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New Properties and Positive Leasing Momentum Boost Cromwell European REIT's 1H 2019 Earnings; Manager Sells Parc d'Osny Asset above Purchase Price

- Net property income and DPU increased 33.7% and 3.0% year-on-year, respectively, in 1H 2019
- Active asset management led to +4.8% blended rental reversion rate and 7.3% increase in portfolio valuation[1]
- Long leases and 'on-theme' acquisitions provide resilience and further growth
- High interest coverage ratio of 8.7 times provides headroom to capitalise on investment opportunities

	Actual 1H 2019	Actual 1H 2018	Variance	Actual 1H 2019	Forecast[2] 1H 2019	Variance
Gross Revenue (€'000)	82,372	62,147	32.5%	82,372	62,623	31.5%
Net Property Income (€'000)	54,134	40,490	33.7%	54,134	41,167	31.5%
Income Available for Distribution to Unitholders (€'000)	44,840	33,628	33.3%	44,840	34,071	31.6%
Distribution per Unit (Euro cents per unit)	2.04	1.98[3]	3.0%	2.04	1.95	4.6%

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 financial results for the second quarter and first half ended 30 June 2019 ("**2Q 2019**" and "**1H 2019**", respectively).

Goldman Sachs (Singapore) Pte. and UBS AG, Singapore Branch were the joint issue managers for the initial public offering of CEREIT (the "**IPO**"). DBS Bank Ltd., Goldman Sachs (Singapore) Pte., and UBS AG, Singapore Branch were the joint global coordinators for the IPO. DBS Bank Ltd., Goldman Sachs (Singapore) Pte., UBS AG, Singapore Branch, Daiwa Capital Markets Singapore Limited and CLSA Singapore Pte Ltd were the joint bookrunners and underwriters for the IPO. The joint issue managers, joint global coordinators and joint underwriters of the IPO assume no responsibility for the contents of this announcement.

Gross revenue and net property income ("**NPI**") surged 32.5% and 33.7% year-on-year ("**y-o-y**") to €82.4 million and €54.1 million in 1H 2019, respectively, driven primarily by contributions from 22 new properties acquired in late 2018 and early 2019. Both gross revenue and NPI also exceeded IPO Forecast[2] by 31.5%. Excluding contributions from new properties, CEREIT's light industrial / logistics portfolio recorded a 5% uplift in NPI while its office portfolio's and other assets' NPI were largely in line with those in the previous corresponding period ("**1H 2018**").

Income available for distribution to unitholders amounted to €44.8 million, 33.3% more than the €33.7 million recorded in 1H 2018 and 31.6% above the IPO Forecast[2] of €34.1 million. Given the Manager's intent to distribute 100% of CEREIT's income available for distribution until at least the end of 2019, this translates to a 2.04 Euro cents distribution per unit ("**DPU**") for 1H 2019, representing a 3.0% y-o-y increase and a 4.6% outperformance against the IPO Forecast[2].

Eligible unitholders received a cumulative distribution of 2.05 Euro cents on 31 July 2019, comprising the 2.04 Euro cents DPU for 1H 2019 and a 0.01 Euro cent DPU for 1 July 2019, the day before new units were issued pursuant to a well-received and upsized private placement. The Manager is on track to deliver on the FY2019 IPO Forecast[2] DPU of 4.02 Euro cents per unit, which would represent an annualised distribution yield of 7.9%[4]. The next distribution will comprise CEREIT's distributable income for the period from 2 July 2019 to 31 December 2019.

The Manager's Chief Executive Officer, Mr. Simon Garing, commented, "CEREIT reaped the benefits of having an enlarged income base following the addition of 22 properties to its portfolio between December 2018 and February 2019, as well as from securing new tenant-customers earlier this year. Importantly, the acquisitions increased earnings not only on an aggregate level, but on a DPU level too. We also recorded positive rental reversions on average, fuelled primarily by the light industrial / logistics properties in the portfolio. This validates the efficacy of our barbell approach, whereby the security that CEREIT's office assets provide is balanced with the growth potential of its light industrial / logistics assets, especially from last-mile e-commerce urban warehouse tenant-customers."

Active Asset and Portfolio Management

The Manager signed 41 new leases spanning 47,242 sq m of space and recorded a +4.8% blended rental reversion rate in 2Q 2019, building on the recent positive leasing momentum. Significantly, CEREIT's second-largest tenant-customer, leading financial services company Nationale-Nederlanden, renewed its lease for 16,130 sq m of office space at Haagse Poort, in the Hague, the Netherlands and even expanded the lease by 4,933 sq m (approximately 30%) – the remaining lease term now stands at 5.6 years.

In the light industrial / logistics segment, the Manager renewed its marketing efforts to extend leases and secure new customers at Parc des Docks in Paris, France after the French Government recently decided not to expropriate the site. Over the course of 1H 2019, 11,227 sq m of space at the property have been leased, resulting in its occupancy rate increasing from 87.4% as at 31 December 2018 to 91.7% as at 30 June 2019; and this uptrend is expected to continue. Leasing success in Denmark continues as well, with CEREIT's portfolio of 13 assets in the country recording an approximate 10-percentage-point occupancy rate increase, from 73.6% as at 31 March 2019 to 83.7% as at 30 June 2019.

The Manager has further de-risked CEREIT's portfolio as well, extending or renewing 49% of leases subject to expiries or breaks until December 2019. The portfolio now has a 91.6% overall occupancy rate, up 1.4 percentage points quarter-on-quarter, and a 4.7-year weighted average lease expiry ("**WALE**")[5] profile as at 30 June 2019, providing CEREIT with greater income stability.

CEREIT's portfolio of 97 properties as at 30 June 2019 was externally valued at €1,834 million, 7.3% higher than the aggregate purchase price of the properties. The higher valuation bears testament to the Manager's expertise in repositioning and executing asset enhancement initiatives, and the on-the-ground team's capabilities in sourcing and acquiring properties off-market at a discount.

Accordingly, net asset value per unit increased from 51.3 Euro cents at 31 December 2018 to 52.3 Euro cents as at 30 June 2019, prior to payment of the cumulative distribution.

Accretive Acquisitions and Strategic Divestment

In June 2019, the Manager announced the acquisitions of three freehold properties in France and three[6] freehold properties in Poland. The acquisitions mark CEREIT's entry into the office property market in Greater Paris, the largest European capital city, and increase its exposure to Poland, which has an office property market with robust fundamentals and a favourable outlook. Leveraging the Sponsor's pipeline sourcing and execution capabilities, the Manager successfully negotiated deals to buy the properties below replacement cost and at attractive yields. The acquisitions are expected to be DPU-accretive and will enhance CEREIT's geographical, tenant-customer, and tenant-customer trade sector diversity, providing it with greater resilience. The acquisitions of the properties in France and two of the three properties in Poland have been completed, and the acquisition of the third property in Poland is expected to be completed shortly.

The Manager also just announced CEREIT's first divestment – the sale of Parc d'Osny, a light industrial property in France, for €19.0 million, 11.8% above the price CEREIT paid for it during the IPO and 13.1% above its valuation as at 30 June 2019. "The sale is in line with the Manager's strategy of disposing non-core assets and/or assets with risk-return profiles that no longer fit CEREIT's hurdles. We will continue to look for opportunities to recycle capital to enhance CEREIT's return on equity," said Mr. Garing.

The sale of Parc d'Osny is expected to be completed by October 2019. After the completion of all the aforementioned transactions, CEREIT's portfolio will have 102 properties valued at €2,065 million, more than 50% above the value of the 74 properties in its IPO portfolio. The total net lettable area of the portfolio will then span approximately 1.5 million sq m and approximately ~91.7% of the portfolio by value will comprise freehold and continuing / perpetual leasehold[7] properties.

Responsible Capital Management

The Manager continues to adopt a responsible approach towards capital management, reducing CEREIT's gearing from 37.0% as at 31 March 2019 to 35.4% as at 30 June 2019. During the reporting quarter, the Manager also successfully negotiated for the French Government to compensate CEREIT €907,128 for the loss of potential rental income at Parc des Docks since listing, as marketing and leasing activities for the property were placed on hold while the French Government's deliberated whether to expropriate the site.

As at 30 June 2019, around 85.9% of CEREIT's debt is hedged and its borrowings have a 2.4-year weighted average term to maturity. Its annualised cost of debt (excluding its revolving credit facility) and its interest coverage ratio stand at ~1.34% and 8.7 times, respectively, reflecting the wide spread between its NPI yield and interest expense. The Manager is in advanced stages of refinancing debt due in November 2020, which will extend the weighted average term to maturity of CEREIT's debt to more than 3.5 years.

Sustainability

In May 2019, CEREIT published its first sustainability report, prepared in compliance with the Singapore Exchange Securities Trading's Listing Rules Practice Note 7.6 (Sustainability Reporting Guide) and in accordance to Global Reporting Initiative (Core Option) standards. The sustainability report marked the culmination of CEREIT's extensive materiality assessment process to formulate a strategy that addresses the economic-, social-, and governance-related matters that are most important to CEREIT's business. The Manager is now committed to achieving clearly defined sustainability targets that are measured and monitored.

On a portfolio level, the Manager has secured Energy Performance Certificates for all assets in CEREIT's portfolio and adopted renewable energy procurement contracts for all assets in the Netherlands, Germany and Denmark. The Manager aims for another 10 properties to be certified in accordance to BREEAM[8], an internationally recognised asset-level sustainability certification, in 2020.

Looking Ahead

The Eurozone economy is forecast to grow 1.2% y-o-y in 2019. The labour market continues to display resilience, with the unemployment rate at a decade-low of 7.5% and wages growing at the fastest rate in a decade. These factors are boosting household spending, diverging from the struggling manufacturing sector, resulting in domestic demand that will continue to underpin soft economic activity.

Mr. Garing concluded, “We continue to provide investors with clear visibility of CEREIT's path to growth, as demonstrated by our proven ability to increase earnings through active leasing initiatives and successful 'on-theme' acquisitions. We remain focused on organically generating income and returns, particularly through driving up occupancy rates and on unlocking value through a proactive and disciplined approach to acquiring attractive assets and recycling capital. With a relatively low gearing and a high interest coverage ratio, CEREIT is well-positioned to continue capitalising on investment opportunities, especially with European interest rates remaining low for the foreseeable future and regulators in Singapore exploring a potential increase in leverage limits.”

ABOUT CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

Cromwell European REIT is a real estate investment trust (“**REIT**”) with the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate assets in Europe that are used primarily for office, light industrial / logistics, and retail purposes. With a portfolio of 102 properties as at 8 August 2019 in or close to major gateway cities in Denmark, Finland, France, Germany, Italy, the Netherlands as well as Poland, and a balanced focus on the office and light industrial / logistics sectors, it is also the first REIT with a diversified Pan-European portfolio to be listed on Singapore Exchange Securities Trading Limited.

CEREIT’s portfolio has an aggregate lettable area of approximately 1.4 million sq m with over 900 tenant-customers and a WALE[5] profile of around 4.7 years. Comprising primarily freehold or ongoing leasehold[7] assets, the portfolio has an appraised value of approximately €1,834 million as at 30 June 2019.

CEREIT is managed by Cromwell EREIT Management Pte. Ltd., a wholly-owned subsidiary of CEREIT’s sponsor, Cromwell Property Group[9], a real estate investor and manager with operations in 15 countries, listed on the Australian Securities Exchange Ltd.

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[1] Refers to valuation of the 97 properties in CEREIT's portfolio as at 30 June 2019 compared to purchase price.

[2] The CEREIT Prospectus dated 22 November 2017 ("**Prospectus**") disclosed a profit projection for the period from 1 January 2019 to 31 December 2019. "**IPO Forecast**" refers to the interpolation of this projection for the relevant period adjusted for the issuance of 600,834,459 new units of CEREIT in December 2018 (the "**Rights Issue**") where applicable. The IPO Forecast DPU for FY2019 was 4.40 Euro cents per unit. Taking into account the new units issued in the Rights Issue (in accordance with paragraph 46 of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"), the adjusted FY2019 DPU is 4.02 Euro cents per unit.

[3] 1H 2018 DPU restated to reflect the bonus element in the new units issued pursuant to the Rights Issue.

[4] Based on 0.51 Euro cents, the last traded price on the Singapore Exchange Securities Trading Limited on 31 July 2019 and DPU of 4.02 Euro cents per unit (FY2019 IPO Forecast of 4.40 Euro cents per unit adjusted for the Rights Issue).

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

[6] Includes Avatar Asset (as defined in the CEREIT announcement on 21 June 2019 titled "Acquisition of Six Assets in France and Poland"), which is partially a perpetual usufruct leasehold property.

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

[8] Refers to the Building Research Establishment Environmental Assessment Method, the world's leading sustainability assessment method for master planning projects, infrastructure and buildings. It recognises and reflects the value in higher-performing assets across the built environment lifecycle, from new construction to in-use and refurbishment.

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