CROMWELL
PROPERTY GROUP

CROMWELL PROPERTY GROUP BUSINESS UPDATE

4 JUNE 2020

OVERVIEW

- Cromwell's priorities during COVID-19 are to look after its people first, then monitor, minimise and mitigate the financial impact of the pandemic on the Group's earnings and balance sheet, protecting the interests of all securityholders equally
- Each of Cromwell's three business segments have contributed to meeting those objectives:

  1. **DIRECT INVESTMENT**
     - Resilient Australian portfolio with 44% of gross passing income derived from government and government authorities, only 10% from small and medium-sized enterprises (SMEs)
     - Long weighted average lease expiry (WALE) of 6.2 years
     - Polish fund dominated by hypermarket, grocery, DIY and pharmacy tenant-customers who contribute 40% of gross rental and have traded throughout local restrictions, Fund to be relaunched once markets stabilise
  2. **INDIRECT INVESTMENT**
     - Strong performance by CEREIT, which provides recurring fees that underpin the European business
  3. **FUNDS AND ASSET MANAGEMENT**
     - Ongoing COVID-19 engagement programme with 3,500+ tenant-customers, across multiple geographies and sectors, to ascertain level of assistance and support required

- Cromwell's investment in systems, processes and people has ensured that there has been no interruption to its business, despite having its entire workforce working remotely
- Gearing is 40%[1]. Cromwell remains well within debt covenant limits with approximately $670 million of combined cash and available undrawn facilities
- Distribution for June 2020 quarter of 1.875 cents per security to be paid in full, in line with original guidance.

1 Gearing calculated as (total borrowings less cash)/(total tangible assets less cash). As at 30th April 2020 and post completion of sale of 50% of 475 Victoria Avenue, Chatswood.

INITIAL BOARD RESPONSE TO COVID-19, STRATEGIC REVIEW AND NEXT STEPS

Leon Blitz
INDEPENDENT CHAIR,
CROMWELL PROPERTY GROUP

"The COVID-19 pandemic has created unprecedented uncertainty and dislocation within the global economy and commercial real estate markets. This has been reflected, to varying degrees, in the 14 countries in which Cromwell operates," said Cromwell independent Chair, Leon Blitz.

"The Board's priorities have been to ensure the safety and wellbeing of our people and their families, to minimise and mitigate the commercial and financial impact of the pandemic on the Group, and to safeguard the interests of our securityholders and investors."

"We are pleased that the business has been able to operate at full capacity with minimal disruption to services. Our people have demonstrated a strong commitment to Cromwell's mission and values and our performance over the last few months has reinforced our belief that this is a resilient business that will continue to perform as markets recover."

"We experienced the impact of the virus earlier than most with our Milan office moving to working from home in February. We took the opportunity then to plan and prepare for what was to come and the Board took a number of key actions to ensure that Cromwell was insulated against potential fallout."

"It is currently difficult to predict exactly how the recovery will unfold. Nevertheless with 44% of gross passing rent in Australia coming from government sources the Board is confident that Cromwell is well placed to manage through this period of uncertainty and benefit as market conditions improve," he said.

STRATEGIC REVIEW UPDATE

The Board has also received findings and recommendations from UBS and Goldman Sachs as part of its strategic review process. The review had been initiated by Mr Blitz as incoming independent Chair. The findings included:

- 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.

"Cromwell's absolute focus has been on managing through the COVID-19 crisis. The pandemic has presented its own unique set of challenges, but the review findings have been supported by the resilience of Cromwell's rental and fee revenues over the last few months," said Mr Blitz.

"When we have a better idea of the 'new normal' we will address some of the specific review recommendations," he concluded.

The key actions taken by the Board.

1. **Reinforce and support Management** – the Board has met twice weekly with Management to ensure the impact of COVID-19 was monitored and understood and that appropriate actions were being taken;
2. **Maximise liquidity** – Cromwell drew down undrawn lines to maximise liquidity and protect against potential Bank default or changes in lending policy. The funds drawn will now be repaid with the facilities maintained to meet any unforeseen issues or opportunities. At 30th June 2020, Cromwell is expected to have approximately $670 million in combined cash and available undrawn facilities;
3. **Focus on costs** – Cromwell has carefully managed expenses, reprioritised non-essential and discretionary expenditure, frozen non-critical hires and reviewed all non-essential projects and initiatives across the Group. All expenses continue to be tightly managed;
4. **Stress testing** – Cromwell has undertaken detailed stress testing and scenario planning. Under the downside case scenarios, the Board was satisfied that Cromwell would remain liquid and solvent;
5. **Focus on tenant-customers** – Cromwell has triaged tenant-customer risk across Australia, Poland and the CEREIT Portfolio and continues to monitor these risks, which to date approximate its best-case assumptions. At the same time, Cromwell is working with its tenant-customers to understand their requirements; and
6. **Maintain capacity and capabilities** – the Board is strongly of the view that the existing infrastructure, including systems, processes, people and regulatory approvals and licences will be able to support strong growth in funds under management when the crisis abates.

'INVEST TO MANAGE' STRATEGY CONTINUES

Cromwell continues to execute its 'Invest to Manage' strategy, albeit at a more measured pace given the impact of COVID-19 on market activity, the ability of investors to inspect properties and the willingness of investors to deploy capital in uncertain times. Recent initiatives have included:

- The sale of a 50% stake in 475 Victoria Avenue, Chatswood settled on 21st May 2020 for $120 million to a BlackRock managed private fund. Cromwell has entered into a joint venture relationship with BlackRock for the expansion of the asset;
- Negotiations with capital partners for 400 George Street, Brisbane are on hold until travel restrictions are eased. The building is 97% occupied with government tenant-customers providing 72% of gross passing income. The asset will be held on balance sheet until negotiations resume;
- Cromwell has several Federal Government tenders outstanding. If any one of them is successful, this would substantially increase Cromwell's exposure to AAA rated tenant-customers; and
- Practical completion and handover of the first stage of Greenway Views to LDK, Cromwell's Seniors Living joint venture, was achieved on 15th May 2020. Sales are on track with 51 apartments sold. Deposits have also been received for a further 19 apartments in Stage 2 with COVID-19 having no impact on pricing. LDK provides exposure to the Seniors Living market, a sector Cromwell strongly believes in.

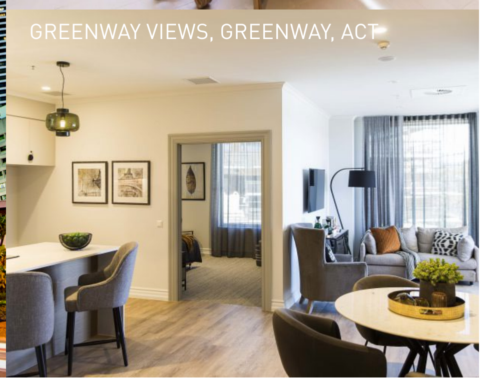
Cromwell acquired third-party investment interests in the Cromwell Polish Retail Fund in late October 2019. The Fund consists of seven assets anchored by the French Grocery giant, Auchan, and was in the process of being restructured as an EU alternative investment fund (AIF), managed by Cromwell's Luxembourg regulated manager, when the COVID-19 lockdown was announced in Poland. The subsequent sell-down, targeting an eventual long-term co-investment stake of 20% to 30% is on hold.

On 1st April 2020, the Polish Government introduced a law which temporarily suspended shopping centre lease agreements. The law was backdated to 14th March 2020 and ran until 4th May 2020 when phased re-opening


475 VICTORIA AVENUE, CHATSWOOD, NSW


400 GEORGE STREET, BRISBANE, QLD


GREENWAY VIEWS, GREENWAY, ACT


GREENWAY VIEWS, GREENWAY, ACT

commenced. Essential retail such as hypermarkets and pharmacies were considered outside the scope of the law and continued to trade throughout.

To compensate landlords for the loss of income, within three months of the tenant-customer being permitted to reopen, they are obliged to submit an unconditional offer to extend the lease for the 'closure period' plus six months. Where a tenant fails to do so the temporary expiry of the obligations of the lease cease to apply, meaning they would be obliged to pay the rent for the period of the compulsory closure. With regards to the Fund;

- It is anchored by hypermarket and grocery tenant-customers who, alongside pharmacies, provide 40% of gross rents and have traded throughout the lockdown period;
- Rent collections for the closure period from 1st March 2020 are showing an overall collection rate of 57%, based on payments received to date and forecast of total May billing, with lease restructuring and extension discussions ongoing for tenant-customers who have not paid yet;
- 337 of 350 tenant-customers are now permitted to trade following the lifting of Stage 3 restrictions on 18th May 2020. They equate to 96.1% of the gross leasable area (GLA) and account for 95.9% / €33.7 million p.a. of rental income. The remaining 13 account for 3.9% of GLA and 4.1% / €1.4 million p.a. of rental income;
- It was announced on 27th May 2020 that Stage 4 re-openings to include gyms, solariums, massage salons, theatres and cinemas will commence on 6th June 2020. This will mean all tenant-customers apart from nine travel agencies will be permitted to open; and
- With lockdown restrictions lifting, footfall has returned to c.80% of March 2019 levels.

A resumption of positive economic growth is expected over the second half of the 2020 calendar year as containment measures are lifted. The growth will be driven by a strong bounce back in consumption as a large share of consumer spending was deferred rather than lost completely and, according to Oxford Economics, the Polish economy is expected to grow strongly by 5.8% in 2021.

Given the expected future performance of the Fund, quality of the underlying covenants and the speed and strength of the recovery in Poland, Cromwell is happy to hold the Fund on its balance sheet for the medium term until markets stabilise and the Fund can be relaunched.

STER, SZCZECIN, POLAND

RONDO, BYDGOSZCZ, POLAND

KOMETA, TORUN, POLAND


URSYNOW, WARSAW, POLAND

JANKI, WARSAW, POLAND

TULIPAN, LODZ, POLAND

AUSTRALIA

The National Cabinet's Commercial Code of Conduct has now been given effect through state and territory legislation or regulation. The Code applies to SME tenants whose turnover is under $50 million and who are also eligible for the Australian Government's JobKeeper program. Rent relief is to be granted on a proportionate basis, in line with eligible tenants' reduction in trade due to COVID-19.

The Top 10 assets in Cromwell's Australian portfolio account for 92% of the portfolio by value and 44% of gross passing income is related to government or government-owned authorities and just 10% SMEs covered by the Code. This provides the business with resiliency and strong recurring income.

As at 30th April 2020, the overall WALE was 6.2 years and occupancy by net lettable area (NLA) was 91%.

Cromwell is focusing rent-relief activities on its 95 SME tenant-customers who are covered by the Code and represent approximately 10% of gross passing income. To date, the Cromwell Diversified Property Trust has received a total of 79 rent-relief requests from these tenant-customers of which 22 have been finalised and 57 are in various stages of consideration.

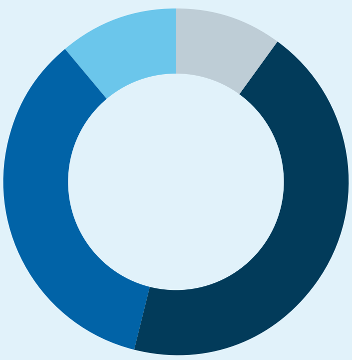
Cromwell's in-house property management team are actively managing these requests as quickly as possible. The process includes reviewing tenant-customers' financial information and comparing them to prior periods, considering the support available and working through each request individually.

The process is dependent on tenant-customers being able to supply the required financial information and must account for variances in state and territory legislation, most of which only came into effect recently. Given the nature of the businesses involved and their own challenges in dealing with the pandemic this is a slow process and it will be some time before the outstanding cases are finalised.

Discussions are ongoing with a number of tenant-customers on the potential to restructure or reprofile leases in circumstances where there has been a material impact on their business and their ability to meet their lease obligations. For the months of March, April and May 2020 combined only $8.2 million in rental income has not been paid, representing just 3.7% of total rent receivable in FY20. Cromwell does not expect to offer abatements on material leases.

TENANT DIVERSIFICATION BY GROSS PASSING INCOME

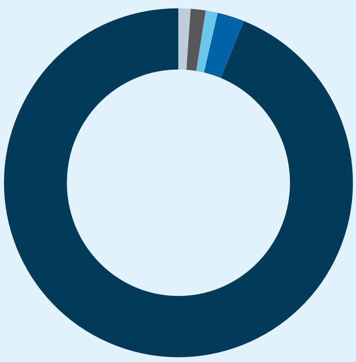
AS AT 30 APRIL 2020



44%	Government Authority
35%	Listed Company / Subsidiary
11%	Private Company
10%	SMEs

SECTOR DIVERSIFICATION BY GROSS PASSING INCOME

AS AT 30 APRIL 2020



1.2%	Retail
1.4%	Leisure
1.2%	Other
2.4%	Healthcare
93.8%	Office

EUROPEAN FUNDS MANAGEMENT

For the next six months in particular it will be difficult to accurately underwrite deal fundamentals within Europe and provide investors with the comfort they require on pricing. On the back on these market dynamics together with travel restrictions frustrating deal processes there will be some uncertainty on the levels of transactional activity and subsequently income that can be generated for the rest of the calendar year. The length of this period will depend on the success of the relaxation of lock-down measures and price discovery to greater align the pricing expectations of sellers and buyers.

Different capital sources are continuing to monitor markets however with French and German investors still active in core markets and Private Equity investors looking for dislocation where pricing levels show sufficient discount to warrant an early entry back into the market.

Cromwell's Private Equity partners have substantial capital to deploy and will be fast to act when the right opportunities can be identified and unlocked. Cromwell will benefit from the strength of these relationships and its substantial expertise working with capital partners at this end of the market.

CROMWELL EUROPEAN REIT (CEREIT)

The general position in Europe is that governments are continuing to respect the fundamentals of contract law and common landlord and tenant rights. Some have provided for a small extension period for office and logistics tenants to pay rent, but at this stage there has been no enforcement of wholesale rental waivers or abatements.

This is reflected in the performance of CEREIT, whose Q1 2020 results again highlighted the benefits of having on-the-ground property teams in different locations, engaging with tenant-customers based on local, national and government support packages.

Cromwell EREIT Management Pte. Ltd., Cromwell's wholly owned subsidiary and the manager (Manager) of CEREIT reported on CEREIT's quarterly performance:

- €229 million cash in bank;
- 34.5% net gearing, 8.6 times interest cover;
- Increased occupancy to 94.7% (93.2% Dec-19) with 12.1% portfolio rent reversion; and
- WALE of 4.5 years and 10% approximate exposure to SMEs.

The Manager has also advised that, as at the end of May 2020, the rate of requests for rent to be reprofiled had slowed, and accounted for only approximately 18% of annual headline rent. The bulk of the requests involved temporarily transitioning from paying rent three months in advance to once a month as well as deferring rents or early lease renewals with up front rent-free incentives.

The Manager has only agreed to abatements amounting to less than €260,000 and tenant-customers granted such abatements have either extended their leases or removed break clauses. The Manager's fee has been paid in cash to not dilute existing unitholders, a decision that has been well received.

The CEREIT distribution per unit for the first half of the 2020 financial year will only be determined after the results for the half have been finalised. Cromwell's 31% stake in CEREIT is worth over €360 million at a price of €0.46 cents per unit. The stake remains accretive and CEREIT is well-positioned to ride out, and take advantage of, the current market upheaval.


VIA PARACELSO 22-24-26, AGRATE, ITALY

CAPITAL MANAGEMENT AND LIQUIDITY

Cromwell has carefully managed expenses, reprioritised non-essential and discretionary expenditure, frozen non-critical hires and reviewed all non-essential projects and initiatives across the Group. The result of these and other cost savings initiatives will flow into the last quarter of FY20 and then into FY21.

As at 30th June 2020 Cromwell is expected to have approximately $670 million of cash and available undrawn facilities. Cromwell has just one loan facility maturing in February 2021 for which loan extension terms have been agreed. The next earliest loan facility maturity date is February 2023.

The balance sheet remains strong with gearing at 40%. Cromwell is well within all its debt covenant limits and continues to receive support from banking markets recently successfully sourcing a $100 million facility from a domestic bank.

Debt is well diversified across 21 lenders with a duration of 3.2 years. The cost of debt is at historic lows with Cromwell's active risk management approach seeing 57% of total exposure either floating or hedged through interest rate caps, allowing Cromwell to benefit from the current low rate environment.

Given the long WALE profile of the portfolio, the strength of tenant-customer covenants and the preponderance of income sourced from Government authorities, the Board is comfortable with Cromwell's current level of gearing and its ability to absorb any fluctuations in valuations. At least 50% of the portfolio will be revalued at 30th June 2020 in accordance with Cromwell's valuation policy.

OUTLOOK

"The COVID-19 crisis will continue to have an impact on markets for the foreseeable future," said Cromwell CEO Paul Weightman.

"Slow economic growth and high unemployment will provide short-term headwinds. Markets will continue to be volatile and the nature of the recovery, when it comes, is uncertain," he added.

Cromwell believes that the impacts of COVID-19 will be manifold. In office markets companies may look to extend leases in the short term so as not to incur relocation costs while they repair balance sheets. In the medium term, the recent trend of densification which has seen occupancy ratios contract by 30% over the last decade is likely to unwind as businesses provide employees with more space. This may offset the number of employees who end up spending more time working from home.

There will be some winners from an elongated period of dislocation and Cromwell is currently examining ways to take advantage of the trends that it is seeing in various markets including:

- Quality office assets with secure income streams will continue to attract capital;
- Owners and managers who can offer adaptive and flexible solutions to the changing requirements of occupiers will be rewarded;
- Increased investment in logistics and warehousing as companies 'on shore' supply chains and move away from just in time delivery;
- Greater demand for higher quality and greater care for seniors;
- Ongoing increase in data consumption, further spurred by remote working, which will drive demand for data centres; and
- Resilience of grocery stores, hypermarkets and hardware 'big box retailers' as compared to discretionary and specialty retail.

"Given the uncertainty around the economic recovery from COVID-19, Cromwell recognises the need to remain agile," said Mr Weightman.

"We are strongly positioned to take advantage of the opportunities that will emerge from market dislocation. We will assess these, and other opportunities, as they arise, and on their individual merit, in order to maximise returns for our securityholders and investors," he added.

Cromwell recognises that securityholders value the consistency and reliability of its quarterly distributions, and its policy has been to ensure that distributions are maintained wherever possible.

Cromwell will therefore will pay a distribution for the June 2020 quarter of 1.875 cents per security, as originally forecast. The distribution payment will be covered by earnings and cash flow.

The Dividend Reinvestment Plan (DRP) will not operate in respect of the June 2020 quarter distribution due to Cromwell's security price being below the per unit NTA (net tangible assets).

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

ENDS

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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 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.