

## CROMWELL REQUIRED TO AGAIN CORRECT ARA'S MISLEADING STATEMENTS

- REJECT ARA GROUP'S ATTEMPTS TO TAKE CONTROL OF CROMWELL BY STEALTH
- REJECT ARA GROUP'S HOSTILE, UNSOLICITED, OPPORTUNISTIC PROPORTIONAL OFFER
- VOTE AGAINST ELECTION OF ARA GROUP'S BOARD NOMINATIONS

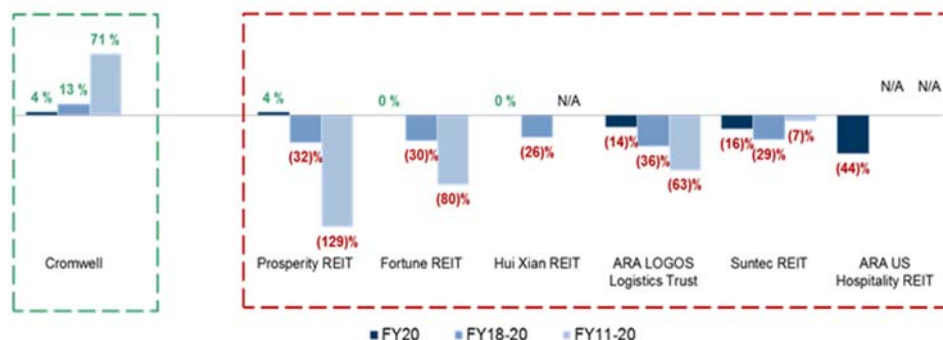
Cromwell Property Group (ASX:CMW) (Cromwell) refers to the statements by ARA Group (ARA) on 1 September 2020 in relation to Cromwell's financial results for the year ended 30 June 2020, and the proposed appointments of its nominees at the extraordinary general meeting it has requisitioned.

Cromwell is concerned by the misleading nature of these statements and wishes to correct these statements to ensure that there is a fully informed market in relation to Cromwell securities.

Cromwell would like to make the following five observations reiterating the facts about its performance:

1. Cromwell's operating earnings have always been derived from diversified sources including property rental income, fund and asset management fees, transactional and performance fees and development income. It is misleading and inappropriate to selectively exclude some earnings, from one particular year, from an audited set of results, in order to unjustifiably support a patently incorrect understanding about what reflects Cromwell's financial performance.
2. Cromwell has always paid distributions that are fully covered by operating earnings. ARA's false assertions that distributions are not covered are simply inaccurate. This is in stark contrast to ARA-managed Suntec REIT having funded distributions with capital proceeds and asset sales since at least 2013.
3. Cromwell notes that long-term total securityholder return is a widely accepted, fair and transparent method to evaluate a listed company's performance. Cromwell has consistently outperformed its relevant benchmark index, the ASX-200 REIT, over 3, 5 and 10 year periods. In comparison, the majority of ARA-managed listed REITs have significantly underperformed their respective benchmark indices over the same periods.

### TSR relative to benchmark indices based on financial year performance<sup>1</sup>



Source: Datastream as at 30 June 2020

<sup>1</sup> 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.

4. Cromwell's balance sheet gearing at 30 June 2020 was 41.6%<sup>2</sup>, only slightly above target 'through the cycle' gearing of 30% - 40%, with leverage capacity to be used on a short-term basis to execute the 'Invest to Manage' strategy. It is misleading to reference look-through gearing as the target gearing range has always been based on Group reported balance sheet gearing. ARA's comments compare starkly against ARA's US Hospitality Trust which required a loan covenant waiver from its Singapore based relationship banks and refused to undertake any property valuations on its portfolio in 1H2020, despite having a policy of conducting annual property valuations at each reporting period.
5. ARA's assertions about the value of the Cromwell Polish Retail Fund's assets by reference to the listed trading price of a Johannesburg and Luxembourg listed, Netherlands registered, diversified property company, as opposed to independent, third party expert valuations demonstrate a concerning lack of understanding about global real estate.

### **Cromwell delivers strong results in a challenging environment**

Cromwell's FY20 results demonstrate the strength of the business throughout the COVID-19 pandemic despite ARA's distractions, 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 was pleased to provide distribution guidance for FY21 of 7.50 cents per security.

### **Vote against election of ARA's board nominations. Reject ARA's takeover by stealth**

ARA has called yet another meeting to seek the election of two ARA Group nominees, Gary Weiss (again) and Joseph Gersh, as directors of Cromwell. The Cromwell Directors do not believe that the appointment of ARA nominees Gary Weiss or Joseph Gersh would be in the best interests of all Cromwell securityholders. The Cromwell Board has unanimously recommended that Cromwell securityholders vote against the election of ARA's conflicted nominees.

The Cromwell Board believes it is in securityholders' best interests to support Cromwell's current strategy. The Cromwell Board unanimously recommends that securityholders **REJECT** ARA's takeover by stealth, **REJECT** the Proportional Offer and **VOTE AGAINST** ARA's board nominations.

Ignore all documents from ARA and vote only using Cromwell's official yellow proxy form which has been sent to you or vote online.

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

### **Further information**

Cromwell encourages its securityholders to call Cromwell's Investor Services Team on 1300 268 078 (within Australia) or +61 7 3225 7777 (outside Australia), email [invest@cromwell.com.au](mailto:invest@cromwell.com.au) or visit [www.cromwellpropertygroup.com](http://www.cromwellpropertygroup.com) if they have any questions.

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

Ends.

<sup>2</sup> Calculated as (total borrowings less cash/total tangible assets less cash).

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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.