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Cromwell European REIT Delivers Outstanding Performance Despite Pandemic

- 2H 2020 distribution per unit ("**DPU**") of €1.744 cents, only 1.3% lower than 2H 2019 on a like-for-like basis[1] and 6.8% above 1H 2020 (excluding capital distribution)
- FY 2020 DPU of €3.484 cents, only 3.0% lower compared to FY 2019 DPU on a like-for-like basis[1]
- €88.6 million cash flow from operating activities, 1.3% higher than FY 2019 and in line with FY 2020 distributable income; close to 100% cash collection rate for FY 2020
- 95.1% portfolio occupancy rate, 7.4 percentage points above IPO Portfolio[2] with +2.1% positive rental reversion and weighted average lease expiry ("**WALE**")[3] profile maintained at 4.9 years
- €2.2 billion portfolio valuation, 2.2% increase in valuation in 2H 2020 as at 31 December 2020, leading to a net asset value ("**NAV**") of €50.9 cents per unit and aggregate leverage of 38.1%

	2H 2020	2H 2019[4]	Variance	FY 2020	FY 2019	Variance
Gross Revenue (€'000)	93,312	94,674	(1.4%)	186,972	177,046	5.6%
Net Property Income (€'000)	59,608	62,012	(3.9%)	117,329	116,146	1.0%
Income Available for Distribution to Unitholders (€'000)	44,578	52,058	(14.4%)	89,143	96,898	(8.0%)
DPU (€ cents)	1.744	2.040	(14.6%)	3.484	4.080	(14.6%)
DPU on a Like-for-Like Basis[1] (€ cents)	1.744	1.767	(1.3%)	3.484	3.590	(3.0%)

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 half and the financial year ended 31 December 2020 ("**2H 2020**" and "**FY 2020**", respectively).

Gross revenue and net property income ("**NPI**") rose 5.6% and 1.0% year-on-year ("**y-o-y**") to €187.0 million and €117.3 million, respectively, in FY 2020. These were largely due to contributions from newly acquired office assets in France, Italy and Poland and light industrial / logistics assets in Germany.

CEREIT's FY 2020 income available for distribution was €89.1 million, 4.7% higher than FY 2019 on a like-for-like basis[5]. DPU was €3.484 cents, 14.6% lower on FY 2019 DPU, but only 3.0% lower than FY 2019 on a like-for-like basis[1].

The 2H 2020 DPU of €1.744 cents is slightly higher than the 1H 2020 DPU of €1.74 cents and 6.8% above 1H 2020, excluding 1H 2020 capital distribution of €2.8 million from realised gains. 2H 2020 DPU will be paid out on 31 March 2021. Cash flow from operating activities was €88.6 million, which was 1.3% higher than FY 2019 and in line with FY 2020 distributable income.

The Manager's Chief Executive Officer, Mr. Simon Garing, commented, "At the onset of the COVID-19 pandemic, the Manager quickly moved to a 'safety-first' mode in the first quarter of the year to preserve cash and unitholder value. This move allowed for the gradual return to normal operations in the second half before the second COVID-19 wave kicked in during the European winter. Consequently, CEREIT's 2H 2020 NPI was €59.6 million, up 3.3% from the 1H 2020 NPI, the result of active leasing and a testament to the resilience of a portfolio of 95 assets and close to 800 tenant-customers diversified across seven European countries."

Diversified Portfolio Withstanding COVID-19 Well

Despite headwinds from the COVID-19 pandemic, CEREIT's occupancy rate increased to 95.1% as at 31 December 2020 (up from 93.2% as at 31 December 2019). Leasing activity continued with minimal disruption throughout the first half of 2020. With lockdowns easing in the summer, the Manager stepped up efforts further in the second half and signed ~50% more leases by area in the second half compared to the first half. Tenant-customer retention rate also improved in the second half of the year, but leases were signed at relatively lower rent reversions especially for lease renewals, in order to improve occupancy and preserve cash flows.

All in all, leases for approximately 8.5% of the portfolio in net lettable area were signed in FY 2020, with a total of 178 new and renewed leases for 131,791 square metres of space secured at a positive rental reversion of +2.1% across CEREIT's portfolio in total, supported by office (+1.7%) and light industrial / logistics (+3.8%) assets. During the fourth quarter alone, the asset management team signed several large leases across light industrial / logistics assets in Denmark and France to quality tenant-customers such as Ambrosia (Denmark's largest beverage distributor) and La Poste (a major postal service and logistics company in France). Several major renewals in the Italian portfolio were secured, including the notable 12-year lease extension for the 450-room hotel Starhotels Grand Milan with revised terms to incorporate a higher share of turnover rent.

From the onset of the pandemic, approximately 21% of tenant-customers by income sought rent reprofiling, with requests largely tapering off since July. The Manager embarked on an active tenant-customer engagement programme to manage the requests, largely amending lease payments from quarterly to monthly and at no point making blanket provisions for "rent relief". To date, the asset management team has reprofiled 12% of leases by income with less than €40,000 of rent abatements given in total and only in exceptional cases[6]. Pleasingly, cash collection was close to 100% for the year, out of close to 1,000 leases.

The Manager has further de-risked CEREIT's portfolio coming in to 2021, extending or renewing 59% of leases subject to expiries or breaks in the first half of 2021. The WALE[3] profile of the portfolio stands at 4.9 years as at 31 December 2020, maintained at similar levels for the past three years.

For a third consecutive year, CEREIT recorded an uplift in portfolio valuations. As at 31 December 2020, the 95 properties in the portfolio were valued independently at €2,125 million[7], including a net €20.5 million valuation increment in FY 2020. In the second half of the year alone, CEREIT recorded a €45.4 million fair value increase (+2.2%), more than offsetting the slight decline in the first half. The valuation uplift is a result of Cromwell's asset management teams' active tenant-customer engagement and leasing efforts, as well as its acquisition team's ability to source off-market deals for assets with growth potential at market discounts. Including the most recently acquired intermodal freehold logistics park Centro Logistico Orlando Marconi in Italy, CEREIT's portfolio of 96 assets were valued at €2,178 million[7,8] as at 31 December 2020.

Successful Transactions Despite Lockdowns

Notwithstanding COVID-19-related lockdowns across most of Europe, the Manager announced or completed approximately €220 million of light industrial / logistics asset acquisitions at a blended net operating income yield of 6.7%, expanding CEREIT's footprint in Germany and Italy while gaining access to two attractive new markets – Czech Republic and Slovakia. Upon the completion of €113.2 million acquisition in the Czech Republic and Slovakia by the end of the first quarter of 2021, CEREIT's exposure to light industrial / logistics will rebalance towards higher logistics exposure closer to 40% weighting.

In keeping with its efforts to de-risk CEREIT's portfolio, the Manager executed its first multi-property disposal in late March 2020, divesting 12 light industrial / logistics assets in the Netherlands, France and Denmark for €65.7 million, €8.7 million (+15.2%) over the original purchase price of the assets. The disposal also resulted in a 30% reduction of CEREIT's exposure to small- and medium-sized enterprises, especially opportune in the light of the on-going COVID-19 pandemic.

Transformational Capital Management

In the fourth quarter of 2020, the Manager established a €1.5 billion Euro Medium Term Note ("**EMTN**") programme. The programme provided the foundation for the further transformation of CEREIT's debt profile with the inaugural issuance of a €300 million 5-year bond in November 2020 at a reoffer yield of 2.16%, followed by a well-received tap issue of €200 million in January 2021, at a reoffer yield of 1.60%.

Fitch Ratings Singapore Pte Ltd assigned CEREIT a "BBB- with stable outlook" long-term issuer credit rating, underpinned by the REIT's diverse portfolio and high-quality tenant-customer base.

The Manager also established a four-year €135 million unsecured revolving credit facility ("**RCF**") with a €65 million accordion increase option. Net proceeds from the bond issuances were used to refinance existing debt, while the RCF remained undrawn. The refinancing improved CEREIT's debt maturity profile, extending its weighted average debt expiry to more than four years, with no drawn debt expiries until November 2022.

CEREIT has a low annualised interest rate of approximately 1.66% and a high interest coverage ratio of 6.4 times[9] as at 31 December 2020. Its aggregate leverage[10] stands at 38.1%, within the board-approved range of 35% – 40%. CEREIT has a fully hedged total gross debt and more than 90% of its debt is unsecured.

Mr. Garing commented, "Through CEREIT's inaugural bond launch and the follow-on tap issue, we saw healthy demand from global credit investors. I am delighted with the continued tightening of CEREIT's bond spread since the issuance in November 2020 – proof of the market confidence in our performance and the quality of CEREIT's cash flows. This achievement truly bears testament to Cromwell Property Group's integrated European platform and treasury management capabilities".

Introduction of Distribution Reinvestment Plan

The Manager's Board of Directors has approved the introduction of a Distribution Reinvestment Plan ("**DRP**") and is proposing to activate it for the distribution for 2H 2020. This has been one of the Manager's capital management objectives since CEREIT's listing, as DRP provides an alternative investment option for unitholders and a way to reward existing unitholders with an opportunity to acquire new units at a preferential price without incurring transaction costs.

Focus on Setting Aspirational ESG[11] Targets

CEREIT scored 73 points in the Global Real Estate Sustainability Benchmark ("**GRESB**") assessment in 2020, improving its 2019 score by 9% as compared to the year before, outperforming its peer average score of 69 points and ranking second among its Singapore-listed peers in the GRESB Public Disclosure Assessment. Also in 2020, CEREIT was ranked seventh in the 2020 Singapore Governance and Transparency Index and 10th in the 2020 Governance Index for Trusts.

Over the past year, the Manager attained a further six green building certifications for CEREIT's assets, increasing the proportion of the REIT's office portfolio with BREEAM[12] green certifications to approximately 70% by the first quarter of 2021. Following an audit of carbon emissions of CEREIT's entire portfolio in France, the Manager has committed to achieve a 40% energy reduction goal by 2030, in keeping with the French government regulations. The Manager has also launched a sustainability-related pilot programme across the portfolio focused on installing LED lighting, smart meters, building management system controls, solar panels, and ground source heating pumps for CEREIT's assets.

As CEREIT's unitholder base expands to include a global diversified roster of tier-1 investors with an increasing focus on robust ESG targets and disclosures, the Manager is committed to further enhancing its ESG corporate disclosures and setting aspirational ESG targets to inform its ongoing sustainability efforts.

Outlook

The emergence of new COVID-19 strains in the Eurozone has led to a tightening or extending of lockdowns or operating restrictions and this is expected to impact economic activity in the first quarter of 2021, with Eurozone 2021 gross domestic product ("**GDP**") growth forecast[13] recently revised down from 4.7%[13] to 4.2%[13]. However, GDP growth is expected to pick up in the second quarter, as daily activities resume and the impact of monetary and fiscal policy stimuli feed through, along with the impressive growth in the export-led manufacturing sector.

With the European Recovery Fund set to start flowing to member states as early as this summer[14], improvements will be most significant in countries that were hit hardest by the pandemic and are expected to benefit more from a normalisation in the health situation and a pick-up in international travel (notably, Italy from CEREIT's perspective).

Demand for real estate in Europe has remained strong due to low capital values, relatively affordable rents and positive yield spreads to low interest rates. Capital inflow reached €76.2 billion in the fourth quarter of 2020, 55% higher quarter-on-quarter, bringing total inflow during the year to €255 billion, just 3% below the 10-year annual average, and supportive of well-leased and well-located assets.

In the office sector, the average vacancy rate across key European cities stood at 7.7% during the fourth quarter, well below the 10.6% seen in the aftermath of the Global Financial Crisis. Occupiers remain cautious, revisiting fitout and layout plans without making any drastic changes to their footprint as they continue to prepare for a return to their offices with a potential shift to shorter and more flexible leases.

In the light industrial / logistics sector, a number of European markets remain undersupplied, especially in terms of quality space, while demand from third-party logistics operators and other logistics and e-commerce players for quality space in good locations remains strong. A combination of undersupply and strong demand is likely to lead to upswings in rental growth, which will likely be more evident in the second half of 2021.

Mr. Garing concluded, “In 2021, we will look to further rebalance CEREIT’s portfolio, increasing its exposure to the logistics sector closer to 40% weighting and exploring similar opportunities in the post-Brexit UK, while divesting a number of office and other non-strategic assets. We will also continue planning for key redevelopment opportunities in Paris, Amsterdam, and Milan.

We are well-advanced with our green finance framework and will look to further tap our €1.5 billion EMTN bond programme and return to the bond market at a later date. We remain committed to enhancing the investment-grade credit rating and exploring ways to maintain CEREIT’s conservative capital structure while further improving funding flexibility.

While the pace of the Eurozone’s recovery will be dependent on the success of vaccine rollouts and government initiatives, we are cautiously optimistic that the near-term headwinds presented by the pandemic will likely be temporary in nature.”

END

IMAGES OF SELECTED ASSETS

(Acquisitions announced or completed in 2020)

Centro Logistico Orlando Marconi, Monteprandone, Italy

Uherské Hradiště Alfa CZ Asset, Uherské Hradiště, Czech Republic

Nove Mesto Eta SK Asset, Kočovce, Slovakia

Sangerhausen, Saxony-Anhalt, Germany

ABOUT CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

Cromwell European Real Estate Investment Trust ("**Cromwell European REIT**" or "**CEREIT'**) 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.

CEREIT's portfolio comprises 96 properties with an appraised value of approximately €2,178 million as at the date of this announcement in or close to major gateway cities in the Netherlands, Italy, France, Poland, Germany, Finland and Denmark, with a balanced focus on the office and light industrial / logistics sectors. CEREIT's portfolio has an aggregate lettable area of approximately 1.6 million square metres, around 800 tenant-customers and a WALE[3] profile of approximately 4.9 years as at 31 December 2020.

CEREIT is the first REIT with a diversified pan-European portfolio listed on the Singapore Exchange Limited. CEREIT is managed by Cromwell EREIT Management Pte. Ltd., a wholly-owned subsidiary of CEREIT's sponsor, Cromwell Property Group[15], a real estate investor and manager with operations in 14 countries, listed on the Australian Securities Exchange Ltd.

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1 2H 2019 and FY 2019 DPU have been restated to assume base management fee and property management fee were paid 100% in cash to provide a like-for-like comparison to 2H 2020 and FY 2020.

2 Refers to the initial portfolio of CEREIT, as defined in the prospectus dated 22 November 2017.

3 "**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. WALE includes a WALE of 8.1 years for CEREIT's assets in the 'Others' segment (comprising three government-let campuses, one hotel and one leisure / retail property and one hotel in Italy).

4 "**2H 2019**" refers to the period from 1 July 2019 to 31 December 2019.

5 Assuming base management fee and property management fee were fully paid in cash.

6 Exceptional cases refer to rent abatements without lease extensions.

7 Valuation is based on independent valuations conducted by CBRE Ltd and Savills Advisory Services Limited as at 31 December 2020 for 95 properties in the portfolio.

8 Centro Logistico Orlando Marconi, which was acquired on 23 December 2020, is carried at its purchase price.

9 Interest Coverage ratio is calculated as per the Property Funds Appendix and based on net income before tax, fair value changes and finance costs divided by interest expense and amortised establishment costs.

10 Aggregate leverage is calculated as per the Property Funds Appendix. Leverage Ratio as per the EMTN prospectus is 37.0%, and is defined as consolidated net borrowings (including capitalised finance leases and excluding cash and cash equivalents) divided by consolidated total assets.

11 Environmental, social and governance.

12 Refers to the Building Research Establishment Environment Assessment Method.

13 Based on data from Oxford Economics.

14 According to Politico (https://www.politico.eu/article/eu-coronavirus-recovery-fund-deal-money-flowing-summer/).

15 Cromwell Property Group is a stapled group comprising Cromwell Corporation Limited and Cromwell Diversified Property Trust (the responsible entity of which is Cromwell Property Securities Limited).