

Wednesday 2 September 2020

ASX Market Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

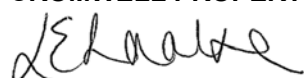
Cromwell Property Group (ASX:CMW)

Despatch of Target's Statement

Cromwell Property Group (ASX:CMW) (Cromwell) refers to its Target's Statement dated and lodged with ASX on Thursday 27 August 2020 in relation to the off-market proportional takeover bid by ARA Asset Management Holdings Pte. Ltd. through its wholly owned subsidiary ARA Real Estate Investors 28 Limited (ARA) to acquire 29% of the stapled securities of Cromwell under Chapter 6 of the *Corporations Act 2001* (Cth) (Corporations Act). In accordance with section 633(1) item 12 of the Corporations Act, Cromwell has sent a copy of the Target's Statement to each holder of Cromwell stapled securities on the register as at 7.00pm (Sydney time) on Wednesday 22 July 2020, being the date set by ARA pursuant to section 633(2) of the Corporations Act. Cromwell has also sent to Cromwell securityholders a covering letter in the form attached.

Yours faithfully

CROMWELL PROPERTY GROUP



LUCY LAAKSO

COMPANY SECRETARY

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

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ABOUT 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 30 June 2020, Cromwell had a market capitalisation of \$2.4 billion, a direct property investment portfolio valued at \$3.0 billion and total assets under management of \$11.5 billion across Australia, New Zealand and Europe.



CROMWELL
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27 August 2020

Dear Cromwell Securityholder

REJECT ARA Group's attempts to take control of Cromwell by stealth.

REJECT ARA Group's hostile, unsolicited and opportunistic Proportional Offer.

VOTE AGAINST ARA Group's board nominations.

IGNORE all documents from ARA Group.

You would have recently received a Bidder's Statement from ARA Group relating to a hostile, unsolicited takeover offer from ARA Group, a competitor of Cromwell, through its wholly owned subsidiary entity, ARA Real Estate Investors 28 Limited (ARA BidCo) to acquire only 29% of your Cromwell Stapled Securities² (ARA's Proportional Offer).

ARA's Proportional Offer is a blatant attempt to takeover Cromwell by stealth, without offering to acquire 100% of your Cromwell Stapled Securities or paying Cromwell Securityholders a fair premium for effective control. Cromwell considers that the ARA Group's Bidder's Statement does not contain all the information it should and there are material omissions and misleading statements. ARA Group's Bidder's Statement provides scant details of ARA Group's intentions and fails to adequately articulate a clear future strategy for Cromwell. Your Cromwell Board believes this is a deliberate omission of information that is material to Cromwell Securityholders.

Cromwell has consistently delivered value for its securityholders by outperforming its benchmark index and meeting, or exceeding, its own earnings guidance. **Cromwell's FY20 results demonstrate the strength of the business throughout the COVID-19 pandemic, with operating earnings per security up 3.5% on FY19, beating the original FY20 guidance, and distributions up 3.4% on FY19 in line with original FY20 guidance.** These results demonstrate the resilience of the business model and are a testament to the focus and dedication of the Cromwell Board and management team – despite continued agitation and disruption from ARA Group. Cromwell is also pleased to have today provided distribution guidance for FY21 of 7.50 cents per Cromwell Stapled Security.

Cromwell has been actively exploring opportunities to continue to improve its business, including investing in the European operating platform, migrating mandates to long term funds management structures, securing quality assets to seed new funds management portfolios and improving its remuneration framework, all in the face of the COVID-19 pandemic.

This Target's Statement sets out the formal response from the Board of Cromwell – your Board – to **REJECT** ARA's Proportional Offer and **IGNORE** all documents from ARA Group.

Your Cromwell Board has carefully considered ARA's Proportional Offer and has concluded that ARA's Proportional Offer is not in the best interests of Cromwell Securityholders. Your Cromwell Directors therefore unanimously recommend that you **REJECT** ARA's Proportional Offer. Each Cromwell Director intends to **REJECT** ARA's Proportional Offer in relation to the Cromwell Stapled Securities they own or hold.

In summary, the reasons to **REJECT** ARA's Proportional Offer are that:

1 The Proportional Offer from ARA Group, a competitor of Cromwell, is an attempt to grab effective control of Cromwell from Cromwell Securityholders without offering to acquire 100% of your Cromwell Stapled Securities at a price that the Cromwell Board believes is significantly below Cromwell's fundamental value

ARA Group's offer is a proportional offer under which ARA Group is only proposing to acquire 29% of Cromwell Stapled Securities³ held by each Cromwell Securityholder at a price that the Cromwell Board believes is significantly below Cromwell's fundamental value. The proportional offer structure is uncommon in Australia and unattractive because it is an

² Rounded down to the nearest security.

³ Rounded down to the nearest security.

offer to acquire only **SOME BUT NOT ALL** of your Cromwell Stapled Securities and if successful, can enable ARA Group to acquire effective control of Cromwell at a lower cost compared to a full takeover offer.

The unattractive Offer Price combined with the proportional offer structure is opportunistically designed to exploit the current volatility in markets due to COVID-19 and increase ARA Group's existing voting power. If successful, this would allow ARA Group to take effective control of Cromwell by acquiring as few Cromwell Stapled Securities as possible at a price that the Cromwell Board believes is significantly below Cromwell's fundamental value and without you receiving an appropriate control premium.

If you accept ARA's Proportional Offer, your remaining 71% investment in Cromwell will be in a vehicle effectively controlled by ARA Group, a competitor of Cromwell with an extremely poor track record of managing listed REITs globally.

This is a blatant attempt to obtain effective control of Cromwell without making an offer for 100% of Cromwell Stapled Securities or paying an appropriate control premium to Cromwell Securityholders. The past two attempts to push for ARA Group's nominee Gary Weiss to be elected to the Board were rejected by Cromwell Securityholders.

Cromwell is concerned that ARA Group will utilise the Proportional Offer as a means to acquire additional Cromwell Securities and accumulate enough voting rights to pass ordinary resolutions at securityholder meetings, with very little or no other Cromwell Securityholder support. In conjunction with the Proportional Offer, ARA Group⁴ has called yet another extraordinary general meeting (EGM) in its third attempt to have ARA Group nominee directors elected to the Cromwell Board.

Your Cromwell Directors recommend you once again **VOTE AGAINST** ARA Group's attempt to have ARA Group nominees, Gary Weiss and Joseph Gersh, elected to the Cromwell Board. Official documentation from Cromwell in relation to the EGM was sent to Securityholders on 21 August 2020.

2 ARA's Proportional Offer for only 29% of your Cromwell Stapled Securities is highly opportunistic and significantly undervalues Cromwell

Cromwell Securityholders who accept ARA's Proportional Offer will receive \$0.92⁵ cash per Cromwell Stapled Security (Offer Price)⁶ for 29% of their Cromwell Stapled Securities⁷. The Offer Price represents a 7.1% discount to Cromwell's Net Tangible Assets (NTA) per stapled security of \$0.99 as at 30 June 2020. The Offer Price also attributes **NO VALUE** to Cromwell's substantial funds management business which had \$8.2 billion of funds under management as at 30 June 2020.

ARA's Proportional Offer is opportunistically timed to exploit the current dislocation and volatility in Australian and global markets. Cromwell Stapled Securities have traded at an average premium to NTA of 18.5% over the last five financial years (to 21 August 2020).

Cromwell Stapled Securities traded on the ASX at a significant premium to NTA until COVID-19 disrupted markets



Source: IRESS as at 21 August 2020, company filings.

3 The Proportional Offer from ARA Group does not provide any premium for effective control of Cromwell

The Offer Price of \$0.92⁸ cash per Cromwell Stapled Security represents a:

- **17.3% discount to the 12-month volume weighted average price (VWAP) on 22 June 2020 (the day prior to announcement of ARA's Proportional Offer);**
- 3.4% discount to the 6-month VWAP on 22 June 2020;
- 5.7% premium to Cromwell's last close price of \$0.87 on 22 June 2020; and
- 7.1% discount to Cromwell's NTA per stapled security as at 30 June 2020.

⁴ Through ARA Real Estate Investors XXI Pte. Ltd, a related body corporate.

⁵ The Offer Price will be reduced by the amount of any Rights (including distributions) which you (or any previous holder of your Cromwell Stapled Securities) become entitled to receive in respect of your Cromwell Stapled Securities on or after the date of the Bidder's Statement.

⁶ ARA Group has stated that, in the absence of a competing proposal emerging, it will not further increase the Offer Price.

⁷ Rounded down to the nearest security.

⁸ The Offer Price will be reduced by the amount of any Rights (including distributions) which you (or any previous holder of your Cromwell Stapled Securities) become entitled to receive in respect of your Cromwell Stapled Securities on or after the date of the Bidder's Statement.

The Offer Price represents a significant discount to the 12-month VWAP of Cromwell Securities and is significantly less than the typical control premium range of between 14% - 25% above the undisturbed listed market price observed in successful public real estate change of control transactions⁹.

4 ARA Group has an extremely poor track record of managing other listed REITs, has outlined no clear future strategy for Cromwell, and its intentions may have severe adverse implications for your remaining investment in Cromwell

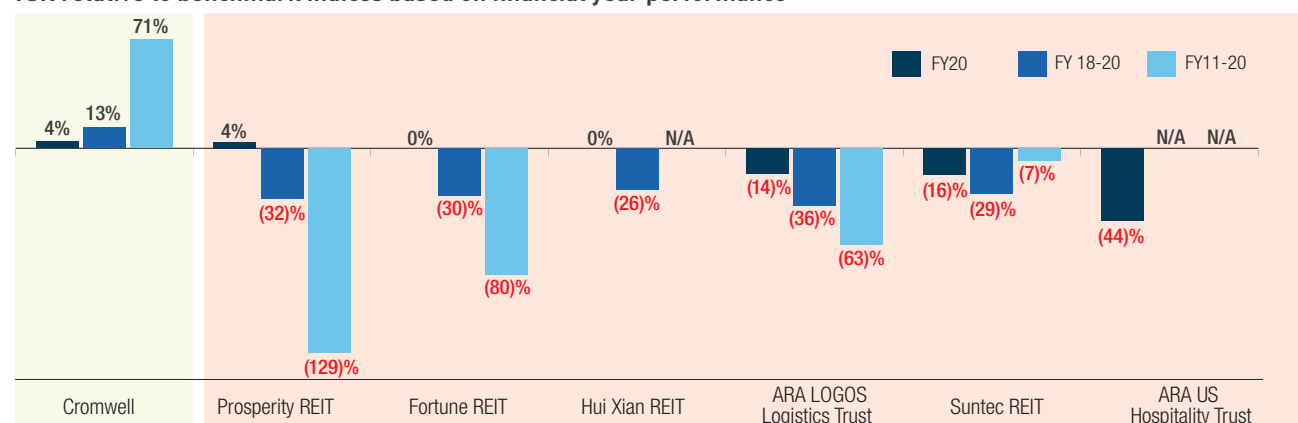
ARA Group is a competitor to Cromwell and **ALL** of ARA Group's listed managed REITs have materially underperformed their respective benchmark indices over an extended period of time¹⁰.

Your Cromwell Directors believe ARA Group has tried to redirect attention away from its own poor performance by criticising Cromwell. ARA Group has given scant details on how it intends to improve Cromwell's already strong performance, but simply provides vague statements of intent to support a "broad-based strategic and financial review". Cromwell recently completed a Strategic Review, overseen by independent directors with no conflict of interest, which validated the current strategy.

Cromwell has consistently delivered value for its securityholders by outperforming its benchmark index and meeting, or exceeding, its own earnings guidance¹¹. Cromwell's FY20 results demonstrate the strength of the business throughout the COVID-19 pandemic, with operating earnings per security up 3.5% on FY19, beating the original FY20 guidance, and distributions up 3.4% on FY19 in line with original FY20 guidance. Cromwell's Total Shareholder Return (TSR) of 24.0% per annum¹² over the last 20 years is the fifth highest TSR within the S&P / ASX 200 index.

Cromwell Securityholder value and future distributions may be at risk if Cromwell is effectively controlled by ARA Group.

TSR relative to benchmark indices based on financial year performance¹³



Source: Datastream as at 30 June 2020.

5 Your Cromwell Directors believe it is in Cromwell Securityholders' interests to support Cromwell's current strategy versus being forced into facing an ongoing minority investment in an entity effectively controlled by ARA Group, a competitor of Cromwell

Cromwell is a strong business with a resilient portfolio and growing funds management platform. The business is extremely well-positioned, with cost of debt at historic lows, no material upcoming debt expiries until FY23, and resilient cashflows underpinned by significant exposure to high credit quality tenants, including government entities. Having completed a Strategic Review, overseen by independent directors with no conflict of interest, your Cromwell Board is confident that the strategy remains robust and the business will continue to perform strongly, notwithstanding the headwinds resulting from COVID-19. Cromwell's FY20 results demonstrate the strength of the business with operating earnings per security up 3.5% on FY19 to 8.50 cents per Cromwell Stapled Security, beating the original FY20 guidance of 8.30 cents per Cromwell Stapled Security, and distributions up 3.4% on FY19 to 7.50 cents per Cromwell Stapled Security, in line with original FY20 guidance.

Cromwell's strategy, global footprint and proven long standing management team, who are significantly invested, have delivered long-term value to Cromwell Securityholders. Your Cromwell Board recommends that you retain ownership of **ALL** of your Cromwell Stapled Securities to benefit fully from the continued implementation of Cromwell's "Invest to Manage" strategy that based on performance to date has delivered on its objectives.

⁹ Reflects the interquartile range of bid premia in successful public real estate merger and acquisition transactions since 2013.

¹⁰ ARA Group-managed real estate vehicles have materially underperformed their respective benchmark indices over 3 and 10 year periods, refer to chart above. Source: Datastream as at 30 June 2020.

¹¹ Refer to chart 'TSR relative to benchmark indices' and in Section 1.2 'Operating earnings per Security outperformance vs. guidance'.

¹² Source: S&P Capital IQ as at 21 August 2020.

¹³ Cromwell performance relative to the S&P / ASX A-REIT 200 Index, Fortune REIT, Prosperity REIT and Hui Xian REIT price performance relative to the FTSE EPRA NAREIT Hong Kong Index. Suntec REIT, ARA Logos Logistics Trust and ARA US Hospitality REIT price performance relative to the FTSE EPRA NAREIT Singapore Index.

6 Your current Cromwell Board knows Cromwell's business, is best placed and has the appropriate skills and relevant experience to drive Cromwell's performance

Your current Cromwell Board comprises five independent non-executive Directors and the CEO, all of whom have extensive industry experience, expertise and leadership skills. All have substantial 'skin in the game'.

ARA Group has called an EGM seeking the election of two ARA Group nominees as directors to Cromwell's Board. Your Cromwell Board believes it is highly inappropriate for ARA Group, a competitor and hostile bidder, to be pursuing Board representation while seeking to acquire effective control of Cromwell via its Proportional Offer.

Permitting ARA Group's nominees on Cromwell's Board at this time when Cromwell's Board is responding to ARA Group's hostile Proportional Offer, presents material risks for Cromwell securityholders and would be disruptive to the efficient operation of Cromwell's Board.

7 Accepting ARA's Proportional Offer will have important implications for your Cromwell Securityholder rights and remaining investment in Cromwell during the Offer Period

If you accept ARA's Proportional Offer, you will give up your right to sell 29% of your Cromwell Stapled Securities¹⁴ or otherwise deal with them while ARA's Proportional Offer remains open, and ARA Group will be entitled to all Rights to which you become entitled on or after the date of the Bidder's Statement in respect of those Cromwell Stapled Securities accepted into the Offer.

As ARA BidCo has declared ARA's Proportional Offer unconditional, ARA BidCo will be able to exercise the voting rights attaching to your Cromwell Stapled Securities accepted into ARA's Proportional Offer. This means that once you accept ARA's Proportional Offer:

1. ARA BidCo and any nominee of ARA BidCo will be entitled to attend general meetings of Cromwell, including the EGM scheduled for 18 September 2020 called by ARA Group, and vote on your behalf in relation to the 29% of your Cromwell Stapled Securities accepted into ARA's Proportional Offer, and you will have agreed that in exercising those rights, ARA BidCo and each of its nominees may act in the interests of ARA BidCo.

These rights will be in addition to ARA Group's current voting power of 26.68% of Cromwell Stapled Securities, which ARA Group may seek to exercise at the EGM called by ARA Group to consider the election of two ARA Group nominees (Gary Weiss (again) and Joseph Gersh) as directors of Cromwell¹⁵. Depending on the level of acceptances, ARA Group may come to acquire a sufficient number of Cromwell Stapled Securities to pass ordinary resolutions with very little or no other Cromwell Securityholder support; and

2. you will retain your right to attend and vote at any general meeting of Cromwell but only in relation to the remaining 71% of your Cromwell Stapled Securities.

If you accept ARA's Proportional Offer, you will not be able to withdraw your acceptance in the event of a superior proposal and will therefore not be entitled to the benefit of any such superior proposal in relation to those Cromwell Stapled Securities accepted into ARA's Proportional Offer.

If you accept ARA's Proportional Offer and subsequently sell the remaining 71% of your Cromwell Stapled Securities during the Offer Period, those remaining Stapled Securities sold (none of which can be accepted into ARA's Proportional Offer) will trade on a deferred settlement basis, meaning you will not receive the proceeds from the sale until after the end of the Offer Period (which may be extended so as to remain open for up to 12 months).

Cromwell Directors therefore unanimously recommend that you REJECT ARA's Proportional Offer. IGNORE all documents from ARA Group.

Further details setting out your Cromwell Directors' unanimous recommendation are set out in Section 1 of this Target's Statement. I urge you to read this Target's Statement in its entirety.

Your Cromwell Board will continue to keep you updated on material developments relating to ARA's Proportional Offer as they occur.

Cromwell's Investor Services Team

If you have any questions about ARA's Proportional Offer, please call Cromwell's Investor Services Team on 1300 268 078 (within Australia) or +61 7 3225 7777 (outside Australia) or email invest@cromwell.com.au or visit www.cromwellpropertygroup.com for more information.

Yours sincerely



Leon Blitz
Independent Chair
Cromwell Property Group

¹⁴ Rounded down to the nearest security.

¹⁵ Refer to ARA's Notice of General Meeting and Explanatory Statement attached to Cromwell's announcement to the ASX on 20 August 2020.