



3 April 2025

**To: All Unitholders of Stoneweg European REIT
Proposed Stapling of a Business Trust to Stoneweg European REIT**

This letter to Unitholders is to be read alongside the circular dated 3 April 2025 in relation to the Proposed Stapling (the “**Circular**”). Capitalised terms used herein but not otherwise defined shall have the meanings ascribed to them in the Circular.

Dear Unitholders,

As market conditions evolve, so must our strategy to ensure Stoneweg European Real Estate Investment Trust (“Stoneweg European REIT”) remains competitive, resilient, and well-positioned for long-term growth. In recent years, we have seen shifts in the real estate landscape, including economic changes, rising interest rates, stricter regulations and tax amendments.

We are proposing the formation of a Stapled Entity comprising Stoneweg European Real Estate Investment Trust (“Stoneweg European REIT”) and a new entity, Stoneweg European Business Trust (“Stoneweg European BT” or “BT”). This combined entity, known as Stoneweg European Stapled Trust (“SERT”), will offer unitholders the opportunity to hold units in both the REIT and the BT. The stapled structure is designed for continued success and long-term value creation for unitholders. It offers optimal tax efficiency and flexibility for future operations.

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 of Stoneweg European REIT. The Proposed Stapling provides additional flexibility in implementing this mandate. The types of properties Stoneweg European Stapled Trust may invest in remain the same as Stoneweg European REIT. Stoneweg European REIT and Stoneweg European BT will both invest in real estate located in Europe. The Stapled Entity will continue to focus on European real estate. There is no intention for ancillary or supportive assets to form a significant or majority portion of its holdings. Investments by Stoneweg European BT could also comprise completed income-producing real estate, where joint acquisition with Stoneweg European REIT is appropriate.

The fee structure for the Trustee-Manager will mirror the current fee structure for the Manager. So long as Stoneweg European BT is part of a stapled group, no trustee fee will be payable to the Trustee-Manager.

KEY BENEFITS OF THE PROPOSED STAPLING (see section 5 of the Circular for more details)

- **Potential to optimise tax and holding structure of properties**

With evolving legal, regulatory, and tax considerations across European jurisdictions, holding some assets jointly between Stoneweg European REIT and Stoneweg European BT 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-BT 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.

- **Future-proofing the corporate structure**

A stapled REIT-BT structure provides greater flexibility in capital management, investment strategies, change of asset class when an asset is redeveloped and other operational activities that maximise value to the unitholders.

For example, under the Property Funds Appendix, a REIT should not derive more than 10% of its revenue from sources other than passive income sources. If an asset to be acquired has active operations, Stoneweg European BT may acquire such assets and derive part of its income from such non-passive income sources.

In addition, under the Property Funds Appendix, the total contract value of property development activities undertaken and investments in uncompleted property developments should not exceed 10% of the REIT's deposited property. If an asset to be acquired has a development component, Stoneweg European BT may acquire such an asset instead. The Stapled Entity, through Stoneweg European BT, may embark on incremental or moderate development activities; such activities may or may not have exceeded the development limit as set out in the Property Funds Appendix if such asset was held by Stoneweg European REIT instead.

By leveraging on the stapled REIT-BT structure, Stoneweg European REIT can enhance its portfolio through redevelopments, asset enhancement initiatives ("AEIs") and investing in complementary asset classes that provide future pipeline opportunities. Additionally, it can actively manage leasing and property operations to improve tenant retention and drive rental growth.

The focus and strategy of the Manager and the Trustee-Manager is to ensure they would work together to judiciously examine any investments by the Stapled Entity to ensure that its risk profile remains the same.

- **Enhanced flexibility and investor appeal**

A stapled REIT-BT corporate structure aligns with the latest practices in some of the largest established real estate securitised markets, such as the USA and Australia, which are often stapled, making Stoneweg European REIT more attractive to investors by offering a balance of stable income and growth potential. It also allows for better capital management, greater debt financing flexibility, greater transparency and a broader scope for future investments.

These attributes make the Stapled Entity more attractive to international institutional investors and other market participants seeking diversified returns. Increased international institutional participation in Singapore REITs typically leads to improved trading liquidity and a more diverse unitholder base, ultimately benefiting all investors. This stapled REIT-BT structure supports enhanced growth prospects while maintaining stable, regular and sustainable distributions.

- **Enhanced debt financing options**

REITs in Singapore are subject to a 50% aggregate leverage limit, while BTs are not. Overall loan covenants and credit ratings over the combined REIT-BT structure will still guide Stoneweg European REIT'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 Monetary Authority of Singapore prescribed REIT aggregate leverage limit of 50%.

SUPPORT OF UNITHOLDERS

The stapled REIT-BT structure provides greater flexibility in capital management investment strategies and for future operations and investment.

We seek your approval for this proposal at the **Extraordinary General Meeting (EGM)** on 29 April 2025, where you will be asked to vote on resolutions concerning the Proposed Stapling. We strongly encourage you to vote in favour of these resolutions. Your support will help position SERT for long-term success, ensuring we remain competitive, resilient, and well-positioned to create value for unitholders.

We appreciate your continued support and look forward to your favourable vote on this important initiative.

Yours faithfully,

BY ORDER OF THE BOARD

STONEWEG EREIT MANAGEMENT PTE. LTD.

(Registration Number: 201702701N)

as manager of Stoneweg European Real Estate Investment Trust

SIMON GARING

Chief Executive Officer and Executive Director
Singapore

