

CHAIRMAN'S ADDRESS

Welcome securityholders and guests,

It has been an eventful twelve months since we last met, underlined by substantial activity in Australia, Europe and now also Singapore.

Cromwell targets an 80:20 operating profit split between direct property investment and funds management. We believe this provides us with a good balance to deliver our goal of providing secure, stable and increasing distributions per security over the property cycle.

The saying goes that 'all real estate is local', but capital flows are increasingly global, and access to a range of different capital sources is essential for the success of any real estate organisation.

Tomorrow, the Cromwell European REIT, or CEREIT, we anticipate will commence trading on the main board of the Singapore Stock Exchange. The initial public offering of CEREIT is an important strategic initiative and will help us achieve our target 80:20 operating profit split.

Importantly it also provides us with access to new capital sources. We have just begun to explore some of the possibilities here and we will provide you with further details, as we explore the different opportunities, in the days and weeks to come.

CEREIT has been well flagged in the media. Indeed, this year, unlike nearly any other, Cromwell has been subject to a large amount of media coverage. Most of this coincided with our investment in Investa Office Fund, which we sold at a healthy profit at the start of last month.

Throughout the entire time we held the stake, misinformation and speculative rumours were spread throughout the media. As you would expect, throughout this time, Cromwell conducted itself in accordance with its values, maintaining a principled stance with a clear focus on creating securityholder value.

Both CEREIT and IOF were hugely complex initiatives. It is a testament to the efforts of the management team that they were able to identify the opportunity, work through all of the options and issues, and then take action to deliver successful outcomes for securityholders.

I would like to take this opportunity to acknowledge and thank Mr Richard Foster, who will retire as a Non-Executive Director of Cromwell Corporation Limited and Cromwell Property Securities Limited with effect from the end of the Annual General Meeting.

Richard Foster joined Cromwell at the start of its journey in August 1998. As one of the pioneers of the property syndication industry in Queensland, he has played a crucial role in the development of our business, particularly with regards to looking after our retail investors.

Richard has been an active contributor to the Board and its Committees over the years. If you can join me in thanking Richard for his contribution.

I would now like to hand over to CEO and Managing Director Paul Weightman.

Thank you.

CEO'S ADDRESS

Thank you, Geoff, and welcome securityholders and guests.

During the 2017 Financial Year, Cromwell again delivered ahead of guidance as we continued our realisation, recycling and reinvestment strategy to improve future earnings quality.

Full year operating profit for FY17 was \$152.2 million, equivalent to 8.65 cents per security, 0.25 cents per security ahead of previous market guidance. Distributions for the year were 8.34 cents per security, representing a 1.7% increase on the previous year.

We consider this to be a very good result, especially when you consider we had exceptionally strong one-off transactional income in the previous financial year.

As Geoff mentioned, we exited our entire stake in Investa Office Fund for \$4.65 per unit on 4 October 2017. The sale price was a premium to the IOF closing price on the previous day and the investment generated an annualised equity internal rate of return (IRR) of 18%.

Investa offered us a way to invest in the Sydney office market. However, with a new development cycle beginning to emerge, the opportunity to make a profit depended on not just the offer price, but also having sufficient time to reposition and recycle assets to extract value, and with a decreasing window in which to do so.

As our offers were rebuffed, the dataroom closed and access to the buildings refused, it became obvious that it wasn't going to matter what price we offered. We subsequently decided that the best way forward was to realise our profit and reinvest the proceeds elsewhere.

Our core property portfolio continues to provide Cromwell with over 80% of total operating earnings. Operating profit for the FY17 year was \$124.5 million.

51%, or just over half, of assets in the portfolio are now stabilised, low risk assets with a long weighted average lease expiry of 12.1 years and minimal capex or incentive exposure over the next 5 years.

A further 41% of the assets in the portfolio have a high level of predictable income with short to medium term upside from the value enhancement activities we have undertaken or initiated. These initiatives are all fully funded and are all expected to be earnings and value accretive.

The remaining 8% of assets in the portfolio are marked for realisation or have strong potential for adaptive reuse. We expect that there will be further upside from these assets in the future.

Overall portfolio valuations increased during the year by \$108.7 million net of property improvements, lease costs and incentives, lifting Net Tangible Assets by 9%, or 8 cents per security to 89 cents per security. The weighted average cap rate tightened by 0.49% to 6.56%.

Tenant quality remains strong with Government and Government related entities contributing 45.48% of gross income, and the top 5 tenants contributing 64.52% of gross income.

It is also pleasing that, when asked, 91% of our tenants said they are satisfied with our performance as their landlord and property manager. This is a testament to the hard work of our in-house property and facilities management teams.

The overall occupancy rate of 92.1% has improved on the previous year. The portfolio had an extended weighted average lease expiry of 7.2 years inclusive of the new lease at Tuggeranong Office Park to the Department of Social Services. DSS moved into the building in September.

Net property earnings, on a like for like basis, decreased 4.8% as vacancies in the active asset portfolio were only partially offset by strong rental increases from elsewhere in the portfolio.

Cromwell leased or renewed leases over 64,000 sqm in the year and the future lease expiry profile remains favourable with expiry of 6.5%, 6.2%, 8.0% and 7.8% in the next four years. Current vacancies are reflective of the fact that 8% of the portfolio is active and under redevelopment or refurbishment.

However material single lease expiry's in the next three years are limited, and we are in discussions with each of the tenants on an extension or renewal. Over these three years, defensive capex and incentive spending is limited to three assets in Brisbane, with any spending in Sydney or Canberra expected to be earnings accretive.

We are also encouraged by the continuing leasing enquiry for 200 Mary Street, where we have improved net occupancy to 68% in a very competitive Brisbane market.

This reflects the investment we have made into the asset, including new end of trip facilities, a 'business hub' co-working space, new lobby and our speculative fit-out programme which is proving popular with smaller to medium size tenants.

As part of our capital realisation and recycling programme, we sold Bundall Corporate Centre on the Gold Coast in June for \$89 million. The Centre was purchased for \$63.5 million in January 2012 and we took advantage of strong a local market ahead of the 2018 Commonwealth Games.

Subsequent to the end of financial year we have completed the sale of Health & Forestry House, in Brisbane for \$66 million and are progressing with strategies for our other active assets.

With limited suitable further acquisition opportunities available, we reinvested a total of \$300 million into Northpoint Tower in North Sydney, and Tuggeranong. Both projects will contribute to Net Tangible Assets and earnings growth this financial year.

We also have other opportunities which we are considering, including potential reinvestment opportunities in other portfolio assets at Victoria Avenue Chatswood, Centenary House, TGA and Campbell Park. All activity is fully funded and expected to be value accretive.

Within our Funds management segments total operating profit was \$27.7 million, comprising 18% of total operating profit. The wholesale funds segment generated operating profit of \$16.9 million.

During the year, €1 billion of property assets were sold in Europe and €0.7 billion acquired on behalf of capital partners. This reflected a relatively quiet first half post-Brexit, particularly in the UK. Overall, activity on the continent remained strong over the course of the year.

As at 30 June 2017, Cromwell had €3.4 billion in assets under management in Europe. This figure included €153 million worth of assets in the Artemis office portfolio, which comprises 33 assets, covering 360,000 sqm, in five different European countries.

A further €255 million of assets have since been onboarded and added to assets under management. The Artemis appointment reflects the strength of our European cross-border investment management platform and our locally-based teams.

Whilst retail funds management operating profit of \$8.2 million was lower than the \$10 million in the previous year, it reflected the difference in the \$4.1 million in performance fees received from the renewal of the Cromwell Riverpark Trust in July 2016 and the \$7.0 million from the Cromwell Box Hill Trust in the previous comparable period.

Excluding both performance fees, underlying operating profit increased by 35% with total assets under management finishing at \$1.8 billion, up slightly from \$1.7 billion in the previous year.

Cromwell continues to invest in engaging with its retail investors, focusing on educational material and engaging content, ensuring its customers are fully informed about their investments and the property market in general.

We actively measure how well we engage with our investors. The retail funds management business has a market leading Net Promoter Score (NPS). In the last survey, we were the only fund manager with a positive NPS (+16). It is pleasing to know our investors are our best advocates. We will continue to invest in them.

In New Zealand, Oyster Group assets under management increased to \$1.2 billion. Cromwell's share of profit from Oyster increased to \$1.7 million, up from \$1.1 million in the previous year.

As at 30 June 2017, cash and cash equivalents were \$86.9 million and Group gearing was 45.2%. Debt facilities continue to be well diversified across eight lenders and a Convertible Bond issue with varying maturity dates.

The Group has a weighted average debt expiry of 2.4 years on a look-through basis with 68% not expiring until the 2020 Financial year and beyond. We have also begun lengthening tenor and diversifying our funding sources.

Future interest rates are hedged through an interest rate cap to May 2019. The average interest rate fell to 3.96%, down from 5.27% as at 30 June 2016. The weighted average margin was 1.39% and the hedge term 1.9 years.

As flagged in August, we have since improved the hedging profile to 3.3 years. This helps secure our distributions, provides certainty of interest expense cost, and maintains flexibility to allow us to take advantage of the current low interest rate environment.

Looking to the outlook for economy and markets. Risks remain elevated. A Chinese economic slowdown and/or continued capital retreat, conflict over North Korea, and the outcome of Brexit negotiations, are amongst the issues which could impact real estate markets.

Within Australia, we are likely to see continued moderate economic growth and low inflation in the short term. Business investment is showing some signs of life and while the next move in interest rates is likely to be up, the timing of any move is uncertain. I don't have to remind anyone that any increase in rates will put pressure on asset prices.

Elsewhere, we are looking to take advantage of the emerging European economic recovery. Real Eurozone GDP growth has shown positive momentum over the past three fiscal years and greater political stability in continental Europe has led to an increase in business and investor confidence.

The global demand for yield, particularly from Asian investors will continue, and Asian capital has displaced the USA and Europe as the number one source of property investment into Australia since 2012. Similar increases into European real estate markets have occurred.

CEREIT is part of our strategy to take advantage of these trends. It is the first pan European diversified REIT listed on the main board of the Singapore Stock Exchange. Its portfolio consists of 74 office and industrial assets in key Western Europe gateway cities with an appraised portfolio value of approximately €1.3 billion.

The majority, 60, of the assets are currently, and will continue to be, managed by our European business. 14 are new properties and will add approximately €400 million to assets under management in Italy.

The IPO is in accordance with our strategy of transitioning our European business from one with a predominantly transactional focus to one that has a significant level of recurring income.

Over the last four years we have realised \$762.3 million in total proceeds from the sale of 12 assets, resulting in \$96.8 million in fair value capital gains from selling into buoyant real estate markets. This has allowed us to recycle capital and reinvest in both our property portfolio and funds management platform.

We are comfortable with using a small part of the excess fair value capital gains we have made, over and above that which we plan to re-invest back into the business to fund a small portion - 0.09 cents per security - of our 2018 Financial year distributions.

We expect FY18 operating profit of 8.25 cents per security and a distribution of 8.34 cents per security. This guidance represents an operating profit per security and distributions per security yield of 8.0% and 8.1% respectively based on the closing price of \$1.03 on 28 November 2017.

I would like to thank the Board for their support over the last year.

I would also like to add my thanks to Richard for his contribution over the past 20 years.

This result reflects the contribution of more than 330 people, coming together and working as one team. I would like to thank them all for their efforts. We will continue to work hard to deliver on our primary business objective and create future value for our securityholders.

Thank you.

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ABOUT CROMWELL PROPERTY GROUP

Cromwell Property Group (ASX:CMW) is a Global Real Estate Investment Manager. The Group is included in the S&P/ASX 200. As at 30 June 2017, Cromwell had a market capitalisation of \$1.7 billion, a direct property investment portfolio in Australia valued at \$2.3 billion and total assets under management of \$10.1 billion across Australia, New Zealand and Europe.