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CROMWELL EUROPEAN REIT

(a real estate investment trust constituted on 28 April 2017 under the laws of the Republic of Singapore)

Managed by Cromwell EREIT Management Pte. Ltd.

CROMWELL EUROPEAN REIT DIVESTS NON-CORE ITALIAN OFFICE FOR €93.6 MILLION

Capitalised terms used herein, unless otherwise defined, shall have the meaning ascribed to them as defined herein

1. Introduction

Cromwell EREIT Management Pte. Ltd., the manager (the "**Manager**") of Cromwell European Real Estate Investment Trust ("**Cromwell European REIT**" or "**CEREIT**"), wishes to announce that CEREIT has entered into a sale and purchase agreement ("**SPA**") and simultaneously completed the divestment of Piazza Affari 2, Milano, Italy ("**Affari**" or the "**Divestment**") at a price of €93.6 million (S$138.5[1] million) (the "**Sale Consideration**").

The Manager's Chief Executive Officer Mr. Simon Garing said, "I am pleased to announce the simultaneous signing and completion of the sale of this Grade A Milan office asset for €93.6 million at a €11.9 million or 14.6% premium to the 2017 purchase price and €200,000 above the recent June 2023 valuation. The Divestment marks the first major step in our previously stated strategy of divesting non-core and non-strategic assets over the next 2-3 years to recycle into our redevelopment and AEI programmes. Affari represents 3.7% of CEREIT's property portfolio and is its third largest office asset. The completion of the Divestment provides a number of strategic advantages for CEREIT:

(1) CEREIT's portfolio is now effectively 50% weighted to light industrial / logistics sector (after taking into account the recently announced proposed divestment in Italy)[2];

(2) The Divestment would increase CEREIT's FY2022 DPU on a pro forma basis by 2.1%, mainly due to the relatively low NOI yield of the asset and assuming the proceeds are used to repay debt at the current cost of funding; and

(3) The Divestment proceeds reduce the aggregate leverage 2.1% to 37.2% on a proforma basis as at 31 December 2022, with no material impact to the proforma net tangible assets ("**NTA**").

"The strong buyer interest that we received for Affari demonstrates that there is good investor demand for very well-located Grade A office assets. We remain committed to our well-publicised strategy to recycle capital through rejuvenating some of CEREIT's other strategically located older office assets in the Netherlands and Italy, where we also expect good tenant interest and superior risk adjusted returns.

"Well-located assets with good ESG credentials and high BREEAM / LEED building certifications are highly sought after by corporate tenants in key European cities, where Grade A vacancies are currently at all-time lows (such as Milan's sub 3%). We are confident that we will be able to take advantage of this trend through our first such redevelopment – the 10,000 sqm Nervesa 21 in Milan. The LEED platinum project is on track and set for completion by the end of 2023.

"I am pleased that we were able to execute this landmark Milan CBD office divestment at an opportune time, which is further testament to the quality of the portfolio and the execution skills and strength of Cromwell's team in Europe."

2. Information on the Divestment

CEREIT (through Cromwell Europa 2, an indirect and wholly-owned subsidiary of CEREIT) has entered into the SPA with Kryalos SGR S.p.A., (the "**Buyer**"), and has divested Affari simultaneously.

2.1 Principal Terms of the Divestment and Use of Proceeds

The principal terms of the Divestment include, among others, the following:

(1) Customary provisions relating to the Divestment, including market standard representations and warranties, indemnities and pre-completion covenants; and

(2) Affari shall be sold in its "as is" legal and physical condition.

The Sales Consideration of €93.6 million (approximately S$138.5[1] million) was fully paid in cash on completion and is €200,000 above the latest valuation conducted on 1 June 2023, and €11.9 million or 14.6% above the original purchase price of €81.7 million.

Transaction costs of €1.2 million are expected to be incurred, made up of the Manager's disposal fee (€468,000), a third-party brokerage fee (€614,000) and professional fees and marketing expenses (€159,000). Accordingly, the Divestment net proceeds are €92.4 million and will be used for the repayment of CEREIT's debt facilities and for other working capital purposes.

2.2 Affari Details

Built in the 1930s and partially refurbished in 2017, Affari is an office building located in the heart of Milan's CBD with 7,787 square metres ("**sqm**") net lettable area, eight floors above ground and two basement levels. It currently holds a BREEAM "Very Good" rating certificate.

3. Rationale for the Divestment

3.1 Advances the Manager's previously stated investment strategy for CEREIT

The Divestment is consistent with CEREIT's previously stated investment strategy to divest up to €400 million of assets over the next 2-3 years in order to (1) maintain gearing within the Board's policy range of 35-40%, (2) achieve a majority weighting to light industrial / logistics, (3) reduce exposure to non-core and non-strategic office and other assets and (4) recycle capital into redevelopments and asset enhancement initiatives. The strategy is consistent with CEREIT's main purpose of providing superior risk-adjusted returns and drive long-term sustainable DPU and NAV/unit growth.

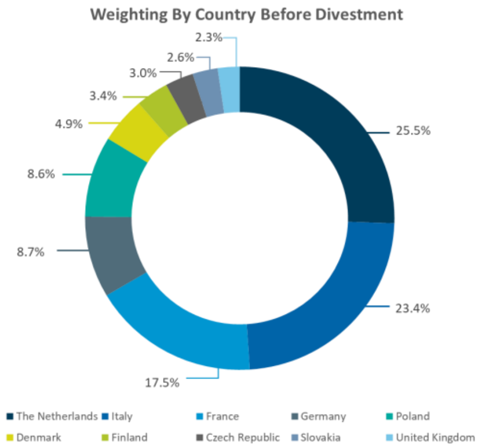
3.2 Progresses CEREIT's pivot to the light industrial / logistics sector

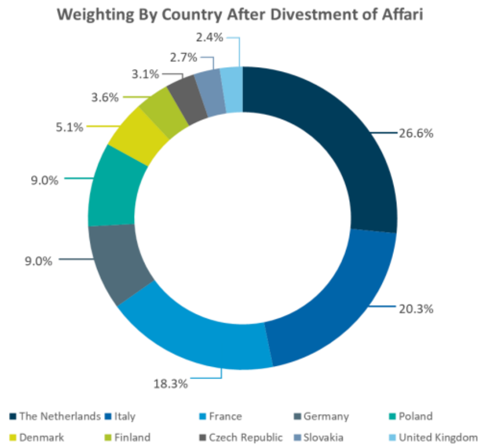
CEREIT's portfolio weighting to the light industrial / logistics sector (based on valuation as at 31 December 2022) would have increased to 48.3% following the Divestment, as illustrated in the table below:

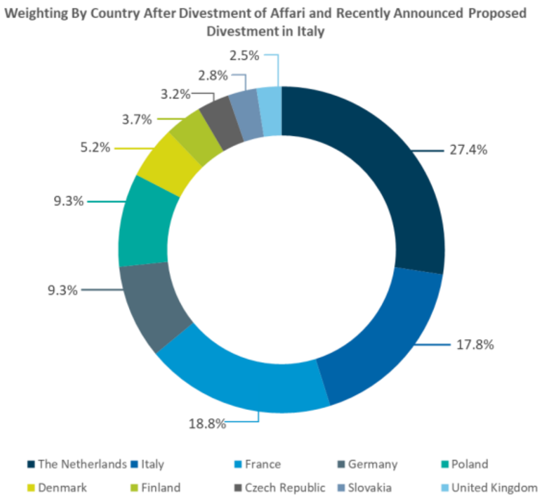
	Weighting of Each Asset Class as at 31 December 2022		
	Before the Divestment	**After the Divestment**	**After the Divestment (and also taking into account the recently announced proposed divestment in Italy)**
Light industrial / logistics	46.4%	48.3%	49.9%
Office	48.7%	46.6%	48.1%
Others	4.9%	5.1%	2.1%

3.3 Rebalances the geographical diversification of CEREIT's portfolio

The Divestment reduces CEREIT's portfolio weighting to Italy from 23.4% to 20.3%.







3.4 Maintains low tenant-customer portfolio concentration risk

Following the Divestment, the percentage of CEREIT's top 10 tenant-customers as a percentage of total headline rent is expected to increase slightly to 28.3% of total headline rent (up from 27.7% as at 31 March 2023). Upon the completion of the recently announced proposed divestment in Italy however, the exposure to top 10 customers as percentage to total headline rent will decline to 24.8%. In either scenario the exposure to top 10 tenant customers remains comfortably below 30%, a reflection of the well-diversified nature of CEREIT's income sources and a particularly important credit metric.

3.5 Improves CEREIT's portfolio WALE

With Affari's divestment, the overall portfolio WALE (as at 31 March 2023) would increase slightly from 4.47 years to 4.49 years, due to the asset's relatively shorter WALE of 3.6 years (as at 31 March 2023), while CEREIT's overall portfolio occupancy is expected to remain unchanged at around 96%.

4. Pro Forma Financial Effects of the Divestment

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Divestment on the distributions per unit ("**DPU**") and NTA per unit presented below are strictly for illustrative purposes only and were prepared with reference to the FY 2022 audited financial statements of CEREIT and its subsidiaries.

The pro forma financial effects are for illustrative purposes only and do not represent CEREIT's DPU and NTA per Unit following the completion of the Divestment.

4.1 Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects of the Divestment on CEREIT's DPU for FY2022, as if the Divestment was completed on 1 January 2022 and assuming a repayment of CEREIT's debt from the proceeds at the current cost of funding, would increase CEREIT's DPU by 2.1%, as follows:

	Effects of the Divestment for the 12 months ended 31 December 2022	
	Before the Divestment	**After the Divestment**
Distributable Income (€'000)	96,667	98,680
DPU (€ cents)	17.19	17.55
DPU Accretion (%)	-	+2.1%

4.2 Pro Forma Net Tangible Assets/unit ("NTA / unit")

Affari was independently valued by Savills Ltd (as commissioned by the Manager, and by Perpetual Asia Limited ("**Perpetual**"), in its capacity as trustee of CEREIT) at €93.4 million as at 1 June 2023, using the discounted cash flow method. It was acquired at IPO on 30 November 2017, for €81.7 million, providing CEREIT with an estimated profit on sale of €7.0 million, post capex and transaction costs.

FOR ILLUSTRATIVE PURPOSES ONLY: The pro forma financial effects on CEREIT's NTA attributable to unitholders for FY22 from the transaction costs of the Divestment, assuming the Divestment was completed on 31 December 2022 are as follows:

	Effects of the Divestment as at 31 December 2022	
	Before the Divestment	**After the Divestment**
NTA (€'000) attributable to unitholders	1,358,717	1,351,276
Issued Units ('000)	562,392	562,392
NTA attributable to unitholders per Unit (€)	2.42	2.40

5. Disclosure Under Rule 1006 of the Listing Manual

The Divestment could fall into any of the categories set out in Rule 1006 of the SGX Listing Manual depending on the size of the relative figures computed on the following applicable bases of comparison:

(i) the net asset value of the assets to be disposed of, compared with CEREIT's net asset value;

(ii) the net profits attributable to the assets to be disposed of, compared with CEREIT's net profits; and

(iii) the aggregate value of the consideration received, compared with CEREIT's market capitalisation.

The relative figures for the Divestment using the applicable bases of comparison are set out in the table below:

	The Divestment (€mil, except for units)	**CEREIT (€mil, except for units)**	**Relative Figure (%)**
Net asset value	99.8	1,358.7	7.3%
Net property income[a]	2.5	136.8	1.9%
Sales consideration compared to market capitalisation	93.6	877.3[b]	10.7%

Notes:

a. In the case of a real estate investment trust, the net property income is a close proxy to the net profits attributable to its assets.

b. As at 27 June 2023, being the market day preceding the completion date.

Under Rule 1010 of the Listing Manual, where any of the relative figures computed on the bases set out above exceeds 5% but does not exceed 20%, the Divestment is regarded as being a discloseable transaction.

6. Interests of Directors and Substantial Unitholders and Directors' Service Contracts

None of the directors of the Manager ("Directors") has an interest, direct or indirect, in the Divestment. The Directors are also not aware of any Controlling Unitholder (as defined in the Listing Manual of the SGX-ST) having any interest, direct or indirect, in the Divestment, and have not received any notification of interest in the Divestment from any Controlling Unitholder.

No person is proposed to be appointed as a director of the Manager in connection with the Divestment or any other transaction contemplated in relation to the Divestment.

7. Documents for Inspection

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager at 50 Collyer Quay, #07-02, OUE Bayfront, Singapore 049321 from the date of this announcement up to and including the date falling three months after the date of this announcement:

(i) the SPA; and

(ii) the independent valuation report for Affari dated 1 June 2023 from Savills Ltd.

8. Other Information

A divestment fee of €468,000 (being 0.5% of the sale consideration) is payable to the Manager in cash accordance with the trust deed constituting CEREIT.

While CEREIT remains a long-term investor in real estate, divestments from time to time are consistent with the Manager's proactive asset management strategy to improve the risk return quality of CEREIT's portfolio. This is in line with CEREIT's primary purpose to provide CEREIT's unitholders with stable and growing distributions and net asset value per unit over the long term.

By Order of the Board

Simon Garing
Executive Director and Chief Executive Officer

Cromwell EREIT Management Pte. Ltd.

(Company registration no. 201702701N)

(as manager of Cromwell European Real Estate Investment Trust)

30 June 2023

ABOUT CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

Cromwell European Real Estate Investment Trust ("Cromwell European REIT" or "CEREIT') has a principal mandate to invest, directly or indirectly, in income-producing commercial real estate assets across Europe with a minimum portfolio weighting of at least 75% to Western Europe and at least 75% to the light industrial / logistics and office sectors. CEREIT's purpose is to provide unitholders with stable and growing distributions and net asset value per unit over the long term, while maintaining an appropriate capital structure. CEREIT currently targets a majority investment weighting to the light industrial / logistics sector while also investing in core office assets in gateway cities.

CEREIT's €2.5[3] billion portfolio comprises 110+ predominantly freehold properties in or close to major gateway cities in the Netherlands, Italy, France, Poland, Germany, Finland, Denmark, Slovakia, the Czech Republic and the United Kingdom with an aggregate lettable area of approximately two million sqm and 800+ tenant-customers.

CEREIT is listed on the Singapore Exchange Limited and is managed by Cromwell EREIT Management Pte. Ltd., a wholly-owned subsidiary of CEREIT's sponsor, Cromwell Property Group[4], a real estate investor and fund manager with operations in 14 countries, listed on the Australian Securities Exchange Ltd.

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The value of the Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, Perpetual (Asia) Limited, in its capacity as trustee of CEREIT, the Cromwell Property Group as the sponsor of CEREIT, or any of their respective affiliates.

An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. Unitholders have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of CEREIT. The forecast financial performance of CEREIT is not guaranteed.

A potential investor is cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

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1 Based on an exchange rate of S$1.48 :€1 as at 27 June 2023
2 CEREIT's portfolio is 48.3% weighted to light industrial / logistics sector, excluding the recently announced proposed divestment in Italy until its completion
3 Valuation is based on independent valuations conducted by Savills Advisory Services Ltd and CBRE Ltd as at 31 December 2022 for 112 assets, and one Danish asset (Sognevej 25) acquired in 4Q 2022 held at its purchase price
4 Cromwell Property Group is a stapled group Cromwell Corporation Limited and Cromwell Diversified Property Trust (the responsible entity of which is Cromwell Property Securities Limited)