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# Cromwell European Real Estate Investment Trust

## Unaudited Financial Statements Announcement for the Third Quarter ended 30 September 2018 and the Financial Period from 30 November 2017 (being the date of listing of CEREIT) to 30 September 2018

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DBS Bank Ltd., Goldman Sachs (Singapore) Pte. and UBS AG, Singapore Branch are the Joint Issue Managers to the initial public offering of Cromwell European REIT (the "Offering"). DBS Bank Ltd., Goldman Sachs (Singapore) Pte. and UBS AG, Singapore Branch are the Joint Global Coordinators to the Offering. DBS Bank Ltd., Goldman Sachs (Singapore) Pte., UBS AG, Singapore Branch, Daiwa Capital Markets Singapore Limited and CSLA Singapore Pte Ltd are the Joint Bookrunners and Underwriters to the Offering.

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## Introduction

The Cromwell European Real Estate Investment Trust ("CEREIT") was constituted by the Trust Deed dated 28 April 2017 (as amended and restated) between Cromwell EREIT Management Pte. Ltd. as the Manager of CEREIT (the "Manager") and Perpetual (Asia) Limited as Trustee of CEREIT (the "Trustee"). CEREIT was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 30 November 2017 ("Listing Date").

CEREIT is the first Singaporean real estate investment trust with a pan-European portfolio and was established with the principal strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate assets across Europe used primarily for office and light industrial purposes.

CEREIT's key objectives are to provide Unitholders with regular and stable distributions, and to achieve long-term growth in distributions per unit ("DPU") and net asset value ("NAV") per unit, while maintaining an appropriate capital structure. CEREIT intends to make semi-annual distributions and distribute 100% of its distributable income ("DI") until the end of 2019 and at least 90% of its DI thereafter.

CEREIT's portfolio of real estate assets consists of 75 properties located in France, Italy, Netherlands, Germany and Denmark with an aggregate lettable area of approximately 1.2 million square metres.

| | No. of properties | Lettable Area (sqm) | Valuation (€'000) | Valuation (%) |
|---|---|---|---|---|
| **Office** | | | | |
| Netherlands | 5 | 123,990 | 395,550 | 28% |
| Italy | 9 | 102,551 | 265,650 | 19% |
| **Total** | **14** | **226,541** | **661,200** | **47%** |
| **Light Industrial** | | | | |
| Netherlands | 10 | 82,314 | 74,000 | 5% |
| France | 21 | 332,959 | 313,650 | 23% |
| Germany | 11 | 166,458 | 107,800 | 8% |
| Denmark | 13 | 151,490 | 81,402 | 6% |
| Italy | 1 | 29,638 | 12,300 | 1% |
| **Total** | **56** | **762,859** | **589,152** | **43%** |
| **Other** | | | | |
| Italy | 5 | 176,577 | 140,000 | 10% |
| **Total Portfolio** | **75** | **1,165,977** | **1,390,352** | **100%** |

As disclosed in the Prospectus, SGX-ST has granted CEREIT a waiver from preparing full year financial statements and an annual report for the period from Listing Date to 31 December 2017. The total period covered by this quarterly financial report announcement is therefore the date from IPO 30 November 2017, to 30 September 2018 ("financial period").

### Recently Announced Acquisitions

On 30 October 2018 CEREIT announced the acquisition 18 office assets in the Netherlands, Finland, Poland and Italy which will complete at the end of 2018 and early 2019 as well as a Binding Offer and on further four logistics assets and one DIY home improvement centre in France. The acquisition will be partly financed through a renounceable rights issue of 600,834,459 new units to raise gross proceeds of EUR 224.1 million subject to an extraordinary general meeting (EGM) of CEREIT's unitholders to be held on 15 November 2018.

# Cromwell European REIT Results Overview

**CEREIT remains on track to deliver above IPO Prospectus forecast and projection distributable income (DI) for 2018. 3Q 2018 DI of EUR 17.1 million, in line with the Prospectus projection for the same quarter. This brings the total DI for the period since IPO on 30 November 2017 to EUR 57.2 million, EUR 1.1 million (1.9%) above Prospectus forecast and projections for the same period.**

**Highlights:**

- Gross revenue of EUR 31.5 million, 1.6% up on the IPO projection for the same period and net property income of EUR 21.5 million, 6.9% up on the IPO projection for 3Q 2018.
- DI of EUR 17.1 million for 3Q 2018 equating to distributable income per unit (DPU) of 1.08 cents, in line with the IPO Prospectus projection for the period.
- Net asset value (NAV) of EUR 872.1 million, down 2.9% from 2Q 2018 after the payment CEREIT maiden distribution of EUR 40.1m during 3Q and aggregate leverage of 34.9%, up 1.0% from 2Q 2018 and down 1.9% since IPO.
- Gross revenue of EUR 104.3 million since IPO, up 2.0% compared to IPO Prospectus forecast and projection and net property income of EUR 69.3 million since IPO, up 4.3% compared to IPO Prospectus forecast and projection.
- DI of EUR 57.2 million for the ten months period since IPO equating to a DPU of 3.62 cents, 1.9% above IPO Prospectus forecast for the period and an annualised distribution yield of 7.9% (based on the IPO issue price).

**Actual vs Forecast Summary by Asset Class and by Country:**

| | 1-Apr-18 to 30-Jun-18 €'000 | 1-Jul-18 to 30-Sep-18 €'000 | **Total period 30-Nov-17 to 30-Sep-18 €'000** | IPO Forecast 30-Nov-17 to 30-Sep-18[1] €'000 | Change % |
|---|---|---|---|---|---|
| **Gross Revenue** | | | | | |
| *By Asset Class:* | | | | | |
| Office | 12,031 | 12,497 | 39,705 | 39,890 | (0.5%) |
| Light Industrial | 16,055 | 15,109 | 51,782 | 49,755 | 4.1% |
| Other | 3,726 | 3,847 | 12,811 | 12,609 | 1.6% |
| **Total** | 31,812 | 31,453 | **104,298** | 102,254 | 2.0% |
| *By Country:* | | | | | |
| Netherlands | 9,757 | 9,364 | 30,601 | 30,778 | (0.6%) |
| Italy | 8,227 | 9,034 | 28,920 | 28,157 | 2.7% |
| France | 8,807 | 8,345 | 28,341 | 27,105 | 4.6% |
| Germany | 2,598 | 2,346 | 8,215 | 7,870 | 4.4% |
| Denmark | 2,423 | 2,364 | 8,221 | 8,344 | (1.5%) |
| **Total** | 31,812 | 31,453 | **104,298** | 102,254 | 2.0% |
| **Net Property Income** | | | | | |
| *By Asset Class:* | | | | | |
| Office | 8,003 | 8,793 | 27,360 | 27,116 | 0.9% |
| Light Industrial | 10,004 | 9,915 | 32,650 | 30,102 | 8.5% |
| Other | 2,732 | 2,800 | 9,241 | 9,209 | 0.3% |
| **Total** | 20,739 | 21,508 | **69,251** | 66,427 | 4.3% |
| *By Country:* | | | | | |
| Netherlands | 5,877 | 6,586 | 21,000 | 20,793 | 1.0% |
| Italy | 5,959 | 6,549 | 20,897 | 20,192 | 3.5% |
| France | 5,715 | 5,337 | 17,324 | 15,661 | 10.6% |
| Germany | 1,808 | 1,537 | 5,235 | 5,048 | 3.7% |
| Denmark | 1,380 | 1,499 | 4,795 | 4,733 | 1.3% |
| **Total** | 20,739 | 21,508 | **69,251** | 66,427 | 4.3% |

[1] Based on IPO forecast and quarterly projections used to calculate the annual projection for calendar year 2018 as disclosed in the Prospectus.

**Financial Review**

Distributable income for quarter ended 30 September 2018 was EUR 17,090,000 compared to EUR 17,265,000 for the previous quarter ended 30 June 2018. Total DI for the financial period since IPO was EUR 57,152,000. This compares to IPO Prospectus forecast and projections for the same period of EUR 56,063,000.

Net property income for 3Q 2018 (calculated in accordance with International Financial Reporting Standards ("IFRS")) as disclosed in the table above was EUR 21,508,000 compared to EUR 20,125,000 projected in the IPO Prospectus forecast for this period. For the total period since IPO, net property income was EUR 69,251,000. Taking into account distribution adjustments for straight-lining of rent and property manager fees paid in CEREIT units, net property income was EUR 71,523,000, compared to EUR 68,539,000 in the IPO prospectus forecast on the same basis, an increase of EUR 2,985,000 or 4.3%.

The main contributor for the better than expected result was CEREIT's pan-European light industrial portfolio which recorded net property income EUR 2,548,000 above expectations driven by better than forecast leasing outcomes across France and the Netherlands, while CEREIT's office portfolio and portfolio of other asset classes were largely in line with expectations.

*Office*

CEREIT's office portfolio comprises five office buildings located in the three major cities of the Netherlands (Amsterdam, Rotterdam and The Hague), that contributed 60% of CEREIT's office portfolio's net property income, and nine office buildings in Italy located mainly in Italy's main two cities (Milan and Rome), that contributed 40% of CEREIT's office portfolio's net property income.

Gross revenue and net property income of the Dutch office assets remains slightly down on forecast and projections due to lower than expected CPI indexation of rents for 2018, which affects the entire 2018 income year as well as slower than expected take up of vacant space at Haagse Poort. Additionally, the structuring of the incentives provided for Coolblue to extend their lease at Central Plaza differ from IPO projections with a portion of rent free spread across 2018. There were also some further IFRS straight-lining adjustments to rental revenue due to varying leasing outcomes compared to the IPO projection. These adjustments, however, do not affect distributable income. On a q-o-q comparison, gross revenue for the Dutch office portfolio reflected higher service charge income recognition in Q2 as a result of completing the service charge adjustments for previous periods, whilst Q3 income is largely in line with Q1 income.

Overall, net property income for the Netherlands, to which the office portfolio contributes 78% of the overall office component, was relatively stable vs IPO forecast, 1% higher, but higher compared to previous periods largely due to less property related costs.

The Italian office portfolio performed better than expected on both a q-o-q and IPO comparison basis due to a savings of letting fees assumed at IPO that were funded by the previous owner and better than expected leasing outcomes, particularly for the Milano Affari and Milano Assago properties. Notably, the Q3 numbers reflect the first complete quarter of ownership for the newly acquired Ivrea asset which was not in IPO projections. Removing the impact of Ivrea vis-à-vis Q2, the portfolio performed in line with last quarter.

*Light Industrial*

CEREIT's light industrial portfolio comprises 21 properties in France, 13 properties in Denmark, 11 properties in Germany, 10 properties in the Netherlands and one property in Italy. The portfolio continues to perform better than projections with a result of 8.5% above net property income. This result is mainly attributable to the light industrial portfolios in France and the Netherlands while the portfolios in Germany and Denmark performed largely in line with expectations.

The light industrial portfolio in France benefitted from some better than expected leasing where tenants were expected to vacate the properties over the course of the first six months of the year but subsequently extended their leases on a rolling basis or did not exercise their break options. At a consolidated level, the French light industrial portfolio is 10.6% above IPO projections as at the end of Q3. Over Q3 in general, the decrease in NPI is however reflective of tenants exercising such rolling break options which had been historically extended in assets such as Parc d'Osny and Parc des Docks and higher property costs at Parc du Bois du Tambour, Parc Delizy and Parc Acticlub. This has been partially offset by additional service charge revenue as a result of the completion of service reconciliations for prior years.

In the Netherlands, generally most light industrial assets are performing better than IPO projections with key leasing contributing to higher income in Capronilaan and Veemarkt as standouts. At an overall level, NPI is 15.6% above IPO projections for this portfolio with performance in Q3 relatively consistent vs Q2.

The light industrial portfolio in Denmark, as foreshadowed previously, has been negatively impacted by the departure of the major tenant of the Naverland 12 property located near Copenhagen which was expected to renew its lease, as well as unexpected bankruptcies at Naverland 8. In spite of these events, the portfolio is still performing better than IPO expectations by 1.3% and was again generally stable in terms of q-o-q movements.

The German portfolio performed better than forecast (by 3.7%) in the IPO projections with better than forecast leasing outcomes occurring at Straubing, Frankfurt-Bischofsheim and Kirchheim West. Performance in Q2 vs Q3 reflects reflects some required maintenance works at Hanau and Duisburg as well as the expected vacancy in Stuttgart Frickenhausen flowing through into the actuals. Note that this vacancy has already been de-risked and let up near the end of the quarter with an expected positive impact in income in Q4.

*Other*

Other property assets consist of three government-let campuses, one retail asset and one hotel, all located in Italy. All of these assets are 100% let on long-term leases and have performed in line with IPO expectations.

**Financial Position**

| | **As at 30-Sep 2018** | As at 31-Dec 2017 | Change % |
|---|---|---|---|
| Gross asset value ("GAV") (€'000) | **1,446,286** | 1,400,279 | 3.3% |
| Net tangible assets ("NTA") (€'000) | **872,124** | 826,419 | 5.5% |
| Gross borrowings before unamortised debt issue costs (€'000) | **504,255** | 487,808 | 3.4% |
| | | | |
| Gearing (%) | **34.9%** | 34.8% | 0.1% |
| Aggregate leverage (%)(1) | **34.9%** | 35.7% | (0.8%) |
| Aggregate leverage excluding distribution (%)(2) | **35.2%** | 35.9% | (0.7%) |
| | | | |
| Units issued ('000) | **1,577,294** | 1,573,990 | 0.2% |
| NTA per unit (cents) | **55.3** | 52.5 | 5.3% |

(1) As at 31-Dec 2017 included the deferred consideration of EUR 12 million which is retained by CEREIT in respect of Parc des Docks. CEREIT settled the deferred consideration during the current quarter.

(2) As per Prospectus CEREIT committed to distribute 100% of its distributable income at least until the end of the calendar year 2019. Aggregate leverage excluding distribution is calculated by deducting the distributable income not yet distributed at period end from GAV.

The increase in the gross asset value compared to 31-Dec 2017 is largely attributable to the valuation gain of EUR 50,944,000 (on IPO purchase price) following the independent valuation of CEREIT's entire property portfolio for the quarter 31-Mar 2018. Additionally, CEREIT acquired two Italian properties since 31-Dec 2017, being Firenze and Ivrea, for a total of EUR 34,250,000, which was fully funded from existing debt facilities.

Aggregate leverage at 30 September 2018 is 34.9%, a 1% increase compared to last quarter as a result of the payment of CEREIT's first distribution at the end of 3Q.

During the quarter CEREIT issued 3,303,739 new units to the Manager for Base Management Fees for the period since IPO to 30 June 2018. Subsequent to quarter end, CEREIT issued a further 3,849,575 units to the Property Manager for 40% of the Property & Portfolio Management Fees as described in CEREIT's Prospectus for the same period.

At the end of the quarter a total of 7,097,449 units were issuable for Base Management Fees and Property and Portfolio Management Fees.

# 1 Unaudited Results for the Financial Period 30 November 2017 (Listing Date) to 30 June 2018

The Directors of Cromwell EREIT Management Pte. Ltd., as Manager of CEREIT, present the unaudited results of CEREIT for the financial period ended 30 September 2018.

### 1A(i) Consolidated Statement of Total Return

| | Notes | **Actual 30-Nov-17 to 30-Sep-18 €'000** | IPO Forecast 30-Nov-17 to 30-Sep-18[1] €'000 | Change % |
|---|---|---|---|---|
| Gross revenue | (a) | **104,298** | 102,254 | 2.0% |
| Property operating expense | (b) | **(35,047)** | (35,827) | 2.2% |
| **Net property income** | | **69,251** | 66,427 | 4.3% |
| Net finance costs | (c) | **(8,838)** | (8,321) | 6.2% |
| Manager's fees | (d) | **(2,762)** | (2,651) | 4.2% |
| Trustee fees | | **(120)** | (173) | (30.6%) |
| Trust expenses | (e) | **(3,458)** | (1,969) | 75.6% |
| **Net income before tax and fair value changes** | | **54,073** | 53,313 | 1.4% |
| Fair value gain / (loss) – investment properties | | **31,368** | (6,338) | (594.9%) |
| Fair value gain / (loss) – derivative financial instruments | | **(200)** | - | N.M. |
| **Total return for the period before tax** | | **85,241** | 46,975 | 81.5% |
| Income tax expense | | **(23,667)** | (4,562) | 418.8% |
| **Total return for the period attributable to Unitholders** | | **61,574** | 42,413 | 45.2% |

### 1A(ii) Distribution Statement

| | Notes | **Actual 30-Nov-17 to 30-Sep-18 €'000** | IPO Forecast 30-Nov-17 to 30-Sep-18[1] €'000 | Change % |
|---|---|---|---|---|
| **Total return for the period attributable to Unitholders** | | **61,574** | 42,413 | 45.2% |
| Distribution adjustments | (f) | **(4,422)** | 13,650 | (132.4%) |
| **Income available for distribution to Unitholders** | | **57,152** | 56,063 | 1.9% |

[1] The prospectus of Cromwell European REIT dated 22 November 2017 ("Prospectus") disclosed a 1-month profit forecast for the period from 1 December 2017 to 31 December 2017 ("December 2017 Forecast"), and a full-year profit projection from 1 January 2018 to 31 December 2018 (the "FY2018 Projection"). The FY2018 Projection disclosed in the Prospectus was derived from four separate quarterly projections which in aggregate formed the FY2018 Projection. The "IPO forecast" figures referred to in this presentation were, where not expressly disclosed in the Prospectus, derived from the December 2017 Forecast and the first and second quarterly projection for the period from 1 January 2018 to 30 September 2018 which had been used by the Manager to form the FY2018 Projection.

N.M. – Not meaningful

**Notes**

*(a) Gross Revenue*

Gross revenue includes the following items:

| | Actual 30-Nov-17 to 30-Sep-18 €'000 | IPO Forecast 30-Nov-17 to 30-Sep-18 €'000 | Change % |
|---|---|---|---|
| Gross rental income | **88,583** | 86,032 | 3.0% |
| Service charge income | **15,546** | 16,191 | (4.0%) |
| Other property related income [1] | **169** | 31 | 445.2% |
| **Total gross revenue** | **104,298** | 102,254 | 2.0% |

[1] Other Income comprises advertising billboards and signage, kiosks and other income attributable to the operation of the properties.

*(b) Property operating expense*

Property operating expense comprises service charge expenses and non-recoverable expenses.

Service charge expenses are generally offset and recoverable by service charge income, and include where applicable, insurance, provision of utilities, land tax, and maintenance and service of common equipment and common areas. Service charge expenses may exceed service charge income due to vacancies within the properties.

Non-recoverable expenses include property insurance, maintenance and repairs, marketing costs, property taxes, leasing costs and property management fees. Leasing costs include payments to third-party brokers and/or the property manager. Property management fees are payable to the property manager. Property management fees are based on 0.67% of deposited property and 40% of the property management fees are paid in units as disclosed in the Prospectus.

Property operating expense includes the following items:

| | Actual 30-Nov-17 to 30-Sep-18 €'000 | IPO Forecast 30-Nov-17 to 30-Sep-18 €'000 | Change % |
|---|---|---|---|
| Service charge expenses and non-recoverable expenses | **27,003** | 28,106 | (3.9%) |
| Property management fees | **8,044** | 7,721 | 4.2% |
| **Total property operating expense** | **35,047** | 35,827 | (2.2%) |

*(c) Net finance costs*

Net finance costs include interest expense on CEREIT's borrowings and amortisation of debt issuance costs as follows:

| | Actual 30-Nov-17 to 30-Sep-18 €'000 | IPO Forecast 30-Nov-17 to 30-Sep-18 €'000 | Change % |
|---|---|---|---|
| Interest expense | **6,829** | 6,499 | 5.1% |
| Amortisation of debt issuance costs | **2,030** | 1,822 | 11.4% |
| Interest income | **(21)** | - | N.M. |
| **Net finance costs** | **8,838** | 8,321 | 6.2% |

N.M. – Not meaningful

*(d) Manager's fees*

Pursuant to the Trust Deed, the Manager is entitled to a base fee of 0.23% of the deposited property and a performance fee of 25.0% of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the performance fee in each financial year) multiplied by the weighted average number of units in issue for such financial year.

For the 2018 financial year, the performance fee is calculated based on the difference between actual distributable income per unit (DPU) and projected DPU as per the Prospectus.

100% of base and performance fees due to the Manager are paid in CEREIT units at least to the end of the 2019 financial year as disclosed in the Prospectus.

| | **Actual 30-Nov-17 to 30-Sep-18 €'000** | IPO Forecast 30-Nov-17 to 30-Sep-18 €'000 | Change % |
|---|---|---|---|
| Manager's base fees | **2,762** | 2,651 | 4.2% |
| Manager's performance fees [(1)] | - | - | - |
| **Total manager's fees** | **2,762** | 2,651 | 4.2% |

[(1)] Performance fees are calculated annually and accrued for, if applicable, in the full year result of each financial year.

*(e) Trust expenses*

Trust expenses include recurring trust expenses such as annual listing fees, valuation fees, legal fees, registry and depository charges, corporate secretarial, accounting, audit and tax adviser's fees, postage, printing and stationery costs, costs associated with the preparation of annual reports, investor communications costs and other miscellaneous expenses.

*(f) Distribution adjustments*

Included in distribution adjustments were the following items:

| | **Actual 30-Nov-17 to 30-Sep-18 €'000** | IPO Forecast 30-Nov-17 to 30-Sep-18 €'000 | Change % |
|---|---|---|---|
| Trustee fees | **120** | 173 | (30.6%) |
| Straight-line rent adjustments and leasing fees | **(945)** | (976) | 3.2% |
| Property Manager fees paid in units | **3,217** | 3,088 | 4.2% |
| Manager base fees paid in CEREIT units | **2,762** | 2,651 | 4.2% |
| Amortisation of debt issuance costs | **2,030** | 1,822 | 11.4% |
| Fair value adjustments – investment properties | **(31,368)** | 6,338 | (594.9%) |
| Fair value adjustments – derivative financial instruments | **200** | - | N.M. |
| Net foreign exchange gain | **(107)** | - | N.M. |
| Deferred tax expense | **19,626** | - | N.M. |
| Tax losses utilised | **43** | 554 | (92.2%) |
| **Total distribution adjustments** | **(4,422)** | 13,650 | (132.4%) |

N.M. – Not meaningful

*(g) Distribution to Unitholders*

CEREIT's distribution policy is to distribute 100% of CEREIT's annual distributable income for the period from the Listing Date to the end of the 2019 financial year. Thereafter, CEREIT will distribute at least 90% of its annual distributable income for each financial year. The actual level of distribution will be determined at the Manager's discretion.

**Statement of Total Returns – Second Quarter ended 30 June 2018 and Third Quarter ended 30 September 2018**

As disclosed in the Prospectus, SGX-ST has granted CEREIT a waiver from preparing full year financial statements and an annual report for the period from Listing Date to 31 December 2017. The total period covered by this announcement is therefore the date from Listing on 30 November 2017 to 30 September 2018.

The table below provides a breakdown of the Consolidated Statement of Total Return for the calendar quarter from 1 April 2018 to 30 June 2018 and for the calendar quarter from 1 July 2018 to 30 September 2018.

| | Quarter 1-Apr-18 to 30-Jun-18 €'000 | Quarter 1-July-18 to 30-Sep-18 €'000 | **Total period 30-Nov-17 to 30-Sep-18 €'000** |
|---|---|---|---|
| Gross revenue | 31,812 | 31,453 | **104,298** |
| Property operating expense | (11,073) | (9,945) | **(35,047)** |
| **Net property income** | 20,739 | 21,508 | **69,251** |
| | | | |
| Net finance costs | (2,390) | (2,724) | **(8,838)** |
| Manager's fees | (838) | (844) | **(2,762)** |
| Trustee fees | (20) | (34) | **(120)** |
| Trust expenses | (1,388) | (950) | **(3,458)** |
| **Net income before tax and fair value changes** | 16,103 | 16,956 | **54,073** |
| | | | |
| Fair value gain / (loss) – investment properties | 5,762 | (142) | **31,368** |
| Fair value gain / (loss) – derivative financial instruments | (6) | 71 | **(200)** |
| **Total return for the period before tax** | 21,859 | 16,885 | **85,241** |
| | | | |
| Income tax expense | (3,159) | (4,671) | **(23,667)** |
| **Total return for the period attributable to Unitholders** | 18,700 | 12,214 | **61,574** |

**Distribution Statement – Period Breakdown**

| | Quarter 1-Apr-18 to 30-Jun-18 €'000 | Quarter 1-July-18 to 30-Sep-18 €'000 | **Total period 30-Nov-17 to 30-Sep-18 €'000** |
|---|---|---|---|
| **Total return for the period attributable to Unitholders** | 18,700 | 12,214 | **61,574** |
| Distribution adjustments | (1,435) | 4,876 | **(4,422)** |
| **Income available for distribution to Unitholders** | 17,265 | 17,090 | **57,152** |

## 1B(i) Consolidated Balance Sheets

| | | Group | | | Trust | | |
|---|---|---|---|---|---|---|---|
| | Notes | **As at 30-Sep 2018 €'000** | As at 31-Dec 2017 €'000 | Increase (Decrease) % | **As at 30-Sep 2018 €'000** | As at 31-Dec 2017 €'000 | Increase (Decrease) % |
| **Current assets** | | | | | | | |
| Cash and cash equivalents | | **33,875** | 74,155 | (54.3%) | **3,450** | 16,707 | (79.3%) |
| Receivables | | **9,295** | 25,967 | (64.2%) | **17,357** | 3,544 | 389.8% |
| Current tax assets | | **309** | 189 | 63.5% | **-** | - | - |
| **Total current assets** | | **43,479** | 100,311 | (56.7%) | **20,807** | 20,251 | 2.7% |
| **Non-current assets** | | | | | | | |
| Investment properties | (a) | **1,389,407** | 1,289,395 | 7.8% | **-** | - | - |
| Investments in subsidiaries | (b) | **-** | - | - | **524,334** | 498,533 | 5.2% |
| Receivables | | **719** | 806 | (10.8%) | **-** | - | - |
| Loans to subsidiaries | (c) | **-** | - | - | **374,690** | 375,003 | (0.1%) |
| Derivative financial instruments | (d) | **57** | 23 | 147.8% | **-** | - | - |
| Deferred tax assets | | **12,624** | 9,744 | 29.6% | **-** | - | - |
| **Total non-current assets** | | **1,402,807** | 1,299,968 | 7.9% | **899,024** | 873,536 | 2.9% |
| **Total assets** | | **1,446,286** | 1,400,279 | 3.3% | **919,831** | 893,787 | 2.9% |
| **Current liabilities** | | | | | | | |
| Payables | | **18,773** | 49,688 | (62.2%) | **71,554** | 15,318 | 367.1% |
| Current tax liabilities | | **1,798** | 1,236 | 45.5% | **-** | - | - |
| Derivative financial instruments | (d) | **31** | 164 | (81.1%) | **-** | - | - |
| Other current liabilities | | **17,457** | 22,347 | (21.9%) | **-** | - | - |
| **Total current liabilities** | | **38,059** | 73,435 | (48.2%) | **71,554** | 15,318 | 367.1% |
| **Non-current liabilities** | | | | | | | |
| Payables | | **1,240** | 2,124 | (41.6%) | **-** | - | - |
| Borrowings | | **499,058** | 481,038 | 3.7% | **42,638** | 32,222 | 32.3% |
| Derivative financial instruments | (d) | **169** | 2 | 8,350.0% | **-** | - | - |
| Deferred tax liabilities | | **22,636** | 5,224 | 333.3% | **-** | - | - |
| Other non-current liabilities | | **13,000** | 12,037 | 8.0% | **-** | - | - |
| **Total non-current liabilities** | | **536,103** | 500,425 | 7.1% | **42,638** | 32,222 | 32.3% |
| **Total liabilities** | | **574,162** | 573,860 | 0.1% | **114,192** | 47,540 | 140.2% |
| **Net assets attributable to Unitholders** | | **872,124** | 826,419 | 5.5% | **805,639** | 846,247 | (4.8%) |
| Represented by: | | | | | | | |
| **Unitholders' funds** | | **872,124** | 826,419 | 5.5% | **805,639** | 846,247 | (4.8%) |

**Notes**

*(a) Investment properties*

The investment properties are stated at their fair value based on independent valuations performed by Cushman & Wakefield LLP and Colliers International LLP as at 31 March 2018. The independent valuation for the Ivrea, Italy, property acquired during the current quarter was performed as at 1 April 2018. The carrying amount of CEREIT's investment properties as at quarter-end and movements in the carrying amount since IPO were as follows:

| | France €'000 | Italy €'000 | Netherlands €'000 | Germany €'000 | Denmark €'000 | Total €'000 |
|---|---|---|---|---|---|---|
| **Independent valuation dated 31-Mar-18** | 313,650 | 417,950 | 469,550 | 107,800 | 81,402 | 1,390,352 |
| | | | | | | |
| *Adjustments to carrying amount:* | | | | | | |
| Finance lease liability[1] | | | | | | 5,086 |
| Unspent vendor funded capital expenditure[2] | | | | | | (8,195) |
| Other | | | | | | 2,164 |
| Total adjustments | | | | | | (945) |
| **Carrying amount at 30 September 2018** | | | | | | **1,389,407** |
| | | | | | | |
| *Movements during the period:* | | | | | | |
| **Balance at 31-Mar 2018** | **301,284** | **400,327** | **469,425** | **105,885** | **79,774** | **1,356,695** |
| Acquisition price | 6,000[4] | 16,900[3] | - | - | - | 22,900 |
| Acquisition costs | 41 | 577 | 36 | 97 | 11 | 762 |
| Acquisition accounting adjustments[5] | (1,008) | - | (168) | (685) | (3) | (1,864) |
| *Capital expenditure:* | | | | | | |
| Property improvements | | | | | | |
| Lifecycle | 436 | 194 | 550 | 77 | 136 | 1,393 |
| Leasing fees | 222 | 13 | 285 | 100 | 35 | 655 |
| Rent straight lining | - | - | 258 | - | - | 258 |
| Net gain / (loss) from fair value adjustments | 6,652[4] | (577) | (445) | 147 | (15) | 5,762 |
| **Balance at 30-Jun 2018** | **313,627** | **417,434** | **469,941** | **105,621** | **79,938** | **1,386,561** |
| Acquisition costs | - | 175 | (659)[6] | (487)[6] | - | (971) |
| *Capital expenditure:* | | | | | | |
| Property improvements | - | - | - | - | - | - |
| Lifecycle | 790 | 425 | 1,026 | 1,136 | 7 | 3,384 |
| Leasing fees | 176 | - | 75 | 66 | - | 317 |
| Rent straight lining | - | - | 258 | - | - | 258 |
| Net gain / (loss) from fair value adjustments | (1,113)[4] | (175) | 659 | 487 | - | (142) |
| **Balance at 30-Sep 2018** | **313,480** | **417,859** | **471,300** | **106,823** | **79,945** | **1,389,407** |

[1] In accordance with International Financial Reporting Standards (IFRS), future ground rent payments for leasehold properties are accounted for as finance lease liability with an equal increase of the investment property carrying amount.

[2] As disclosed in the Prospectus, the vendors of CEREIT's investment property portfolio have provided funding for any budgeted capital expenditure that was budgeted in the 2017 year and had not been incurred at IPO.

[3] As announced on 27 June 2018 CEREIT completed the acquisition of the office property located at 13 Via Jervis, Ivrea, Italy, for EUR 16,900,000.
[4] The carrying amount of the Parc des Docks property previously included a reduction of the independently assessed value for the deferred consideration of EUR 12 million. The deferred consideration was settled during the period for EUR 6 million. The settlement payment is shown as additional acquisition price for the property with the settlement difference shown as fair value gain. The current period adjustment reflects a further adjustment made for this property.
[5] Following the settlement of the final NAV statements with the vendors of the IPO portfolio.
[6] Adjustment to estimated real estate transfer tax accrued at IPO after final assessment by local tax authorities.

*(b) Investments in subsidiaries*

Investments in subsidiaries relates to five wholly-owned companies constituted in Singapore. In the Cromwell European Real Estate Investment Trust's (the "Trust") separate financial statements, investments in subsidiaries are carried at cost less impairment losses.

*(c) Loans to subsidiaries*

Loans to subsidiaries relate to shareholder loans between the Trust's and subsidiaries to the Trust. Loans held by the Trust are carried at amortised cost using the effective interest rate method.

*(d) Derivative financial instruments*

Derivative financial instruments relate to interest rate swap and cap contracts entered into by CEREIT to fix interest on floating rate borrowings. As at 30 September 2018, 84.4% (31 Dec 2017: 57.9%) of CEREIT's total (drawn) gross borrowings were fixed at a weighted average hedge strike rate of 0.05% (Listing Date: 0.05%) / capped at a weighted average of 0.84% (Listing Date: 0.84%) fixed and capped weighted average of 0.28% (Listing Date: 0.28%). At 30 Sep 2018, the notional principal amounts and period of expiry of CEREIT's interest rate swap and cap contracts were as follows:

| | **As at 30-Sep 2018 €'000** | As at 31-Dec 2017 €'000 |
|---|---|---|
| Less than 1 year | **-** | - |
| 1 – 2 years | **246,000** | 152,569 |
| 2 – 3 years | **97,375** | - |
| 3 – 4 years | **-** | 47,373 |
| 4 years and longer | **82,375** | 82,375 |
| | **425,750** | 282,317 |

## 1B(ii) Aggregate Amount of Borrowings and Debt Securities

| | **As at 30-Sep 2018 €'000** | As at 31-Dec 2017 €'000 |
|---|---|---|
| *Secured – non-current* | | |
| Property level financing facilities | **461,055** | 454,808 |
| | | |
| *Unsecured – non-current* | | |
| Revolving credit facility ("RCF") | **43,200** | 33,000 |
| | **504,255** | 487,808 |
| Less: Unamortised debt issuance costs | **(5,197)** | (6,770) |
| **Total non-current borrowings** | **499,058** | 481,038 |

*Borrowing details*

| Facility | Note | Secured | Maturity | 30-Sep 2018 Facility €'000 | 30-Sep 2018 Utilised €'000 | 31-Dec 2017 Facility €'000 | 31-Dec 2017 Utilised €'000 |
|---|---|---|---|---|---|---|---|
| Parc | (a) | Yes | Nov-20 | **50,000** | **50,000** | 50,000 | 50,000 |
| EHI Denmark | (b) | Yes | Nov-20 | **26,180** | **26,180** | 26,202 | 26,202 |
| EHI Residual | (c) | Yes | Mar-21 | **95,000** | **95,000** | 95,000 | 95,000 |
| CNDP | (d) | Yes | Nov-20 | **57,500** | **57,500** | 57,500 | 57,500 |
| CECIF | (e) | Yes | Dec-26 | **82,375** | **82,375** | 82,375 | 82,375 |
| Italian AIF | (f) | Yes | Nov-20 | **150,000** | **150,000** | 150,000 | 143,731 |
| RCF | (g) | No | Nov-19 | **100,000** | **43,200** | 75,000 | 33,000 |
| **Total borrowing facilities** | | | | **561,055** | **504,255** | 536,077 | 487,808 |

**Property level financing facilities**

All property level financing facilities are secured by first-ranking mortgages over the relevant properties as well as pledges over the receivables of the property holding SPVs, pledges over the entire share capital of the property-holding SPVs, pledges over the receivables of any lease agreements and insurance proceeds pertaining to the relevant properties, a first priority account pledge over all bank accounts of the property-holding SPVs and a pledge over all hedging receivables in relation to the relevant property level financing facility.

*(a) Parc*

The Parc facility is secured over 11 French light industrial properties with an aggregate carrying amount of EUR 135,407,000. Interest is payable quarterly in arrears at variable rates based on the EURIBOR 3 months swap rate plus a loan margin. The EURIBOR 3 months swap rate at 27 September 2018 was -0.318%.

*(b) EHI Denmark*

The EHI Denmark facility, which is denominated in Danish Krone is secured over 13 Danish light industrial properties with an aggregate carrying amount of EUR 79,945,000. Interest is payable quarterly in arrears at variable rates based on the EURIBOR 3 months swap rate plus a loan margin.

*(c) EHI Residual*

The EHI Residual facility is secured over 31 light industrial properties located in France, the Netherlands and Germany with an aggregate carrying amount of EUR 364,114,000. Interest is payable quarterly in arrears at variable rates based on the EURIBOR 3 months swap rate plus a loan margin.

*(d) CNDP*

The CNDP facility is secured over two Dutch office properties with an aggregate carrying amount of EUR 167,836,000. Interest is payable quarterly in arrears at variable rates based on the EURIBOR 3 months swap rate plus a loan margin.

*(e) CECIF*

The CECIF facility is secured over three Dutch office properties with an aggregate carrying amount of EUR 224,244,000. Interest is payable quarterly in arrears at variable rates based on the EURIBOR 3 months swap rate plus a loan margin.

*(f) Italian AIF*

The Italian AIF facilities are secured against 14 Italian office and other type properties with an aggregate carrying amount of EUR 400,944,000. The latest asset acquisition, Ivrea, in June 2018 remains unencumbered and therefore is not subject to any security claims. Interest is payable quarterly in arrears at variable rates based on the EURIBOR 3 months swap rate plus a loan margin.

*(g) Revolving Credit Facility ("RCF")*

The RCF is unsecured and was put in place to provide CEREIT with additional financing flexibility, working capital and support distribution payments in case of timing differences of distributions from European property SPVs. On 21 September 2018, the facility limit was increased by EUR 25,000,000 to EUR 100,000,000. During the quarter management exercised its option to extend the facility with the expiry date now being 27 November 2019.

| 1C Consolidated Statement of Cash Flows | Quarter 1-July-18 to 30-Sep-18 €'000 | **Total 30-Nov-17 to 30-Sep-18 €'000** |
|---|---|---|
| **Cash flows from operating activities** | | |
| Total return for the financial period | **12,214** | **61,574** |
| *Adjustments for:* | | |
| Amortisation of lease costs and incentives | (935) | (3,510) |
| Effect of recognising rental income on a straight-line basis over the lease term | (258) | (860) |
| Amortisation of debt issuance costs | 614 | 2,030 |
| Manager's fees paid in CEREIT units | 844 | 2,762 |
| Property manager's fees paid in CEREIT units | 986 | 3,217 |
| Income tax expense | 3,452 | 22,448 |
| Tax paid | (1,378) | (1,326) |
| Change in fair value of investment properties | 142 | (31,368) |
| Change in fair value of derivative financial instruments | (71) | 200 |
| Net foreign exchange loss / (gain) | (97) | (107) |
| *Changes in operating assets and liabilities:* | | |
| (Increase) / decrease in: | | |
| Receivables | 10,927 | (6,649) |
| Other assets | 30 | 5,096 |
| Increase / (decrease) in: | | |
| Payables | (4,649) | 2,955 |
| Other liabilities | (4,001) | 4,635 |
| **Net cash provided by operating activities** | **17,820** | **61,097** |
| | | |
| **Cash flows from investing activities** | | |
| Payments for acquisitions of subsidiaries, net of cash | 658 | (374,330) |
| Payments for acquisition of investment properties | (175) | (435,004) |
| Payments for capital expenditure on investment properties | (3,309) | (5,463) |
| **Net cash used in investing activities** | **(2,826)** | **(814,797)** |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from IPO issuance of CEREIT units[1] | - | 757,978 |
| Proceeds from bank borrowings | 38,500 | 310,700 |
| Repayment of bank borrowings | (33,000) | (228,066) |
| Payment of equity issue transaction costs | - | (19,207) |
| Payment for debt issuance costs | (262) | (5,681) |
| Payment to acquire derivative financial instruments | - | (57) |
| Payment for settlement of derivative financial instruments | - | (964) |
| Distributions paid to Unitholders | (39,906) | (39,906) |
| **Net cash provided by/(used in) financing activities** | **(34,668)** | **774,797** |
| | | |
| **Net increase / (decrease) in cash and cash equivalents** | **(19,674)** | **21,097** |
| Cash and cash equivalents at 1 July 2018 / Listing Date | 53,549 | 12,776 |
| Effects of exchange rate changes on cash and cash equivalents | - | 2 |
| **Cash and cash equivalents at 30 September 2018** | **33,875** | **33,875** |

[1] IPO proceeds have been used as disclosed in the prospectus, being the acquisition of the properties and/or target corporate entities which directly or indirectly own the IPO properties and transaction costs.

## 1D(i) Consolidated Statement of Changes in Unitholders' Funds

| Group | Units on issue €'000 | Reserves €'000 | Retained earnings €'000 | Total €'000 |
|---|---|---|---|---|
| **As at 31-Mar 2018** | **846,268** | **113** | **32,987** | **879,368** |
| | | | | |
| *Unitholders' transactions* | | | | |
| Issue expenses | (168) | - | - | (168) |
| **Net increase/(decrease) in Unitholder funds resulting from Unitholder transactions** | (168) | - | - | (168) |
| | | | | |
| *Operations* | | | | |
| Total return for the period | - | - | 18,700 | 18,700 |
| **Net increase in Unitholder funds resulting from operations** | - | - | 18,700 | 18,700 |
| | | | | |
| *Reserves* | | | | |
| Foreign currency translation movement for the period | - | - | - | - |
| **Net increase in Unitholder funds resulting from movements in reserves** | - | - | - | - |
| **As at 30-Jun 2018** | **846,100** | **113** | **51,687** | **897,900** |
| | | | | |
| *Unitholders' transactions* | | | | |
| Issue of units | 1,916 | - | - | 1,916 |
| Distributions | - | - | (39,906) | (39,906) |
| **Net increase/(decrease) in Unitholder funds resulting from Unitholder transactions** | 1,916 | - | (39,906) | (37,990) |
| | | | | |
| *Operations* | | | | |
| Total return for the period | - | - | 12,214 | 12,214 |
| **Net increase in Unitholder funds resulting from operations** | - | - | 12,214 | 12,214 |
| | | | | |
| *Reserves* | | | | |
| Foreign currency translation movement for the period | - | - | - | - |
| **Net increase in Unitholder funds resulting from movements in reserves** | - | - | - | - |
| **As at 30-Sep 2018** | **848,016** | **113** | **23,995** | **872,124** |

[1] CEREIT was established on 28 April 2017 as a private trust wholly owned by the sponsor Cromwell Property Group. On 20 June 2017, CEREIT acquired the CECIF portfolio of properties comprising three Dutch office properties. The acquisition of the CECIF portfolio was 100% funded through the issuance of units. Unitholder funds as at Listing Date reflect the CECIF acquisition unit issue and trading result of the CECIF properties to Listing Date.

CROMWELL EUROPEAN REIT

## 1D(i) Consolidated Statement of Changes in Unitholders' Funds

| **Trust** | **Units on issue €'000** | **Reserves €'000** | **Retained earnings €'000** | **Total €'000** |
|---|---|---|---|---|
| **As at 31-Mar 2018** | **846,268** | **116** | **(493)** | **845,891** |
| *Operations* | | | | |
| Total return for the period | - | - | (996) | (996) |
| **Net increase in Unitholder funds resulting from operations** | - | - | (996) | (996) |
| *Unitholders' transactions* | | | | |
| Issue expenses | (168) | - | - | (168) |
| **Net increase in Unitholder funds resulting from Unitholder transactions** | (168) | - | - | (168) |
| *Reserves* | | | | |
| Foreign currency translation movement for the period | - | - | - | - |
| **Net increase in Unitholder funds resulting from movements in reserves** | - | - | - | - |
| **As at 30-Jun 2018** | **846,100** | **116** | **(1,489)** | **844,727** |
| *Operations* | | | | |
| Total return for the period | - | - | (1,098) | (1,098) |
| **Net increase in Unitholder funds resulting from operations** | - | - | (1,098) | (1,098) |
| *Unitholders' transactions* | | | | |
| Issue of units | 1,916 | - | - | 1,916 |
| Distributions | - | - | (39,906) | (39,906) |
| **Net increase in Unitholder funds resulting from Unitholder transactions** | 1,916 | - | (39,906) | (37,990) |
| *Reserves* | | | | |
| Foreign currency translation movement for the period | - | - | - | - |
| **Net increase in Unitholder funds resulting from movements in reserves** | - | - | - | - |
| **As at 30-Sep 2018** | **848,016** | **116** | **(42,493)** | **805,639** |

[1] CEREIT was established on 28 April 2017 as private Trust wholly owned by the sponsor Cromwell Property Group. On 20 June 2017 CEREIT acquired the CECIF portfolio of properties comprising of three Dutch office properties. The acquisition of the CECIF portfolio was 100% funded through issue of units. Unitholder funds as at Listing Date reflect the CECIF acquisition unit issue and trading result of the CECIF properties to Listing Date.

### 1D(ii) Details of Changes in Units

| | Actual 30-Nov-17 to 30-Sep-18 '000 |
|---|---|
| **Units on issue prior Listing Date** | **183,934** |
| | |
| *On Listing Date:* | |
| Issue of Sponsor units | 367,788 |
| Issue of units under the Offering and to cornerstone investors | 1,010,354 |
| Acquisition fees paid in units | 11,914 |
| **Units on issue at 31 December 2017** | **1,573,990** |
| **Units on issue at 30 June 2018** | **1,573,990** |
| Issue of units for Manager's base fee from IPO to 30 June 2018 | 3,304 |
| **Units on issue at 30 September 2018** | **1,577,294** |
| | |
| **Units to be issued:** | |
| Manager's base fee payable in units | 1,500 |
| Property Manager's management fee payable in units | 5,597 |
| Total issuable units at the end of the period | 7,097 |
| **Total units issued and to be issued at the end of the period** | **1,584,391** |

### 1D(iii) Total Number of Issued Units

CEREIT did not hold any treasury units as at 30 September 2018.

| | As at 30-Sep 2018 '000 |
|---|---|
| **Total units on issue** | **1,577,294** |

### 1D(iv) Sales, Transfers, Cancellation and/or Use of Treasury Units

Not applicable.

### 1D(v) Sales, Transfers and/or Disposal of Subsidiary Holdings

Not applicable.

## 2 Audit

*Whether the figures have been audited or reviewed, and in accordance with which audit standard (e.g. the Singapore Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", or an equivalent standard).*

The figures have not been audited or reviewed by the auditors.

## 3 Auditors' Report

*Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).*

Not applicable.

## 4 Accounting Policies

*Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.*

All balances and transactions of CEREIT are recognised and recorded in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The accounting policies and methods of computation have been consistently applied by CEREIT during the current reporting period. As at Listing Date 30 November 2017, CEREIT has early adopted the new International Financial Reporting Standards ("IFRS") IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and revised IFRS (including consequential amendments) and interpretations that are effective for annual financial periods beginning 1 January 2018.

## 5 Changes in Accounting Policies

The adoption of these new accounting standards, revised standards and interpretations did not result in material changes to CEREIT's accounting policies.

## 6 Consolidated Earnings per Unit and Distribution per Unit

| | **Actual 30-Nov-17 to 30-Sep-18** |
|---|---|
| **Earnings per unit ("EPU")** | |
| Weighted average number of units[1] ('000) | **1,576,917** |
| Total return for the period (€'000) | **61,574** |
| EPU (basis and diluted) (cents) | **3.90** |

[1] The actual weighted average number of units was based on the number of units on issue at 30 September 2018 and units issuable to the Manager and Property Manager.

| | **Actual 30-Nov-17 to 30-Sep-18** |
|---|---|
| **Distribution per unit ("DPU")** | |
| Total units on issue at the end of the period ('000) | **1,577,294** |
| Total units issuable entitled to distribution ('000) | **7,097** |
| Total units issued and issuable entitled to distribution ('000) | **1,584,391** |
| Income available for distribution to Unitholders (€'000) | **57,152** |
| DPU (cents)[2] | **3.61** |

[2] DPU was calculated based on the number of units on issue and issuable entitled to distributions at the end of the quarter. The annualised DPU was 4.32 cents for the period (7.9% based on a IPO issue price of 0.55 cents).

## 7 Net Asset Value ("NAV")

| | **Group As at 30-Sep 2018** | **Trust As at 30-Sep 2018** | Group As at 31-Dec 2017 | Trust As at 31-Dec 2017 |
|---|---|---|---|---|
| NAV[1] at the end of the period (€'000) | **872,124** | **805,639** | 826,419 | 846,247 |
| Number of units on issue at the end of the period ('000) | **1,577,294** | **1,577,294** | 1,573,990 | 1,573,990 |
| NAV per unit (cents) | 55.3 | 51.1 | 52.5 | 53.8 |
| Adjusted NAV per unit (excluding 3Q distributable income) (cents) | 54.2 | 51.1 | 52.1 | 53.8 |

[1] NAV equals net tangible assets ("NTA") as no intangible assets are carried by CEREIT.

## 8 Review of Performance

Please refer to section 9 on the review of actual results for the first period ending 30 September 2018 against the forecast and projection as disclosed in the Prospectus.

## 9 Variance between Actual and Forecast/Projection

The Statement of Total Return, Distribution Statement have been presented above in comparison to the forecast and quarterly projections used to calculate the annual projection for calendar year 2018 as disclosed in the Prospectus.

*Discussion*

Net property income for the ten months from IPO to quarter end was 4.3% above IPO Prospectus forecast and projection. For a detailed country by country discussion refer to the Results Overview at the beginning of this report.

Net finance costs were EUR 517,000 above forecast and projection. This is a result of an additional temporary drawdowns on the unsecured Revolving Credit Facility (RCF) during first 10 months, including the drawdown for bridge funding of the Ivrea, Italy property acquired in June 2018.

Manager base fees, which are calculated based on gross asset value, were marginally higher than IPO forecast and projections due to the increased property valuations following the independent valuations at 31 March 2018.

Trust expenses were EUR 1,489,000 higher for the ten months period than forecast and projected at IPO. This is mainly a result of certain additional advisory expenses being incurred following the IPO and acquisition of the property portfolio.

Income tax expense was significantly higher than forecast and projected which is due to deferred tax expenses recognised on the valuation increase of investment properties. Excluding this deferred income tax expense current tax expense tax expense is EUR 521,000 below IPO forecast at 30 September 2018.

Fair value adjustments could not be projected at IPO date.

## 10 Outlook and Prospects

*A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.*

***European macro-economic outlook***

- The Eurozone economy is expected to expand by 2.0% in 2018. The pace of job creation is robust, driving the unemployment rate down to 8.1% - a decade low. However, employment growth is showing signs of having peaked and the gradual pick-up in wage growth will provide a boost to household spending.
- The last twelve months has seen sustained occupier demand for commercial real estate in Europe, although the declining labour capacity is starting to hinder corporate expansions.
- Coupled with rising input costs, notably via higher oil prices and pressure on wages, the cost of doing business is becoming more challenging.
- The European Central Bank is still expected to end its QE purchases in December as no new policy announcements were made at the September ECB meeting.
- The first interest rate hike is not expected until well into the second half of 2019, with a gradual pace of tightening thereafter.
- The adverse external environment and rising political risks in Europe are posing an increasing threat to the outlook and indications are for a slower third quarter.
- European PMI readings, the EU 28 industrial production index, employment intentions and GDP forecasts are all showing signs of cooling.

***Netherlands office sector outlook and trends***

- The favourable economic indicators and robust real estate fundamentals continue to support an active Dutch market for both occupiers and investors, leading to supply pressures and, with strong demand, yields are seeing further compression.
- Cities such as Arnhem, Breda, Den Bosch, Zwolle and Amersfoort will become more attractive as product in the larger cities is harder to come by and, with pricing tightening over the last two years or so, these locations can still satisfy the appetite for yield and balance out some investor risk. Secondary (fringe, Grade A) areas where yields are 5.00% and prime major provincial towns (5.75%) still hold a premium over the prime CBD areas of key cities where yields are as low as 3.75%.
- Companies seeking larger floorplates are, in particular, experiencing difficulties in finding suitable space to meet their needs. With demand outweighing supply positive rental growth in some locations will become more evident. Amsterdam, for example, is expected to see 5% p.a. growth over the next two years, indicating the peak of the cycle is not yet near.
- Economic growth is supporting the expansion of small and medium sized firms who are looking for additional office space. Energy-efficient buildings are likely to fare better and tenants are coming round to the realisation that they will need to pay a premium for it, and are prepared to do so.

***Italy office sector outlook and trends***

- Developers are responding to the overall lack of quality space in both Milan and Rome by taking on more construction on a speculative basis. The focus is renovation projects rather than new builds which will prevent the market being flooded with potentially surplus new stock plus lower grade space that is harder to let, ultimately creating structural vacancy.
- The recent past has seen positive rental growth in both Milan and Rome supported by strong demand levels and low amounts of Grade A space. However, the pace of rental growth is likely to slow as occupiers are using the perceived fragility of the government and weakened business sentiment to negotiate lower rent levels and/or incentive packages.
- The persistent lack of available core product will hinder trading volumes yields are likely to compress further for quality product as competition intensifies. In Milan prime yields and good secondary have edged down. There is growing interest for the CityLife and Bicocca submarkets as new schemes complete and infrastructure developments make the areas more accessible. In Rome there is a greater propensity for risk for value-add and opportunistic products.

- Activity in Tier II markets needs to be assessed on an asset by asset basis. Income streams will be king as the time needed to lease up any voids is expected to lengthen. Opportunities exist from a value-add perspective for those investors willing to move up the risk curve.

***France office sector outlook and trends***

- Vacancy is at its lowest since 2009 and pre-let deals are rising due to the lack of space. This is of particular note in Greater Paris where construction is restrained leading to 51% of the current 2.4 million sqm under development due for completion by the end of 2021 pre-let.
- The breadth and depth of occupiers against a low vacancy rate has seen a positive upswing in headline rents, especially in Paris, over the last 12 months – an attraction of the French market as while yields are low, investors can see capital value growth materialise via positive rental growth.
- Paris will retain the top spot for French investment for both domestic and international capital, underpinned by the size of the market, good levels of liquidity and large lot sizes. Prime yields will remain under pressure for large assets, although the tipping point appears to be for lots in excess of €200 million where demand begins to peter.
- Investors are trying to find their way in a competitive market where borrowing costs are exceptionally low and an ECB rate rise is not expected before late 2019 and will undoubtedly proceed very gradually. Investors seeking higher yields will look to key regional cities such as Lille, Nice, Nates and Lyon although yields here too have come under pressure as investors willing to take on some more, albeit measured risk, that these smaller markets can offer look for deals.

***Germany office sector outlook and trends***

- As some rent up demand is satisfied, availability will continue to fall as replacement space lags take-up. While this will continue to support some rental growth, it will also hold back higher levels of take-up as occupiers continue to face a lack of choice when looking at alternative accommodation options, especially those in expansion mode.
- The solid fundamentals in the occupational market are feeding the positivity surrounding the investment sector which is expected to be lively over the remainder of 2018. Global headwinds appear not to have deterred investor appetite for German real estate, indeed quite the opposite with Germany a large market offering liquidity and an element of security not found is some other European markets.
- However, with prime yields at historic lows across the main investment markets, careful due diligence is needed with acknowledgement that rental growth will be the most likely element of capital value growth as opposed to yield compression.
- Tier I locations will continue to attract the bulk of interest with the smaller Tier II locations possibly seeing a decline in activity, unable to offer an adequate volume of larger lots that many investors are looking for. Four buyer groups account for 55% of deals; special-purpose funds (19%); pension funds (12.4%); investment/asset managers (12.3%); REITs/Listed real estate companies (11.5%). The breadth of investor type emphasises the positive attitude to German real estate.

***Netherlands Logistics/Industrial Sector outlook and trends***

- Demand is expected to remain healthy for logistics space as e-commerce continues to go from strength to strength. Currently there is notable interest in large warehouses, but overtime, as time to market becomes even more important, this is expected to shift to urban distribution centres. While e-commerce penetration is still low (9.7% of the total retail industry in 2017), it is almost twice as much as it was five years ago.
- Robust demand, a national vacancy rate of below 4% and limited new deliveries are contributing to a positive rental growth environment. However, land and construction costs have risen, and developers need to be careful not price themselves out of the market as competition is slowly intensifying providing more choice for occupiers.
- Foreign and domestic capital are targeting the industrial sector. H1 2018 saw local buyers responsible for 44% of acquisitions, double that of the 22% in 2017. European investors (excluding domestic Dutch) accounted for 24% of H1 trading volumes while truly global money accounted for 23% over the same period.
- Supply continues to dry up and is not yet being counterbalanced by new completions. Following a period of decreasing yields, a further compression is expected but the pace will slow as yields are already at historic lows across the main logistics hot spots. Alongside this, investors' focus are likely to increasingly shift to core+ investment opportunities.

***France Logistics/Industrial Sector outlook and trends***

- 70% of take-up was for Grade A space, reconfirming occupier enthusiasm for good quality, functional yet flexible space, allowing companies to introduce new processes in terms of both mechanisation and robotics to current workflows with limited disruption.
- Given the strength of performance in 2016 and 2017, Paris has seen a notable drop off in activity as a large number of requirements have been fulfilled. There is still demand but for now rents are likely to stabilise. However, considering the volume of deals in the pipeline the blip is only expected to be temporary and 2019 should see a pick-up in activity.
- There is restrained supply in the regional hubs of Lyon, Lille and Marseille along the French logistics axis and with development lagging, pending authorisations and the challenges of redeveloping brownfield sites, there is room for an uplift in rental values. This is supported by the need, by retailers in particular, to supplement their supply chains with urban logistics schemes in order to satisfy the ever shorter delivery times demanded by consumers.
- There is restricted land supply in the Greater Paris region partly linked to major infrastructure projects such as the Grand Paris project and the 2024 Olympics. All this has led to some rental increases in the more sought-after logistics zones, and have also contributed to maintaining rents in secondary locations. Incentives are slowly being withdrawn – particularly for quality space.

***Germany Industrial Sector outlook and trends***

- The breadth of investors with a solid interest in the German logistics sector continues apace, with demand outweighing supply and competition strong for the limited number of core product, further yield compression at the prime end of the market is likely. A rising number of investors will begin to look up the risk curve in search of yield, diversifying by investigating options in Tier II and III locations and value-add products as well.
- Occupiers continue to focus on wanting to occupy new, efficient space. However, one of the lingering challenges in the German industrial market is the lack of good quality space meeting the needs of today's occupiers. This is true on multiple levels including location, size and fit-out. There is 690,000 sqm in the pipeline, but with 75% of this already under pre-let agreements, upon completion only a limited amount of speculative space will be delivered. This is seeing a trend in owner occupiers developing out their own space as they seek a quicker route to market in a scheme suitable to their needs.
- Everything points to demand remaining lively over the rest of the year. Both the current economic environment and the ongoing restructuring, particularly in the retail sector, are boosting the demand for additional logistics and warehouse space. The shortage of space and land, particularly in the major locations, may have a limiting effect however. Nevertheless, there is a realistic chance that the 6 million sqm mark (of occupier activity) will be exceeded for the third time in a row, although it remains to be seen whether a new record can be achieved as several major deals would be necessary for this to happen.

***Denmark Logistics/Industrial Sector outlook and trends***

- Prime yields are at historic lows although in some locations continue to offer a discount of 30 basis points over the Nordics average prime logistics yield of 5.45%. The expectation is for prime yields to remain flat during 2018 but possibly come under upward pressure in 2019 as rising interest rates exert pressure on property yields.
- With robust demand levels over the recent past some of the major logistics hubs are running out of space and access to labour, with unemployment at historic lows of 4.0%. The likelihood is that this will see a shift in occupier demand alongside development activity to some of the smaller logistics hubs that still have room to grow, while at the same time, offering shared services and therefore an element of economies of scale. It will however, be critical of any developments, to assess multiple factors relating to site accessibility from both a labour perspective and a transport one. Even new schemes that do not meet these criteria will struggle to let.
- Retailers on the whole have been active in modernising their warehouse networks and exploring online channels - this has supported growth in occupier demand, a trend that is expected to continue as 2018 runs its course.
- The rise in population in some urban areas will be focal points for users and developers of last mile logistics as online sales volumes continue to increase and consumer demand for shorter delivery times indicate that providers need efficient, lean operations.

## 11 Distributions

| | Distribution type | Distribution per unit (in Euro cents) | Total distribution €'000 | Book closure date | Payment date |
|---|---|---|---|---|---|
| **2018** | | | | | |
| **30-Nov-17 to 30-Jun-18** | **Capital** | **2.53** | **39,906** | **21 Aug-18** | **28 Sep-18** |
| **Total distributions** | | **2.53** | **39,906** | | |
| 2017 | | | | | |
| Not applicable | | | | | |

CEREIT was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 30 November 2017. Accordingly, there are no distributions in prior periods.

CEREIT's distribution policy is to distribute 100% of CEREIT's annual distributable Income for the period from the Listing Date to the end of the 2019 financial year. CEREIT will make distributions to Unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of these dates.

## 12 Statement regarding Declared/Recommended Distributions

Refer note 11.

## 13 Interested Person Transactions

*If the Group has obtained general mandate from unitholders for Interested Person Transactions ("IPT"), the aggregate value of such transactions are required under Rule 920(1)(a)(ii) If no IPT mandate has been obtained, a statement to that effect.*

CEREIT has not obtained a general mandate from Unitholders for interested person transactions.

*Other Related Party Transactions*

CEREIT has accrued EUR 986,000 in leasing fees payable to the Property Manager as at 30 September 2018.

## 14 Confirmation pursuant to Rule 720(1) of the SGX-ST Listing Manual

The Board of Directors of the Manager hereby confirms that the undertakings from all its directors and executive officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

**Confirmation pursuant to Rule 705(5) of the Listing Manual**

The Board of Directors of Cromwell EREIT Management Pte. Ltd. (as manager of Cromwell European Real Estate Investment Trust) (the "Manager") hereby confirms that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Manager which may render the unaudited financial results of Cromwell European Real Estate Investment Trust for the period from 30 November 2017 (Listing Date) to 30 September 2018, to be false or misleading, in any material aspect.

On behalf of the Board
Cromwell EREIT Management Pte. Ltd.
As Manager of Cromwell European Real Estate Investment Trust
(Company Registration No: 201702701N)

| | |
|---|---|
| Lim Swe Guan<br>Chairman | Simon Garing<br>CEO |

**Important Notice**

This announcement may contain forward-looking statements that involve 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. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

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

The value of Units and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they have no right to request the Manager to redeem 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 is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Cromwell European REIT and the Manager is not necessarily indicative of the future performance of Cromwell European REIT and the Manager.