



## STONEWEG EUROPEAN REIT

### **FREQUENTLY ASKED QUESTIONS IN RELATION TO PROPOSED STAPLING OF STONEWEG EUROPEAN REIT AND STONEWEG EUROPEAN BUSINESS TRUST As at 17 April 2025**

Capitalised terms used herein, but not otherwise defined, shall have the meanings ascribed to them in the circular dated 3 April 2025 (the "Circular")

#### **1. Why are you stapling a Business Trust to the REIT?**

- As market conditions evolve, so must our strategy to ensure that Stoneweg European REIT remains competitive, resilient, and well-positioned for long-term growth. Over the past few years, we've witnessed significant shifts in the real estate landscape, with economic changes, rising interest rates, and tax amendments
- We remain focused on ensuring that distributions remain stable, regular, and sustainable, while aiming to generate attractive returns for our investors
- The evolving legal, regulatory, and tax conditions across Europe may make holding assets jointly between Stoneweg European REIT and Stoneweg European Business Trust the most efficient structure. For example, changes in German law could make joint asset ownership more tax-efficient, as real estate transfer tax ("RETT") may apply to transfers involving 90% or more of an asset's beneficial interest
- A stapled REIT-Business Trust structure aligns with practices in large markets like the US and Australia, attracting international investors seeking diversified returns. This approach can enhance trading liquidity and broaden the unitholder base, benefiting all investors
- This structure also supports growth while ensuring stable, regular distributions. A Business Trust also allows for added services like property management and leasing, enhancing investor appeal
- The stapled structure offers greater tax flexibility, particularly in Europe, alongside the REIT's preferential tax treatment in Singapore

#### **2. Are you changing the mandate and the investment strategy?**

- The type of properties which Stoneweg European Stapled Trust may invest in remains the same as Stoneweg European REIT, Stoneweg European REIT and Stoneweg European Business Trust will both invest in real estate located in Europe
- Stoneweg European Stapled Trust will be established with a principal investment strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate assets in Europe that are used primarily for office, logistics / light industrial, retail and data centres as well as real estate-related assets in connection with the foregoing, which is the existing investment mandate as Stoneweg European REIT.
- Stoneweg European Stapled Trust will focus on investing in a diversified portfolio of income-generating real estate assets across Europe, primarily in office, logistics / light industrial,



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including data centres, along with related real estate assets. This mirrors the current strategy of Stoneweg European REIT, but with added flexibility through the proposed stapling

- Stoneweg European Business Trust may undertake moderate development activities that could marginally exceed limits set by the Monetary Authority of Singapore (MAS), but these will still involve real estate in Europe. Additionally, Stoneweg European Business Trust may invest in assets which support or are ancillary to its real estate, such as solar power installations. Despite these activities, the focus remains on real estate located in Europe
- Although this offers flexibility for future operations, the Manager does not currently plan to change the existing mandate and intends to focus in the areas of Logistics / Light Industrial, Data Centres and Offices

### **3. How is the proposed stapling going to optimise tax and holding structure of properties?**

- Legal, regulatory, and tax considerations across European jurisdictions are constantly evolving and holding some assets jointly between Stoneweg European REIT and Stoneweg European Business Trust may be the optimal structure
- For example, recent law changes in Germany mean that asset ownership in future may be more tax-efficient when jointly held, as real estate transfer tax (RETT) may become payable on any transfer of assets involving 90% or more of the beneficial interest in that asset. According to current German RETT law, a transfer of ownership could apply to a change of 90% or more of the units of Stoneweg European REIT or even extend to a change of 90% or more of the share ownership of the Trustee. Therefore, the stapled REIT-Business Trust structure is important in order to optimise the holding structure of Stoneweg European REIT's portfolio by enabling certain assets to be jointly owned in future if required

### **4. How is the proposed stapling future-proofing the corporate structure?**

- The stapled structure optimises tax and holding arrangements for properties, offering flexibility in capital management, investment strategies, and asset redevelopments, ultimately benefiting unitholders
- For example, a REIT cannot derive more than 10% of its revenue from non-passive sources. If an asset has active operations, Stoneweg European Business Trust can acquire it and derive income from those sources
- The Property Funds Appendix limits property development activities and investments in uncompleted developments to 10% of the REIT's property. Stoneweg European Business Trust can acquire assets with development components and may embark on incremental or moderate development activities
- The stapled structure enhances Stoneweg European REIT's portfolio through redevelopments, asset enhancements, and investments in complementary asset classes, supporting future opportunities and driving tenant retention and rental growth
- The Manager and Trustee-Manager work together to ensure investments maintain a consistent risk profile and that no excessive risks are taken in any investments



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**5. Is this change driven by the new Sponsor, SWI Group?**

- The Manager believes that the Proposed Stapling will benefit Unitholders by providing Stoneweg European REIT with a future-proof corporate structure with optimal tax efficiency.
- Our Sponsor, SWI Group supports the proposal and the resolutions. However, for good corporate governance, the Sponsor, the Manager and their associates will abstain from voting on Resolution 1 in relation to the amendments to the Stoneweg European REIT trust deed and Resolution 2 in relation to the Proposed Stapling.

**6. How does the proposed stapling expand financing options and are you planning to increase gearing above MAS aggregate leverage limit of 50%?**

- REITs in Singapore are subject to a 50% aggregate leverage limit, while Business Trusts are not subjected to such leverage limit
- Overall loan covenants and credit ratings over the combined REIT-Business Trust structure will still guide the Stapled Entity's consolidated gearing levels
- On a consolidated basis, the Stapled Entity will remain committed to the board's medium-term aggregate leverage target of 35-40% and ceiling of 45%, well below the MAS prescribed REIT aggregate leverage limit of 50%

**7. The REIT has been undertaking AEs and redevelopment projects for several years. Why are you only setting up a business trust now?**

- We have made significant progress in our portfolio rejuvenation programme, completing approximately €60 million worth of development projects and asset enhancement initiatives in Italy, the Czech Republic, and Slovakia during FY2023, on time and largely within budget, with a good proportion of pre-let space
- We have around €200 million in development projects in the pipeline across The Netherlands, Italy, and France, which are expected to be completed soon
- By incorporating a BT, the Stapled Entity can provide additional value-added services such as property management, leasing, and operational businesses, boosting investor appeal and long-term competitiveness
- The Proposed Stapled Structure is also aligned with the latest practices, positioning the Proposed Stapled Trust to attract international institutional investors and other market participants seeking diversified returns

**8. Are there other REITs with the same structure in Singapore? If the Business Trust structure really has many benefits as mentioned, why don't more REITs make similar move?**

- Stoneweg European REIT will not be the first stapled REIT in Singapore. Stapled trusts include currently listed on the SGX include, CDL Hospitality Trust, Capitaland Ascott Trust and Far Ear Hospitality Trust



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### **9. Will Stoneweg European REIT be granted Right of First Refusal for the assets in the Business Trust?**

- Stoneweg European REIT unitholders will own the same portion of Stoneweg European REIT as Stoneweg European Business Trust, with the same Management and essentially the same Board
- No Right of First Refusal (ROFR) is required between both entities as at consolidated level the ownership of the asset is unchanged
- The REIT and its associated entities already have a ROFR with the Sponsor, SWI Group

### **10. How will this change unitholding?**

- Stoneweg European REIT's unitholders, as at the Record Date, will be entitled for one Stoneweg European Business Trust Unit for every Stoneweg European REIT unit held
- Each Stoneweg European Business Trust Unit will be stapled to one Stoneweg European REIT Unit which would be distributed to Unitholders by way of a distribution *in specie*, so as to form one Stapled Security in accordance with the Stapling Deed
- Upon Unitholders' approval of the Proposed Stapling and receipt of relevant regulatory approvals, the current Stoneweg European REIT units will no longer be listed and traded on the Singapore Exchange Securities Trading Limited (SGX-ST) on a standalone, unstapled basis
- The Proposed Stapling will take place at such time after the EGM as the Manager deems appropriate and after the requisite regulatory approvals have been obtained. The Manager will release the necessary announcements when the Proposed Stapling is about to take place.
- The Proposed Stapled Securities would be listed and traded on SGX-ST under a new stock code and ISIN code. Further details on the new stock code and ISIN code will be announced in due course

### **11. If I own 50,000 units in Stoneweg European REIT today, what happens post stapling? What do I own?**

- The number of units traded on Exchange Securities Trading Limited (SGX-ST) will not change. You will own 50,000 stapled securities comprising 50,000 units in the REIT and 50,000 units in the Business Trust
- These are stapled together by the SGX-ST and will trade as one counter (either in Euro or SGD). When you trade a unit in the Stoneweg European REIT counter, you will be the technical owner of both the REIT and Business Trust. These cannot be unstapled without an EGM in the future

### **12. Why is €15 million likely to be injected into the Business Trust at the outset? Where does the €15 million come from? What happens to the NAV / unit of the REIT?**

- The Manager is recommending the Business Trust is established with enough initial equity to be able to undertake some small initiatives



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- The Manager does not anticipate major near-term investments by the Business Trust that would require more than €15 million in equity
- The €15 million initial equity would be transferred from Stoneweg European REIT's Net Equity of €1,140.8 million (as at 31 December 2024). On a consolidated basis, the proforma Stapled Entity NAV would be unchanged at €2.03/unit, with SREIT's NAV equal to €2.00/unit and Business Trust equal €0.03/unit
- Both the REIT and BT will have identical units in issue, currently there are 562,053,716 REIT units in issue.

### **13. How is capital raised in the future?**

- The same capital raising mechanisms would be required post stapling to raise equity in both the REIT and Business Trust together. In the future, additional equity or debt could be raised by the Stapled Entity which could be used to acquire properties either at the REIT level or the BT level. The allocation of proceeds would be identified clearly at the outset of the equity or debt security raise

### **14. Will unitholder distributions be affected?**

- We remain committed to our purpose of providing Unitholders with stable and growing distributions and NAV per Unit over the long term while maintaining an appropriate capital structure
- The REIT is expected to provide stable dividend payouts, typically sourced from rental income and capital gains from real estate assets

### **15. How are the business trust and REIT managed, and who are the key players involved?**

- Both entities are managed by the same current highly experienced team with deep expertise in European real estate investments, Singapore and international REIT structures and local asset management initiatives
- Key personnel include senior key management personnel and operational teams responsible for acquisitions, asset management, and strategy of both the REIT and Business Trust remain unchanged
- The Trustee-Manager and the Manager (with their similar management team and common directors) will work together to ensure that Stoneweg European REIT and Stoneweg European BT operates seamlessly together, in the interest of Stapled Security holders as a whole

### **16. Who Is the new Board of the Business Trust? Will it be the same as the REIT?**

- Due to the slightly different MAS rules, the Business Trust is required to have a simple outright majority of independent directors, while the REIT rules allow for an equal split of independent and non-independent directors, so long as the Chairman is independent



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- The Business Trust Trustee-Manager Board will have a five-person Board, including the current three Independent directors, chaired by the same Independent Chairman as the REIT– Mr Lim Swe Guan, while Mrs Fang Ai Lian will continue to serve as the Independent director of both the REIT and Business Trust and will be Audit and Risk Committee Chair of both the REIT and Business Trust and member of both Nominating and Remuneration Committee while Mr Christian Delaire will continue to serve as Independent director of both the REIT and Business Trust and will be Nomination and Remuneration Chair of both the REIT and Business Trust Boards and both Audit and Risk Committee
- The CEO will be appointed to the Business Trust Board
- Stoneweg European REIT investors can take comfort that the same rigour and governance applied to the REIT will also be applied to the Business Trust

### **17. Does this change mean that Stoneweg European REIT will expand beyond office and logistics assets, and outside Europe?**

- The Proposed Stapled Entity will be established with the same current principal investment strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate assets in Europe that are used primarily for office, logistics / light industrial, retail and data centres as well as real estate-related assets in connection with the foregoing
- The Proposed Stapled Entity will focus on investing in commercial logistics, light industrial, data centres and office real estate located in Europe

### **18. Are you planning to change the fee structure?**

- The fees paid to the Trustee-Manager are based on the same fee formula as that is paid to the Manager. There are no changes to the fee formula for the management fees. In relation to the trustee fees of Stoneweg European Business Trust, the Trustee-Manager will waive such fees for so long as Stoneweg European Business Trust is stapled to Stoneweg European REIT, so in effect there may be a net fee savings for the same pool of assets

### **19. What approvals are required?**

- We have received approval in-principle from the Singapore Exchange Securities Trading Limited (SGX-ST) for the listing of, and dealing in and quotation on the Main Board of the SGX-ST of the Stapled Securities.
- Other than the approval from SGX-ST, we would need to obtain 75% or more of the total number of votes cast for the proposed amendments to the Stoneweg European REIT Trust Deed to effect the proposed stapling, and a majority of more than 50% for the Proposed Stapling at the upcoming Extraordinary General Meeting to be held at 4:00 pm (GMT+8) on 29 April 2025, Tuesday



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### 20. What are the major proxy advisors' recommendations on voting for your EGM resolutions?

Two major proxy advisors have recommended to vote in favour of all three resolutions on the basis that:

#### (for resolution 1 and 2)

- they are technical in nature
- raise no material concerns
- enable the stapling arrangement without negatively impacting shareholder rights
- have potential to optimise tax efficiency, enhance structural flexibility
- increase appeal to investors no evident risks to shareholders

#### (for resolution 3)

- the proposed issuance limits are reasonable, comply with legal requirements and provide the Trust with necessary flexibility for future financing and comply with Singapore best practices for REITs

The voting recommendations from proxy advisors are shared as courtesy with the issuer and are not for public distribution so the Manager can't share further details. Investors who subscribe to the services of these proxy advisors are able to view the reports through their accounts.

### 21. I have other questions about this stapled structure. What should I do?

- We invite you to submit your questions to us electronically or by post to the Unit Registrar
- The **deadline** for the question submission is **3:00 pm (GMT+8) on 21 April 2025, Monday**
  - Electronic means
    - Visit [Home - Stoneweg European REIT](#) to register & submit your questions
    - Email to Unit Registrar at [srs.proxy@boardroomlimited.com](mailto:srs.proxy@boardroomlimited.com)
  - Post
    - Send your questions by post to the Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632
- Please provide in your email or post your full name, your correspondence address and the manner in which you hold units in Stoneweg European REIT (e.g. via CDP, CPF or SRS)