DIRECTORS INTEND TO REJECT THE UNSOLICITED AND OPPORTUNISTIC ARA PROPORTIONAL TAKEOVER BID

- **Securityholders are advised to TAKE NO ACTION in relation to the opportunistic ARA proportional takeover offer**
- **ARA's offer is a discount of at least 10% to Cromwell's estimated pro forma NTA per stapled security as at 30 June 2020 and ignores the value associated with Cromwell's funds management business which had $8.3 billion of funds under management as at 31 December 2019**
- **Offer undervalues the business, represents a takeover by stealth and does not reflect an appropriate premium for control**
- **Cromwell's NTA and valuations prove resilient, business continues to perform strongly**

Cromwell Property Group (ASX: CMW) (Cromwell) refers to the announcement on 23 June 2020 from ARA Asset Management Limited (ARA), in relation to its intention to make a proportional off market takeover bid, through a subsidiary entity, ARA Real Estate Investors 28 Limited (ARA BidCo), to acquire 29 out of every 100 of all Cromwell stapled securities not currently owned by ARA (Proportional Offer).

The Cromwell Board considers the Proportional Offer to be an opportunistic attempt to gain control of Cromwell without offering to acquire all stapled securities or paying an appropriate control premium to Cromwell securityholders.

The Cromwell Board currently intends to recommend that Cromwell securityholders **REJECT** the Proportional Offer once made.

A Target's Statement containing the Cromwell Directors' formal recommendation and further details of the reasons to reject the Proportional Offer will be sent to Cromwell securityholders after ARA BidCo has dispatched its Bidder's Statement to securityholders.

Securityholders are advised to **TAKE NO ACTION** in relation to the Proportional Offer or any document received from ARA or its associates until they receive the Target's Statement and the formal recommendation from Cromwell Directors.

Cromwell will keep its securityholders fully informed of further developments and will provide the Target's Statement in ample time for securityholders to make an informed decision.

The Cromwell Board is being advised by Goldman Sachs, UBS AG, Australia Branch and MinterEllison.

The Proportional Offer is highly opportunistic and undervalues Cromwell

ARA is seeking to exploit the current dislocation in listed markets to obtain control over Cromwell without paying an appropriate control premium. The offer price substantially undervalues the current Cromwell business and its future prospects, represents a material discount to Cromwell's net tangible assets (NTA) and ignores the value associated with Cromwell's funds management business which has $8.3 billion of funds under management as at 31 December 2019.

Under the Proportional Offer, ARA BidCo would acquire 29% of Cromwell stapled securities not currently owned by ARA for $0.90 per stapled security reduced by any distributions declared, determined or paid after 23 June 2020, including the previously declared distribution for the June 2020 quarter of 1.875 cents per security. The net offer price which Cromwell securityholders would receive would be $0.88125 per stapled security which represents a:

- negligible premium of 1.3% to Cromwell's last close price of $0.87 on 22 June 2020 (the day prior to announcement of the Proportional Offer);
- 15.3% discount to Cromwell's NTA of $1.04 per stapled security as at 31 December 2019;
- >10% discount to Cromwell's estimated proforma NTA per stapled security as at 30 June 2020.

ARA is seeking control of Cromwell for minimal investment without paying an appropriate control premium

The offer is structured as a proportional offer for only 29% of stapled securities, which is designed to enable ARA to obtain control of Cromwell at a materially lower price and total investment than would be required to acquire 100% of stapled securities.

If the Proportional Offer is successful, ARA would hold approximately 46% of Cromwell stapled securities,[1] providing it with effective control and likely ability to replace the Cromwell Board (as is its stated intention in its announcement) and influence Cromwell's strategy for its own benefit. Cromwell does not believe this is in the interests of all securityholders.

Cromwell notes that ARA states that FIRB approval is not a condition of its Proportional Offer yet ARA has not disclosed what approvals it has obtained from FIRB along with any conditions, including in relation to timing or restrictions on ownership interests, that are attached to those approvals.

ARA is a competitor to Cromwell and ARA's performance as a manager is questionable. All of ARA's managed real estate vehicles have materially underperformed their respective benchmark indices over an extended period of time.

The Proportional Offer is ARA's third attempt to obtain control of Cromwell without paying an appropriate premium to securityholders, following two unsuccessful attempts to force its nominee Dr Gary Weiss onto the Board.

[1] ARA has a current relevant interest in 24.0% of Cromwell stapled securities and is seeking to acquire 29% of the remaining Cromwell stapled securities not currently owned by ARA.

Cromwell's strategy remains robust, business continues to perform strongly

Cromwell owns a resilient Australian portfolio that derives 44% of gross passing income from government and government authorities and has a long weighted average lease expiry of 6.2 years. Cromwell is comfortably within its debt covenants and is expected to have approximately $600 million of cash and available undrawn facilities as at 30 June 2020.

As announced on 4 June 2020, the Board received findings and recommendations from Goldman Sachs and UBS as part of the strategic review process. The strategic review found that:

- Cromwell's business model was robust and resilient; and
- Cromwell's strategy was appropriate to deliver returns for securityholders within the Board's risk tolerance.

Portfolio valuation results

Cromwell has undertaken external independent valuations of its Australian portfolio and the seven assets being warehoused within the Cromwell Polish Retail Fund as at 30 June 2020. The preliminary draft valuations, which remain subject to finalisation by the external valuers, internal review and currency movements, show minimal decrease in valuations of $31.0 million (1.0%) in the Australian portfolio and €31.4 million (5.3%) in the Cromwell Polish Retail Fund.

Cromwell's NTA as at 31 December 2019 was $1.04 per stapled security. The 30 June 2020 valuations represent a total combined balance sheet impact of approximately 2.1%, a result that compares favourably to peers.

Details relating to individual property valuations will be available in Cromwell's FY20 annual results, which are expected to be released on Thursday 27 August 2020.

Further information

If you have any questions in relation to the 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.

Authorised for lodgement by Lucy Laakso (Company Secretary) and Paul Weightman (Chief Executive Officer).

Ends.

Media Enquiries:
Honner Media
Paul Cheal / Jessica Effeney
+61 (0) 427 755 296 / +61 (0) 400 998 373
paul@honner.com.au / jessica@honner.com.au

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 31 December 2019, Cromwell had a market capitalisation of $3.1 billion, a direct property investment portfolio valued at $3.2 billion and total assets under management of $11.9 billion across Australia, New Zealand and Europe.