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Cromwell European REIT Acquiring 23 Properties for Long-Term, Sustainable Growth

- Strategically located, predominantly freehold office and logistics properties with excellent connectivity being acquired at attractive yields, increasing distributable income and distribution per unit ("**DPU**") yield
- Entry into two new countries that are among the fastest growing economies in Europe
- Greater geographical, tenant and trade sector diversity reduces concentration risks and increases resilience
- Further upside from higher occupancy rates and positive rental momentum driven by healthy occupier demand, as well as asset enhancement initiatives
- To be partially funded via a proposed rights issue, which is fully underwritten and renounceable

SINGAPORE – Cromwell EREIT Management Pte. Ltd., the manager (the "**Manager**") of Cromwell European Real Estate Investment Trust ("**Cromwell European REIT**" or "**CEREIT**"), has announced the acquisitions of 23 properties across five countries in Europe (the "**Acquisitions**"). These comprise 16 properties in the Netherlands, Finland and Poland (the "**New Properties**"), two properties in Italy (the "**Italian Properties**), as well as five properties in France (the "**French Properties**").

The Manager's Chief Executive Officer, Mr. Simon Garing, commented, "The Acquisitions represent an opportunity to accelerate the growth of CEREIT while also strengthening its defensiveness. They are expected to be earnings accretive, increasing CEREIT's net property income, distributable income, and DPU yield. They will also provide us with access into two new countries that are among the fastest growing economies in Europe and deepen our presence in three countries in which we already operate. Assets in these countries are keenly sought by investors, but we are able to avoid bidding wars as our sponsor, Cromwell Property Group (the "**Sponsor**")[1], has considerable pipeline sourcing capabilities. This enabled us to successfully negotiate deals to buy the properties off-market at a discount to their collective

[1] Cromwell Property Group, a stapled group comprising Cromwell Corporation Limited and Cromwell Diversified Property Trust (the responsible entity of which is Cromwell Property Securities Limited)

valuations. In addition, Cromwell Property Group employs extensive on-the-ground asset management teams across Europe, and already manages 16 of the 23 properties we are acquiring. This puts us in an especially strong position to extract value from the properties."

"We are acquiring the properties at attractive yields and there is room for further upside from potential rental reversions and asset enhancement initiatives. In particular, we expect further uplift from the New Properties and French Properties as they have Reversionary Yields[2] that are higher than their Net Initial Yields[3]," added Mr. Garing. "Moreover, the greater size as well as geographical, tenant and trade sector diversity that the Acquisitions bring, will also reduce concentration risks and enhance CEREIT's resilience."

The Properties

The New Properties comprise predominantly office properties, with two located in the Netherlands, 11 located in Finland, and three located in Poland. They are situated on either freehold or freehold-equivalent land[4] in dynamic cities and benefit from very good accessibility to major transport infrastructure, including key airports, railway and train stations, as well as motorways. Collectively, the New Properties have an aggregate net lettable floor area ("**LFA**") amounting to approximately 150,235 square metres ("**sq m**")[5] and an average occupancy rate that stands at approximately 84.5%[6], with a 4.7-year weighted average lease expiry ("**WALE**")[7] as at 31 August 2018.

The Italian Properties comprise a freehold office building located in Bari, the second-most important economic centre of southern Italy, and a freehold office building located in Genova, the sixth-largest city in Italy and the capital of the country's Liguria region. Together, they have a LFA of approximately

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2 "**Reversionary Yield**" means the average of the Independent Valuers' (as defined herein) estimated market rental income per annum net of non-recoverable property expenses, divided by the Property Purchase Price (as defined in CEREIT's circular dated 30 October 2018 (the "**Circular**")), the Italian Properties Purchase Consideration (as defined in CEREIT's announcement dated 30 October 2018 (the "**Announcement**") or the French Properties Purchase Consideration (as defined in the Announcement), as the case may be.

3 "**Net Initial Yield**" means the average of the Independent Valuers' annualised current passing rental income net of non-recoverable property expenses, divided by the Property Purchase Price, the Italian Properties Consideration or the French Properties Purchase Consideration, as the case may be.

4 All New Properties are on freehold land except for Moeder Teresalaan 100-200 in Utrecht, the Netherlands, which is on a leasehold land that is acquired in perpetuity. Leasehold acquired in perpetuity means a leasehold for an indefinite period of time and the ground rent has been paid off perpetually.

5 As at 27 September 2018.

6 Occupancy rate as at 31 August 2018 (except for the property Willemsplein 2 in 's-Hertogenbosch, the Netherlands). With respect to the property Willemsplein 2, the occupancy rate is as at 1 September 2018. For Arkonska Business Park in Gdansk, Poland, while the occupancy rate as at 31 August 2018 is only 46.7%, the committed occupancy rate is 69.1%.

7 Refers to the weighted average lease expiry by headline rent based on the final termination date of the agreement (assuming the tenant does not terminate the lease on any of the permissible break date(s), if applicable).

27,211 sq m[8]. Both the Italian Properties are master leased to Agenzia del Demanio, which is the entity in charge of managing the real estate assets of the Italian State; and as at 31 August 2018, they have a 5.0-year WALE.

The French Properties comprise four predominantly logistics properties and one DIY[9] home improvement centre located along the strategic French logistics corridor (which includes key roads such as the A9, A10 and A86 motorways) and will provide CEREIT with exposure to the Greater Paris logistics market. Four of the French Properties are situated on freehold land and the fifth is situated on a site with a 29-year residual term. Together, the French Properties have a LFA of approximately 42,322 sq m[7]. They are all fully occupied; and as at 31 August 2018, they have a 2.5-year WALE.

The New Properties, Italian Properties, and French Properties are collectively valued at approximately €390.1 million and CEREIT has agreed[10] to acquire them for approximately €384.4 million. The valuation of the New Properties is based on the average of two independent valuations conducted by Cushman & Wakefield Debenham Tie Leung Limited ("**C&W**") and Colliers International Valuation UK LLP ("**Colliers**", and together with C&W, the "**Independent Valuers**")[11], while the valuations of the Italian Properties and the French Properties are based on independent valuations conducted by Colliers[12].

Rationale and Benefits

The Acquisitions will provide CEREIT with access to the attractive office markets in Finland and Poland, both of which are experiencing robust growth, while strengthening its positions in the Dutch and Italian office markets as well as the French logistics market.

Notably, the Netherlands, Finland and Poland have all achieved economic growth rates that have outpaced the Eurozone average in 2017 and are expected to do so in 2018 as well, providing tailwinds for the office sector. Together with the higher demand and limited supply in certain segments, these tailwinds are expected to drive higher occupancy rates and exert upward pressure on rents. The acquisition of the New Properties will therefore position CEREIT to benefit from these attractive dynamics.

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8 As at 30 September 2018.

9 "DIY" means "do it yourself".

10 CEREIT has entered into a master share and asset sale and purchase agreement dated 30 October 2018 (the "**Master Purchase Agreement**") to acquire the New Properties and entered into a preliminary sale and purchase agreement dated 30 October 2018 to acquire the Italian Properties. In addition, CEREIT has made a binding offer dated 30 October 2018 to acquire the French Properties; however, while the binding offer has been accepted by the vendors of the French Properties, further due diligence will be conducted and there is no assurance that the acquisition of the French Properties will be completed.

11 As at 27 September 2018.

12 As at 30 September 2018.

The Acquisitions will also enhance CEREIT's resilience through a larger portfolio with increased geographical diversity, as well as more freehold and perpetual leasehold assets. Following the completion of the Acquisitions, the number of properties in CEREIT's portfolio will increase from 75 to 98 and the valuation[13] of the portfolio will increase by approximately 28.1% from €1.4 billion to €1.8 billion. CEREIT's geographical footprint will be expanded from five to seven countries, with Finland and Poland added to the current mix comprising Denmark, France, Germany, Italy and the Netherlands. The proportion of freehold and perpetual leasehold assets in CEREIT's portfolio by valuation will increase as well, from 88.2% to 90.4% after the completion of the Acquisitions.

Ernst and Young Corporate Finance Pte Ltd has been appointed as the independent financial adviser pursuant to Rule 921 (4) of the Listing Manual as well as to provide an opinion to the Independent Directors, the Audit and Risk Committee and the Trustee. Their letter stated amongst others: "Having considered the factors and the assumptions set out in this letter, and subject to the qualifications set out herein, we are of the opinion that the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of CEREIT and its minority Unitholders."

Moreover, the Acquisitions are accretive. Based on the *pro forma* effects[14] of the Acquisitions, CEREIT's net property income[15] and distributable income[16] for the financial period from 30 November 2017 (being the date of CEREIT's listing) to 30 June 2018 would have been higher by around 29.6% and 28.9% respectively, while its DPU yield for the same period would have been 8.13%[17] instead of 7.97%[18].

In addition, there is also room for further upside from rental reversions, in part because leases are typically indexed to consumer price indices, providing steady and relatively predictable rental growth. Based on the average of the Independent Valuers' annualised current passing rental income net of non-recoverable

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13 Based on the valuation of the Existing Portfolio (as defined in the Announcement) (except 13 Via Jervis, Ivrea, Italy ("**Ivrea**")) as at 31 March 2018 and the valuation of Ivrea as at 1 April 2018, the average of the two independent valuations of the New Properties conducted by the Independent Valuers as at 27 September 2018, and the independent valuations of the Italian Properties and the French Properties conducted by Colliers as at 30 September 2018.

14 The *pro forma* financial effects for the financial period from 30 November 2017 (being the date of CEREIT's listing) to 30 June 2018 are strictly for illustrative purposes only.

15 Adjusted for the property management fees payable (assumed to be 0.67% of the New Properties Purchase Consideration (as defined in the Announcement)).

16 Adjusted for the Manager's management fees (assumed to be 0.23% of the New Properties Purchase Consideration, of which the Manager would receive 100.0% in the form of units in CEREIT ("**Units**")) and property management fees payable (assumed to be 0.67% of the New Properties Purchase Consideration, of which Cromwell Europe Limited (the "**Property Manager**") would receive 40.0% in the form of Units) and related tax effects.

17 Assumes that €170.8 million of the gross proceeds of the Rights Issue (as defined herein) are used to partially fund the Total Cost of the Proposed Transaction (as defined in Circular), and €53.3 million of the gross proceeds of the Rights Issue are used to partially fund the Total Italian Acquisition Cost (as defined in the Announcement) and the Total French Acquisition Cost (as defined in the announcement. DPU yield is computed based on annualised pro forma distributable income divided by the sum of CEREIT's market capitalisation at the close of 30 October 2018 and the gross proceeds of the Rights Issue assumed to be attributable to each respective transaction.

18 Based on the Closing Price (as defined in the Circular) of €0.545 per Unit.

property expenses as estimated by the Independent Valuers, the New Properties and Italian Properties have Net Initial Yields of 6.2% and 7.4% respectively, which compares favourably to the Net Initial Yield of CEREIT's existing office portfolio of 5.6%. Additionally, the Reversionary Yield of the New Properties[19] is 7.4%, which is significantly higher than their Net Initial Yield, implying rental upside. The French Properties have a Net Initial Yield of 8.5%, which compares favourably to the Net Initial Yield of CEREIT's existing light industrial and logistics portfolio of 7.1%; and they have a Reversionary Yield of 9.4%, which is also significantly higher than their Net Initial Yield, implying rental upside as well.

Furthermore, CEREIT's sponsor, Cromwell Property Group, has on-the-ground asset management teams with over 200 employees in 20 offices across 12 European countries to drive improved operating and financial performance, as well as a strong track record of enhancing value through asset enhancement initiatives.

Extraordinary General Meeting ("EGM") and Funding

As the New Properties are managed by subsidiaries of the Sponsor and a subsidiary of the Sponsor also owns a *de minimis* percentage of the equity in some of the vendors of the New Properties, the Manager is seeking unitholders' approval for the New Acquisition at an EGM to be convened on 15 November 2018.

The Manager is also seeking unitholders' approval to partially fund the Acquisitions via a €224.1 million underwritten and renounceable rights issue (the "**Rights Issue**") and the proposed payment by the joint global co-ordinators and bookrunners of the Rights Issue of certain sub-underwriting commissions to (a) Tang Gordon @ Tang Yigang and Celine Tang @ Chen Huaidan, acting jointly and severally, and (b) Hillsboro Capital, Ltd., who are substantial unitholders of CEREIT, in respect of their sub-underwriting commitments in relation to the Rights Issue. The Manager will be seeking unitholders' approval to issue 600,834,459 new Units (the "**Rights Units**") on a basis of 38 Rights Units for every 100 Units in CEREIT, at an issue price of €0.373 per Rights Unit. This represents a discount of approximately 31.6% to the closing price of €0.545 per Unit on the Singapore Exchange Securities Trading Limited on 30 October 2018, being the last trading day of the Units prior to the announcement of the proposed Rights Issue and a discount of approximately 25.0% to the theoretical ex-rights price of €0.498 per Unit.

To demonstrate its support for CEREIT and the Rights Issue, the Sponsor has confirmed that it will undertake to subscribe in full, through its wholly owned subsidiary Cromwell Singapore Holdings Pte. Ltd. and/or will procure its related entities to subscribe in full, for its pro-rata entitlement under the rights issue. The Sponsor through its wholly owned subsidiaries currently holds interest equivalent to 35.3% in CEREIT.

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[19] Based on the average of the Independent Valuers' estimated market rental income per annum net of non-recoverable property expenses.

ABOUT CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

Cromwell European REIT is a real estate investment trust ("**REIT**") with the 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[20], light industrial / logistics[20], and retail purposes[21]. With a portfolio of 75 properties in or close to major gateway cities in Denmark, France, Germany, Italy, as well as the Netherlands and a balanced focus on the office[20] and light industrial / logistics[20] sectors, it is also the first REIT with a diversified Pan-European portfolio to be listed on Singapore Exchange Securities Trading Limited.

CEREIT's portfolio has an aggregate lettable area of approximately 1.2 million sq m with over 700 leases and a WALE[22] profile of around 5.0 years. Comprising primarily freehold or ongoing leasehold[23] assets, the portfolio has an appraised value of approximately €1,390 million as at 30 June 2018.

CEREIT is managed by Cromwell EREIT Management Pte. Ltd., a wholly-owned subsidiary of CEREIT's sponsor, Cromwell Property Group[24], a real estate investor and manager with operations in 15 countries, listed on the Australian Securities Exchange Ltd.

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20 "Office" properties refer to real estate that are predominantly used for office purposes, whether in existence by themselves as a whole or as part of larger mixed-use developments and "light industrial / logistics" properties refer to real estate that are predominantly used for light industrial, warehouse, and logistics purposes, the majority of which may have an attached office component.

21 "Retail" properties refer to real estate that are predominantly used for retail purposes.

22 "WALE" is defined as weighted average lease expiry by headline rent based on the final termination date of the agreement (assuming the tenant does not terminate the lease on any of the permissible break date(s), if applicable).

23 Classified as Continuing Leasehold or Perpetual Leasehold. A Continuing Leasehold is agreed in principle for an indefinite period of time but has a fixed ground rent paid to the land owner which must be re-agreed at the end of a certain period, which may result in a termination if the leaseholder and the land owner do not agree on the new ground rent. A Perpetual Leasehold is for an indefinite period of time and the ground rent has been paid off perpetually (which type of leasehold is most similar to a freehold situation).

24 Comprising Cromwell Corporation Limited and the Cromwell Diversified Property Trust (the responsible entity of which is Cromwell Property Securities Limited).

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