

# FY16 Results Presentation

25 August 2016



PROPERTY GROUP



# Important Information & Disclaimer

For personal use only

This presentation including its appendices (Presentation) is dated 25 August 2016 and has been prepared by Cromwell Property Group, which comprises Cromwell Corporation Limited (ACN 001 056 980) and the Cromwell Diversified Property Trust (ARSN 102 982 598) (the responsible entity of which is Cromwell Property Securities Limited (ACN 079 147 809; AFSL 238052)). Shares in Cromwell Corporation Limited are stapled to units in the Cromwell Diversified Property Trust. The stapled securities are listed on the ASX (ASX Code: CMW).

This Presentation contains summary information about Cromwell Property Group as at 30 June 2016. Statutory financial information has been reviewed by Cromwell Property Group's auditors. Operating financial information has not been subjected to audit review. All financial information is in Australian dollars and all statistics are as at 30 June 2016 unless otherwise stated. All statistics include 50% share of Northpoint Tower

The information in this Presentation is subject to change without notice and does not purport to be complete or comprehensive. It should be read in conjunction with Cromwell Property Group's other periodic and continuous disclosure announcements available at [www.asx.com.au](http://www.asx.com.au).

The information in this Presentation does not take into account your individual objectives, financial situation or needs. Before making an investment decision, investors should consider, with or without a financial or taxation adviser, all relevant information (including the information in this Presentation) having regard to their own objectives, financial situation and needs. Investors should also seek such financial, legal or tax advice as they deem necessary or consider

appropriate for their particular jurisdiction.

Cromwell Property Group does not guarantee any particular rate of return or the performance of Cromwell Property Group nor do they guarantee the repayment of capital from Cromwell Property Group or any particular tax treatment. Past performance is not indicative of future performance. Any "forward-looking" statements are based on assumptions and contingencies which are subject to change without notice. Any forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

The information in this Presentation has been obtained from or based on sources believed by Cromwell Property Group to be reliable. To the maximum extent permitted by law, Cromwell Property Group, their officers, employees, agents and advisors do not make any warranty, expressed or implied, as to the currency, accuracy, reliability or completeness of the information in this Presentation and disclaim all responsibility and liability for the information (including, without limitation, liability for negligence).

To the extent that any general financial product advice in respect of Cromwell Property Group stapled securities is provided in this Presentation, it is provided by Cromwell Property Securities Limited. Cromwell Property Securities Limited and its related bodies corporate, and their associates, will not receive any remuneration or benefits in connection with that advice.

Cromwell Funds Management Limited ACN 114 782 777 AFSL 333214 (CFM) is the responsible entity of, and the issuer of units in, the Cromwell Australian Property Fund ARSN 153 092 516 (APF), Cromwell Direct Property Fund ARSN 165 011 905 (DPF),

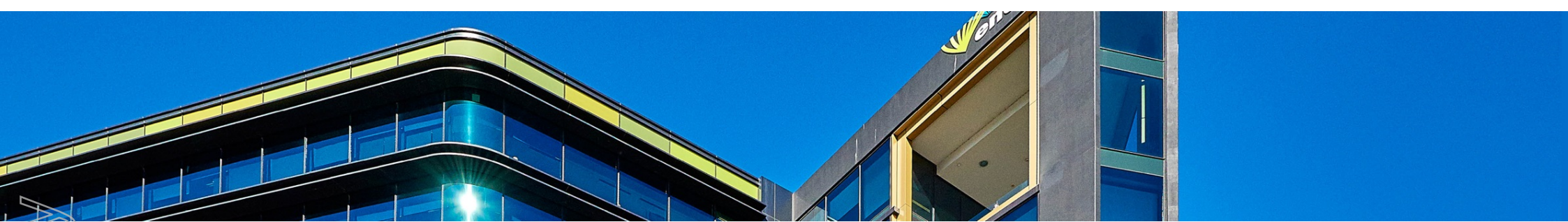
Cromwell Ipswich City Heart Trust ARSN 154 498 923 (ICH), Cromwell Phoenix Core Listed Property Fund ARSN 604 286 071 (PCF), Cromwell Phoenix Opportunities Fund ARSN 602 776 536 (POF), Cromwell Phoenix Property Securities Fund ARSN 129 580 267 (PSF), Cromwell Property Trust 12 ARSN 166 216 995 (C12) and Cromwell Riverpark Trust ARSN 135 002 336 (CRT) (the funds). In making an investment decision in relation to one or more of the funds, it is important that you read the product disclosure statement for the fund. The PDS for each fund is issued by CFM and is available from [www.cromwell.com.au](http://www.cromwell.com.au) or by calling Cromwell on 1300 276 693. ICH, C12 and CRT are not open for investment. PSF is closed to new investment. Applications for units in APF, DPF, PCF and POF can only be made on the application form accompanying the relevant PDS. CFM was the responsible entity of, and issuer of units in, Cromwell Box Hill Trust ARSN 161 394 243 (BHT), which was deregistered on 17 July 2016.

This Presentation does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or any other jurisdiction. Cromwell Property Group stapled securities have not been, and will not be, registered under the US Securities Act of 1933, as amended (Securities Act) or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, a person 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 securities laws.

© 2016. Cromwell Property Group. All rights reserved.

**Cromwell**

PROPERTY GROUP

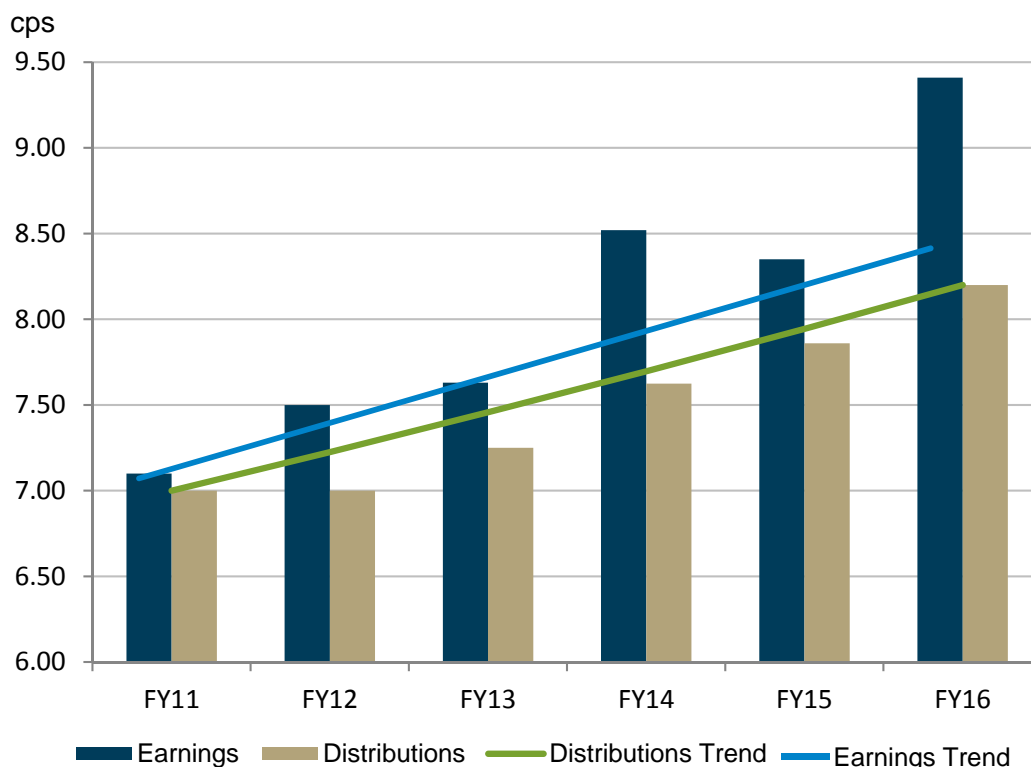


## Section 1 FY16 Highlights

# FY16 Highlights – Strong Year Benefits From Transactional Items

For personal use only

- ➔ **Statutory profit<sup>1</sup> of \$329.6 million (FY15 \$149 million)**
  - ➔ Valuations up \$250.3 million (equivalent to 14.3 cps)
  - ➔ \$209 million in disposals realising a net gain on sale of \$19.4 million (equivalent to 1.1 cps)
- ➔ **Operating profit<sup>1</sup> of \$164.5 million (FY15 \$144.9 million)**
  - ➔ Operating profit per security up 13% to 9.41 cps
  - ➔ Ahead of original forecast of 9.0 cps
- ➔ **Distributions per security up 4.3% to 8.20 cps**
  - ➔ Ahead of original forecast 8.10 cps
  - ➔ FY16 Payout ratio of 87%
- ➔ **Trend of consistently meeting target of 3.0% growth in distributions since FY11**
  - ➔ Growth in earnings of 5.80% p.a. since FY11
  - ➔ Growth in distributions of 3.22% p.a. since FY11



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

# FY16 Highlights – Profit Boosted By Funds Management

## → Property operating profit of \$135.4 million

- Like for like NOI income up 1.6% (excl. asset sales)
- 68 leasing deals completed FY16 for 97,000+ sqm

## → Wholesale Funds operating profit of \$19.0 million

- Benefits from full year inclusion of European platform
- Active trading of a total €2.1 billion in assets
- \$6 million in performance fees and promotes from funds
- \$12.7 million in transactional income

## → Retail Funds operating profit of \$10.0 million

- Cromwell Box Hill Trust asset disposal earns \$7 million
- AUM increases to \$1.7 billion (\$1.4 billion FY15)

## → Distributions from IOF stake of \$6.0 million

	FY16	FY15	Change
Statutory profit (\$m) <sup>1</sup>	329.6	148.8	122%
Statutory profit (cents per security)	18.86	8.58	120%
Property Investment (\$m)	135.4	141.7	(4%)
Property Management and Internal Funds Management (\$m)	0.2	(0.6)	133%
Funds Management Retail (\$m)	10.0	1.4	614%
Funds Management Wholesale (\$m)	19.0	2.6	631%
Development (\$m)	(0.1)	(0.2)	(50%)
Operating profit (\$m) <sup>1</sup>	164.5	144.9	14%
Operating profit (cents per security)	9.41	8.35	13%
Distributions (\$m)	143.4	136.5	5%
Distributions (cents per security)	8.20	7.86	4%
Payout ratio (%)	87%	94%	(8%)

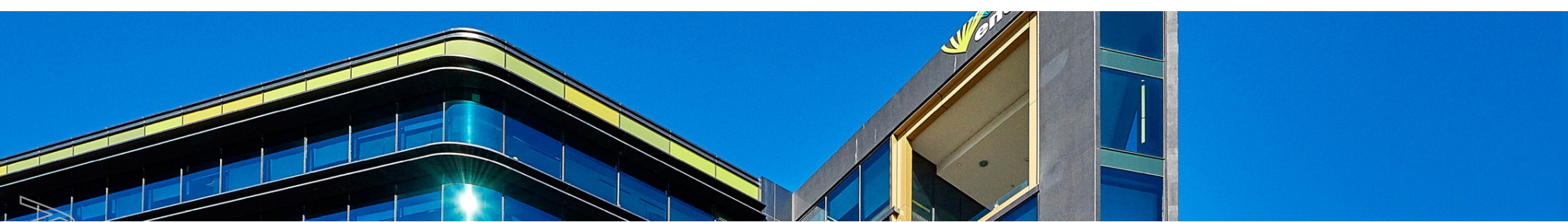
1) For a reconciliation of statutory profit to operating profit see Appendix

# FY16 Highlights – Financial Position Continues To Strengthen

- ➔ Cash and cash equivalents of \$95.6 million
- ➔ NTA increases to \$0.81 due to increase in property valuations
- ➔ Increase in investments at fair value reflects 9.83% units of Investa Office Fund (ASX:IOF) acquired on 12 April 2016 for \$4.24 per security
- ➔ Group Gearing<sup>1</sup> reduced to 43% (44% look through); Portfolio gearing<sup>2</sup> of 34%, (36% look through)
- ➔ Cromwell will phase out the VALAD name and rebrand the business in early 2017. Changing sentiment in the UK, anticipated changes in investment deployment and a focus on funds that generate longer term reoccurring management fees are all factors that contributed to a write down of goodwill of \$86 million

- 1) 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 and net IOF position

	Jun-16 (Actual \$'000)	Jun-15 (Actual \$'000)
<b>Assets</b>		
Cash and Cash Equivalents	95,590	108,963
Investment Properties	2,224,530	2,098,750
Property Under Construction	49,477	2,298
Investment in Associates	86,728	77,234
Receivables	33,843	19,089
Intangibles	78,272	165,696
Derivative Financial Instruments	470	6,064
Investments at Fair Value	296,211	37,549
Other Assets	13,124	73,451
<b>Total Assets</b>	<b>2,878,245</b>	<b>2,589,094</b>
<b>Liabilities</b>		
Borrowings	(1,248,040)	(1,157,760)
Derivative Financial Instruments	(23,359)	(39,149)
Distribution Payable	(36,930)	(34,708)
Payables	(52,110)	(46,262)
Other Liabilities	(17,670)	(17,004)
<b>Total Liabilities</b>	<b>(1,378,109)</b>	<b>(1,294,883)</b>
<b>Net Assets</b>	<b>1,500,136</b>	<b>1,294,211</b>
<b>Securities on issue ('000)</b>		
Securities on issue ('000)	1,752,331	1,739,759
<b>NTA per security</b> (including interest rate swaps)	<b>\$0.81</b>	<b>\$0.65</b>
<b>NTA per security</b> (excluding interest rate swaps)	<b>\$0.82</b>	<b>\$0.67</b>
<b>Gearing<sup>1</sup></b>		
Gearing <sup>1</sup>	43%	45%
<b>Gearing (look-through)<sup>1</sup></b>		
Gearing (look-through) <sup>1</sup>	44%	47%

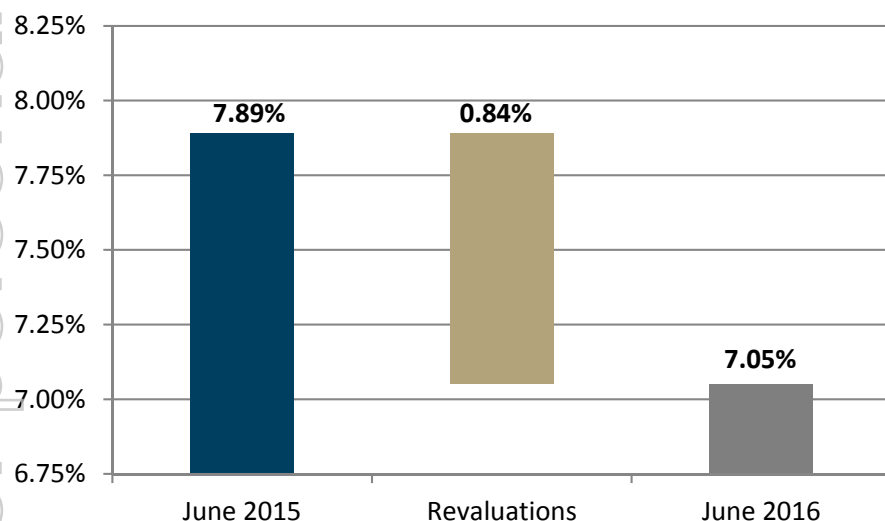


## Section 2 Property Portfolio

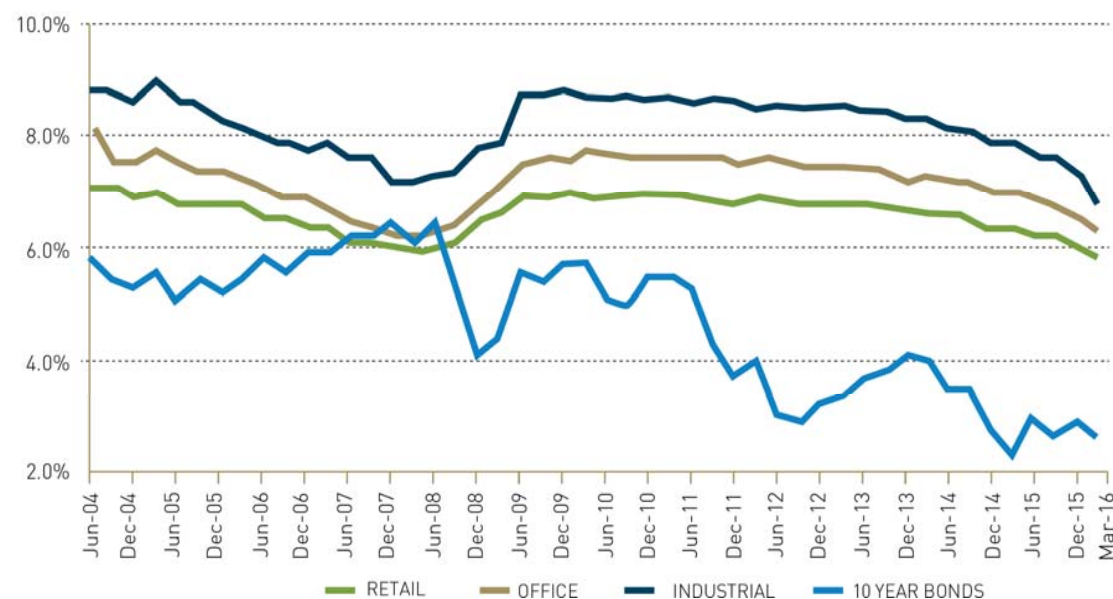
# Property Portfolio – Valuations Continue To Rise

- ➔ Fair value increase in investment property of \$250.3 million net of property improvements, lease costs and incentives
- ➔ Weighted Average Cap rate tightened by 0.84% to 7.05% (7.89% FY15)
- ➔ Cap rates tighter than previous peak but spread to bond rates still substantial
- ➔ Weight of money and low bond rates likely to continue to fuel 'Search For Yield'

Weighted Average Cap Rate Change



Sector Cap Rate Spreads to Bonds



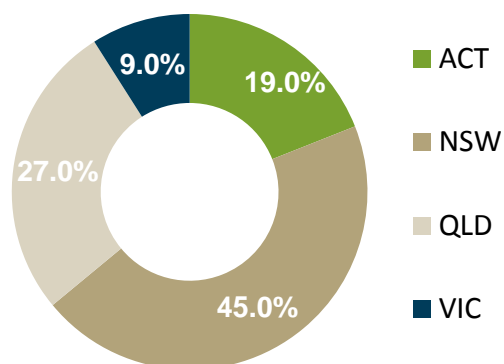
Source: MSCI/IPD. As at 31 March 2016

**Cromwell**

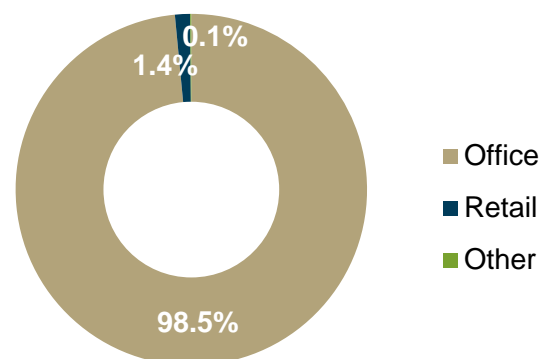
PROPERTY GROUP

# Property Portfolio – Tenant Quality Remains Robust

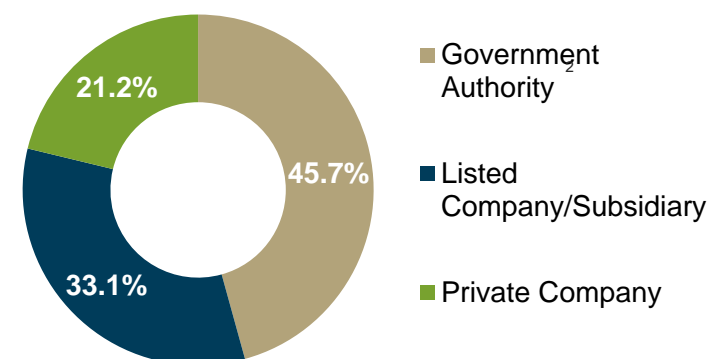
Geographic Diversification<sup>1</sup>



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	22.4%	22.4%	AAA
Qantas	13.3%	35.7%	BBB-
NSW State Government	12.7%	48.4%	AAA
QLD State Government	10.6%	59.0%	AA+
AECOM Australia Pty Ltd	4.7%	63.7%	BB (US Parent)
<b>TOTAL</b>	<b>63.7%</b>		

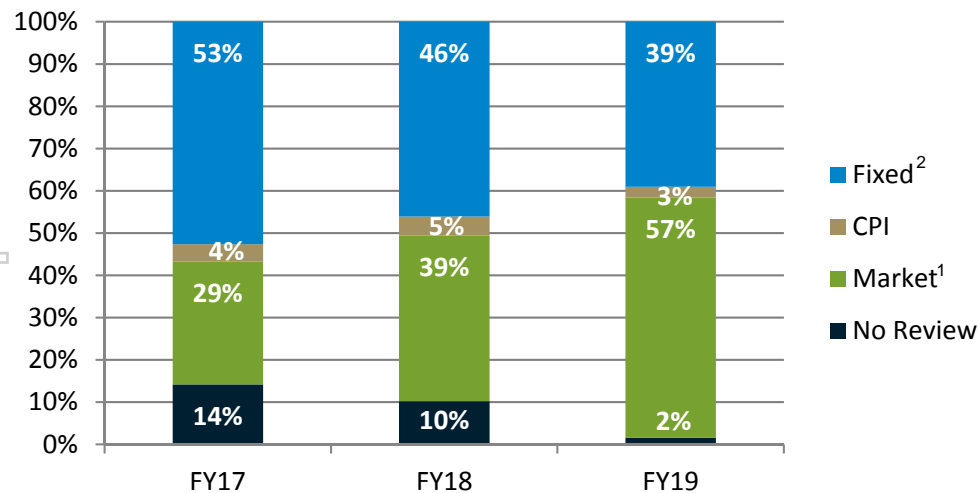
- ➔ Tenant profile remains consistent and of high quality
  - ➔ Government<sup>2</sup> contributes 46% of income
  - ➔ Top 5 tenants account for 64% of income
- ➔ Weighted to Sydney office market where low vacancy rates and stock withdrawals are leading to lower incentives/higher rents
- ➔ Brisbane and Canberra exposures being actively managed

1) By gross passing income  
 2) Includes Government owned and funded entities  
 3) S&P Ratings as at 22 August 2016

# Property Portfolio – Actively Managing Lease Expiry Risk

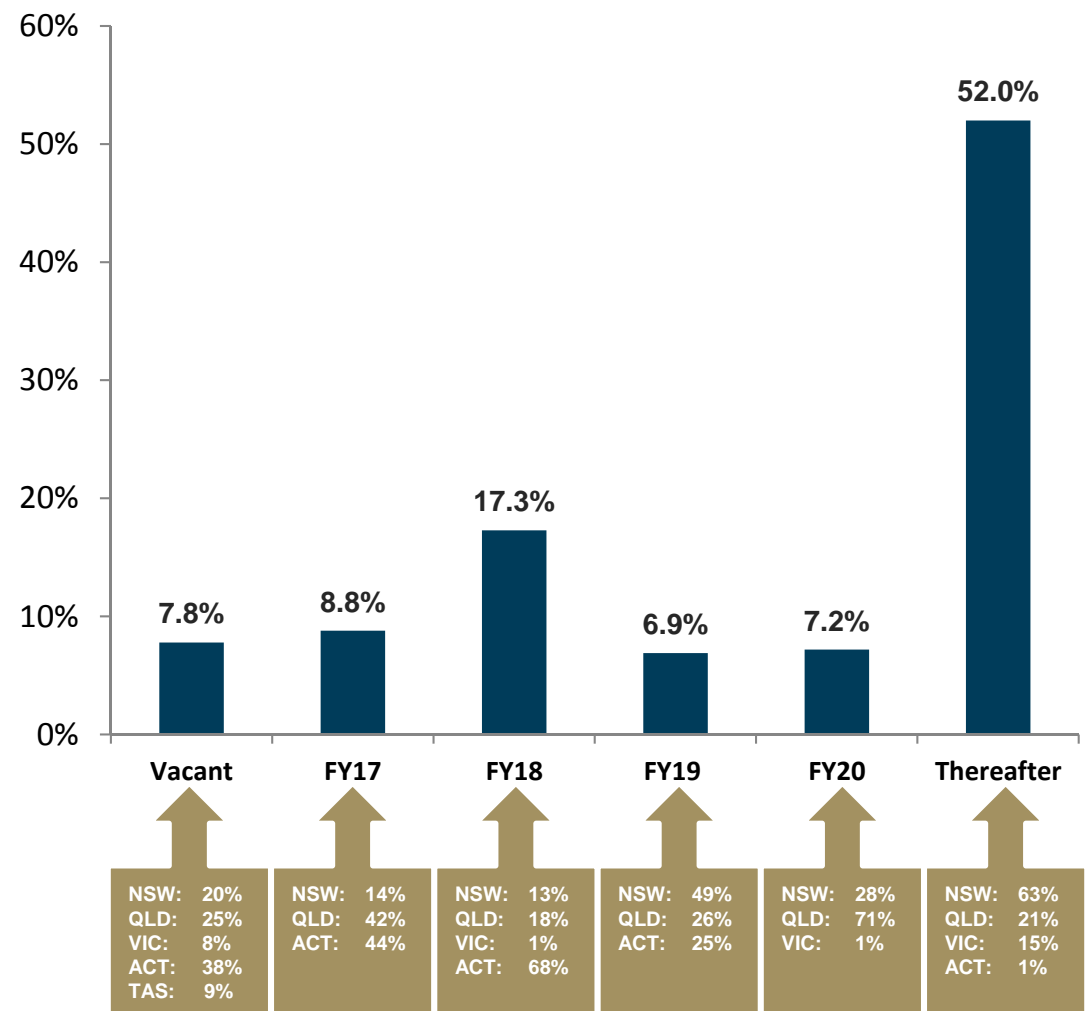
- ➔ WALE of 6.34 years
- ➔ Expiry profile cushioned against current soft conditions
  - ➔ Average fixed review of 3.9% over 53% of portfolio in FY17
  - ➔ Average fixed review of 4.0% over 46% of portfolio in FY18
  - ➔ Average fixed review of 3.9% over 39% of portfolio in FY19

Next Review Type<sup>3</sup>



- 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 - Actively Managing Lease Expiry Risk

- ➔ Solid leasing year with deals signed for 97,000 sqm or approximately 22% of the total portfolio
  - ➔ New leases for 34,000 sqm (8% of total portfolio)
  - ➔ Renewals for 63,000 sqm (14% of total portfolio)

## Leases Signed During Year

- ➔ 9,000+ sqm leased or renewed at Victoria Avenue 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)
  - ➔ CIMIC - 5 years for 2,733 sqm (renewal)
  - ➔ Stewart Brown - 5 years for 880 sqm (renewal)
- ➔ Woolworths signed as retail anchor tenant at Northpoint for 10 years
- ➔ Prime Minister and Cabinet converted to a direct tenant at Lovett Tower for 7,000 sqm for 2 years and 4 months
- ➔ Yardi signed to 207 Kent Street for 7 years



700 Collins St, Sydney



Northpoint, Sydney



207 Kent St, Sydney



88 Musk Avenue, Kelvin Grove

# Property Portfolio – Future Lease Expiries FY17, FY18, FY19

Lease Expiries representing >1% income (FY17-FY19)

Property	Tenant	Area (sqm)	Expiry Date	% of Total Portfolio rental Income
<b>FY17</b>				
TGA Complex	Therapeutic Goods Administration	18,524	30-Jun-17	3.50%
Health House *	The State of Queensland Department of Public Works	13,326	30-Jun-17	2.60%
<b>FY18</b>				
Tuggeranong Office Park	Commonwealth of Aust. Dept of FaHCSIA	30,757	31-Aug-17	10.90%
Forestry House *	The State of Queensland Department of Public Works	13,387	30-Nov-17	3.10%
Lovett Tower	Department of Prime Minister and Cabinet	7,048	30-Jun-18	1.30%
<b>FY19</b>				
19 National Circuit	Commonwealth of Australia	7,073	22-Sep-18	1.80%

\* Development application lodged for redevelopment of Health House and Forestry House to student accommodation

# Property Portfolio – \$300 million Investment For The Future

## Tuggeranong Office Park, ACT

- ➔ \$172 million investment expected to be completed September 2017
- ➔ Federal Government signed on 15 year lease over 30,000+ sqm
- ➔ Also awarded the \$42 million fitout due to commence in March 2017
- ➔ Aiming for 5 star Green Star rating and a 4.5 NABERS energy rating, and will be Canberra's biggest LED lighting-only office development



Tuggeranong Aerial August 2016

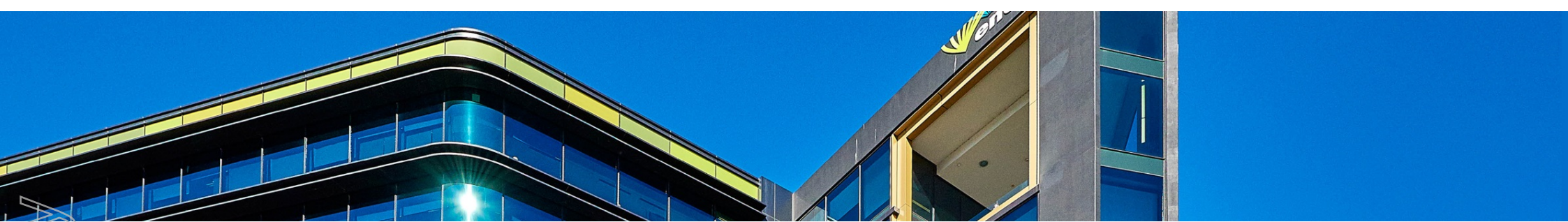
## Northpoint Tower, North Sydney

- ➔ The \$130 million redevelopment of North Sydney's tallest office tower, due for completion in 2018
- ➔ Woolworths secured as the anchor retail tenant, Eat street and roof-top bar tenancies focus for FY17
- ➔ Toga secured as operator of new four star 187 bed hotel
- ➔ Retail and commercial leasing campaigns due to commence shortly
- ➔ Benefit from resumption of properties to make way for Victoria Cross Metro station due to open in 2024



Northpoint Foodcourt – Artist Impression

Façade Artist Impression

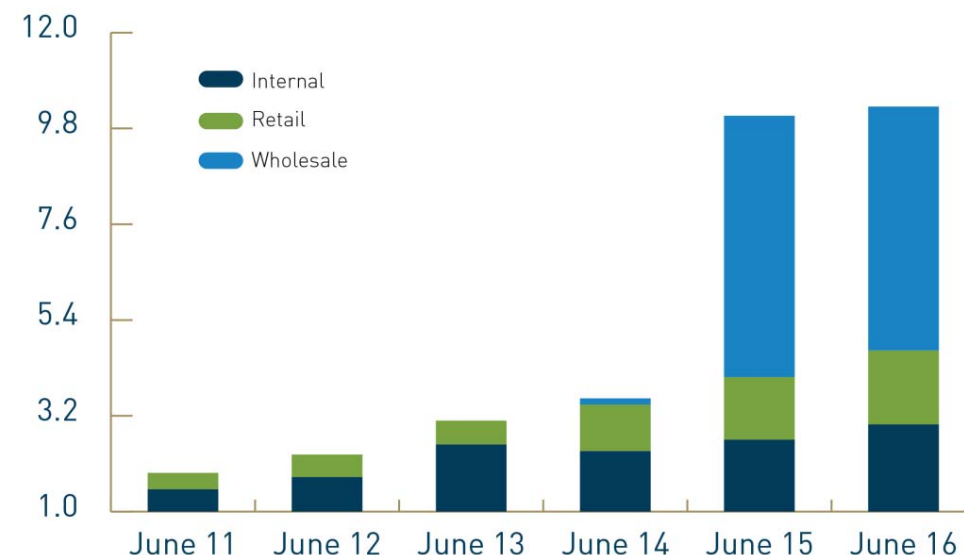


## Section 3 Funds Management

# Funds Management – Substantial Increase in Operating Profit

- Wholesale Funds operating profit of \$19.0 million (\$2.6m FY15)
- Retail Funds operating profit of \$10.0 million (\$1.4 million FY15)
- Total AUM of \$10.3 billion (\$10.1 billion FY15)
  - Wholesale AUM of \$5.6 billion (\$6.0 billion FY15) owing to active trading of assets in Europe
  - Retail AUM of \$1.7 billion (\$1.4 billion FY15) inclusive of sale of asset in the Cromwell Box Hill Trust
  - Internal AUM of \$3.0 billion (\$2.7 billion FY15)
- Result incorporates the following:
  - Full year contribution from Europe including performance fees and promotes from funds
  - Strong retail transactional income

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



*Strategic Target of consistently generating 20% of earnings from Funds Management*

1) Includes 45% of Phoenix Portfolios AUM, 50% of Oyster Group AUM and 100% of Valad Europe as at their respective exchange rates on 30 June 2016

# Funds Management – Wholesale Platform Building

- For personal use only
- Wholesale trust managing Northpoint to show similar results until redevelopment completed
  - €2.4 billion in assets traded in Europe, continuing with operational integration of European platform including new hires, new products and launch of single brand strategy early 2017
  - **Netherlands** Diversified Partnership launched with €325m of €407 million investment capacity now invested
  - Completed €320+ million asset management and sales process for the Bridge Portfolio in **Germany**
  - Partnered with Goldman Sachs in **Netherlands** to acquire Omikron and Chronos Portfolios (47 assets) and €217m Zenith office/logistics portfolio
  - Completed largest **Polish** retail letting of 2015 (H1 FY16), comprising 170,000 sqm of space generating €11 million of annual rental income
  - Nordic Retail Partnership with HIG acquired a portfolio of four regional shopping centres in **Sweden** for €41m and 50,000 sqm of retail space
  - 68,500 sqm Haagse Poort office building in The Hague acquired for €114 million, the largest single **Dutch** office transaction at the time
  - Sold the five multi-let, 68,023 sqm, light industrial North Star portfolio in **France** to a joint venture led by Foncière Magellan for €38.4 million



Haagse Poort, The Hague, the Netherlands



Basso Combo, Toulouse, France



Pallaswiesenstrasse 100, Darmstadt, Germany



Festival Leisure Park, Blackpool, UK

# Funds Management – Retail Generates Results For Investors

- ➔ Retail Funds operating profit of \$10.0 million and FUM of \$1.7 billion
- ➔ Significant transactional income from Cromwell Box Hill Trust asset (\$7 million). Asset sold in September 2015 for \$156 million following a unitholder vote, an 18.6% premium above the March 2015 valuation of \$131.5 million
- ➔ Cromwell Funds Management selectively purchased three properties on behalf of Cromwell Direct Property Fund unitholders during the year
- ➔ Cromwell Riverpark Trust unitholders voted to extend the term of the Trust for a further 5 years. Voting participation was exceptionally high at 83.2% for a widely held retail fund with approximately 1,900 unitholders
- ➔ Awards during year
  - ➔ A-REIT award winner for the third consecutive year at the 2015 Professional Planner/Zenith Fund Awards
  - ➔ 2015 Australian Property Institute's Winner of the Commonwealth Bank of Australia Funds Management Award
  - ➔ 2016 Morningstar Fund Manager of the Year Award, Listed Property Category



Cromwell Riverpark Trust, QLD



2015 API NSW Excellence in Property Awards

**WINNER**  
Funds Management Award



ATO Box Hill



Morningstar Awards 2016 ©. Morningstar, Inc. All Rights Reserved. Awarded to Cromwell Funds Management Limited for Fund Manager of the Year Award, Listed Property Category, Australia.



# Funds Management – Oyster Group Grows AUM 34%

- For personal use only
- Oyster Group AUM grew in the twelve months to 30 June 2016 from NZ\$733 million to NZ\$983 million, an increase of NZ\$250 million or 34%
  - Growth came from a broad range of initiatives
    - The NZ \$100 million Cider building syndication closed fully subscribed with 50 interests of NZ\$1 million each made available to wholesale investors
    - Two Auckland wholesale syndicates closed fully subscribed, Westpac office building and Countdown Supermarket
    - Three year asset management mandate secured for Tauranga Crossing retail development 44,000 sqm
    - Successful retail syndication of NZ\$23 million Home Straight Business Park about 5 kms north of the Hamilton CBD
  - Launched the open ended Oyster Direct Property Fund providing retail investors with diversified exposure to over NZ\$240 million of commercial property



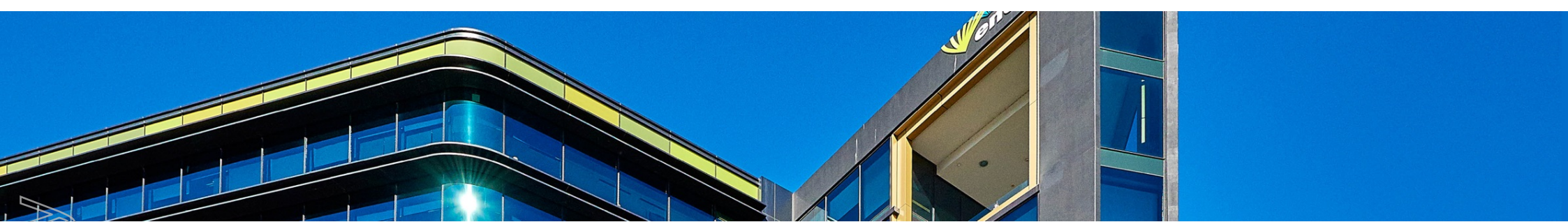
Cider building, Ponsonby, NZ



Home Straight Business Park , Hamilton



Countdown Supermarket, Universal Drive, Henderson, Auckland

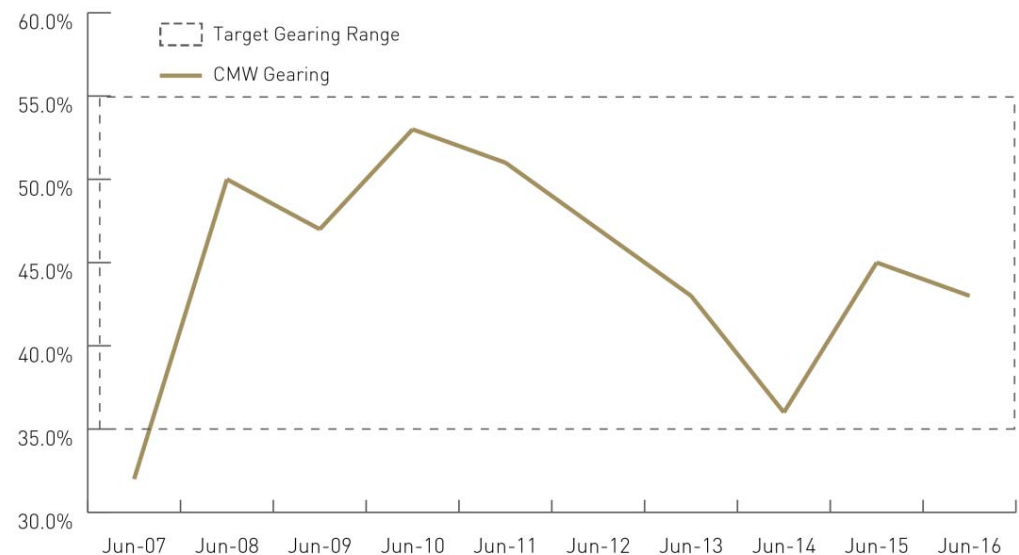


## Section 4 Capital Management and Operational Platform

# Capital Management – Managing To Cycle and Opportunity

- ➔ Cromwell's strategy is to be able to access different sources of capital at different points in the cycle
- ➔ Interest rate exposure capped until May 2019
- ➔ Current Cash and Cash Equivalents of \$95.6 million
- ➔ Group gearing<sup>1</sup> of 43% (44% look-through)
- ➔ Portfolio gearing<sup>2</sup> of 34% (36% look-through)
- ➔ NTA of \$0.81 up from \$0.65
- ➔ Moody's Investors Service has assigned a Baa2 Secured Debt Rating for Cromwell's secured debt and a Baa3 Issuer Rating for Cromwell

CMW Group Gearing

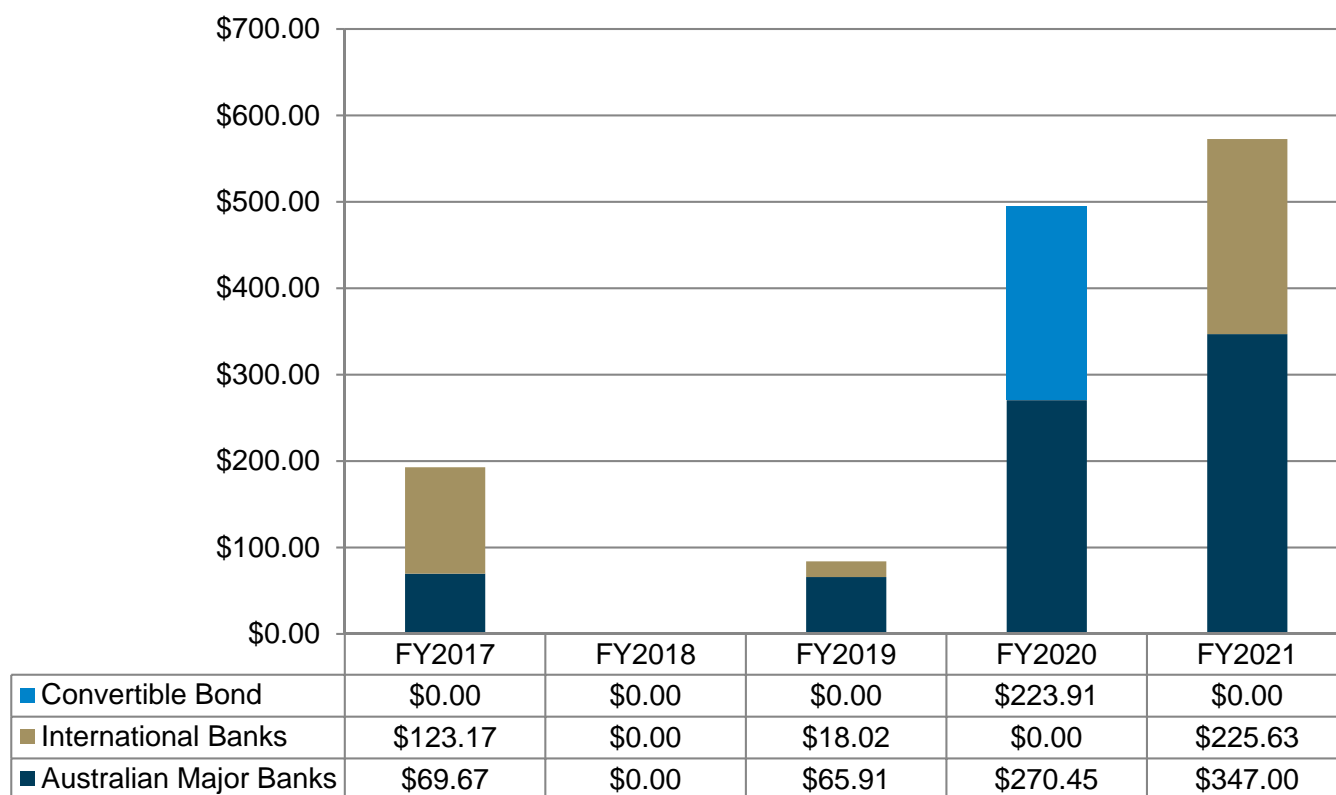


- 1) Group gearing is calculated as (total borrowings less cash)/(total tangible assets less cash). Look-through gearing adjusts for the 50% interest in Northpoint Tower
- 2) Portfolio gearing removes impact of convertible bond and net IOF position

# 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 3.6 years with 86% not expiring until FY19 and beyond

Debt Expiry Profile - Summary



1) Includes 50% of Northpoint Debt

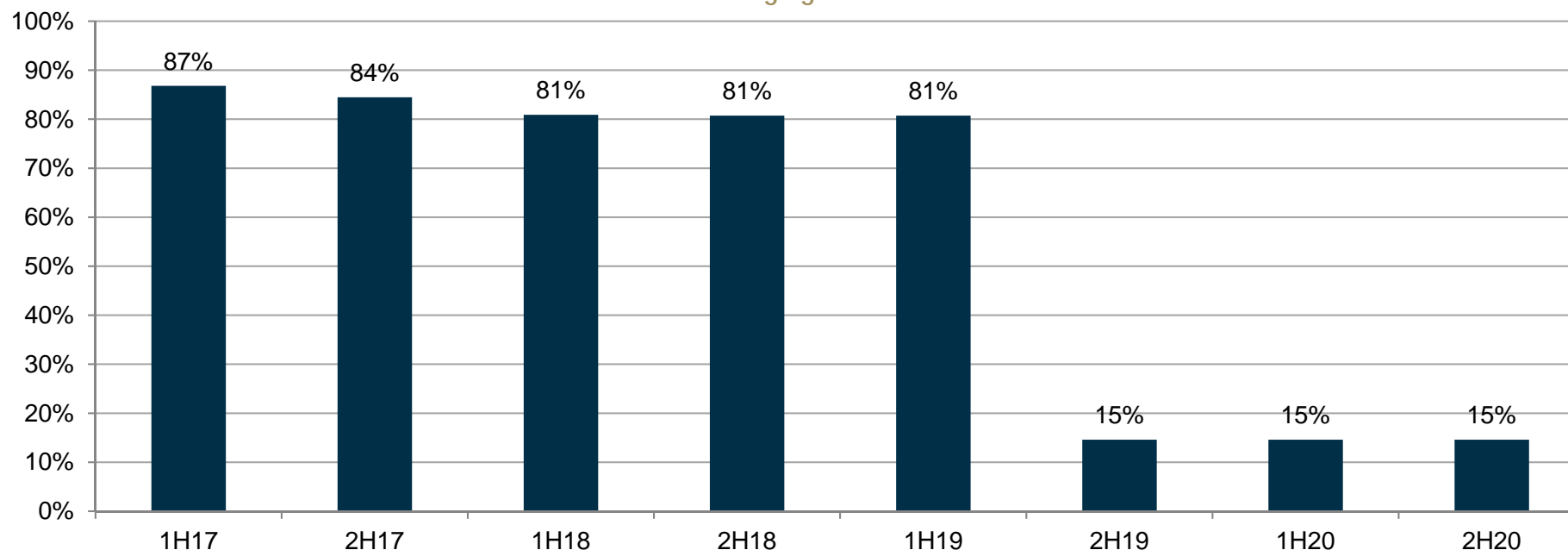
## Key Terms of Convertible Bond

Offer Size	€150 million
Ranking	Senior, unsecured, subordinated to Cromwell's secured bank facilities
Term	Five years from February 2015
Coupon	2.0% per annum payable semi-annually in arrears
Conversion Price	A\$1.1503
Reference Price	A\$1.07 (the closing price on January 23, 2015)
Anti-dilution Protection	Standard provisions
Dividend Protection	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 FY17
- ➔ Weighted average margin of 1.52% on all current facilities
- ➔ Average interest rates on existing debt of 4.12% in FY17
- ➔ Weighted average hedge term of 2.7 years
- ➔ High degree of certainty over interest expense until FY19
- ➔ Interest rates for \$1.2bn are hedged or fixed until May 2019
- ➔ Accreting interest rate cap entered into in August 2014 will cover \$1bn by December 2017 and allow Cromwell to benefit when variable interest rates are below 3.39%
- ➔ Existing swaps remain in place and will be replaced by the new interest rate cap as they expire

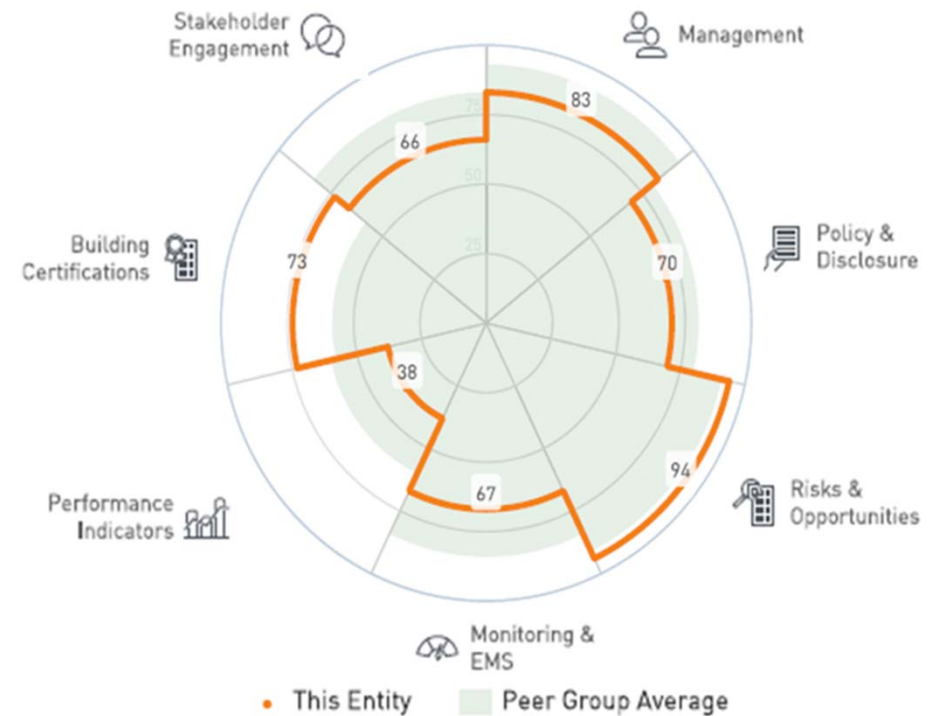
CMW Hedging Profile



# Operational Platform – Sustainability Performance Improves

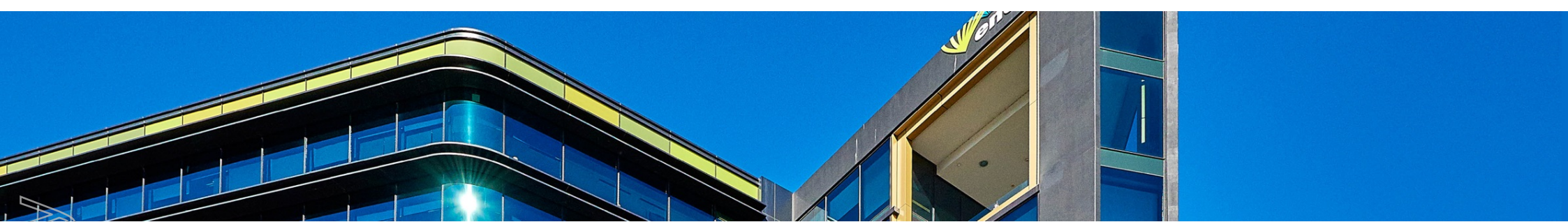
- ➔ Cromwell has been reporting on its Sustainability performance since 2009
- ➔ Sustainability is about who we are and what we strive to be i.e. our commitment to continuous improvement
- ➔ Focus is on benchmarking against key global indices
  - ➔ Global Reporting Index (GRI)
  - ➔ Global Real Estate Benchmark (GRESB)
  - ➔ Dow Jones Sustainability Index (DJSI)
- ➔ Last year Cromwell improved its Global/All participants GRESB performance by 40 ranking spots to 226<sup>th</sup>
- ➔ 2016 GRESB submission was expanded to include:
  - ➔ Australian portfolio of 29 directly owned properties
  - ➔ And five European funds covering 183 assets
  - ➔ Results will facilitate our ability to utilise GRESB as a benchmark for performance moving forward

## GRESB Rankings



**Cromwell**

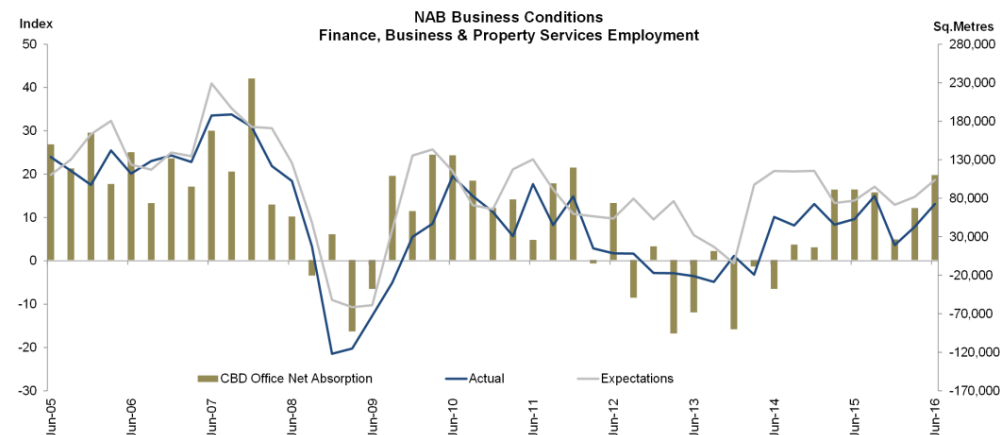
PROPERTY GROUP



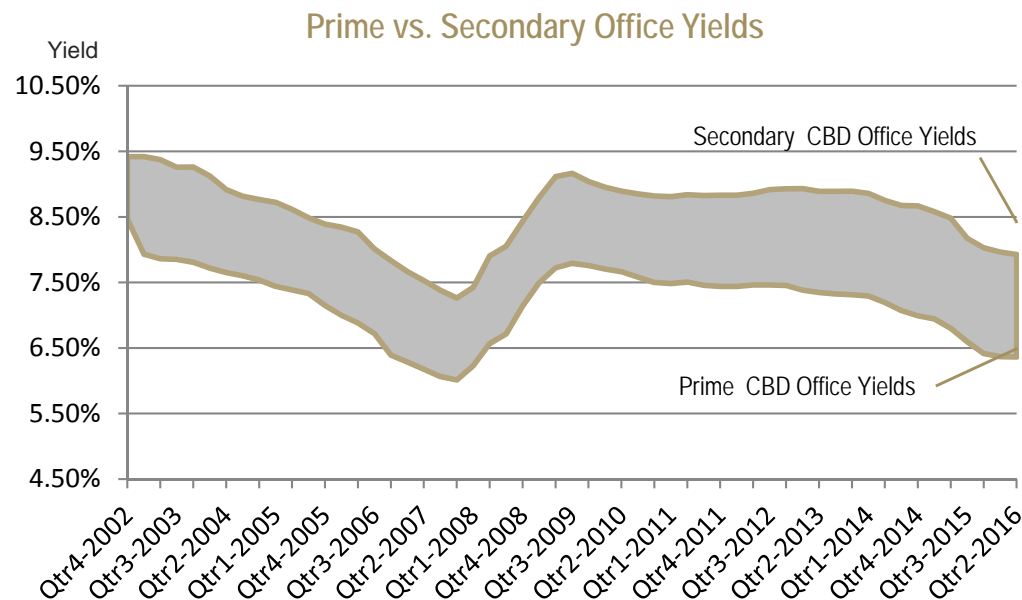
## Section 5 Outlook

# Outlook – Australian Economy Transitioning, Property Demand High

- ➔ Economic growth suppressed in near term due to end of mining boom and forecast fall in residential construction
- ➔ Falling A\$ from US\$0.96 to US\$0.75 is providing some offset by boosting tourism, education, exports, currency sensitive industries
- ➔ But business and consumer confidence remains subdued, inflation is under target, and the RBA has lowered cash rate to 1.50%, lower for longer is here for awhile yet
- ➔ Capital values continue to be driven by offshore capital as Australian yields are still 3% gross higher than other global gateway cities
- ➔ Positive net absorption nationally and CDB Office vacancy rates are below long-term averages in SYD but remain elevated elsewhere particularly in mining states
- ➔ Spread to secondary assets remains high



Source: NAB/JLL. As at 30 June 2016



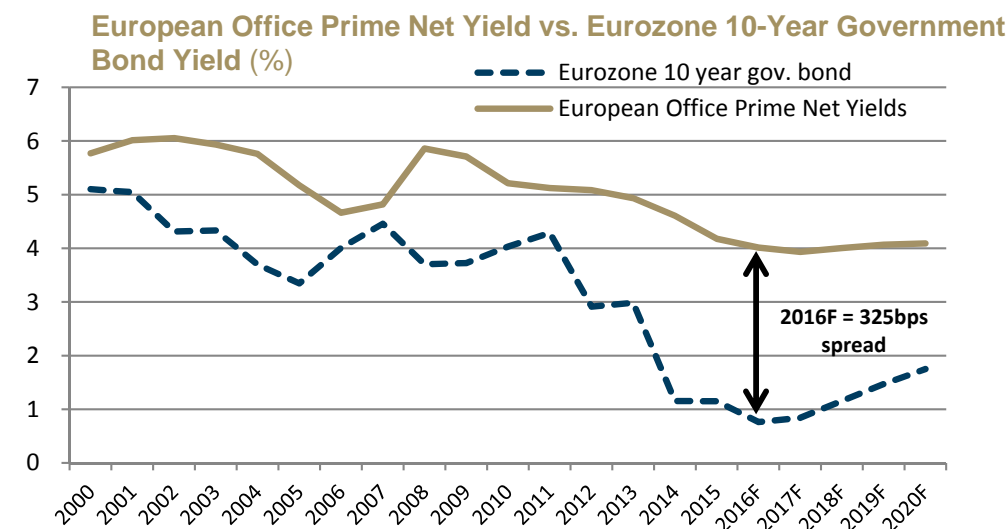
Source: JLL. As at 30 June 2016

# Outlook – Market Disruption, Opportunity in Europe

- ➔ Brexit has inserted some uncertainty into UK market, likely to be volatility in short term until exit finalised
- ➔ European transactions volumes softer in 2016, down from peak in previous year
- ➔ Investors showing some caution until Brexit impact is more clearly known
- ➔ Wider market of 500 million people means often little correlation between different markets. Minimal impact likely on rest of Europe
- ➔ Additional factors to consider
  - ➔ Spread to bond yields at highs c325 bps
  - ➔ Spread between primary and secondary CBD office yields also attractive
  - ➔ Occupancy rates are stable across much of Europe
  - ➔ New supply has been significantly below the long-term average for the past 5 years



Source: Valad/RCA. As at 30 June 2016

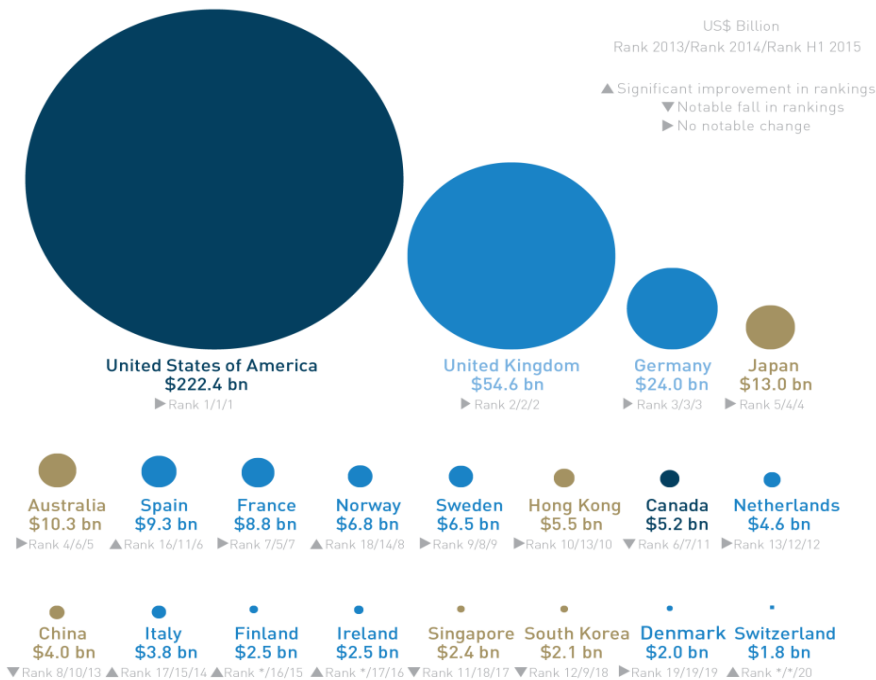


Source: Valad/PMA, Weighted Average Q1 2016 Low Bond Yield/Low Growth Scenario

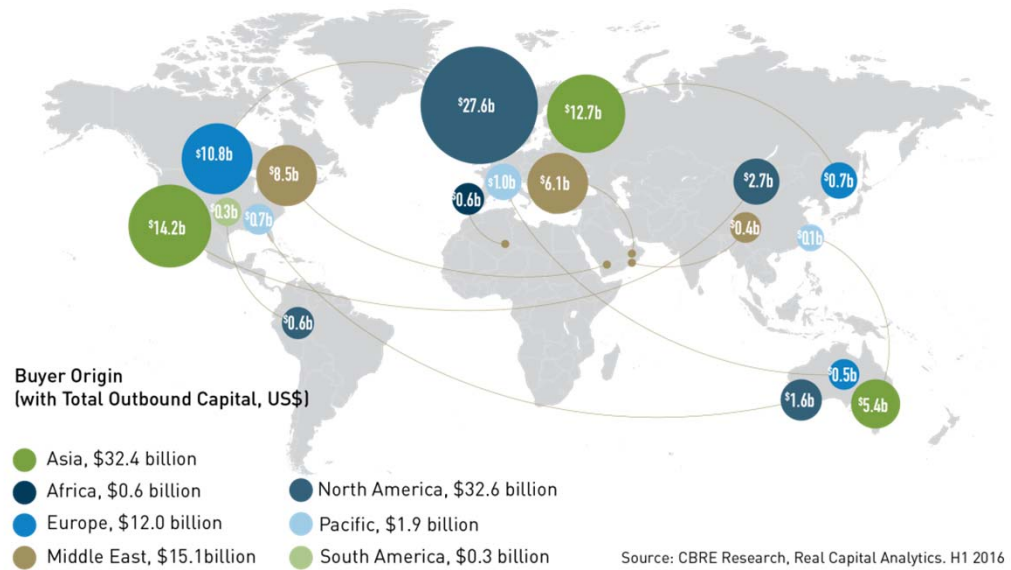
# Outlook – Strategic Benefits of European Platform

- ➔ Breadth of Opportunity - 6/10 of largest Commercial Global Real Estate markets are in Europe comprising 35% of total global volume
- ➔ Most liquid market in world, with cross-border capital accounting for 45% of transactions

Key Destinations: Top 20 Markets and their Respective Rankings by Total CRE Investment



\*Not in top 20  
Source: CBRE Research, Real Capital Analytics, H1 2015



- ➔ European investors are an important source of capital and Europe is an attractive investment destination
- ➔ Australian / Asian investors increasingly focused on Europe
- ➔ Global Market. Global Competition. Global Opportunity

# Outlook – Strategy Remains Consistent And Conservative

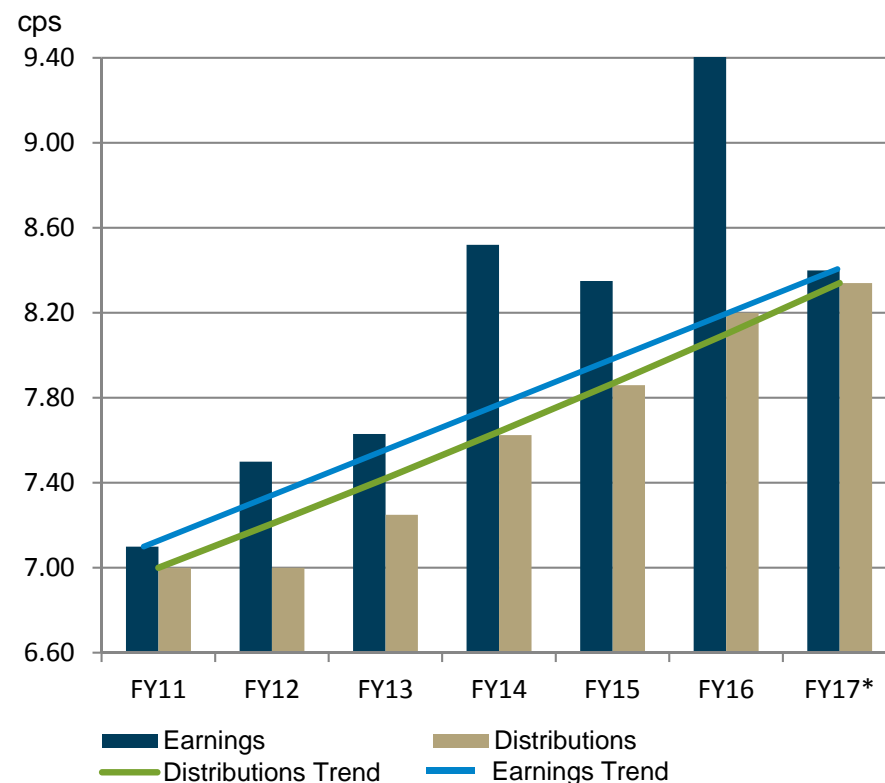
- ➔ FY17 operating profit guidance of not less than 8.40 cps
- ➔ FY17 distribution guidance of not less than 8.34 cps
- ➔ Conservative assumptions that recognise the potential downside risks including Brexit, China slowdown, US elections and a residential construction downturn in Australia

## Property Segment Focus

- ➔ Managing current and upcoming lease expiries
- ➔ Implementing value add strategies in existing portfolio
- ➔ Cautious on asset acquisitions at this point in the cycle

## Funds Management Segment Focus

- ➔ Targeting 20% of earnings from funds management
- ➔ Single brand and operational integration initiatives continue
- ➔ Global platform provides additional diversification and ability to flex with market conditions



\*FY17 earnings and distributions forecast based on guidance

# Contact Us

For personal use only



**Paul Weightman**  
CEO / Managing Director  
paul.weightman@cromwell.com.au  
Phone: +61 7 3225 7720



**Ross McGlade**  
Investor Relations Manager  
ross.mcglade@cromwell.com.au  
Phone: +61 2 8278 3613



**Michael Wilde**  
Chief Financial Officer  
michael.wilde@cromwell.com.au  
Phone: +61 7 3225 7729



**Jodie Clark**  
Chief Operations Officer  
jodie.clark@cromwell.com.au  
Phone: +61 7 3225 7763

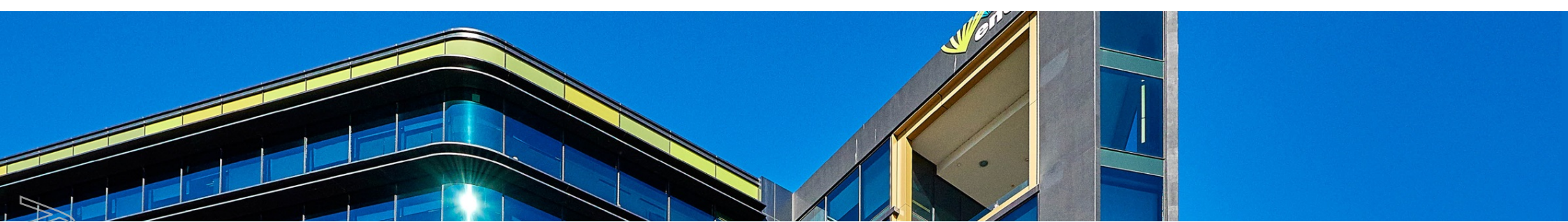
**Investor Services**  
1300 276 693  
invest@cromwell.com.au  
www.cromwell.com.au

**Brisbane Office**  
Cromwell House  
Level 19, 200 Mary Street  
Brisbane QLD 4000

**Sydney Office**  
Level 14  
167 Macquarie Street  
Sydney NSW 2000

**London Office**  
64 North Row  
London, W1K 7DA  
UK

**Auckland Office**  
Oyster Group  
Level 2, 14 Normanby Road, Mt Eden  
Auckland, New Zealand



## Appendix Additional Information

# Appendices - Contents

---

For personal use only

○ Cromwell Property Group Statistics	32
○ Cromwell Property Group Performance	33
○ FY15 Operating and Statutory Profit Reconciliation	34
○ Segment Result – Operating Earnings	35
○ Property Portfolio – Top 10 Assets	36
○ Property Portfolio – Top 20 Leases	37
○ Property Portfolio – Net Property Income	38, 39
○ Property Portfolio – Movement in Book Value	40
○ Debt Platform Facility Details	41
○ Interest Rate Hedging Details	42

# Cromwell Property Group Statistics

## Global platform offering diverse product range across key property sectors

### Diverse Product Range

#### Portfolio



**\$10.3bn**  
FUM



**80+**  
funds



**420+**  
properties



**4,100+**  
tenants

### Track Record of Successful Partnerships

#### Platform



**350+**  
people



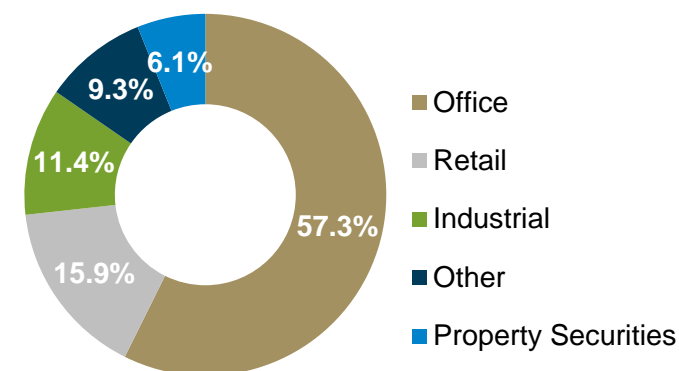
**16**  
countries



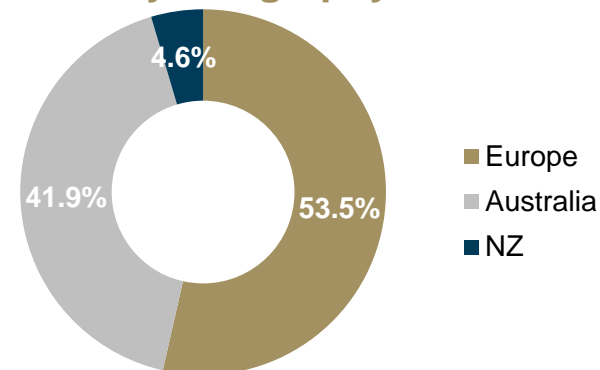
**30**  
offices

### Extensive and Broad Skill Set

#### AUM by Sector



#### AUM by Geography



**Cromwell**

PROPERTY GROUP

# Cromwell Property Group Performance

## ➔ Active Portfolio Management

- ➔ Recycle non-core assets that don't meet hurdle rates
- ➔ Maintain a disciplined approach to new acquisitions
- ➔ Focus on transformation opportunities to add value

## ➔ Grow Funds Management

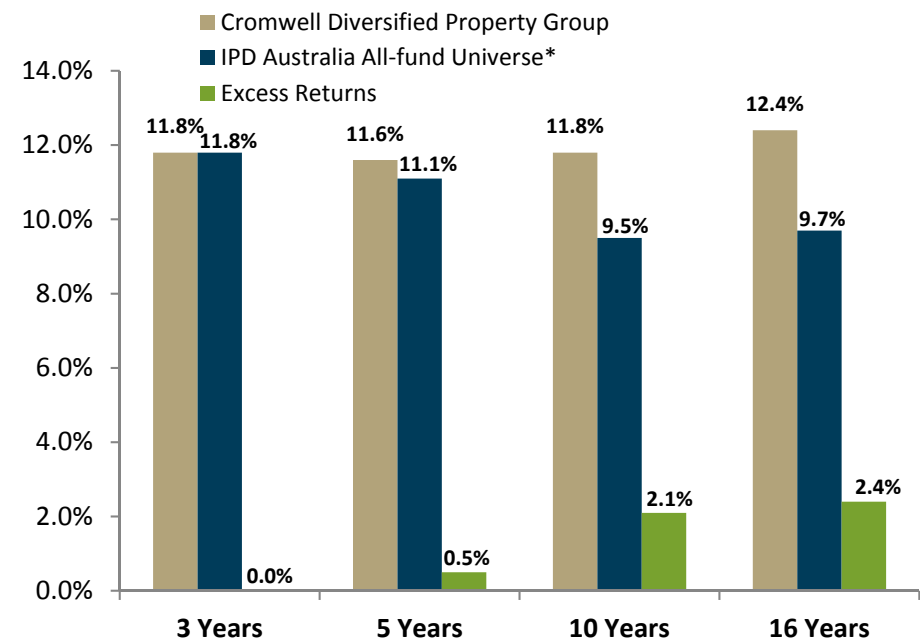
- ➔ Long term target is 20% earnings contribution
- ➔ Focus on leading global capital flows
- ➔ Selectively grow retail products through the cycle

Cromwell Performance June 2016 (Annualised Total Securityholder Return)<sup>1</sup>



1) 10 and 15 year CMW return includes period prior to stapling in December 2006

Direct Property Returns (to 31 March 2016 Annualised)



Source: MSCI

\* Australia All-fund Universe (excl. Super & Major Regional Shopping Centres)

# FY16 Operating and Statutory Profit Reconciliation

Year ending 30 June 2016	FY16 (\$'000)	FY15 (\$'000)
Profit from Operations	164,503	144,876
<b>Operating EPS</b>	<b>9.41 CPS</b>	<b>8.35 CPS</b>
<b>Other Items</b>		
Gain/(Loss) on sale of investment properties	19,352	1,032
Gain/(Loss) on disposal of other assets	-254	251
Business Combination Costs	0	-2,441
Other Transaction costs	-1,799	0
Fair value adjustments:		
Investment properties	263,200	32,446
Interest rate derivatives	5,376	-5,521
Bond conversion component	5,179	3,713
Investments at fair value through profit or loss	5,997	-1,238
Non-cash property adjustments:		
Straight-line lease income	2,250	5,508
Lease incentive amortisation	-13,739	-11,784
Lease cost amortisation	-1,511	-1,179
Other non-cash expenses:		
Amortisation of finance costs	-5,754	-4,346
Net exchange gains / (loss) on foreign currency borrowings	-5,476	1,560
Decrease in recoverable amounts	-86,565	0
Amortisation and depreciation, net of deferred tax expense <sup>(1)</sup>	-7,666	-2,885
Relating to equity accounted investments <sup>(2)</sup>	-11,357	-2,955
Net foreign exchange gains	-2,151	-7,931
Net tax losses incurred / utilised <sup>(3)</sup>	0	-343
<b>Net Profit for the year</b>	<b>329,585</b>	<b>148,763</b>
<b>Statutory EPS</b>	<b>18.86 CPS</b>	<b>8.58 CPS</b>

1) comprises depreciation of plant and equipment and amortisation of intangible assets, including management rights and associated deferred tax liability recognised 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>

Year ending 30 June 2016	Property Investment	Property / Funds Mgt Internal	Funds Management External Retail	Funds Management External Wholesale	Property Development	FY16 (\$'000)
<b>Segment revenue</b>						
Sales to external customers	226,882	5,505	14,839	76,552	0	323,778
Sales - intersegmental	1,042	17,625	0	0	0	18,667
Operating profits of equity accounted entities	7,194	0	1,707	311	0	9,212
Distributions	0	5,917	86	2,219	0	8,222
Interest	3,544	853	189	76	0	4,662
Other income	58	296	0	0	0	354
<b>Total segment revenue and other income</b>	<b>238,720</b>	<b>30,196</b>	<b>16,821</b>	<b>79,158</b>	<b>0</b>	<b>364,895</b>
<b>Segment expenses</b>						
Property outgoings, rates and taxes	(34,906)	0	0	0	0	(34,906)
Property Development cost	0	0	0	0	(143)	(143)
Intersegmental costs	(17,626)	(956)	(78)	(9)	0	(18,669)
Funds management costs	0	0	(2,334)	0	0	(2,334)
Employee benefits expense	0	(20,990)	(1,638)	(36,548)	0	(59,176)
Finance costs	(48,964)	(1,103)	0	(4,583)	0	(54,650)
Administration and overhead costs	(1,750)	(6,953)	(564)	(16,266)	0	(25,533)
<b>Total segment expenses</b>	<b>(103,246)</b>	<b>(30,002)</b>	<b>(4,614)</b>	<b>(57,406)</b>	<b>(143)</b>	<b>(195,411)</b>
Tax expense	0	4	(2,281)	(2,704)	0	(4,981)
<b>Segment result for the year</b>	<b>135,474</b>	<b>198</b>	<b>9,926</b>	<b>19,048</b>	<b>(143)</b>	<b>164,503</b>
Segment contribution to operating profit	82%	0%	6%	12%	0%	100%

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	435,000,000	5.50%	100.00%	15.2 yrs	Qantas Airways Limited
700 Collins Street	VIC	Office	231,000,000	6.00%	91.29%	9.2 yrs	Bureau of Meteorology
Kent Street	NSW	Office	227,500,000	6.20%	94.34%	4.2 yrs	Symantec, Sydney Ports Corp, HLB Judd Mann
HQ North Tower	QLD	Office	214,000,000	7.00%	97.50%	4.5 yrs	AECOM, Bechtel, Technology One
McKell Building	NSW	Office	200,000,000	5.82%	100.00%	12.0 yrs	NSW State Government
Victoria Avenue	NSW	Office	183,000,000	7.00%	95.77%	4.2 yrs	Reeds Elsevier, Leighton Contractors
Miller Street <sup>1</sup>	NSW	Office	140,000,000	7.00%	74.54%	2.8 yrs	Secure Parking Pty Ltd, Ozton Pty Ltd
Tuggeranong Office Park	ACT	Office	123,650,000	10.75%	100.00%	1.2 yrs	Government Department of FaHCSIA
Bundall Corporate Centre	QLD	Office	83,000,000	8.38%	82.47%	3.6 yrs	Wyndham, Professional Investment Services
Musk Avenue, Kelvin Grove	QLD	Office	77,500,000	7.50%	100.00%	4.7 yrs	QUT, TransLink, Boral
<b>Top 10 Assets</b>			<b>1,914,650,000</b>	<b>6.64%</b>	<b>93.96%</b>	<b>6.9 yrs</b>	
Balance of Portfolio			449,880,000	8.81%	80.54%	4.6 yrs	
<b>TOTAL</b>			<b>2,364,530,000</b>	<b>7.05%</b>	<b>89.36%</b>	<b>6.3 yrs</b>	

1) Represents Cromwell's 50% interest.

# Property Portfolio – Top 20 Leases

Asset	Tenant	Tenant Classification	Expiry Date	% of Portfolio Rental Income
Qantas HQ	Qantas Airways Limited	Listed Company/Subsidiary	Dec-32	13.30%
Tuggeranong Office Park	Commonwealth of Aust. Dept of FaHCSIA	Government Authority	Aug-17	10.90%
McKell Building	Government Property NSW	Government Authority	Jun-28	6.90%
HQ North Tower	AECOM Australia Pty Ltd	Listed Company/Subsidiary	Apr-20	4.70%
700 Collins Street	Bureau of Meteorology	Government Authority	Jul-26	4.60%
TGA Complex	Therapeutic Goods Administration	Government Authority	Jun-17	3.50%
Musk Avenue, Kelvin Grove	QLD University of Technology	Government Authority	Nov-21	3.20%
Forestry House	The State of Queensland Department of Public Works	Government Authority	Nov-17	3.10%
700 Collins Street	Metro Trains Melbourne Pty Ltd	Private Company	Feb-25	2.60%
Health House	The State of Queensland Department of Public Works	Government Authority	Jun-17	2.60%
HQ North Tower	Technology One Limited	Listed Company/Subsidiary	Apr-21	2.30%
Kent Street, Sydney	Symantec (Australia) Pty Ltd	Listed Company/Subsidiary	Jul-21	2.10%
Victoria Avenue	Reed Elsevier Australia Pty Limited	Listed Company/Subsidiary	Dec-20	2.00%
Crown Street, Wollongong	Government Property NSW	Government Authority	Jun-28	1.80%
19 National Circuit	Commonwealth of Australia	Government Authority	Sep-18	1.80%
Station Street, Penrith	Government Property NSW	Government Authority	Jun-28	1.60%
Bundall Corporate Centre	Wyndham Vacation Resorts Asia Pacific Pty Ltd	Listed Company/Subsidiary	Jun-21	1.30%
Lovett Tower	Department of Prime Minister and Cabinet	Government Authority	Jun-18	1.30%
11 Farrer Place	Government Property NSW	Government Authority	Jun-28	1.30%
117 Bull Street	Government Property NSW	Government Authority	Jun-28	1.20%
				<b>72.10%</b>

# Property Portfolio – Net Property Income

	FY16 (\$'000)	FY15 (\$'000)	Variance (\$)	Variance (%)	Comments
<b>HELD ASSETS - OFFICE<sup>1</sup></b>					
50 Huntingfield Avenue, Kingston	3,182	2,091	1,091	52%	Lease surrender payment
Lovett Tower	10,773	7,638	3,135	41%	Lease surrender payment
700 Collins Street, Melbourne	12,346	10,664	1,682	16%	Metro Trains lease commencement
475 Victoria Avenue, Chatswood	12,465	11,760	705	6%	New leasing and rent reviews
Synergy, Kelvin Grove	8,471	8,104	367	5%	Rent review and lower operating expenses
203 Coward Street, Mascot	26,255	25,417	838	3%	Rent review
Forestry House, Brisbane	6,400	6,295	105	2%	
Tuggeranong Office Park, Greenway	21,036	20,716	320	2%	
TGA Complex, Symonston	8,475	8,361	114	1%	
McKell Building, Sydney	10,906	10,983	-77	-1%	
19 National Circuit, Barton	3,078	3,100	-22	-1%	
Kent Street, Sydney	13,251	13,453	-202	-2%	
Farrer Place, Queanbeyan	1,878	1,951	-73	-4%	Costs associated with rent determination and increases in non recoverable PM & FM costs
Station Street, Penrith	2,247	2,360	-113	-5%	Costs associated with rent determination and increases in non recoverable PM & FM costs
HQ North, Fortitude Valley	16,317	17,138	-821	-5%	Increased vacancy
Crown Street, Wollongong	2,439	2,563	-124	-5%	Costs associated with rent determination and increases in non recoverable PM & FM costs
Oracle Building, Lyneham	2,947	3,120	-173	-6%	Increased vacancy and rent abatement (incentive)
Bull Street, Newcastle	1,448	1,538	-90	-6%	Costs associated with rent determination and increases in non recoverable PM & FM costs
Bundall Corporate Centre, Bundall	6,181	6,890	-709	-10%	Increased vacancy
200 Mary Street, Brisbane	5,616	7,095	-1,479	-21%	QER lease expiry (5 floors)
Health House, Brisbane	5,271	6,792	-1,521	-22%	Lower rent on lease extension
<b>Office Total</b>	<b>180,982</b>	<b>178,029</b>	<b>2,953</b>	<b>2%</b>	
<b>HELD ASSETS - RETAIL<sup>1</sup></b>					
Village Cinemas, Geelong	1,238	1,199	39	3%	
Regent Cinema Centre, Albury	1,288	1,310	-22	-2%	
<b>Retail Total</b>	<b>2,526</b>	<b>2,509</b>	<b>17</b>	<b>1%</b>	
<b>Total Held Properties</b>	<b>183,508</b>	<b>180,538</b>	<b>2,970</b>	<b>2%</b>	

1) Includes only properties held for all of FY16 and FY15 Northpoint is equity accounted and therefore excluded from above analysis.

# Property Portfolio – Net Property Income

	FY16 (\$'000)	FY15 (\$'000)	Variance (\$)	Variance (%)	Comments
<b>ASSETS SOLD</b>					
Henry Waymouth Centre, SA	2,138	4,662	-2,524	-54%	
Bligh Street, Sydney NSW	555	5,050	-4,495	-89%	
Terrace Office Park, Bowen Hills QLD	554	2,035	-1,481	-73%	
321 Exhibition Street, Melbourne VIC	0	1,968	-1,968	-100%	
HomeBase	0	48	-48	-100%	
380-390 LaTrobe Street, Melbourne	0	-4	4	-100%	
Brooklyn Woolstore	0	-18	18	-100%	
Bridge Street, Hurstville NSW	-5	3,365	-3,370	-100%	
<b>OTHER</b>					
Car Parking	-508	-86	-422	493%	
Sturton Road, Edinburgh Park , SA	-99	-83	-16	19%	
Borrowdale House	55	4	0	1275%	
Consolidations - PM/FM Fees	5,607	5,450	157	3%	
Consolidations - Cromwell Rent & Outgoings	175	220	-45	-20%	
<b>Total Other Assets</b>	<b>8,472</b>	<b>22,611</b>	<b>-14,190</b>	<b>-63%</b>	
<b>Total Net Property Income</b>	<b>191,980</b>	<b>203,149</b>	<b>-11,220</b>	<b>-5%</b>	

# Property Portfolio – Movement In Book Value

- ➔ Portfolio significantly improved through acquisitions since 2010
- ➔ In-sourced facilities management model delivers consistently low lifecycle capex
  - ➔ Average 0.24% of valuation over past 6 years

	FY16) (\$'000)	FY15 (\$'000)	FY14 (\$'000)	FY13 (\$'000)	FY12 (\$'000)	FY11 (\$'000)	FY10 (\$'000)
Opening balance	2,101,048	2,249,470	2,396,000	1,724,400	1,444,850	1,064,100	1,117,175
Acquisitions	0	8,010	-	661,346	263,422	322,405	-
Construction Costs	47,179	-	-	-	-	-	-
Property Improvements	2,076	16,496	44,484	76,319	50,199	40,403	1,311
<b>Lifecycle Capex</b>	<b>2,671</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	2,250	5,508	5,648	6,071	6,892	4,883	852
Lease costs and incentives	21,700	37,713	11,927	29,275	15,810	15,879	2,216
Amortisation of leasing costs and incentives	(15,214)	(12,963)	(11,634)	(9,526)	(7,705)	(5,773)	(5,411)
Net gain/(loss) from fair value adjustments	263,200	32,446	46,226	(55,747)	(12,353)	33,659	(32,146)
<b>Balance at 30 June</b>	<b>2,274,007</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>0.12%</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>

# Debt Platform Facility Details

→ Facilities ranked in order of maturity

Facility	Amount (\$'000)	Maturity Date	Fin Yr Expiry	Base	Margin	All up	Years Remaining	Covenants
Bank 1 5 yr Facility	123,500,000	Mar-21	2021	1.90%	1.65%	3.55%	4.7 yrs	LVR - 60% ICR - 2.00 x WALE - 3 years
Bank 2 5 yr Facility	100,000,000	Mar-21	2021	1.90%	1.60%	3.50%	4.7 yrs	
Bank 3 5 yr Facility	123,500,000	Jan-21	2021	1.90%	1.75%	3.65%	4.6 yrs	
Bank 4 5 yr Facility	105,630,520	Mar-21	2021	1.90%	1.70%	3.60%	4.7 yrs	
Bank 5 5 yr Facility	18,017,664	May-19	2019	1.90%	1.70%	3.60%	2.9 yrs	
Bank 6 5 yr Facility	120,000,000	Mar-21	2021	1.90%	1.60%	3.50%	4.7 yrs	
Bank 1 4 yr Facility	85,225,908	Mar-20	2020	1.90%	1.45%	3.35%	3.7 yrs	
Bank 2 4 yr Facility	100,000,000	Mar-20	2020	1.90%	1.45%	3.35%	3.7 yrs	
Bank 3 4 yr Facility	85,225,908	Jan-20	2020	1.90%	1.55%	3.45%	3.6 yrs	
Bank 7 Term Facility	36,055,556	Jul-18	2019	1.90%	2.20%	4.10%	2.1 yrs	Combined LVR 75% <sup>1</sup>
Bank 7 Construction Facility	29,854,101	Jul-18	2019	1.90%	6.54%	8.44%	2.1 yrs	
Convertible Bond	223,914,000	Feb-20	2020	2.00%	0.00%	2.00%	3.6 yrs	47.5% LTV; \$54M min cash <sup>2</sup>
Bank 8 Margin Loan Facility	123,169,908	Apr-17	2017	1.90%	2.25%	4.15%	0.8 yrs	
<b>Totals / Wtd avg excl. Northpoint debt</b>	<b>1,274,093,564</b>			<b>1.91%</b>	<b>1.52%</b>	<b>3.43%</b>	<b>3.7 yrs</b>	
Bank 1 Facility	69,671,625	Dec-16	2017	1.90%	1.50%	3.40%	0.5 yrs	LVR - 55%, ICR - 2.00 x
<b>Totals / Wtd avg incl. Northpoint debt</b>	<b>1,343,765,189</b>			<b>1.91%</b>	<b>1.52%</b>	<b>3.43%</b>	<b>3.6 yrs</b>	

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

2) Renegotiated post-June 30 to 52.5% LTV and \$20M min cash

# Interest Rate Hedging Details

Amount (\$'000)	Rate	Type	Maturity Date	Years Remaining	% of Total
86,450,000	5.95%	Fixed	Sep-17	2.9 yrs	6%
100,000,000	3.99%	Fixed	Nov-17	2.9 yrs	7%
100,000,000	4.15%	Fixed	Dec-17	2.9 yrs	7%
100,000,000	4.38%	Fixed	Jul-16	2.9 yrs	7%
80,000,000	3.86%	Fixed	Aug-16	2.9 yrs	6%
90,000,000	4.14%	Fixed	May-17	2.9 yrs	7%
443,600,000	3.39%	Capped <sup>1</sup>	May-19	2.9 yrs	34%
223,914,000	2.00%	Fixed	Feb-20	3.6 yrs	17%
119,801,189	Unhedged	Variable	N/A	N/A	9%
<b>1,343,765,189</b>				<b>2.7 yrs</b>	<b>100%</b>

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

For personal use only



PROPERTY GROUP

