

1 September 2020

By electronic lodgement

Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Your Ref

File No. 011908117

Contact
Scott Phillips
Direct 61 2 9226 7253
sphillips@abl.com.au

Partner
Jeremy Leibler
Direct 61 3 9229 9744
jleibler@abl.com.au



MELBOURNE
SYDNEY

Service of Second Supplementary Bidder's Statement

We act for ARA Real Estate Investors 28 Limited (**ARA BidCo**), a wholly owned subsidiary of ARA Asset Management Holdings Pte. Ltd. (together with their controlled entities, **ARA Group**).

On 21 July 2020, ARA BidCo lodged a bidder's statement to acquire 29% of the stapled securities not currently owned by the ARA Group in Cromwell Property Group, comprising Cromwell Corporation Limited and Cromwell Diversified Property Trust, for which the responsible entity is Cromwell Property Securities Limited (together, **Cromwell**) (**Proportional Offer**).

On 17 August 2020, ARA BidCo lodged a first supplementary bidder's statement in connection with the Proportional Offer.

In accordance with section 647(1)(b) of the *Corporations Act 2001* (Cth), we **attach** ARA BidCo's second supplementary bidder's statement dated 1 September 2020 (**Second Supplementary Bidder's Statement**).

The Second Supplementary Bidder's Statement has been lodged with the Australian Securities and Investments Commission and will be sent to Cromwell today.

Yours sincerely
Arnold Bloch Leibler

Jeremy Leibler
Partner

Scott Phillips
Partner

Enc

Partners
Mark M Leibler AC
Henry D Lanzer AM
Joseph Borensztein AM
Leon Zwier
Philip Chester
Ross A Paterson
Stephen L Sharp
Kenneth A Gray
Kevin F Frawley
Zaven Mardirossian
Jonathan M Wenig
Paul Sokolowski
Paul Rubenstein
Peter M Seidel
John Mitchell
Ben Mahoney
Jonathan Milner
John Mengolian
Caroline Goulden
Matthew Lees
Genevieve Sexton
Jeremy Leibler
Nathan Briner
Jonathan Caplan
Justin Vaalstra
Clint Harding
Susanna Ford
Tyronne McCarthy
Teresa Ward
Christine Fleer
Jeremy Lanzer
Bridget Little
Gia Cari
Jason van Grieken
Elyse Hilton
Jonathan Ortner
Stephen Lloyd
Scott Phillips
Gavin Hammerschlag

Consultant
Jane C Sheridan

Special Counsel
Sam Dollard
Laila De Melo
Damien Cuddihy
Zoe Chung
Barbara Bell
Emily Simmons

Senior Associates
Liam Thomson
Bridgid Cowling
Brianna Youngson
Rebecca Zwier
Kaitlin Lowdon
Lara O'Rorke
Stephanie Campbell
Claire Stubbe
Briely Trollope
Laura Cochrane
Dorian Henneron
Rachel Soh
Greg Judd
Ben Friis-O'Toole
Elly Bishop
Liam Cavell
Raphael Leibler
Gabriel Sakkal
Peter Scott
Mark Macrae
David Monteith
Elyse Moore
Rebekah French
Gisella D'Costa
Lisa Garson
Vidushee Deora
Luke Jedynak
Emily Korda
Jenny Leongue
Chris Murphy
Gabrielle Piesiewicz
Michael Repse
Anna Sapountsis
Jessica Thrower

SECOND SUPPLEMENTARY BIDDER'S STATEMENT

1 September 2020

DEAR FELLOW CROMWELL SECURITYHOLDER

I am writing to you again in relation to **two important decisions** in front of you:

- (1) ARA's BidCo Offer to acquire 29% of your Cromwell Securities for \$0.92 per Cromwell Security on the terms set out in the Replacement Bidder's Statement; and
- (2) The proposed appointment of Dr Gary Weiss AM and Mr Joseph Gersh AM to the Board of Directors of Cromwell at the upcoming Extraordinary General Meeting (EGM) on 18 September 2020.

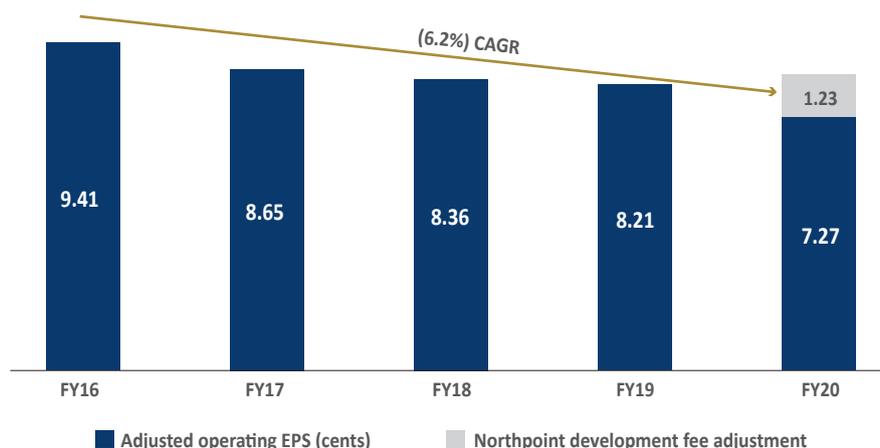
The ARA Group has made the Offer to drive a refresh of the Cromwell Board, seek appropriate proportionate representation at the Board level and, most significantly, to drive value creation in Cromwell.

The ARA Group has called an EGM for 18 September 2020 to propose the election of Dr Gary Weiss AM and Mr Joseph Gersh AM to the Board of Directors of Cromwell. If appointed, Dr Weiss and Mr Gersh will represent only 2 out of a total 8 directors, or 25% by proportion, which approximates the ARA Group's current security holding of 26.7%.

CROMWELL CONTINUES TO UNDERPERFORM

On 27 August 2020, Cromwell announced its financial results for the year ended 30 June 2020. As the largest investor in Cromwell, we continue to be disappointed with its reported results and the Company's continued deterioration. For example:

- **operating earnings continue to fall** with operating earnings per share (EPS) falling by a further 11.5% in the year when excluding the internal fee that was recorded in FY20 as "operating" revenue despite the corresponding internal expense being recorded as "non-operating" in FY19. Cromwell's adjusted operating EPS has now declined for 5 consecutive years:



- **gearing has increased** to a sector high **47.5%** on a look-through basis and **41.6%** on a reported basis – well above the upper limit of Cromwell's own target gearing range of 30 – 40%.
- **Cromwell continues to pay distributions in excess of operational cashflow** despite a backdrop of falling asset values and tenant defaults, putting increasing pressure on an already stretched balance sheet.
- **the Polish shopping centre portfolio**, held on balance sheet for €590.3 million as at December 2019, has since been **revalued downwards** to €558.9 million, a mere 5.3% reduction in value. It is inconceivable to the ARA Group that while EPP N.V., Poland's largest retail landlord, is trading at more than a 70% discount to net tangible assets, Cromwell's Polish assets are claimed to have largely held their value. The ARA Group does not, as a result, believe that these properties can be sold to third parties at current book values. In addition, securityholders should note the following comments in relation to the Polish assets in Cromwell's FY20 results announcement:

"valuers noted that, as a result of the COVID-19 pandemic, there is a material valuation uncertainty as at 30 June 2020 with limited transactional evidence available for the period since the outbreak of COVID-19 and uncertainty whether market rent levels have reduced compared with pre-Covid levels."

Cromwell's decision to acquire the Polish portfolio on balance sheet has significantly increased gearing and exposure to a market and an asset class which is likely to continue to underperform.

Despite Cromwell's claims that its results were "strong", its security price closed down 3.3% on the date of release of its results, underperforming the S&P ASX 200 index which increased by 0.2% on the same day.

WHY YOU SHOULD VOTE FOR DR WEISS AND MR GERSH

The ARA Group has nominated two excellent candidates in Dr Gary Weiss AM and Mr Joseph Gersh AM as its nominees to join the Cromwell Board. If elected, Dr Weiss and Mr Gersh will be 2 of 8 directors, which is proportionate with the ARA Group's current security holding and the exact same level of Board representation Cromwell previously supported for Redefine Properties Limited from 2011 until they sold the majority of their security holding to the ARA Group in 2018.

Dr Weiss is one of the most experienced directors in Australia and, in addition to his extensive governance experience both in Australia and internationally, will also bring a proprietorial focus to the Cromwell Board.

Mr Gersh is an acknowledged expert in both real estate and corporate governance, as reflected by his experience across corporate and government sectors. Mr. Gersh is completely independent with no affiliation to the ARA Group that would cause a conflict of interest or would have any bearing on his ability to act as a director of Cromwell. The suggestion by Cromwell that Mr Gersh's role as a former partner of Arnold Bloch Leibler over 20 years ago compromises his independence is not credible nor supported by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

WHY YOU SHOULD ACCEPT ARA BIDCO'S PROPORTIONAL OFFER

ARA BidCo's proportional offer is now unconditional and the **Offer Price is final** and, in the absence of a competing proposal emerging, will not be increased further. The Offer Price of \$0.92 represents a:

- **2.2% premium** to Cromwell's **current security price** of \$0.90 per Cromwell Security based on the last close price on Monday, 31 August 2020 being the most recent practicable trading day prior to finalisation of this Second Supplementary Bidder's Statement;
- **8.1% premium** to the Distribution Adjusted last close price of \$0.85 per Cromwell Security prior to the Announcement Date;
- **14.9% premium** to the Distribution Adjusted VWAP of \$0.80 per Cromwell Security for the 30 trading days leading up to the Announcement Date; and
- **18.2% premium** to the Distribution Adjusted VWAP of \$0.78 per Cromwell Security for the three months leading up to the Announcement Date.

The Offer represents an attractive opportunity to realise cash at a premium for part of your investment, while also enabling you to continue participating in Cromwell's future performance for the majority of your security holding.

Securityholders should note that the price of Cromwell Securities may fall once the Offer ends and that the current Cromwell security price is already trading **below the Offer Price**.

To accept ARA BidCo's Offer and receive payment within five days, your Acceptance Form must be RECEIVED via post by 7:00pm (AEST) on Monday 21 September, which means it needs to be sent **as soon as possible** to allow enough time for processing.

If you have any questions in relation to the Offer, please contact the Offer Information Line on 1300 131 856 (within Australia) or +61 2 9290 9688 (outside Australia), visit the ARA Group's Offer website at www.cromwelloffer.com.au or contact your legal, financial or other professional advisers.

The ARA Group recommends that you ACCEPT the cash Offer as soon as possible and VOTE IN FAVOUR of both resolutions at the upcoming EGM.

We look forward to receiving your support.

Yours sincerely



Mr. John Lim

Group CEO

ARA Asset Management Limited

This Second Supplementary Bidder's Statement, dated 1 September 2020, has been approved by a resolution of the directors of ARA BidCo.

SIGNED for and on behalf of ARA Real Estate Investors 28 Limited by:



Moses K Song, Director

This document is the Second Supplementary Bidder's Statement given by ARA Real Estate Investors 28 Limited (a company incorporated in the Cayman Islands) (**ARA BidCo**) under section 643 of the *Corporations Act 2001* (Cth) to Cromwell Property Group, comprising Cromwell Corporation Limited and Cromwell Diversified Property Trust, for which the responsible entity is Cromwell Property Securities Limited (together, **Cromwell**).

This document supplements, and should be read together with, ARA BidCo's replacement bidder's statement which was attached to ARA BidCo's first supplementary bidder's statement dated 17 August 2020 (**Replacement Bidder's Statement**) which supplemented ARA BidCo's original bidder's statement dated 21 July 2020. This document will prevail to the extent of any inconsistency with the Replacement Bidder's Statement. Unless noted in this document or the context requires otherwise, capitalised terms and certain abbreviations used in this document have the meanings given to them in section 8 of the Replacement Bidder's Statement.

The information in this document relating to Cromwell has been prepared by ARA BidCo using publicly available information and neither ARA BidCo, nor any of its directors or advisors have independently verified that information and do not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

A copy of this document was lodged with ASIC and provided to ASX on 1 September 2020. Neither ASIC nor ASX takes any responsibility for the contents of this document.