income	1,240	5,508	5,648	6,071	6,892	4,883	852
Lease costs and incentives	13,717	37,713	11,927	29,275	15,810	15,879	2,216
Amortisation of leasing costs and incentives	(8,160)	(12,963)	(11,634)	(9,526)	(7,705)	(5,773)	(5,411)
Net gain/(loss) from fair value adjustments	105,457	32,446	46,226	(55,747)	(12,353)	33,659	(32,146)
<b>Balance</b>	<b>2,083,219</b>	<b>2,101,048</b>	<b>2,249,470</b>	<b>2,396,000</b>	<b>1,724,400</b>	<b>1,444,850</b>	<b>1,064,100</b>
<b>Lifecycle Capex as a % on average assets</b>	<b>0.07%</b>	<b>0.31%</b>	<b>0.29%</b>	<b>0.31%</b>	<b>0.16%</b>	<b>0.24%</b>	<b>0.20%</b>

# Facility Details

Amount (\$'000)	Facility	Maturity Date	Years Remaining <sup>1</sup>	Covenants
123,500	Bank 1 5yr Facility	May-19	3.37 yrs	
100,000	Bank 2 5yr Facility	May-19	3.37 yrs	
123,500	Bank 3 5yr Facility	May-19	3.37 yrs	
50,000	Bank 4 5yr Facility	May-19	3.37 yrs	LVR - 60%
25,000	Bank 5 5yr Facility	May-19	3.37 yrs	
105,631	Bank 6 5yr Facility	May-19	3.37 yrs	ICR - 2.00 times
42,252	Bank 7 5yr Facility	May-19	3.37 yrs	
85,226	Bank 1 4yr Facility	May-18	2.37 yrs	WALE - 3 years
69,009	Bank 2 4yr Facility	May-18	2.37 yrs	
85,226	Bank 3 4yr Facility	May-18	2.37 yrs	
34,504	Bank 4 4yr Facility	May-18	2.37 yrs	
17,252	Bank 5 4yr Facility	May-18	2.37 yrs	
39,389	Bank 8 Term Facility	Jul-18	2.58 yrs	
7,535	Bank 8 Construction Facility	Jul-18	2.58 yrs	LVR - 75% <sup>1</sup>
224,484	Convertible Bond	Feb-20	4.10 yrs	
<b>1,132,508</b>		<b>Weighted average excluding Northpoint debt</b>	<b>3.22 yrs</b>	
69,672	Bank 1 Facility	Dec-16	0.97 yrs	LVR - 55%, ICR - 2.00 times
<b>1,202,180</b>		<b>Weighted average including Northpoint debt</b>	<b>3.09 yrs</b>	

1) Based on "As Complete" valuation for new build / "Vacant Possession" valuation for existing building

# Interest Rate Hedging Details

Amount (\$'000)	Rate	Type	Maturity Date	Years Remaining <sup>1,2</sup>	% of Total
86,450	5.95%	Fixed	Sep-17	3.35 yrs	7.2%
31,730	5.90%	Fixed	Feb-16	3.35 yrs	2.6%
100,000	3.99%	Fixed	Nov-17	3.35 yrs	8.3%
100,000	4.15%	Fixed	Dec-17	3.35 yrs	8.3%
100,000	4.38%	Fixed	Jul-16	3.35 yrs	8.3%
80,000	3.86%	Fixed	Aug-16	3.35 yrs	6.7%
90,000	4.14%	Fixed	May-17	3.35 yrs	7.5%
411,800	3.39%	Capped	May-19	3.35 yrs	34.3%
224,484	2.00%	Fixed	Feb-20	4.10 yrs	18.7%
(22,284)	Unhedged	Variable	N/A	N/A	(1.9%)
<b>1,202,180</b>			<b>Totals / Weighted average including Northpoint debt</b>	<b>3.55 yrs</b>	<b>100%</b>

1) Amount capped expands to \$1bn as each fixed rate swap expires, effectively aligning the years remaining for those swaps being replaced

2) Effective 31 December 2015



**Cromwell**

PROPERTY GROUP