Cromwell European REIT
European Business Update
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Presentations Transcript

CROMWELL
EUROPEAN REIT

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Thank you, everyone, for joining us here for an update on Cromwell European REIT's, or CEREIT's, European business amid the COVID-19 outbreak in the region.

Our speakers for today, in order of presenting, are:

- **Simon Garing**, CEO of Cromwell EREIT Management and who has been in the listed-REIT environment for 26 years, in operations, investment, research, advisory and management;
- **Mark McLaughlin**, Managing Director of Cromwell Property Group ("Cromwell") in Europe and who has full operational responsibility for running Cromwell's European business; has more than 20 years in European real estate; and is based in Amsterdam;
- **Wouter Zwetsloot**, Head of Benelux (which comprises Belgium, the Netherlands and Luxembourg) and Head of Real Estate in Europe; he manages Cromwell's business in the Benelux region and also the overall property and asset management of Cromwell's business in Europe; and has 15 years in European real estate; and is based in Amsterdam;
- **Tim George**, Senior Portfolio Manager, CEREIT, overseeing CEREIT's portfolio management strategy and valuations and who has spent 12 years in European real estate and is based in London;
- **Andreas Hoffmann** – some of you may have met him previously; he is Head of Property dedicated to CEREIT and oversees all portfolio and asset management functions across Cromwell's European teams that support CEREIT; and has more than 19 years in European real estate; and is based in Munich;
- **Rob Cotterell**, Head of Investments in Europe and who has in-depth insights on market transactions with 25 years in European real estate and is based in London;
- And in Singapore, **Shane Hagan**, our CFO, who has 25 years in real estate in New Zealand, Australia and spent the last 17 years in the Singapore REIT market.

I will now hand over to our Chief Executive Officer, Mr. Simon Garing.

Simon Garing
Chief Executive Officer and Executive Director
Cromwell EREIT Management

Good afternoon, everyone.

As we've seen in just a few short months, the COVID-19 outbreak has evolved rapidly all over the world, causing significant impact on lives, economic growth and business activities across the world, including Europe. Governments are investing substantial resources to protect lives and economies impacted by the enforced lockdowns, social distancing measures, office and shop closures, restrictions from public gatherings, flight bans and school closures. There is little visibility on the duration of this situation, although substantial efforts are being made to provide a vaccination and bring a halt to the pandemic. While it was pleasing over the weekend to see early signs of the Italian curve no longer accelerating after seven weeks as an important benchmark for other European countries to follow, we are prepared for a much longer period of economic dislocation.

Today, we want to take this opportunity to provide you with an update on our European operations and address questions you may have on the impact of COVID-19 on our business. Like many of you on this call, we are also trying to navigate this new environment with our tenant-customers, suppliers and government support mechanisms, so I would appreciate your patience if we don't have precise answers to all your questions just yet. We also need to protect CEREIT's commercial position by not divulging any confidential discussions that we may be having with tenant-customers or other stakeholders.

I also want to make the point that at this stage, European governments are generally respecting the fundamentals of contract law and common landlord / tenant rights. Some governments have provided for a small extension period for office and logistics tenants to pay rent, but we have not at this stage seen enforcement of wholesale rental waivers or abatements. Hence, at this stage we have not had to make blanket provisions for "rent relief", nor are we offering across-the-board rent waivers. As a reminder, many of our tenant-customers typically pay their rents 3 to 6 months in advance, so there has been little impact on our cashflows *to date*.

Apart from CEREIT's sole cinema operator in Lissone near Milan which was shut down by government decree, we have not yet agreed to any rent rebates for any other tenant-customers.

However, *to date*, 139 mainly smaller tenant-customers, accounting for 9.7% of the yearly rent roll, have approached us to request largely deferral of rental payments. I should note that *to date* such requests are for a limited period of time – a month or two and not for the whole year. This includes CEREIT's hotel in Saronno near Milan which remains temporarily closed. The smaller tenant-customers are typically small- and medium-sized enterprises ("SMEs"), such as cafes, event organisers, childcare centres, gyms and public car park operators. Generally, we propose to offer to move tenants to monthly payments rather than the more onerous quarterly in advance payments or in some special cases to offer rent deferrals of 1-3 months, until conditions normalise.

CEREIT does have a number of insurance policies (including limited Virus event coverage) in place which we will be looking to utilise, while we will also give assistance to tenant-customers to enable them to access the government support mechanisms for SMEs, such as in Italy where businesses can apply for a 60% tax credit against their rent payment.

Today marks the launch of CEREIT's second annual report. We have provided a substantial update on the actions we have taken and the current impact of COVID-19 up until the print deadline last week.

You can review this report on CEREIT's website.

In summary, the Board and senior management team are focused on preserving Unitholder value, ensuring appropriate levels of cash and stewarding CEREIT's operations. We are putting our transaction strategy on hold for the next few months, we are deprioritising non-essential capital expenditure ("CAPEX") spending and we are increasing our focus on operating cost savings.

Our immediate focus is also on the well-being of our tenant-customers and employees. We continue to operate at close-to-full potential within the constraints of the various "lockdown" and "circuit-breaker" measures.

We expect to hold CEREIT's annual general meeting ("AGM") towards the end of June, given the current increased measures in Singapore. As mentioned at the FY 2019 results briefing, we intend to put forward a buyback resolution for Unitholders to consider at the AGM, providing CEREIT with wider scope for managing its capital. More details will be released in the Notice of this Meeting.

Cromwell Property Group has made significant investments over the last few years in systems and processes to manage market disruptions and we are benefiting from this early resilience planning and risk management measures. Mark will touch on this in more detail in a short while.

CEREIT's portfolio is designed with resilience and diversification as key attributes.

To remind investors, CEREIT owns €2.1 billion of predominantly office and light industrial / logistic assets with close to 1,000 tenant-customers across 94 properties in 7 countries. Government and semi-government leases account for approximately 26% of total headline rent. 64% of our tenant-customers are multinational and domestic corporations, such as UBS, Motorola, Vodafone, KPMG, Nationale-Nederlanden and CBRE. It is also key to note that approximately 40% of CEREIT's net property income ("NPI") is from light industrial / logistics assets. We believe that logistic operators, such as DHL and UPS, should benefit from any pick-up in online ecommerce or business-to-consumer businesses. We also note some manufacturers in the business-to-business supply chain may require more warehouse space as inventory turnover slows and intra-Europe transport routes are disrupted. CEREIT's overall occupancy is a healthy 93.2% as at 31 December 2019, up from 87.7% as at initial public offering. CEREIT has a weighted average lease expiry profile ("WALE") of 4.4 years as at 31 December 2019, with only 11.6% of leases expiring this year and as announced in February 2020, over 60% of those leases expiring by June 2020 had already been de-risked.

It is important to note that Cromwell has over 200 team members in 19 cities across Europe with strong local knowledge and networks in each of CEREIT's seven countries. The team has stepped up its tenant-customer engagement programme to ensure the safety and health of CEREIT's tenant-customers and our premises.

I am pleased that you will have an opportunity to hear from some of the team today.

I will now hand over to Mark who will give us an update on Cromwell's operations across Europe.

Mark McLaughlin
Managing Director, Europe
Cromwell Property Group

Thank you, Simon. Thank you all for dialling in today.

As Simon rightly pointed out, the COVID-19 crisis continues to evolve rapidly and across Europe, governments have taken unprecedented measures in order to contain the spread of the virus. These measures inevitably impact our operations, but Cromwell Property Group has made significant investments over the last few years in systems and processes to manage such market disruptions. Specifically, we have implemented new cloud-based accounting, leasing, treasury management, risk management and document storage platforms, as well as conducted extensive training to ensure all team members can work remotely, be effective and remain available to tenant-customers, across operations in Australia, Singapore and Europe. Additionally, each year, the local teams refine business continuity plans for every single asset managed by Cromwell, including those in Italy, to ensure that we are able to manage challenging scenarios similar to the COVID-19 outbreak and this has proven invaluable practice in the light of the current situation.

Europe is now at the epicentre of the COVID-19 pandemic and our primary focus now is on protecting the health and safety of our employees, tenant-customers, service providers and visitors while maintaining operations. The Group is carefully monitoring the latest health guidelines issued by the World Health Organisation as well as by national, regional and local governments and adapting its operations accordingly. We have a committed team of professionals who are taking care of all aspects of our business, from transactions, asset and project management, portfolio and fund management, research, product development to shared services and accounting.

Our group COVID-19 task force was established in late February and has implemented the decisions as follows to protect the health and safety of the Cromwell staff and ensuring business continues as usual. As the situation unfolded, from 17 March, for business continuity reasons, the EU team members have largely been working from home (“WFH”) with minimal impact to operations. Given the matrix structure of the EU organisation with more than 200 people across 11 countries, we have also taken extra precautions to ensure that there is minimum business, regional, functional or project risk.

With the current situation set to continue for the next few months, the COVID-19 Taskforce is transitioning from initial crisis management, set-up and stabilising of operations to ensuring that ongoing operations are continuing to the greatest extent possible, with constant team member engagement in the current WFH arrangements, cost management, monitoring of legal positions in the various jurisdictions in relation to specific people and culture issues, changing and improvement of the digital security levels of WFH and putting forward of projects that will offer cost reductions and more efficiencies while deferring non-essential and non-staff-related expenses.

We are also ramping up external communications to the market and to our tenant-customers, ensuring constant engagement. Communications to our tenant-customers are issued in all jurisdictions and include local Government guidance in the respective local language and specific actions outlined dependent on whether the property is single-let or multi-let. Wouter will touch on our asset management across the countries in a moment.

All these measures are bearing fruit – *to date*, we do not have a single employee who has been infected and we have only one case of COVID-19 in one of our buildings. This is an unprecedented situation for all of us and we are adapting to a new environment with little visibility on how long this will continue but from where I stand, as at today, I am reasonably confident to say that our operations are ongoing with minimum disruption, as we continue to be of service to our customers and our investors.

Wouter, over to you to give some colour on the real estate front.

Wouter Zwetsloot
Head of Benelux and Real Estate, Europe
Cromwell Property Group

Thank you, Mark.

Good morning and good afternoon, everyone.

Mark gave you a good overview of our operations. As you can imagine, we and our local asset management teams, are very active in our tenant-customer outreach during these challenging times, within the constraints of the various ongoing country lockdowns. We have been in regular contact with our tenant-customers via video and audio conference calls, trying to maintain business as usual as far as possible. We also host twice-weekly meetings for our internal Real Estate Management team to share knowledge, discuss strategy and collectively tackle potential roadblocks as an asset management platform.

With Cromwell's presence in the countries in which CEREIT operates and beyond, these meetings have proven to be a suitable forum for comparing notes on different government approaches to COVID-19 and how this is impacting each jurisdiction from a real estate perspective. We are fortunate to be able to leverage such a wide range of knowledge and experiences across our platform. I understand a number of you have asked for lease terms and conditions in Europe. This is a complex topic but I will outline some general points that are relevant to our leases in Europe and the impact of emergency COVID-19 legislation that has been implemented in numerous European jurisdictions, with a particular focus on the countries in which CEREIT operates.

First of all, let me start with the fact that typically in Europe, tenant-customers pay rent three months in advance (and, in Italy specifically, rent is paid six months in advance for assets where the government is the tenant-customer). As a result, despite most of Europe having been in lockdown from at least the second half of March, from where we stand today, we have yet to see any immediate impact on revenues, not only for CEREIT but also for our other clients in the wider European portfolio of assets under management. Tim and Andreas will go through the specific performance topics in a bit more detail later on, as well as how we are addressing the immediate concerns of CEREIT's tenant-customers.

The legal landscape is quickly evolving across Europe with many jurisdictions adopting emergency COVID-19 legislation. Our local teams on the ground are continually monitoring the developments and we have instructed legal counsel to assist us with assessing how our legal position under the leases is evolving across Europe and to help us determine the impact of newly introduced government measures. The situation is evolving day-by-day but to briefly summarise the current situation:

- <u>Compulsory measures:</u> Across the Netherlands, Italy, France, Germany, Finland, Denmark and Poland, we are experiencing compulsory closures of commercial customer-facing activities. These closures generally impact bars, cafes, gyms and restaurants (excluding takeaway). In France, Denmark and Poland, the compulsory closures also cover retail stores and shopping centres (excluding essential stores such as supermarkets). In Italy, the rules are stricter: all non-essential commercial and industrial production activities have been suspended.
- <u>Voluntary closures:</u> In terms of voluntary closures, essentially across all the countries in which CEREIT operates, generally landlords do not have the right to voluntarily close buildings and/or prohibit entry as a result of COVID-19 (unless the lease specifically permits). Any such closure could result in liability to the tenant.
- <u>Reliefs and compensation:</u> Across many of the jurisdictions in which we operate, reliefs and compensation schemes have been introduced under new emergency legislation. In many cases, these measures help lessen the impact of compulsory closures on tenants, particularly for small- and medium-sized businesses.

- Renegotiation and termination: In Italy, Germany, Poland, Denmark, Finland and France, there are pre-existing general legal principles that may operate beyond any contractual rights in the relevant lease agreements. In certain situations, these principles may give tenants the right to renegotiate the lease agreements. Generally if commercial buildings are open for occupancy then force majeur principles don't apply. It remains to be seen to what extent these principles will be interpreted by the relevant courts and other applicable legislative bodies as applicable to COVID-19.
- This is the situation in very general terms as it stands today and we continue to monitor the developments.

Now I would like to hand over to Tim, who can tell more about the property management of the portfolio.

Tim George
Senior Portfolio Manager
Cromwell Property Group

Thank you, Wouter.

Portfolio Thoughts

- The portfolio team continues to work closely with our Real Estate Management Team to ensure accurate information flow across the whole of Europe.
- The key takeaways at this stage is that, helpfully, many tenant-customer requests *to date* are for rent deferments rather than rent reductions – Andreas will cover this in more detail later on.
- Our immediate focus as we enter 2Q will be on collecting rent during the month of April, which is a typically higher accounts receivable month than May or June. Italy is ahead of the curve in terms of government-enforced lockdowns but on a positive side, CEREIT's Italian portfolio of mostly office assets is currently 99% occupied, with over 60% tenanted by the Italian Government which is not required to pay their 2H 2020 advanced rent till July.
- As CEREIT already touched on in the 13 March COVID-19 market update, CEREIT has 62 Italian leases, with more than 80% of these being office leases and with leases representing less than €70,000 of NPI expiring this year. 8% of the Italian assets are the cinema and hotel assets that are subjected to the decree to close properties and these account for less than 2.5% of the portfolio's yearly NPI in total.

Tenant-customers

- The local asset management teams use this time to continue to actively engage with tenant-customers, with our main focus being the top 25 in each jurisdiction, to protect the health and safety of their staff and our premises. This effectively means that we are in direct communication with over 73% of headline rent of the portfolio every fortnight, providing valuable insights into each tenant-customers' business conditions and allowing us to identify early any potential risk from CEREIT's perspective.
- I am receiving feedback that tenant-customers perceive us as a collaborative local landlord which tenant-customers have supported.
- Indeed, many of them have come to us for advice and our thoughts given our approach *to date*, notably in Italy.

CAPEX

- The teams and I are continually reviewing the ongoing CAPEX programme to identify what is essential and what could and should be postponed.
- We cannot give exact figures at this stage but as a general rule, there a number of items that are yet to be tendered and can be postponed if cash preservation efforts demand this.
- In fact, we have positive examples in Denmark where the team was able to complete projects during the period of lockdown and delivered them ahead of budget in terms of timing despite the situation.
- There is a slowdown in new leasing, naturally, which would reduce vacant refurbishment costs. Letting conversations are slower, but ongoing. Notably in France, we are in the process of leasing up vacant space in one of CEREIT's newly acquired buildings (Cap Mermoz) to backfill the space of Colas Rail that was assumed to vacate in January 2020; this expected vacancy was underwritten as part of the acquisition. Similarly, we have just agreed a deal with a well-known mobile tech company to occupy over 400 square metres ("sqm") of office space in Finland. In Poland, we are close to signing a renewal with a blue-chip tenant-customer from the financial industry for c.5.000 sqm, which if signed, would extend the lease term till year 2026, with new headline rent slightly above ERV.

OPERATING EXPENDITURE ("OPEX")

As an overarching comment, all teams across Europe are looking at ways to reduce the OPEX in assets where occupancy is reduced, or closures are enforced. This will in turn potentially reduce energy usage / headcount on-site etc., but it should be noted that we are incurring some additional costs associated with additional cleaning / security etc., as part of preventive actions for COVID-19. In all likelihood, this will manifest itself in the service charge reconciliations at the end of the year and thus benefit landlords and tenant-customers alike, but importantly, this is unlikely to be recognised in net operating income this year.

I will now hand over to Andreas to give you more granularity on our portfolio and tenant-customer base.

Andreas Hoffmann
Head of Property (CEREIT)
Cromwell Property Group

Thanks, Tim. As Simon said in his opening remarks, CEREIT's portfolio is resilient and diversified. With 94 assets spanning gateway cities in the Netherlands, Italy, France, Poland, Germany, Finland and Denmark, we have an active approach to our asset management. The portfolio has an aggregate lettable area of approximately 1.4 million sqm and nearly 1,000 tenant-customers. It is important to note that 26% of CEREIT's current rent comes from government and semi-government leases. 64% of CEREIT's rent is paid by multinational tenant-customers and domestic corporations and only c.10% of our tenant-customers are small- and medium-sized enterprises. The reason is that while the majority of our 94 properties are leased out on a multi-tenant basis and hence offer good tenant-customer diversification, our portfolio has only a lesser share of smaller units to lease out. Indeed, 9.9% of rent comes from units smaller than 500 sqm.

- Furthermore, the following other CEREIT portfolio characteristics will act as a cushion for a market downturn:
    - 93.2% occupancy rate (as of year-end 2019)
    - Core / defensive locations with market growth until now (rental reversion in 2019 was at 3.7%)
    - A WALE at 4.4 years (as at the end of 2019) gives us a good balance between income protection in the short run and reversion opportunities in the long run (i.e. the majority of renewals will become due when hopefully markets are again on the uprise)

- In FY 2020, we will only have 11.6% of rental income with lease terminations and a further 2.9% with options to break. As mentioned during our FY 2019 results update, close to 60% of headline rent expiries and breaks up to June 2020 have been de-risked as at 31 December 2019. For the rest, so far, only two of the larger tenant-customers had informed us prior to COVID-19 outbreak that they would leave due to planned re-locations of their business, so this is within our expectations.

- With respect to leasing:
  - As Tim already mentioned, leasing out vacant space and renewals continue, although at a slower rate.
  - In 2020, we expect to see improvement in our tenant-customer retention rate which was approximately 60% in 2019, as a result of our large-scale tenant-customer retention programme launched prior to the COVID-19 outbreak. We also expect to see tenant-customers become more risk-averse and more likely to stay in current premises as moving budgets are cancelled / frozen.

- I believe that our tenant-customer base is relatively resilient in the face of COVID-19:
  - As already mentioned, only 10% of our tenant-customers are SMEs and thus more likely to be negatively impacted by COVID-19 lockdowns.
  - We have also analysed the industries of our tenant-customers to be able to take a view on which would be at higher risk with respect to their business, namely aviation, travel, food & beverage, entertainment, leisure and public car parks and we estimate that they represent approximately 11% of our portfolio, if we exclude our government tenant-customer Holland Casino in Central Plaza Rotterdam that is operated by a Dutch government authority. It remains to be seen how big and how long the impact on the business from these industries at higher risk will be on their ability to pay rent and this very much depends on the duration of the lockdown.
  - As Wouter pointed out, we are reviewing the whole CEREIT portfolio on a weekly basis. *As of today*, we are in varying degrees of discussions with 139 tenant-customers representing 9.7% of total rental income that have asked us to help smoothen their rent payments on a case-by-case basis. We are discussing / considering options such as moving from quarterly to monthly payments or postponing by up to three months of rent and in exceptional cases providing rent-free leases now as an incentive for an early lease extension or removal of break options, however, we only do this after a thorough assessment of tenant-customers' business and credit worthiness.
  - We are negotiating and working closely with all these tenant-customers to find a solution that works best for them and for CEREIT, while mitigating default and termination risks.
  - So far there is only one case of confirmed rent loss which Tim mentioned – the cinema operator in our retail asset in Lissone near Milan is impacted by the government shutdown and has stopped paying rent and service charges for the last seven weeks of lockdown; this represents a total rent loss of €162,000.
  - Another potential small impact on revenue is our parking income at Central Plaza of approximately €160,000 per month, which will likely be impacted to a certain degree from the closure of Holland Casino.
  - While we acknowledge that we are only seven weeks into the start of the European outbreak, there are no bankruptcies so far to report in CEREIT's portfolio as a result of COVID-19.

- For CEREIT's light industrial / logistics assets, there is evidence that CEREIT's larger tenant-customers are largely operational and some of them even require more space as they are benefiting from growing e-commerce, in particular, now due to COVID-19. Two examples are as follows:

- We understand from a global parcel delivery service tenant-customer in one of our largest warehouses in Copenhagen,Denmark, that they are seeing a pick-up on their business as commercial passenger flights are largely suspended and there is increased demand for their cargo flights. Substantial increase in groceries bought online has also had a spillover effect given their delivery operations.
- Other positive examples of e-commerce demand for warehouses include another major global logistics tenant-customer in Parc des Docks in Paris, and in their second CEREIT owned warehouse in South France where we understand that both of their underlying contracts with one major European retailer has had a substantial positive impact on their activities.

I will now hand over to Rob who will provide you with an update on transactions and capital markets.

Over to Rob.

Rob Cotterell
Head of Investments, Europe
Cromwell Property Group

Thank you Andreas.

I will give you an overview of the transactions landscape in Europe at the moment, from the wider perspective of Cromwell's pan-European platform. In these challenging times, Cromwell is well placed to monitor and identify both issues and opportunities within our markets and to strategically source and transact. We have multiple layers that work together; from the top down, our research / funds management / investor relations and new product development teams who gather, analyse and collate all the macro and investor-led information. This is then combined with the local information compiled from our investment professionals across our 20 offices and 11 regions.

Coupled with the information from the Property team on our tenant-customers, we are able to make well-informed decisions and judgements on the market, the right strategies, assets and markets to invest in.

These skills and dedication from the team were recently illustrated by our latest transaction where we were able to simultaneously close on the 12-asset sale for CEREIT across four countries for €68 million and the purchase of three German logistics assets for €37 million, while being in a lockdown situation.

In terms of capital markets and forward-looking investment into European real estate, we anticipate that there will be a sustained period of uncertainty which may lead to delays in investment decision-making and therefore delays in capital deployment. The bigger impact could be felt in capital markets where deal times could get stretched. Investors are likely to delay committing to new acquisitions, potentially delaying deal completion and capital deployment plans by up to 3-6 months.

This immediate impact has been illustrated by several high-profile sales being withdrawn or postponed from the market. As an example, Savills have delayed the previously eagerly anticipated sale of a €900 million pan-European office portfolio on behalf of AEW Europe.

Total transaction volumes for 2Q and 3Q 2020 are expected to see significant falls, with an anticipated up-tick in 4Q as investors return to the market but is unlikely to be sufficient to reverse the slow-down in 2Q / 3Q. So overall, European volumes are expected to fall dramatically in the full-year figures.

The private equity real estate sector is a large part of Cromwell Group's business, so we are well connected in this area of the market. As with all owners of property in the current market, private equity investors also have challenges to overcome within their investment portfolios but with market dislocation, the wellcapitalised investor will be hunting for opportunities. Currently, the large pricing falls have been in the listed sector with the greatest discounts for companies with higher weighting in retail, hotel and leisure sector. To gain faster access to any dislocation, private equity capital is likely to initially focus on providing equity solutions in re-capitalisations, corporate distress, debt solutions, etc., rather than direct real estate deals. By comparison, the majority of European institutional investors will be focused on core deals and will return to the market when the right opportunities arise, initially, more likely within their local markets before cross-border investments.

The other main factor that will impact the market will be how banks will behave in these uncertain times. Banks are under pressure from governments to hold back distributions to bolster their balance sheets to support businesses during this period. This pressure to do the right thing will give some protection for property owners that may breach interest cover ratio covenants over the next 3-6 months with lenders expecting to provide waivers to these breaches, especially where owners are able to continue to cover the interest payments. Where the distress and opportunities will arise is where pressure builds on valuations for cash-restrained and highly leveraged borrowers. In the short term, valuations are likely to be maintained with no transactional evidence to justify any significant value falls but continued market uncertainty will create increased pressure on some landlords to release equity from sales.

Shane will now talk to you on CEREIT's cash position and financial risk management.

Shane Hagan
Chief Financial Officer
Cromwell EREIT Management

Firstly, just to reiterate what Simon mentioned earlier regarding cash management, this really is the primary focus for the Finance team, so we have been taking appropriate measures to ensure we preserve cash. In such an uncertain environment we believe that cash in the bank is of paramount importance. As a result of this, we have undertaken the following:

1. We have recently done a full drawdown on CEREIT's €150 million revolving credit facility ("RCF") and placed the cash in the bank, with a portion of this earmarked to refinance existing debt if required, although the first debt expiry (taking into account a built-in extension period) is only in 2H 2021;
2. We have recently sold a portfolio of 12 assets and at the same time acquired three new assets, which in total resulted in a c.€20 million increase in cash in CEREIT's bank accounts;
3. We recently repaid a €20.4 million Polish value-added tax loan after receiving a full refund from the Polish tax authority; and
4. On 30 March, we used available cash to pay our 2H 2019 distribution of €51.7 million.

Taking into account existing cash balances and after the effect of the above transactions, CEREIT currently has cash reserves of over €200 million to see us through this challenging period.

Pro forma aggregate leverage is c.38% after taking into account the above events and also assuming that some of the RCF drawn down is earmarked (in line with the Monetary Authority of Singapore's guidelines) to refinance near-term debt expiries if we choose not to take advantage of the built-in extension. If the RCF, which is sitting as cash at bank were fully repaid, then pro forma aggregate leverage would be c.36%. So CEREIT's balance sheet is in reasonable shape to weather the impact.

Notwithstanding CEREIT's current cash position, we continue to constantly monitor the banking sector and overall capital market environment very closely. It is pleasing to note that last year, we completed a transformational debt refinancing which has increased our weighted average debt expiry profile, increased our unencumbered assets to over 70% and fixed 100% of our interest costs.

The covenants on our debt facilities are in line with local market standards, with the gearing covenant in line with Singapore regulations except that CEREIT benefits from deducting cash at bank in the calculation. Other covenants such as unencumbrance ratios and priority ratios have all benefited from last year's refinancing. In addition, our last reported interest coverage ratio in excess of 8 times remains one of the highest in the Singapore REIT Market.

We monitor our cash flows very closely and will also be monitoring our arrears although at this stage in April, it is too early to really give any quantitative figures on rental collections. As Andreas mentioned earlier, we are currently in discussion with tenant-customers who make up about 10% of our rent and our initial strategy will be to defer rather than to waive rentals, meaning more of a cashflow timing impact rather than an earnings impact. In the meantime, we will continue to focus on preserving cash by minimising operating expenses and prioritising our capital expenditure.

I will now pass back to Simon for concluding remarks.

Simon Garing
Chief Executive Officer and Executive Director
Cromwell EREIT Management

In conclusion, let me recap: in weathering such events, CEREIT is a well-diversified portfolio across asset classes, geographies, tenant-customers and tenant-customer trade sectors, as well as with high occupancy rate, long WALE with a significant proportion of government tenant-customers and a 40% weighting to light industrial logistic assets by income.

As you have heard from a number of the senior management team today, we are in active dialogue with the tenant-customers on how to address these unprecedented times. In addition, we are actively reducing expenses, deferring non-essential capital expenditure and will make use of any relevant facilities, insurance policies, financial support packages or other arrangements provided by the various national authorities to assist the tenant-customers through the crisis.

The Board and the management team remain very focused on preserving unitholder value, ensuring appropriate levels of cash and stewarding CEREIT's operations through the impact from COVID-19.

The Manager will carefully monitor the state of affairs and provide further updates as the situation warrants.

Thank you.