STATUTORY PROFIT OF $146.8 MILLION; RESILIENT PERFORMANCE CONTINUES THROUGH COVID-19 AND MANAGEMENT TRANSITION

HY21 HIGHLIGHTS AND BUSINESS UPDATE

- Statutory profit of $146.8 million, equivalent to 5.59 cents per security;
- Operating profit of $99.1 million, equivalent to 3.79 cents per security;
- HY21 distributions per security of 3.75 cents;
- COVID-19 impact: 0.7% of rent was waived and 6.1% deferred during the half;
- Net Tangible Assets increased to $1.00 post independent revaluation of balance sheet assets;
- Total assets under management (AUM) of $11.6 billion up from $11.5 billion as at 30 June 2020;
- Gearing of 42.5% (FY20 41.6%) marginally above the 'through the cycle' target of 30-40%; and
- Substantial demonstrated investor support for Cromwell's income producing retail fund products.

Commenting on the half-year result, Acting Cromwell CEO Michael Wilde said: "Cromwell has successfully navigated the global complexities of COVID-19 without significant disruption. Despite the external market challenges, our business continues to demonstrate its relative resiliency with the impact of the pandemic on rent collection, cashflows and valuations being relatively minor so far."

"Our assets have proven to be resilient, our cost of debt is at an historic low, we have ample liquidity and substantial headroom on banking covenants," he added

"The management team is keenly focused on continuing to improve the quality of the property portfolio here in Australia, progressing our development pipeline, growing our retail funds management business and also growing our investment management capabilities and scale in Europe."

"We do so with the support of a united, majority independent Cromwell Board operating constructively and collaboratively in the best interests of all securityholders."

Mr Wilde added, "2020 was a challenging year and, while no-one has come away unscathed, I believe we have emerged from it strongly and are well positioned to face what lies ahead."

FINANCIAL AND CAPITAL MANAGEMENT PERFORMANCE

Real estate investor and manager, Cromwell Property Group (ASX: CMW) (Cromwell), today reported half-year (HY21) statutory profit of $146.8 million, equivalent to 5.59 cents per security (cps), a 35.4% reduction due to a lower fair value gain on investment properties versus the prior comparable period.

Operating profit was $99.1 million for the half, equivalent to 3.79 cents per security, representing a fall of 26.8% due to the development fees from the sale of Northpoint Tower being recognised in the prior comparable period.

The total value of investment properties held on balance sheet was $3.8 billion as at 31 December 2020 an increase on the $3.7 billion as at 30 June 2020. This reflects positive valuation gains showing the resiliency of Cromwell's assets to COVID-19 impacts. As a result, Net Tangible Assets per security increased from $0.99 per security as at 30 June 2020 to $1.00 per security as at 31 December 2020.

Gearing of 42.5% is slightly above the 'through the cycle' target range of 30-40% however Cromwell has substantial liquidity and maintains large headroom to bank covenants with a strong Interest Coverage Ratio (ICR) of 6.4x. Debt remains well diversified with no expiries until March 2022. Cromwell's strong liquidity position provides it with ample time to continue to consider the various capital reallocation strategies that will allow it to restore gearing to the target range.

DIRECT PROPERTY INVESTMENT SEGMENT

- Direct property investment segment profit of $77.1 million (HY20: $105.7 million);
- Strong like-for-like Net Operating Income of 3.6%, above the rolling 3.0% target;
- Fair value gain in investment property of $37.6 million (HY20: $110.1 million);
- Total book value of $3.0 billion across 18 Australian assets with vacancy of 4.2%; and
- Line-of-sight to c.$1 billion pipeline of new value add development opportunities.

Direct property investment segment profit was $77.1 million, a 27.1% reduction from the prior corresponding period (HY20: $105.7 million) largely attributed to the Northpoint development fee. Notwithstanding this amount, and despite COVID-19, rental income was equivalent to HY20 levels.

Cromwell's Australian property portfolio remained substantially unimpacted by COVID-19 with just 8.7% of gross passing income covered by the Commercial Code of Conduct.

Cromwell's in-house model has also meant its property teams were able to have direct and frequent contact with all COVID-19 impacted tenant-customers. This proved to be invaluable with only 0.7% of rent required to be waived and 6.1% deferred during the half and all outstanding relief-related tenant-customer negotiations have now been satisfactorily concluded.

The portfolio benefitted from strong like-for-like Net Operating Income growth of 3.6%, with valuations also remaining robust. The portfolio had a fair value gain in investment property of $37.6 million with a slight tightening of the weighted average capitalisation rate (WACR) of 5.5% (FY20 5.6%).

"Our core property portfolio has proven resilient and having a direct and intimate knowledge of our tenant-customers businesses invaluable. We will continue to examine ways to improve the quality of the portfolio while also maximising the value in our development pipeline," Mr Wilde said.

"Our pipeline presents clear opportunities for growth and includes future opportunities with Development Application (DA) approval at 700 Collins Street, Melbourne and 19 National Circuit, Canberra and a revised DA pending at 475 Victoria Avenue, Chatswood."

INDIRECT PROPERTY INVESTMENT SEGMENT

- Indirect property investment segment profit of $22.6 million (HY20: $25.5 million);
- Equity accounted share of Cromwell European REIT's (CEREIT) operating profit of $22.5 million (HY20 $22.8 million);
- The redevelopment of LDK's Greenway Views is progressing with solid sales being achieved; and
- Cromwell Polish retail Fund (CPRF) and Cromwell Italy Urban Logistics Fund (CULF) portfolios to be offered to capital partners as soon as conditions allow.

CEREIT continues to be the largest contributor to the segment with Cromwell's equity accounted share of operating profit, based on its 30.7% interest, equating to $22.5 million, essentially unchanged on the prior comparable period (HY20 $22.8 million).

CEREIT's 96 properties, managed by Cromwell's local teams in Europe, showed their resilience to COVID-19 impacts with a close to 100% cash collection rate for 2020. For a third consecutive year CEREIT recorded an uplift in valuations with the portfolio now valued at €2.2 billion (€2.1 billion FY20).

The redevelopment at LDK's Greenway Views continues with Stage 1 complete and Stage 2 due in February 2022. 128 of the 210 Stage 1 apartments have been sold, up from 77 as at 30 June 2020. Upon completion Stage 2 will deliver a further 117 apartments. Discussions continue with capital partners to scale the business and two new greenfield village sites are currently in due diligence.

Poland, like most European countries, has seen further restrictions over the winter months. The shopping centres in CPRF have remained open throughout given their focus on grocery, pharmacy and other essentials. Footfall has been resilient reaching 86% of the 2019 position in September 2020 and 79% for the 2020 year overall. Anecdotal evidence has flagged that lower footfall has been offset by a higher average spend per person, when compared to pre-COVID levels.

Total invoice collection from 1 March 2020 through to the end of December 2020 was strong at 95% and while collections slowed in December due to the annual Christmas seasonal 'lag', they are expected to pick back up as outstanding invoices are pursued. Cromwell has however elected to take a conservative credit loss provision of €1.4 million in relation to tenant-customer receivables.

In Italy, Cromwell, in partnership with IGIS Asset Management, acquired a portfolio of seven logistics assets fully let to global logistics giant DHL for €51 million. The assets have remained open and operational and, like most other assets in the sector, have seen increased business volumes.

Both portfolios were independently revalued as at 31 December 2020, with CULF showing a net fair value increase of €1.7 million or 3.0% and CPRF a marginal decrease of €1.1 million or 0.2%. The portfolios will be offered to capital partners as soon as conditions allow.

FUNDS AND ASSET MANAGEMENT SEGMENT

- Funds and asset management segment profit of $22.3 million (HY20: $31.1 million);
- Total funds under management (FUM) of $8.3 billion (FY20: $8.2 billion);
- Retail funds under management amounted to $2.1 billion with the remainder being wholesale; and
- Europe €3.7 billion FUM (FY20 $3.5 billion) with 78% underpinned by longer dated capital.

Cromwell's funds and asset management segment delivered profit of $22.3 million, down 28.3% on the prior corresponding period largely due to the impact of COVID-19 on real estate markets in general and the subsequent reduction in transactional activity and performance fees in Europe.

Cromwell's real estate teams in the region spent the half continuing to work with tenant-customers in different countries on COVID-19 responses and support packages and, while market transaction volumes were lower in general, FUM did increase marginally from €3.5 billion (FY20) to €3.7 billion.

New European Managing Director, Pertti Vanhanen started last month, and a new CFO for Europe, Nigel Batters, a few months previously. They have been tasked with further developing Europe's investment management capabilities as it builds towards its medium-term FUM target of €8 billion.

"The appointments of Mr Vanhanen and Mr Batters strengthens our European management team as we continue to pursue our strategy to achieve FUM of €8 billion over the medium term," said Mr Wilde.

"We believe there is significant opportunity to scale the business as conditions normalise," he added.

Within the retail funds management segment Cromwell received significant investor support during the half. 83% of unitholders in the Cromwell Property Trust 12 voted to renew the trust for a further five years. The vote crystallised a performance fee of $9.7 million.

The first withdrawal window for the Cromwell Direct Property Fund also closed on 31 July 2020 with investors representing over 90% of issued capital electing to continue with their investment. The fund's gearing is just 20.5% providing it with the opportunity to acquire additional assets.

"Ongoing interest in our retail funds is high, with the vast majority of unitholders in Cromwell Property Trust 12 and the Cromwell Direct Property Fund electing to continue their investments," Mr Wilde said.

"Our high quality, robust and reliable funds remain an attractive proposition to mum and dad investors."

In New Zealand, AUM at Oyster Group (50% interest) remained relatively flat at NZ$1.9 billion (FY20: NZ$2.0 billion). Cromwell recognised a share of profit of $0.6 million (2019: $0.5 million) and received a dividend of $1.8 million during the half-year (2019: $nil).

During the half, Oyster Industrial Limited acquired three additional industrial properties and opened for a second equity raise in December 2020. Oyster has also exchanged contracts on the acquisition of the Albany Lifestyle Centre for NZ$87.5 million which will be the seed asset for a new unlisted large format retail fund with a particular focus on supermarkets, DIY/hardware and essential service stores.

OUTLOOK

"2021 will be transitionary year dominated by COVID-19," said Mr Wilde.

"Lockdowns, remote working and social distancing restrictions are set to continue in some form until vaccination programmes have been successfully rolled out. Real estate markets have been impacted and while transaction volumes will pick-up and people will return to the office, the exact timing and nature of these activities are hard to forecast and will also likely vary country by country."

Cromwell continues to progress its Board renewal and management transition activities. Cromwell Chair Jane Tongs and directors Tanya Cox and Lisa Scenna were successfully re-elected at the General Meeting held on 12 February 2021. Additional appointments to the Board are now expected as part of the Board's renewal process. The executive search process for a permanent CEO, conducted by Egon Zehnder, is also continuing and an update will be provided in due course.

Cromwell provides updated FY21 forecast distribution guidance of 7.00 cps, 0.50 cps lower than before. HY21 distributions of 3.75 cps have been paid, meaning second half distributions are forecast to be 3.25 cps. Based on the new FY21 guidance of 7.00 cps, and a security-price of $0.82 cents as at the close of business on 24 February 2021, this represents a future forecast distribution yield of 8.54%.

"We remain focused on executing our 2021 priorities, maintaining operational resilience and ensuring the business remains in a strong position when a new permanent CEO is appointed," said Mr Wilde.

Authorised for lodgement by Lucy Laakso (Company Secretary) and Michael Wilde (Acting Chief Executive Officer).

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ABOU CROMWELL PROPERTY GROUP

Cromwell Property Group (ASX:CMW) is a diversified real estate investor and manager with operations on three continents and a global investor base. As at 31 December 2020, Cromwell had a market capitalisation of $2.3 billion, a direct property investment portfolio valued at $3.0 billion and total assets under management of $11.6 billion across Australia, New Zealand and Europe.