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Cromwell European REIT reports +2.3% y-o-y 1H 2022 DPU growth and record 1H 2022 95.4% occupancy

- 1H 2022 DPU increased by 2.3% year-on-year to 8.695 Euro cents per Unit
- 1H 2022 NPI and distributable income up 4.7% and 5.9% year-on-year to €67.3 million and €48.9 million respectively
- Record 1H 2022 portfolio occupancy of 95.4% and blended +2.9% rent reversion as at 30 June 2022, driven by strong light industrial / logistics leasing momentum in CEREIT's four core markets (the Netherlands, Italy, France and Germany)
- 38.6% aggregate leverage, 6.7x interest coverage ratio¹ and 77% hedged / fixed debt until November 2024 following restructure of interest rate caps

	1H 2022	1H 2021	Variance
Gross Revenue (€'000)	107,417	99,019	8.5%
Net Property Income (€'000)	67,330	64,287	4.7%
Income Available for Distribution to Unitholders (€'000)	48,902	46,159	5.9%
DPU (Euro cents)	8.695	8.502	2.3%

SINGAPORE – Cromwell EREIT Management Pte. Ltd., the manager (the “**Manager**”) of Cromwell European Real Estate Investment Trust (“**Cromwell European REIT**” or “**CEREIT**”), today announced CEREIT’s results for the six months ended 30 June 2022 (“**1H 2022**”).

CEREIT’s 1H 2022 gross revenue and net property income (“**NPI**”) grew 8.5% and 4.7% year-on-year to €107.4 million and €67.3 million respectively, primarily due to contributions from newly acquired light industrial assets, and partially offset by the absence of income from Via Nervesa 21 in Milan, Italy, currently undergoing redevelopment.

Income available for distribution to unitholders rose 5.9% year-on-year to €48.9 million in 1H 2022, after taking into consideration a top-up of €1.1 million of realised capital gain to unitholders in lieu of the absence of rental income due to the Via Nervesa 21 redevelopment.

The 1H 2022 distribution per unit (“**DPU**”) was up 2.3% year-on-year and 2.8% higher as compared to 2H 2021. CEREIT’s annual distribution yield is an attractive 8.2% for both the € counter (CWBU.SI) and S\$ counter (CWCU.SI)². Unitholders will receive a 1H 2022 distribution of 8.695 Euro cents per Unit or the S\$ equivalent, with an ex-distribution date of 22 August 2022 and a payment date of 28 September 2022.

The Manager’s Chief Executive Officer, Mr. Simon Garing, commented, “I am delighted to report that CEREIT’s 1H 2022 DPU grew +2.3% year-on-year, demonstrating the portfolio’s resilience and its ability to withstand prolonged economic shocks. CEREIT also reached an all-time high occupancy of 95.4% for 1H 2022, with approximately 8% of the portfolio re-leased with +2.9% blended rent reversions. 1H 2022 net property income was +4.7% higher year-on-year, led by a +24.3% increase in the light industrial / logistics sector.

As e-commerce accelerates and supply chain reorganisation continues in Europe, we are leveraging the strength of Cromwell’s experienced, on-the-ground teams to tap on the increasing demand for strategically located logistics space and continuing CEREIT’s portfolio pivot to this sector. At the same time, CEREIT is also well positioned to benefit from strong demand for sustainable, accessible and quality office space in major European cities such as Amsterdam and Milan that can attract, retain and enable talent.”

The Manager’s Chief Financial Officer Mr. Shane Hagan added: “We have taken advantage of the very recent flattening of the Euro yield curve to blend and extend new interest rate caps and lock in 77% interest rate fixed / hedged till end of 2024. We are making good progress on the refinancing of all 2022 and 2023 debt facilities. We have already received in principle support from leading global banks for new facilities of up to €210 million and final documentation is expected in the second half of this year. With current € interest rates still considerably lower as compared to both S\$ and US\$ rates, CEREIT’s expected all-in cost of debt post refinancing and hedging of c. 2.00% (excluding revolving credit facilities) remains attractive compared to peers.”

Portfolio and asset management highlights

CEREIT continued to register healthy leasing momentum in 1H 2022. Overall portfolio occupancy reached an all-time high of 95.4% as at 30 June 2022, up from 95.0% as at 31 December 2021. Weighted average lease expiry (“**WALE**”) for the overall portfolio remained unchanged at 4.6 years. Over the course of 1H 2022, the Manager secured or renewed a total of 121 leases covering 147,420 square metres (“**sqm**”) of space. CEREIT’s top 10 tenant-customers now account for less than 30% of the portfolio’s total headline rent, reducing concentration risk. No one tenant-customer industry segment accounts for more than 14% of the portfolio.

CEREIT's light industrial / logistics portfolio occupancy reached 97.1% in 1H 2022, the highest to-date compared to 85.4% in late 2017. 125,303 sqm in new leases and renewals were signed during the period at +2.7% rent reversion rate, taking the WALE for the sector to 5.0 years.

As part of anchoring the new 30,000 sqm Lovosice ONE Industrial Park II development project in the Czech Republic, the Manager secured 13,266 sqm and 5,362 sqm in new leases with two tenant-customers. In Italy, an existing tenant-customer - a major supermarket chain - signed a renewal for 23,774 sqm of space spanning six years at Rutigliano, Bari, Italy.

CEREIT's office portfolio occupancy returned to above 90%, reaching 90.1% at the end of 30 June 2022, supported by new leases and renewals with existing tenant-customers in the sector. The office portfolio registered a positive rent reversion of 3.4%, following two lease renewals for 1,127 sqm of space in Finland and a 10-year lease signed in Bastion, Den Bosch, the Netherlands for 944 sqm.

CEREIT's largest office portfolio exposure is to the Dutch and Milan prime office markets (approximately 67%), which are seeing new tenant demand due to a flight to quality and core office locations and where occupancy remains high and stable. The Manager expects overall leasing activity to remain muted for CEREIT's office portfolios in Paris, Helsinki and Warsaw.

Strategic acquisitions and divestments

Since the beginning of 2021, CEREIT has completed a cumulative ~€304 million in light industrial / logistics acquisitions at 6.3% blended net operating income ("**NOI**") yield. The industrial / logistics along with the 'other' sector now account for ~50% of CEREIT's portfolio, with office exposure now down to ~50%.

In 1H 2022 alone, CEREIT acquired four light industrial / logistics / life science assets for €92 million across Germany, Italy and the United Kingdom, at a blended 6.4% NOI yield and 12% below valuation on average. In addition, CEREIT divested a small warehouse within the Centro Logistico Orlando Marconi logistics asset in Italy in January 2022 and the Opus 1 office asset in Helsinki, Finland for a blended €19 million, 12% above valuation. The Manager is also in advanced stages of securing the divestment of several other smaller older warehouses.

The recent sell off in capital markets and higher interest rates has led to a pause in transactions over the European summer and CBRE expects prime cap rates to rise slightly in the second half of 2022. Consequently, the Manager is adopting a cautious approach to new acquisitions while actively continuing with capital recycling efforts.

Redevelopment and asset enhancement initiatives

The redevelopment of Via Nervesa 21 in Milan, Italy, with an estimated cost of ~ €26 million, is progressing well. With the general contractor on site and strip-out works and demolition already completed, the project is on track for completion by end – 2023. Approximately 95% of the strip-out materials have been recycled, with plans in place to recycle about 80% of materials to reduce carbon footprint.

Upon completion, the property will offer 10,000 sqm of BREEAM³ Platinum Grade A-certified, prime office space. The asset is expected to attract good tenant-customer interest, with current Milan Grade A office vacancy down to 2.7%, supported by occupiers relocating to high ESG-certified assets with modern amenities according to CBRE. The Manager has already commenced marketing efforts, with leasing agents appointed and discussions with potential tenant-customers are now in progress.

The Manager is well-progressed in its planning and design works for a major office redevelopment in Amba Aradam, Rome, taking advantage of the shortage of similar tight Grade A office stock supply in Rome. The existing government tenant-customer has given notice to vacate from the end of 2022 which will allow for plans for redevelopment to commence next year, subject to final planning consents and accretive commercial assessment. Plans to invest about €250 million over the medium term in redevelopment projects and asset enhancement initiatives are in the pipeline to complement and refresh CEREIT's portfolio.

ESG highlights

As part of ongoing efforts to progress towards Net Zero operational carbon emissions by 2040, the Manager intends to increase the proportion of green-certified buildings in CEREIT's office portfolio to at least 90% by net lettable area by end-FY 2025 (from zero at listing). €6.7 million of capital expenditure has been allocated to ESG-related improvements with a specific focus on energy reduction initiatives in FY 2022. The Manager is also continuing to shift towards renewable and low carbon energy sources for the portfolio (currently c.31% of CEREIT's assets⁴ are powered by renewable energy), in addition to establishing a green bond framework to support its green financing ambitions.

More recently, CEREIT achieved the second highest position (by base score) and retained its Top 10 overall position amongst all Singapore-listed REITs and business trusts in the Singapore Governance and Transparency Index 2022⁵ for the third consecutive year.

Portfolio valuation growth

Independent valuations as at 30 June 2022 were conducted for 113 properties⁶, representing 96% of CEREIT's portfolio by value, with the other 4% accounted by Directors' valuations. The portfolio valuation

of the 113 properties (excluding capital expenditure and acquisition costs), increased 1.1%, or €25.2 million, compared to the carrying value as at 31 December 2021. CEREIT's logistics portfolio increased 4.9% or €51.0 million, driven largely by income growth. Conversely, the office portfolio valuations declined on the back of increase in vacancy and reduced WALE, particularly Finland and Poland. The Czech Republic, Slovakia and the United Kingdom logistics portfolios were newer and marginally outperforming to date.

CEREIT's portfolio valuation stood at €2.56 billion as at 30 June 2022. Total fair value gains of €120 million have been recorded since IPO. CEREIT's adjusted net asset value ("**NAV**") per unit of €2.44 as at 30 June 2022 was marginally higher compared to €2.43 as at 31 December 2021.

Responsible capital management

CEREIT reported a healthy cash position of €52.7 million as at 30 June 2022. As a result of a small drawdown on its revolving credit facility to partially fund acquisitions made during the 1H 2022 period, CEREIT's aggregate leverage rose to 38.6% as at 30 June 2022 from 36.6% as at 31 December 2021, remaining comfortably within the board-approved range of 35-40%. CEREIT maintained its high interest coverage ratio at 6.7x¹, well in excess of the covenants for its loans and Euro Medium-Term Notes.

CEREIT has no major debt expiring until November 2023 with a weighted average debt maturity of 2.9 years as at 30 June 2022. The total all-in interest rate is currently about 1.72% per annum.

The spread between three-month Euribor rates and 5-year mid swaps has compressed from 244 basis points in mid-May to a low of 110 basis points in end-July. The Manager has just secured new interest rate caps at a strike of 0.6% with extended tenure till November 2024. Following completion of the interest rate cap restructuring, 77% of total debt is hedged / fixed over the next 2.5 years.

The Manager is well-progressed in the refinancing of up to €210 million of new debt facilities, expected to be in place during 2H 2022. Once the current refinancing is completed, CEREIT's all-in interest rate is expected to be c. 2.00% after refinancing and hedging costs (excluding revolving credit facilities).

Assuming a scenario where the three-month Euribor rates increase to 1% in FY 2023 (from c. 30 basis points today), the Manager estimates the DPU impact compared to annualised 1H 2022 DPU to be 0.4 Euro cents or -2.2%.

Market commentary

Amid surging energy prices, rising inflation, geopolitical risks and supply chain bottlenecks, relatively low unemployment and pent-up consumer demand, fixed investments and fiscal support are expected to

support modest growth in Europe, although risks remain in the short term. The Eurozone economy is expected to slow down significantly towards end-2022, with GDP growth estimates facing multiple downgrades in recent months. Oxford Economics currently forecasts the Eurozone GDP growth to be 3.0% for 2022⁷.

Real estate investment volumes fell in the second quarter of 2022 (“**2Q 2022**”), due to the emergence of a multitude of risks that led investors to reassess their return requirements and slow down transactions activity. Nevertheless, buyers continue to show interest in good quality assets that have defensive characteristics, which may help to sustain performance amidst market uncertainties.

Growth in the European logistics sector remains underpinned by strong European occupier market fundamentals, rising e-commerce adoption and ongoing supply chain reorganisation. European logistics vacancy rates fell to a record-low average of 2.5%⁸. The shortage of prime stock has also applied upward pressure on prime rents. While demand remains robust, take up is slowing down because of rising costs, which in turn is expected to put a cap on market rent growth in the near term.

In the European office sector, vacancy rates fell to an average of 9.6%⁹, a first notable drop since the pandemic. This was partly due to a shortage of new deliveries of space and tenants withdrawing stock that was previously openly marketed. The European office market continues to see modest recovery, with 12-month leasing activity of 4.9 million sqm in 2Q 2022, the highest since the beginning of COVID-19 pandemic in 1Q 2020. In CEREIT’s key office markets, Google mobility data showed that a return to workplace and access to transit stations in Europe are almost back to pre-pandemic 2019 levels.

Prime office rents have increased by 6% over the last 12 months, largely due to lease indexation contributing to upward rental pressure, while rising construction costs are helping to support rental levels for existing stock as occupier shift to quality continues, according to CBRE.

Key takeaways

CEREIT’s portfolio has repeatedly proven its resilience, after emerging from the COVID-19 pandemic and weathering numerous challenges in the current operating environment.

Maintaining high occupancy levels and focus on CPI indexation and positive rent reversions throughout CEREIT’s portfolio remains top priority. To further improve the quality of CEREIT’s portfolio, the Manager will also focus on completing current redevelopment and development projects, while planning for the next phase of asset enhancements.

The Manager continues to leverage the strengths of Cromwell’s transactions team for opportunities to grow its portfolio, albeit at a slower pace, in consideration of ongoing market volatility. Capital recycling

remains a priority with an emphasis on further divestments of selected non-core office and small warehouse assets.

With final documentation for new facilities expected in the second half of this year, CEREIT will face no further debt maturity till November 2024.

Mr. Garing concluded, “Despite the confluence of current macro headwinds such as surging energy cost pressures that have been amplified by the Russia-Ukraine war, rising interest rates and inflationary environment, the long-term attractive fundamentals of European commercial real estate remain intact. CEREIT’s quality portfolio remains resilient and protected against these cyclical risks, supported by a strong balance sheet and ample liquidity. We are committed to CEREIT’s purpose of delivering long-term stable and growing DPU and NAV per unit for unitholders while maintaining an appropriate capital structure.”

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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 €2.6 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 Group¹⁰, a real estate investor and manager with operations in 14 countries, listed on the Australian Securities Exchange Ltd.

INVESTOR AND ANALYST ENQUIRIES

Cromwell EREIT Management

Elena Arabadjieva

Chief Operating Officer & Head of Investor Relations

+65 6817 9589

elena.arabadjieva@cromwell.com.sg

Regina Firman

Assistant Manager, Investor Relations

+65 6950 7192

regina.firman@cromwell.com.sg

MEDIA ENQUIRIES

SEC Newgate Singapore

Sylvia Lee

Associate Director

sylvia.lee@secnewgate.sg

Cherie Hui

Consultant

cherie.hui@secnewgate.sg

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- 1 Calculated as net income before tax and fair value changes and finance costs divided by interest expense. ICR calculated per the PFA (including amortised debt establishment in the numerator) is 5.9x. Adjusted ICR calculated per the PFA, which includes distributions on perpetual securities, is 5.5x
 - 2 Based on CEREIT's FY 2021 DPU of 16.96 Euro cents, €2.08 (€ counter CWBU.SI) and \$S2.91 (\$S counter CWCUSI) closing prices on 10 August 2022
 - 3 Building Research Establishment Environment Assessment Method
 - 4 By gross asset value as at 30 June 2022
 - 5 The leading index for assessing the corporate governance practices of Singapore-listed companies and trusts
 - 6 CBRE valued 69 properties in the Netherlands, Italy, Germany, Poland and Finland while Savills valued 44 properties in France, Denmark, Slovakia, the Czech Republic and the United Kingdom; The German property acquired in April 2022 and the United Kingdom property acquired in May 2022 were carried at their purchase prices; Moeder Teresalaan in the Netherlands was carried at valuation as at 31 December 2021 plus capital expenditure incurred during 1H 2022
 - 7 Source: Oxford Economics, 3Q 2022
 - 8 Vacancy rates in the countries where CEREIT owns logistics properties
 - 9 Source: CBRE, 3Q 2022. This represents the overall average quarterly office vacancy rate across CEREIT's countries with exposure to logistics – France, Italy, the Netherlands, and Poland
 - 10 Cromwell Property Group is a stapled group comprising Cromwell Corporation Limited and Cromwell Diversified Property