



**RESILIENCE
QUALITY
REJUVENATION**
ANNUAL REPORT 2022

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CORPORATE INFORMATION

Corporate Information

* Cromwell European REIT's Annual Report covers the period 1 January 2022 to 31 December 2022

** Unless otherwise stated, financials are reported in Euros ("Euro" or "€")

*** Any discrepancies in the tables included in the Annual Report between the listed amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in this Annual Report may not be an arithmetic aggregation of the figures that precede them

CEREIT OVERVIEW

(AS AT 23 FEBRUARY 2023)

CEREIT has a principal mandate to invest, directly or indirectly, in income-producing real estate assets across Europe with a minimum portfolio weighting of at least 75% to Western Europe and at least 75% to the light industrial / logistics and office sectors. CEREIT's purpose is to provide Unitholders with stable and growing distributions and net asset value per unit over the long term, while maintaining an appropriate capital structure. CEREIT currently targets a majority investment weighting to the light industrial / logistics sector while also investing in core office assets in gateway cities.

CEREIT's €2.5¹ billion portfolio comprises 110+ predominantly freehold properties in or close to major gateway cities in the Netherlands, Italy, France, Germany, Poland, Denmark, Finland, the Czech Republic, Slovakia and the United Kingdom with an aggregate lettable area of approximately two million sqm and 800+ tenant-customers.

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

WESTERN EUROPE

86%

THE NETHERLANDS

GERMANY

FRANCE

ITALY

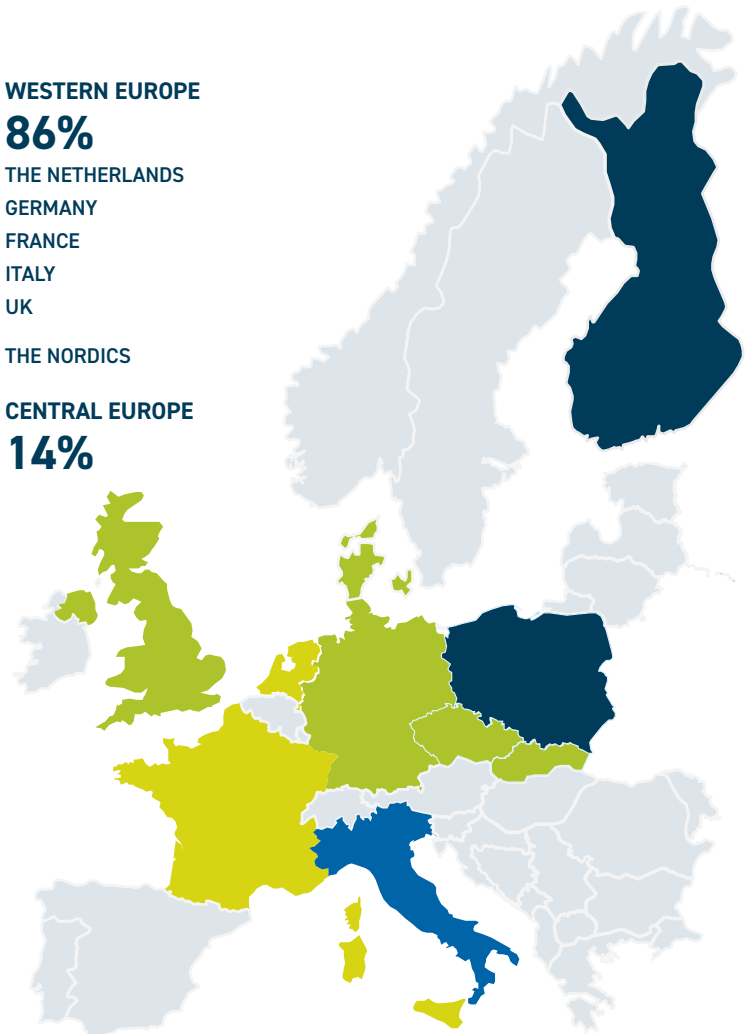
UK

THE NORDICS

CENTRAL EUROPE

14%

● Office ● Light industrial / logistics, Office and Others ● Light industrial / logistics ● Light industrial / logistics and Office



LIGHT INDUSTRIAL / LOGISTICS ASSETS

- Combination of last mile and urban logistics with light industrial assembly / manufacturing
- High occupancy rates with a long WALE



OFFICE ASSETS

- In close proximity to city and town centres with ample amenities
- Strategically located near public transport nodes
- ~80% of office portfolio by NLA is green-certified



OTHERS

- Includes government-let campuses, leisure and retail properties



€2.5 billion¹
Resilient European commercial portfolio



86%
Western Europe and The Nordics



110+
Predominantly freehold properties



1.9 million
SQM net lettable area



46%
Light industrial / logistics exposure

FY 2022 FINANCIAL HIGHLIGHTS



€136.8 million

NPI

+5.1% y-o-y
(+23.9% light industrial /
logistics NPI y-o-y)



39.4%

GEARING

ample liquidity with ~€200 million
in cash and undrawn RCF¹



96.0%

OCCUPANCY²

+1.0 p.p. new record-high as
compared to 31 Dec 2021



17.189 Euro cents

DPU

+1.3% y-o-y



2.9-year

WADE

no material debt expiries till
4Q 2024



Strong at +5.7%

RENT REVERSION³

FY 2022 portfolio



€2.42 / unit

NAV

minor 1.6% decline in 2H 2022
valuations underpins portfolio
resilience



78% fixed / hedged

DEBT

reduces impact of increasing
interest rates



4.6-year

WALE

unchanged as compared
to a year ago

	As at 31 Dec 2022	As at 31 Dec 2021	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2018
BALANCE SHEET					
Total assets (€ million)	2,590.0	2,534.5	2,250.4	2,254.9	1,814.8
Unitholders' funds (€ million)	1,358.7	1,413.1	1,302.2	1,314.6	1,118.8
KEY FINANCIAL METRICS					
Adjusted DPU (Like-for-like)	17.189	16.961 ⁴	17.420 ⁴	17.950 ⁴	16.500 ⁴
Aggregate leverage (%)	39.4%	36.6%	38.1%	36.8%	33.0%
Aggregate leverage excluding distribution	40.1%	37.3%	38.9%	37.7%	33.6%
NAV attributable to Unitholders per Unit (Euro cents) ⁵	n.a.	n.a.	50.9	51.6	51.3
NAV attributable to Unitholders per Unit (€) ⁶	2.42	2.52	n.a.	n.a.	n.a.
CAPITAL MANAGEMENT					
Total borrowing facilities (€ million)	1,178.0	1,127.4	1,142.4	980.8	675.3
Gross borrowings (€ million)	1,019.9	927.4	857.4	830.8	598.2
Interest cover (times)	5.3	5.8	6.4	6.7	6.8
Units in issue (million)	562.4⁶	561.0 ⁶	2,556.1 ⁵	2,547.8 ⁵	2,182.0 ⁵
Market capitalisation (€ million)	843.6	1,419.4	1,226.9	1,375.8	960.1

1 Revolving Credit Facility

2 Occupancy calculation excludes the hard refurbishment/development projects in Via Nervesa 21 (Italy), Via dell' Amba Aradam 5 (Italy) and Lovosice ONE Industrial Park I (The Czech Republic)

3 Across the entire portfolio; calculated as a percentage with the numerator being the new headline rent of all modified, renewed or new leases over the relevant period and denominator the last passing rent of the areas being subject to modified, renewed or new leases

4 Like-for-like DPU assumes (i) the Manager's fees and Property Manager's fees had been treated 100% as expense in Distribution Statement rather than paid out in Units as capital in 2018 and 2019; (ii) bonus element from rights issue excluded; and (iii) DPU for the periods prior to 5 March 2021 are adjusted for 5:1 Unit consolidation. 2018 DPU covers the period from 1 January 2018 to 31 December 2018

5 Prior to the 5:1 Unit consolidation completed on 7 May 2021

6 Post the 5:1 Unit consolidation completed on 7 May 2021

CHAIR'S LETTER TO UNITHOLDERS



Lim Swe Guan

CHAIR AND INDEPENDENT
NON-EXECUTIVE DIRECTOR

CEREIT has delivered a credible set of results, with DPU growth, record-high occupancy and a gearing maintained below 40%.

Dear Unitholders,

On behalf of the Board, I am pleased to present CEREIT's Annual Report for the financial year ended 31 December 2022. This Annual Report celebrates CEREIT's 5th anniversary since listing in November 2017.

2022 was another turbulent year for the global community. A combination of various factors including heightened geopolitical risks, persistently high inflation, rising energy prices, global supply chain disruptions, labour shortages, interest rate hikes and falling property valuations all contributed to a particularly challenging year for the listed real estate sector.

It is therefore especially pleasing to report that despite these headwinds, CEREIT has once again delivered a credible set of results for FY 2022, underpinned by higher NPI in the light industrial / logistics sector.

FY 2022 income available for distribution to Unitholders grew 3.3% y-o-y to €96.7 million. All in all, Unitholders received a total distribution of 17.189 Euro cents per Unit in FY 2022, which is 1.3% higher y-o-y.

RESILIENT PERFORMANCE

FY 2022 gross revenue and NPI rose by 11.0% and 5.1% respectively, mainly due to income from new acquisitions and CPI indexation within the existing portfolio, which was partially offset by increased operating and finance costs. Our on-the-ground teams did well to proactively manage and limit

the CPI-impacted increase in non-recoverable operating expenses to €3.6 million, passing on the majority of increases in utilities and other building operating costs to tenant-customers.

CEREIT recorded an overall positive 5.7% rent reversion and portfolio occupancy was at a record-high of 96.0%, with almost half a million sqm or 26% of the portfolio's lettable area re-leased in the past 12 months. This is an achievement made possible by the resilience of CEREIT's assets, inflation-linked rental income and the proactive efforts of our capable on-the-ground asset management teams.

Due to a confluence of macroeconomic risk factors and negative sentiments such as the ongoing Russia-Ukraine war and a weaker Euro currency, CEREIT's 1-year annualised rolling total unitholder return underperformed the market during 2022.

However, CEREIT's operating performance benefited from the ongoing pivot to a majority weighting to the light industrial / logistics sector. Since the beginning of 2020, the Manager has completed €427 million in light industrial / logistic acquisitions in the Czech Republic, Slovakia, Germany, Italy, the Netherlands, the UK and Denmark at a blended 6.2% net initial yield. The light industrial / logistics sector now accounts for almost half of the portfolio, and its share of NPI has grown from 34.5% in 1Q 2021 to 46.9% in 4Q 2022. With independent valuations conducted as at 31 December 2022 for all properties except one new acquisition, it was also pleasing to note that the valuation of light industrial / logistics portfolio increased 5.0% or €50.3 million y-o-y, uplifted by continued rental growth and development initiatives.

EVOLVING INVESTMENT STRATEGY

CEREIT is the largest SGX-listed REIT with a 100% European portfolio, with 86% of its assets located in Western Europe including the Nordics. The Board places a strong emphasis on CEREIT's investment strategy and extensively considers all opportunities that can deliver superior risk-adjusted returns. Given the current challenges in the macroeconomic environment, new acquisitions have been put on hold, until greater visibility on asset prices transpires. At this time, the Manager has instead turned its attention towards unlocking value from CEREIT's existing portfolio comprising well-located, older

assets and freehold land. The €250+ million medium term development pipeline that the Manager announced a year ago is progressing well. Construction work is well-advanced at the €32 million Via Nervesa 21 Grade A office redevelopment in Milan, Italy, where a major global media company has committed to a lease for approximately 44% of space, a year ahead of completion. Strip out works at CEREIT's second office development project – a €45 million Grade A office LEED platinum-certified asset in Rome, Italy – has also commenced in March 2023. The €15 million expansion project in Lovosice ONE Industrial Park I in the Czech Republic is expected to complete by June 2023, with two of the five units already leased out and the remaining space seeing good leasing progress.

As CEREIT's cost of capital is marginally higher due to the discounted unit price, funding for these developments is projected to come from selective non-core divestments. To that end, approximately €400 million or 15.9% of the portfolio has been identified for staggered sales over the next two to three years. This is expected to free up capital headroom to fund the redevelopment pipeline and maintain gearing within CEREIT's covenants.



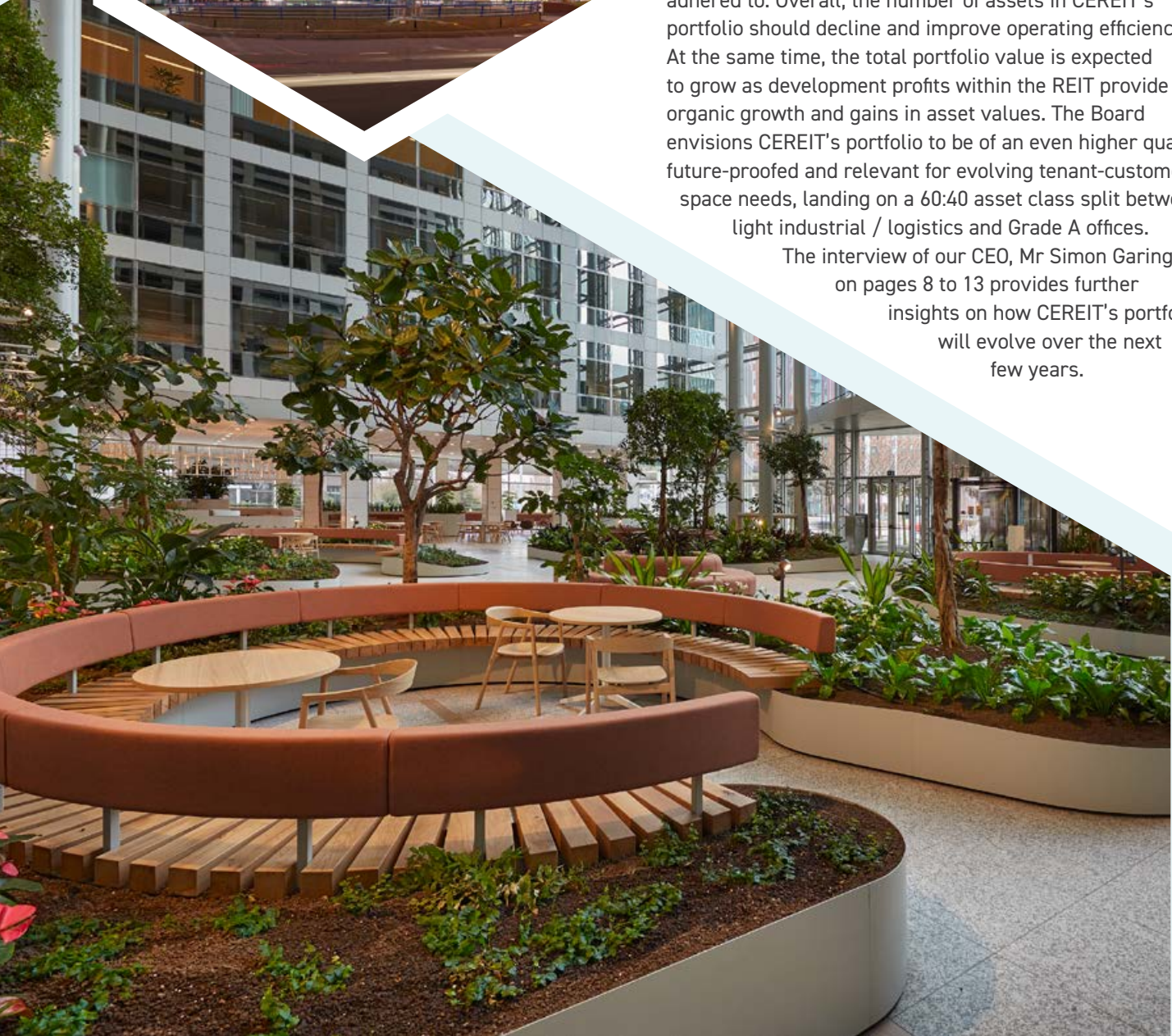
CHAIR'S LETTER TO UNITHOLDERS



Efforts to divest CEREIF's portfolio are part of the Manager's asset recycling and rejuvenation programme, as the redevelopment of existing assets on primarily freehold land and from within CEREIF's balance sheet are expected to deliver maximum upside for Unitholders. There will invariably be some near-term impact on NPI when non-core but high-yielding assets are sold to fund development projects (which typically have a one to two years lead time). Ultimately, the higher yield on cost and development profits will contribute to CEREIF's bottom line in future years.

As always, the Board employs appropriate governance and risk management measures to ensure traditional development risks are mitigated and that the MAS development limit of 10% of total assets is closely adhered to. Overall, the number of assets in CEREIF's portfolio should decline and improve operating efficiencies. At the same time, the total portfolio value is expected to grow as development profits within the REIT provide organic growth and gains in asset values. The Board envisions CEREIF's portfolio to be of an even higher quality, future-proofed and relevant for evolving tenant-customer space needs, landing on a 60:40 asset class split between light industrial / logistics and Grade A offices.

The interview of our CEO, Mr Simon Garing, on pages 8 to 13 provides further insights on how CEREIF's portfolio will evolve over the next few years.



PROACTIVE CAPITAL MANAGEMENT

I am grateful that we had the foresight to start planning for CEREIT's near-term debt expiries well before the reality of the current rising interest rate environment hit the global real estate sector. The continued rise in interest rates has impacted finance costs, with CEREIT's all-in interest rate at the end of 2022 at 2.38% and trending upwards in 2023. Amid the challenging environment, the Manager has successfully completed several capital management initiatives, even when debt capital markets remained closed to real estate issuers for most of 2H 2022. In October 2022, the Manager secured a €180 million 4-year sustainability-linked facility from new lenders including OCBC, HSBC, QNB and RHB. In March 2023, the Manager amended and restated an existing facility with new commitments into a €70.6 million 3.5-year sustainability-linked loan with existing lenders. As a result, CEREIT has no near-term refinancing requirements until end-2024.

Notably, the new €210 million interest rate cap, which was transacted at a 60-bps 3-months Euribor strike resulted in 78% of total debt being hedged / fixed until end-2024. These transactions reaffirm the Board's commitment to manage capital management risks.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Sustainability is embedded into the Manager's business, asset and investment strategy for CEREIT. The Board also conscientiously provides strategic oversight and uplift to CEREIT's ESG performance.

Meaningful upgrades in key ESG ratings over the course of 2022 speak volumes of the Manager's efforts to integrate sustainability into all aspects of the business. Notably, CEREIT was ranked fourth in GIFT 2022, retained its position in the SGTI and has remained within the top 10 for three consecutive years since 2019. CEREIT also received a double-notch upgrade in MSCI ESG rating from "BBB" in 2021 to "AA" in 2022, placing CEREIT as one of only four Singapore REITs to attain this rating. In January 2023, Sustainalytics assigned CEREIT the lowest ESG Risk Rating of 'Negligible Risk' with a score of 8.8 points. In addition to ranking first in its Sustainalytics-selected peer group, CEREIT is also ranked 129th out of more than 15,000 ranked companies globally and 19th out of over 450 REITs globally. These achievements are testament to our commitment to maintaining the highest standards of corporate governance.

CEREIT also maintained its 'Green Star' status in the GRESB assessment for the third consecutive year, scoring 79 points overall. CEREIT's score increased by three points y-o-y and outperformed both the Global and European average, placing it second out of seven of its European Diversified Office / Industrial listed peers.

OUTLOOK

CEREIT has delivered a credible set of results, with DPU growth, record-high occupancy and a gearing maintained below 40% - within the Board's approved range. CEREIT's investment proposition remains intact, underpinned by an actively managed European portfolio and supported by an experienced team who constantly evaluates optimal capital structure and exercises judicious capital deployment. While the Manager's ongoing asset rejuvenation strategy and rising interest rates may have a small negative impact on earnings in the short term, we are confident this will provide growth in DPU and NAV in the medium term.

I remain optimistic that our efforts to responsibly manage financial flexibility and augment the quality of CEREIT's portfolio will allow us to manage risk amid the uncertain but improving macroeconomic environment.

APPRECIATION

Thank you for your continued interest and investment in CEREIT, as well as your confidence and trust in the Board and the management team. I am grateful to CEREIT's Sponsor, tenant-customers, bankers, capital partners, regulators and the wider business community for their ongoing support.

With value creation opportunities offered by a development pipeline embedded in the portfolio and an aspirational target to reach Net Zero operational carbon emissions by 2040, the Board believes that CEREIT is well-positioned to meet stakeholder needs and can continue to deliver its mandate to maintain stable and growing DPU and NAV per Unit over the medium to long term.

Lim Swe Guan, CFA

Chair and Independent Non-Executive Director
Cromwell EREIT Management Pte. Ltd.

CEO INTERVIEW



Simon Garing
CEO AND
EXECUTIVE DIRECTOR

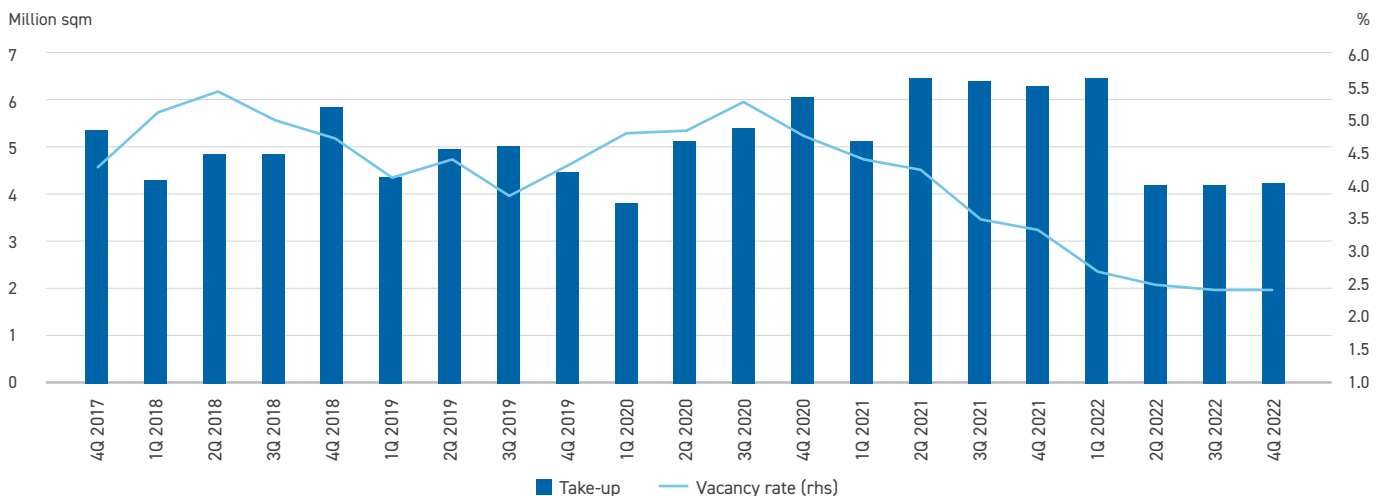
1 HOW HAS YOUR INVESTMENT STRATEGY EVOLVED IN VIEW OF CHANGES IN THE MACROECONOMIC ENVIRONMENT?

The onset of COVID-19 in early 2020 brought about a rapid increase in demand for logistics space, as Europe caught up with the US and the rest of the world in terms of e-commerce uptake. At the same time, the onshoring of light industrial operations accelerated “just-in-case” inventory systems due to global trade disruptions. Observing these structural shifts at play in Europe, the Manager embarked on our well-publicised *Pivot to Logistics* strategy for CEREIF, acquiring about €427 million worth of light industrial / logistics assets across Europe since 2020. As a result, light industrial / logistics sector accounted for 46% of the portfolio as at end-2022 (up from 34% two years ago), while its NPI contribution increased to 47% in 4Q 2022 (up from 34% two years ago).

Two years on, our pivot to light industrial / logistics is bearing fruit. The average logistics vacancy rate in CEREIF’s eight logistics markets reached a five-year low of 2.4% in 4Q 2022.

2.4% Average logistics vacancy in CEREIF’s eight logistics markets

ANNUAL TAKE-UP AND VACANCY RATES IN CEREIF’S COUNTRIES WITH EXPOSURE TO LOGISTICS¹



Source: CBRE, 1Q 2023

¹ CEREIF’s countries with exposure to logistics – Denmark, France, Germany, Italy, The Netherlands, Slovakia, the United Kingdom and The Czech Republic.



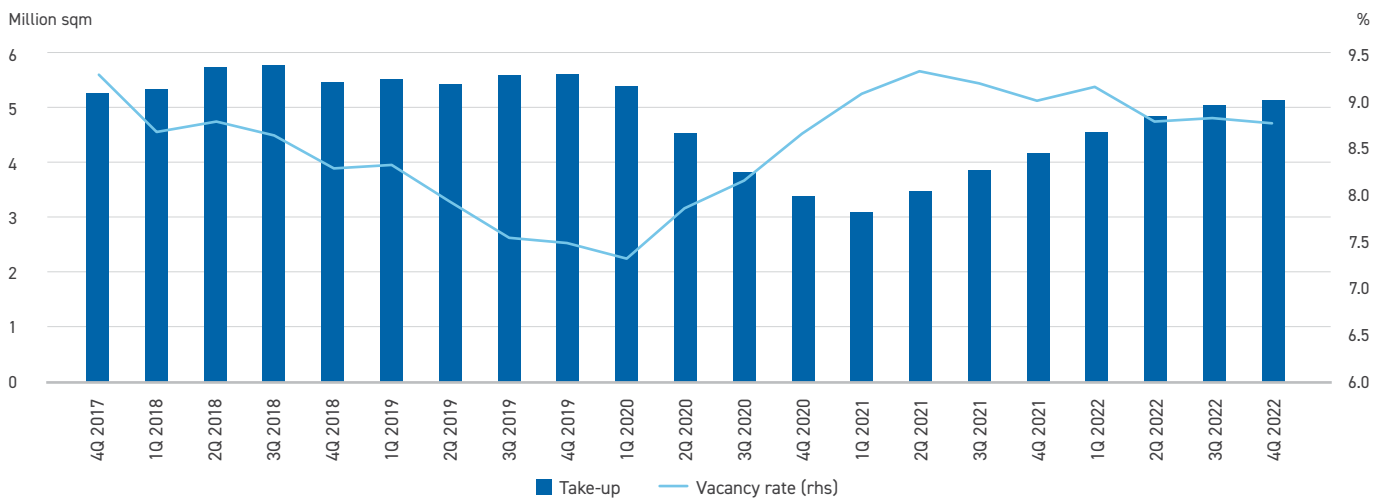
As seen in CEREIF's FY 2022 results, the portfolio has demonstrated its resilience in the face of crises like the COVID-19 pandemic, as well as new macroeconomic uncertainties like the Russia-Ukraine war, rising energy costs and interest rates.

As the pandemic fades into the background and companies look to bring their employees back to the office, a parallel flight-to-quality (Grade A office) trend is emerging. Companies are rethinking workplace design

and are increasingly seeking sustainable office space to foster collaborative work and meaningful connections among employees, even amid hybrid work arrangements. While only 20% of Europe office stock is BREEAM-certified or equivalent, it attracted 32% of the leases in the period 2019 till 1H 2022². Average vacancy of Grade A office in CEREIF's five key markets stood at 3.9% in 4Q 2022, as compared to an average 8.8% vacancy across all office space.

3.9%
Average Grade A office vacancy in CEREIF's five office markets⁴

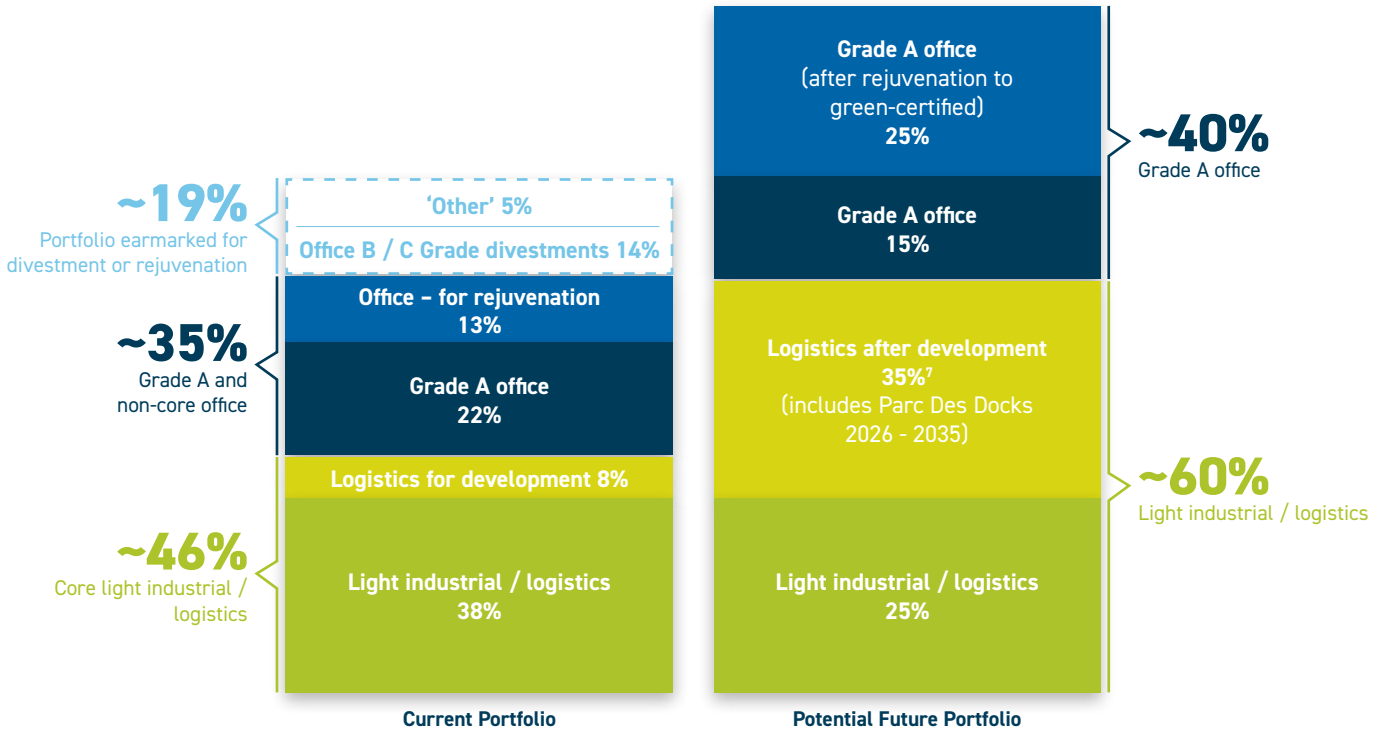
ANNUAL TAKE-UP AND VACANCY RATES IN CEREIF'S COUNTRIES WITH EXPOSURE TO OFFICE³



Source: CBRE, 1Q 2023

2 "Is sustainability certification in real estate worth it", CBRE Research, November 2022
 3 CEREIF's countries with exposure to offices - France, Italy, The Netherlands, and Poland
 4 The overall average quarterly office vacancy rates across CEREIF's main office markets - Ile-de-France, Paris CBD, Amsterdam Zuidas, Warsaw City Centre and Helsinki

CEO INTERVIEW



Seeing first-hand the market's appetite for sustainable quality spaces, we are committed to rejuvenating CEREIF's properties to satisfy this market demand. CEREIF's asset class mix puts it in an excellent position to monetise these trends.

With these two major trends in mind, we recently articulated to the market our vision for CEREIF's long-term portfolio composition.

As mentioned earlier, 46% of the current portfolio is in light industrial / logistics, of which 8% is earmarked for expansion or brownfield developments such as the Lovosice ONE Industrial Park I in the Czech Republic and Parc des Docks in Paris, France. 22% of the current portfolio can be classified as Grade A office, predominantly in the core Dutch cities of Amsterdam and Rotterdam, as well as Milan in Italy. We are also in various stages of redeveloping another 13% of older but well-located office assets in Milan, Rome and Amsterdam.

We have identified and commenced divestments of around €400 million to be staggered over the next two to three years. The proceeds will free up capital in part to match the funding of the €250+ million redevelopment pipeline. The additional

sales target serves as a "buffer" to maintain gearing within the Board policy for LTV range of 35% to 40%. This is to pre-empt any impact to property valuations caused by higher interest rates. As the current cost of equity for CEREIF is high, given the recent trading price discount to NAV, CEREIF has put acquisitions on hold for now.

Ultimately, we envision CEREIF's long-term portfolio to be of enhanced quality, future-proofed and relevant for tenant-customer space needs, with a 60:40 asset class split between logistics and Grade A office in gateway cities across Europe.

2 COULD YOU SHARE MORE ABOUT CEREIF'S €250+ MILLION DEVELOPMENT PIPELINE FOR NEW LOGISTICS DEVELOPMENTS AND OFFICE REFURBISHMENTS?

We are making good progress on the €250+ million medium-term office and logistics development and asset enhancement pipeline, with planning underway for a few years now. The programme is designed to supplement medium-term DPU and NAV growth and enhance the quality of the portfolio organically, without competing in the market for fully valued new assets.

We are mindful of staggering the development programme, to reduce risk exposure for Unitholders. We will keep the contract value of development programme well below the MAS development limits of 10% of GAV. With the predominantly freehold nature of the land ownership, Unitholders can benefit from greater longevity and more certain planning outcomes.

The office rejuvenation programme currently underway is well-supported by underlying office market dynamics that elaborated on earlier. Construction work is well-advanced at the €32 million Via Nervesa 21 redevelopment in Milan, Italy. The project, when ready for occupation in 1Q 2024, will provide approximately 10,000 sqm of 'LEED Platinum' and 'WELL Gold' certified Grade A office space equipped with high-quality amenities and the latest technologies. We have secured a pre-leasing commitment from a major global media company for 44% of the lettable area, a year ahead of completion, coupled with strong leasing enquiries for the remaining space. In Italy, Via dell'Amba Aradam 5 in the San Giovanni district in Rome (to be renamed

"Maxima") is also planned for a redevelopment to a Grade A platinum office. The €45 million construction project is expected to commence this year, subject to final approvals, with strip-out works already underway since March 2023.

The logistics development programme is also progressing well. The €15 million expansion logistics project in Lovosice ONE Industrial Park I in the Czech Republic is nearing completion. A current tenant-customer, Czech logistics company, Lorenc Logistic s.r.o., committed to an existing 2,611 sqm building, which has been repurposed for logistics use. Construction of five new warehouse units spanning a total lettable area of 14,679 sqm is expected to complete in June 2023. Five-year leases for two of the five units have already been signed with a German third-party logistics tenant-customer Fiege and the leasing team is in advanced negotiations for the remaining three units. Almost every European country has excess warehouse tenant demand, with the current average vacancy rate of 2.4% supporting new developments.

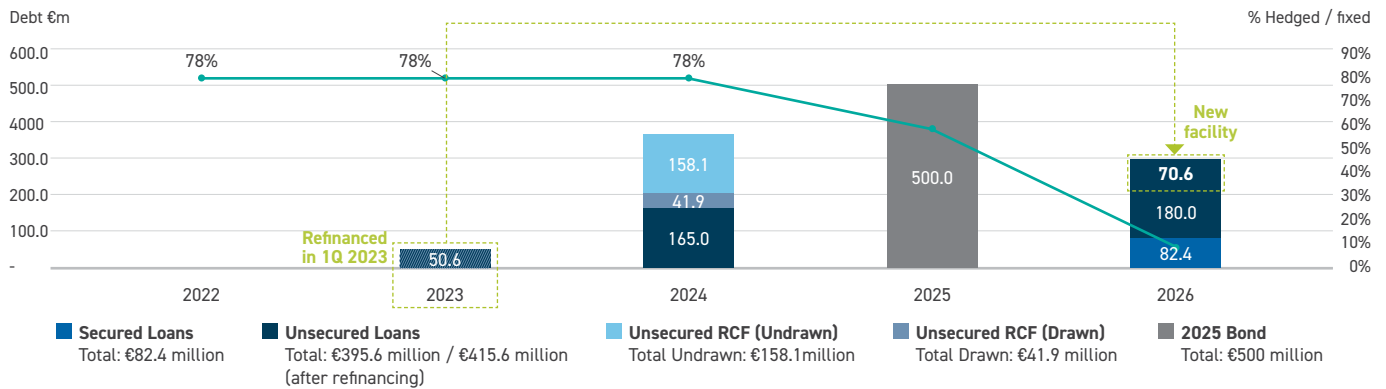
PROJECTED DEVELOPMENTS PIPELINE

Some major examples currently under construction or in advanced planning and approval processes

 <p>€32 million (estimated cost)</p>	 <p>€45 million (estimated cost)</p>	 <p>€90 million (estimated cost)</p>	<p>€250+ million MEDIUM-TERM (UNTIL 2026) REDEVELOPMENT PIPELINE (excluding Parc des Docks)</p>
<p>VIA NERVESA 21, MILAN OFFICE REDEVELOPMENT Construction works commenced; 20% additional GFA approved due to sustainability building specifications</p>	<p>MAXIMA, ROME (formerly Via dell' Amba Aradam 5) OFFICE REDEVELOPMENT: strip-out stage commenced, permit substantially secured and preleasing interest supportive of business case to commence late 2023</p>	<p>DE RUYTERKADE 5, AMSTERDAM OFFICE REDEVELOPMENT on prime location. Volume plan now approved by municipality, subject to new masterplan and feasibility approvals for increase in GFA to >20,000 sqm</p>	
<p>2022 2023 2024 2025 2026 – 2035</p>			
 <p>€15 million (estimated cost)</p>	 <p>€13 million (estimated cost)</p>		 <p>Artist impression overlay on existing bird's eye view</p>
<p>LOVOSICE ONE INDUSTRIAL PARK I, THE CZECH REPUBLIC NEW DEVELOPMENT Commenced construction on c.14,700 sqm extension of warehouse and office space – 40% pre-leased</p>	<p>NOVÉ MĚSTO ONE INDUSTRIAL PARK I / III, SLOVAKIA NEW DEVELOPMENT 15,800 sqm warehouse and office space; 25% pre-leased to existing tenant-customer</p>	<p>PARC DES DOCKS, SAINT OUEN, PARIS PHASE 1 / PHASE 2 PLANNING STAGES COMPLETED Targeting planning and feasibility approvals by 2026; re-zoning and community master plan to include substantial GFA plot ratio upgrades</p>	

CEO INTERVIEW

DEBT MATURITY PROFILE AS AT 31 DECEMBER 2022⁸ AND PERCENTAGE HEDGED / FIXED RATE



3 WHAT IS YOUR CAPITAL MANAGEMENT STRATEGY FOR CEREIF IN VIEW OF INFLATIONARY PRESSURES AND RISING INTEREST RATES?

CEREIT is not immune from the impact of higher interest rates, just like other global capital and equity market participants. Over the past 12 months, however, we have taken a proactive approach in managing our debt expiries to offset financial risks brought about by elevated interest rates and tighter credit conditions.

We actively sought refinancing opportunities and have completed the majority of CEREIF's near-term refinancing in the past few months. €180 million worth of new unsecured sustainability-linked 4-year loan facility was obtained in October 2022 from OCBC, HSBC, QNB and RHB, with HSBC and OCBC acting as sustainability advisers. In March 2023, we also extended an existing loan facility initially maturing in November 2023 and secured new lender commitments for an aggregate amount of €70.6 million for a new 3.5-year term.

Consequently, CEREIF has no major debt expiring until November 2024. 78% of its total debt is hedged / fixed for the next 2 years, while 60% will remain fixed until 2025 based on the current interest cap maturing at the end of 2024. Nevertheless, the current rise in European interest rates is expected to have an impact on earnings in 2023 due to the non-hedged portion and new bank margins. We will continue to monitor European rates and look to optimise the hedging profile where appropriate.

CEREIT's aggregate leverage stood at 39.4% as at 31 December 2022, within Board approved range of 35% to 40% and within loan covenants. Fitch Ratings reaffirmed CEREIF's "BBB-" credit rating with "Stable Outlook" on 12 October 2022. In 2022, we also completed five⁹ non-strategic divestments for €41 million at a blended 20% premium to the most recent valuation, with further non-strategic office and other assets divestments in advanced stages. At a time of uncertain property valuations, the proceeds from these divestments will help to maintain high levels of liquidity and keep the LTV gearing levels within the Board approved policy range.

4 LAST YEAR, THE MANAGER OF CEREIF ANNOUNCED AN ASPIRATIONAL TARGET OF NET-ZERO OPERATIONAL CARBON EMISSIONS BY 2040. HOW ARE YOU PROGRESSING ON THIS AND OTHER ESG INITIATIVES?

Sustainability has been embedded in our decision-making processes since listing. We have further augmented our investment strategy framework a couple of years ago to include ESG considerations across the full investment process cycle. We firmly believe that ESG will be a key performance driver for CEREIF going forward.

After announcing CEREIF's aspirational Net Zero operational carbon emissions target by 2040 in 2022, we formalised our green financing framework and have since completed two sustainability-linked loans worth more than €250 million. CEREIF's ESG ambitions are in line with those

⁸ Excludes S\$100 million of perpetual securities issued in November 2021 (classified as equity instruments)

⁹ Two light industrial assets in Germany, one office asset in Finland, one light industrial asset in France and a logistics unit in Italy. With regard to the logistics unit in Italy, the sale was of a warehouse unit contained within the CLOM logistics asset in Italy for a consideration of €2.8 million (70% higher than the apportioned value of the most recent valuation as at 31 December 2021).

of our lenders and debt capital market investors who are very focused on providing the Manager with sustainability-linked loans and bonds in one form or the other.

Automating property-level data collection for GHG emissions, energy usage, water consumption and waste management is a key step in our target setting and milestone reporting. Our asset management teams have spent considerable efforts to complete connecting data from CEREIT's 110+ assets in all 10 investment countries to Deepki (an ESG data automation tool) by June 2023. We have also invested close to €1 million in energy audits and asset mapping of CEREIT's assets, to be completed by the end of 2023. Once these initiatives are fully implemented, we will be in a good position to set meaningful emissions reduction plans and targets.

We are currently aligning our sustainability reporting to comply with SGX's mandatory climate reporting, based on TCFD recommendations. Unitholders can look forward to more details about CEREIT's ESG scorecard, targets and plans in the FY 2022 Sustainability Report, slated for release in April 2023.

5 WHAT ARE SOME RISKS AND OPPORTUNITIES FOR CEREIT IN 2023?

The ongoing Russia-Ukraine war has brought about a complex set of issues for Europe. At the same time, it has become a catalyst for addressing challenges arising from the war, such as progressing on energy substitution initiatives. Europe has accelerated its adoption of alternative sources to combat the energy crisis, such as France mandating carparks greater than 1,500 sqm to have solar panel carports installed. Fortunately, the winter of 2022 turned out to be relatively mild and volatility of gas prices has moderated. Natural gas and electricity prices in Western Europe are now at or below pre-Russia-Ukraine war levels. As we move into spring, inflationary pressures are expected to gradually fade, but interest rates are set to remain high for a longer period, notwithstanding any breakdown in financial or banking systems such as the recent collapses of Silicon Valley Bank and Credit Suisse. Economists have upgraded their Eurozone real GDP growth forecasts, supported by a strong labour market and fiscal support, demonstrating the resilience of the European economy.

European logistics occupier market fundamentals remain sound. Coupled with a rapid rise in the demand for e-commerce and onshoring trends, light industrial / logistics assets strategically located near key transport

nodes are set to receive continued demand. With five of the eight CEREIT logistics markets at full occupancy, growth is expected to come predominantly from inflation indexation, market rent growth and redevelopments. Apart from the ongoing greenfield logistics developments that I mentioned earlier, we anticipate that there may be opportunities to repurpose older light industrial / logistics assets into more versatile spaces for the longer term. For instance, we have reconfigured a warehouse in Priorparken 800, Copenhagen, Denmark, securing new-economy and high-tech tenant-customers. The 14,703 sqm space is now fully leased to a national TV producer, a global E-sports production studio and another tech industry tenant-customer.

As the Manager of CEREIT, we remain adaptable to stay ahead of structural trends. The take-up of European office spaces is gradually returning to pre-pandemic levels, but we are observing a bifurcation in demand between well-located, green Grade A assets and Grade B / C assets in less favourable locations. This divergence in tenant demand is only set to increase and we have planned and prepared for this trend for a while now. 77% of CEREIT's office portfolio is green-certified by BREEAM and LEED (up from 0% at IPO). We have also allocated about €8.2 million worth of capex to implement sustainability and energy reduction initiatives in FY 2023.

Cromwell Property Group employs a team of 200 on-the-ground transaction and asset management professionals across 15 cities in Europe, with deep knowledge and nuances of the local markets that are instrumental to the execution of CEREIT's leasing, divestment, and redevelopment plans.

Higher income growth across the portfolio, on the back of high inflation and market rent growth, will help offset the impact from higher interest costs, as demonstrated by a record portfolio occupancy of 96.0% and 5.7% rent reversion in FY 2022. The Manager's portfolio rejuvenation and development strategy will enhance CEREIT's asset quality and increase its market attractiveness. At this time, the Manager is not pursuing further acquisitions, given the focus on attractive organic opportunities. The current sale process to help fund this portfolio rejuvenation will also provide a buffer to gearing levels in case of any weakness in asset values over the course of this cycle. We are confident that our efforts to responsibly manage financial flexibility and augment the quality of CEREIT's portfolio will allow us to navigate uncertainties that this point of the interest rate cycle may bring.

BUSINESS MODEL AND INVESTMENT STRATEGY

PURPOSE

CEREIT's purpose is to provide Unitholders with stable and growing distributions and NAV per Unit over the long term, while maintaining an appropriate capital structure.

INVESTMENT PROPOSITION

CEREIT offers the opportunity to invest in attractive European freehold commercial real estate with a trusted Manager and experienced local Property Manager.

STRENGTHS

- Resilient portfolio, benefiting from attractive European market fundamentals;
- Well-balanced mix of geographies, tenant-customers and trade sectors;
- Proven track record in undertaking value-accretive acquisitions, asset management and capital recycling;
- Strong balance sheet with diverse sources of funding providing financial flexibility;
- Responsible capital management supported by investment- 'BBB-' grade rating (stable) by Fitch Ratings; and
- Aspirational Net Zero operational carbon emissions by 2040 target informs investment and asset management strategy

INVESTMENT STRATEGY

CEREIT has a principal mandate to invest, directly or indirectly, in income-producing commercial real estate assets across Europe with a minimum portfolio weighting of at least 75% to Western Europe and at least 75% to the light industrial / logistics and office sectors. The Manager currently targets a majority investment weighting to the light industrial / logistics sector while also investing in core office assets with strong ESG credentials in gateway cities.

The Manager aims to achieve CEREIT's objectives through executing on the following key strategies:

Active asset management and asset rejuvenation

- Seek to drive organic growth in revenue and income and maintain strong tenant-customer relationships;
- Continually monitor each asset's expected contribution to earnings and NAV growth, utilising the proprietary dynamic portfolio optimisation tool encapsulating 13- risk factors;
- Explore selling assets that do not meet the criteria and look to reinvest capital into opportunities that will ultimately increase DPU and NAV per Unit;
- Regularly evaluate properties to identify if potential property including sustainability enhancements or

redevelopment opportunities can enhance CEREIT's returns; and

- Unlock value through sustainable developments and AEs to further enhance the overall quality of the portfolio and provide growth in DPU and NAV over the medium term

Capital recycling and growth through acquisitions

- Adopt rigorous research-backed selection process focused on long-term sector trends and fundamental real estate qualities to ensure investments are focused on the right macro/micro locations and sectors;
- Aim to grow DPU and NAV per Unit through the acquisition of quality income-producing commercial properties across Europe;
- Seek assets that can provide attractive cash flows and yields, which fit within CEREIT's purpose to enhance returns for Unitholders;
- Source potential acquisitions that create opportunities for future income and capital growth, leverage extensive on-the-ground teams and participate in both on- and off-market acquisitions; and
- Divestment of selected non-core office, non-strategic light industrial / logistics assets and other assets

Responsible capital management

- Maintain strong balance sheet and employ an appropriate mix of debt and equity with appropriate liquidity;
- Secure diversified funding sources considering financial institutions and capital markets; and
- Optimise cost of debt financing and utilise interest rate and foreign exchange hedging strategies where appropriate

High ESG standards and disclosures

- Aspirational target of Net Zero operational carbon emissions by 2040 set, aiming to set specific reduction targets by 2024;
- Employ a rigorous approach to ESG matters to achieve high sustainability standards in the operation and management of CEREIT, consistent with the values of the Sponsor and with guidance from the Board;
- Safeguard Unitholders' interests through robust corporate governance and risk management;
- Participate in the annual GRESB assessment as well as MSCI ESG, Sustainalytics and EPRA sBPR submissions, to provide a regular measure of CEREIT's sustainability performance; and
- Implement ESG / data analytics / capex / sustainability processes

INVESTMENT PROCESS

Research-backed approach to acquisitions

The Manager’s approach to investment combines research-based fundamental market analysis with rigorous evaluation of property-specific variables and financial forecasts to enable the Manager to select assets that meet our investment criteria and enhanced risk adjusted returns.

The initial asset selection entails top-down comprehensive analysis including a number of criteria covering mega trends and a mixture of cities and countries. The initial selection process identifies long-term sector mega trends and fundamental real estate attributes to identify countries and sectors that will provide attractive returns.

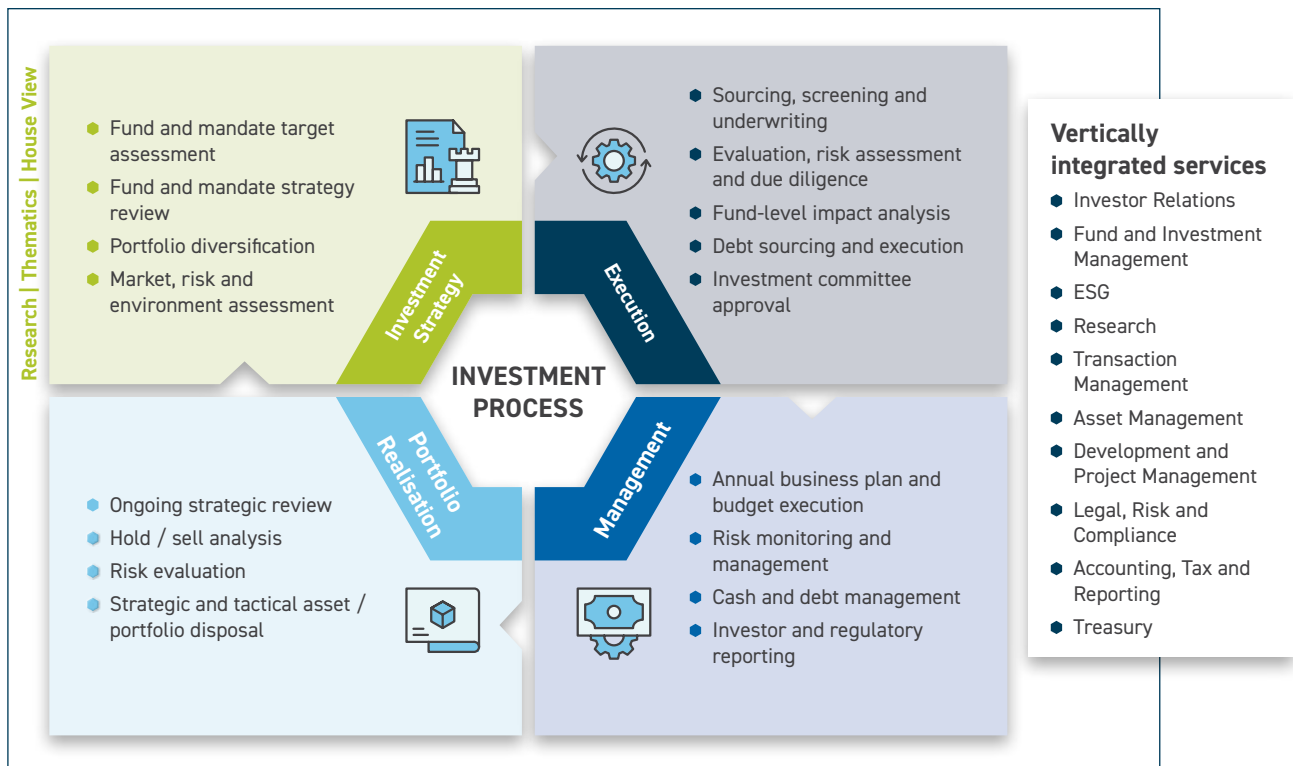
Once top-down comprehensive data analysis has yielded targeted macro / micro locations and asset type, the bottom-up investment strategy process includes the refinement of the data of portfolio optimisation. For this part of the process, the investment management team has developed proprietary analytics tools that provide the Board with a broad framework to assist them in the evaluation of the proposed acquisitions and divestments.

This in turn allows the asset management team to optimise the portfolio through monitoring all assets and market risks and identify “outliers”. The tools include the following:

- An enhanced property risk matrix across three broad categories, encapsulating 13 risk factors (asset risk, market / location risk, execution / financial risk), that provides a framework to assess existing properties, proposed investments, and potential divestments. The matrix visualises how the identified asset enhances or detracts from the existing portfolio risk / return profile and lays out the assessed risks in a standardised framework to compare against the projected returns; and
- Dynamic portfolio optimisation tool that provides a real-time measure of CEREIT’s overall risk and return via producing an “efficient frontier curve”. The tool maps out a dynamic efficient frontier of CEREIT’s investable universe, based on our investment team’s evaluation of expected returns and an assessment of the overall risk profile of a typical CEREIT property across each asset class in identified cities and countries

Ultimately, all transactions are approved by the Board.

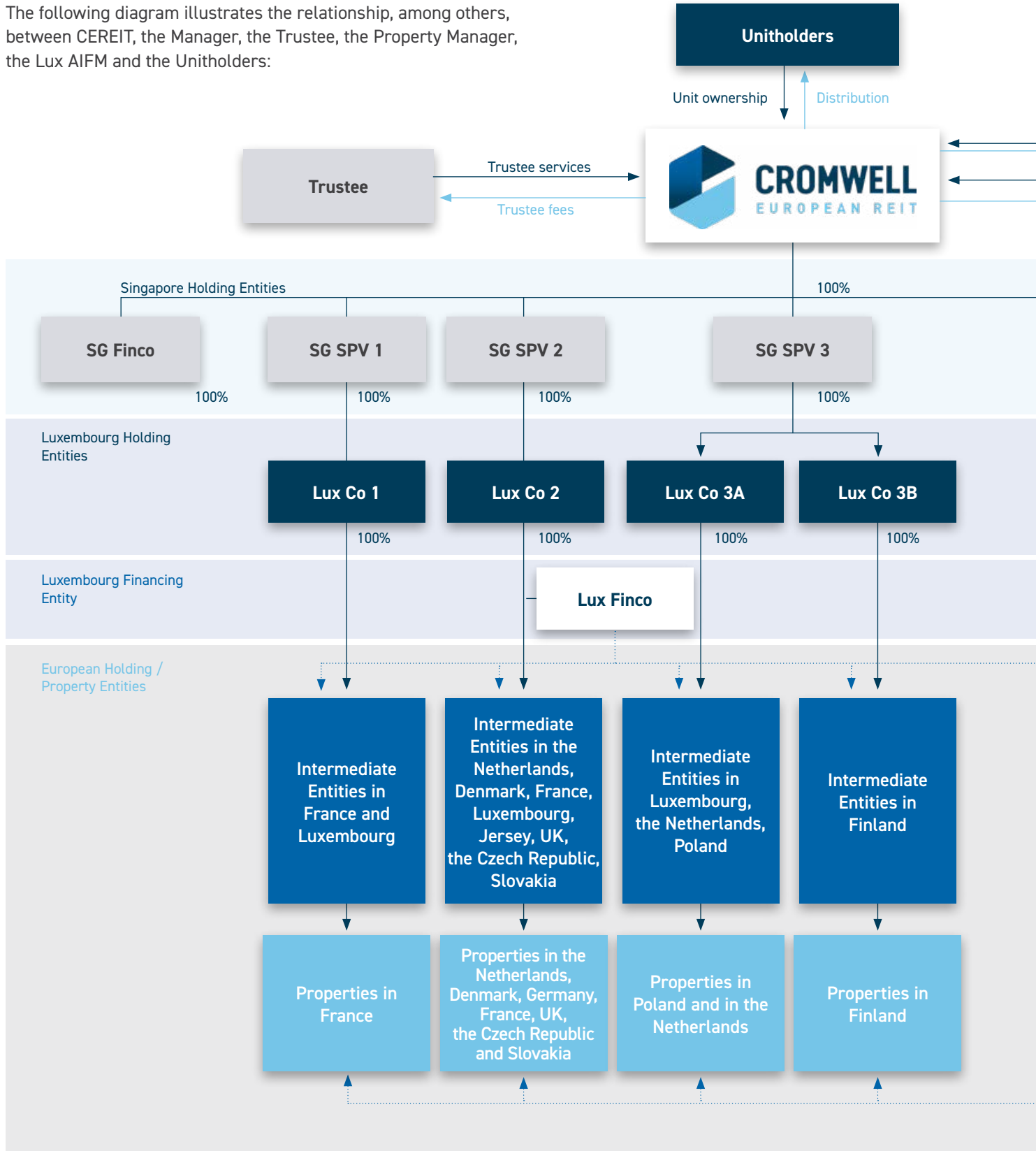
AN INTEGRATED INVESTMENT PROCESS APPROACH ALONGSIDE ONGOING REVIEW AND GOVERNANCE



STRUCTURE OF CEREIF

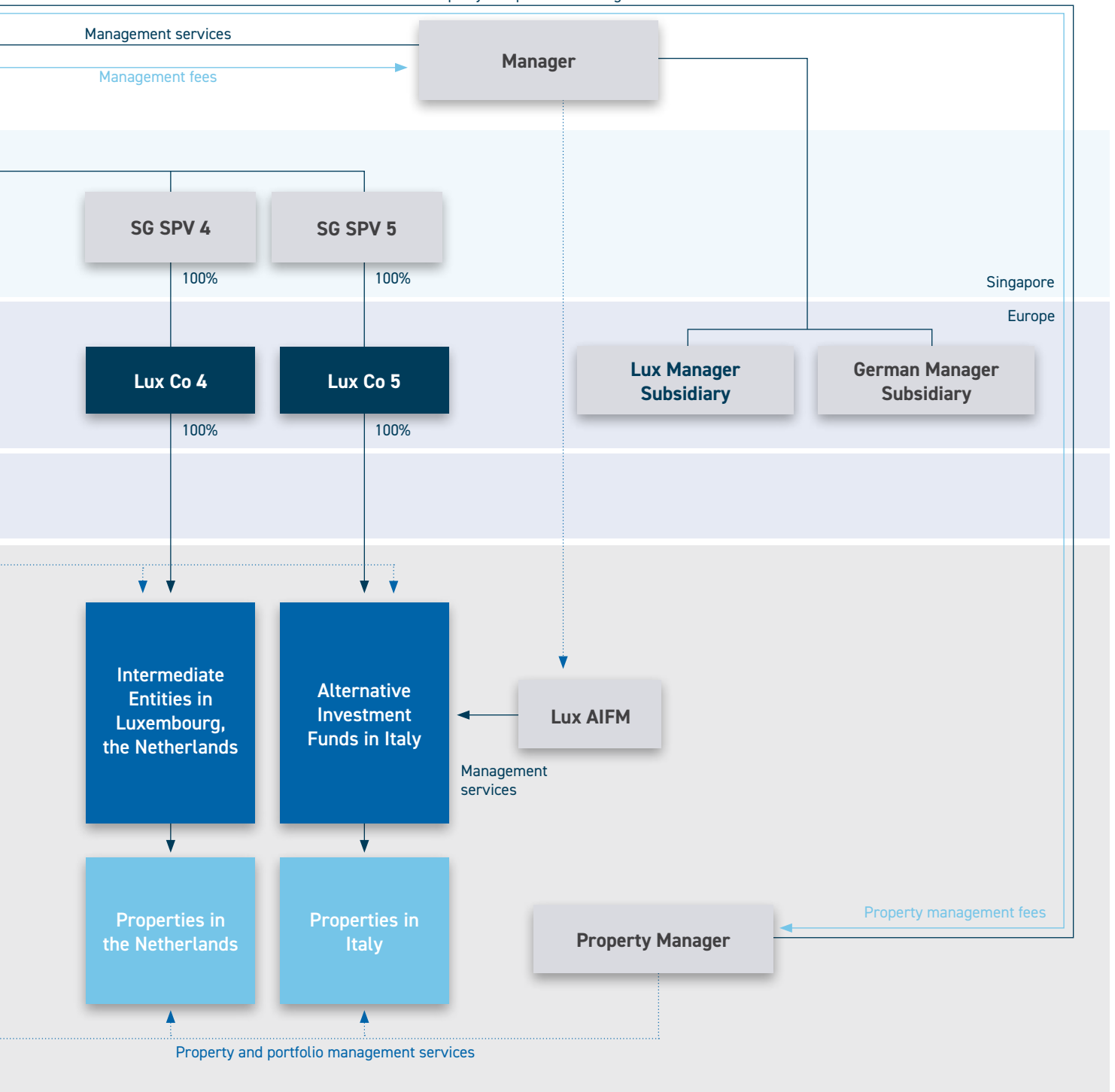
(AS AT 31 DECEMBER 2022)

The following diagram illustrates the relationship, among others, between CEREIF, the Manager, the Trustee, the Property Manager, the Lux AIFM and the Unitholders:





Property and portfolio management services



BOARD OF DIRECTORS



Lim Swe Guan, 68

Chair and Independent
Non-Executive Director

DATE OF APPOINTMENT AS DIRECTOR

28 July 2017

LENGTH OF SERVICE AS DIRECTOR

(As at 31 December 2022)

5 years 5 months

NATIONALITY

Singapore

BOARD COMMITTEES SERVED ON

- Nominating and Remuneration Committee (Member)
- Audit and Risk Committee (Member)
- Sustainability Committee (Member)

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- Bachelor of Science in Estate Management from the University of Singapore (Honours)
- Master of Business Administration from the Colgate Darden Graduate School of Business, The University of Virginia
- Chartered Financial Analyst of the Institute of Chartered Financial Analysts

BACKGROUND AND WORKING EXPERIENCE

Mr Lim has extensive experience in the investment management and real estate sectors. From 1986 to 1995, he was with Jones Lang Wootton in Sydney, where his last held position was Research Director. He joined Suncorp Investments, Brisbane, Australia and worked as the Portfolio Manager of Property Funds from 1995 to 1997. From 1997 to 2008, he was with the Government of Singapore Investment Corporation, where his last held position was Regional Manager. From 2008 to 2011, he was a Managing Director of GIC Real Estate. His responsibilities included being the Regional Head of Property Investment for Australia, Japan and Southeast Asia and the Global Head of the Corporate Investments Group that invests in public REITs and property companies.

PRESENT OTHER LISTED COMPANY DIRECTORSHIPS OR CHAIRPERSONSHIPS

(As at 31 December 2022)

- Nil

PRESENT OTHER PRINCIPAL COMMITMENTS

(As at 31 December 2022)

- CIMB-Trust Capital Advisors (Independent Investment Committee Member)
- Silkroad Asia Value Partners (Independent Investment Committee Member)
- Fife Capital Singapore Pte Limited (Independent Investment Committee Member)
- Asia Pacific Real Estate Association Limited (Director)

PAST LISTED COMPANY DIRECTORSHIPS OR CHAIRPERSONSHIPS HELD OVER PRECEDING 3 YEARS

(From 1 January 2020 To 31 December 2022)

- General Property Trust Group
- Sunway Berhad (Independent Director)



Fang Ai Lian, 73

Independent
Non-Executive Director

DATE OF APPOINTMENT AS DIRECTOR

31 July 2017

LENGTH OF SERVICE AS DIRECTOR

(As at 31 December 2022)

5 years 5 months

NATIONALITY

Singapore

BOARD COMMITTEES SERVED ON

- Audit and Risk Committee (Chair)
- Nominating and Remuneration Committee (Member)
- Sustainability Committee (Member)

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- Fellow of the Institute of Chartered Accountants in England and Wales
- Fellow of the Institute of Singapore Chartered Accountants

BACKGROUND AND WORKING EXPERIENCE

Mrs Fang has more than 30 years of experience in accounting, risk management and governance through her tenure with Ernst & Young LLP from 1974 until her retirement in 2008. She has held various senior management positions in the firm, including her appointment as Managing Partner of the firm in 1996 and subsequently, her appointment as Chair of the firm in 2005.

PRESENT OTHER LISTED COMPANY DIRECTORSHIPS OR CHAIRPERSONSHIPS

(As at 31 December 2022)

- Metro Holdings Limited (Independent Director)
- Singapore Post Limited (Independent Director)

PRESENT OTHER PRINCIPAL COMMITMENTS

(As at 31 December 2022)

- Singapore Business Federation (Chair of the Board of Trustees)
- Medishield Life Council (Chair of Council)
- Honour (Singapore) Ltd. (NGO) (Director)
- SingHealth Fund (Member of Board)

PAST LISTED COMPANY DIRECTORSHIPS OR CHAIRPERSONSHIPS HELD OVER PRECEDING 3 YEARS

(From 1 January 2020 To 31 December 2022)

- Banyan Tree Holdings (Independent Director)

BOARD OF DIRECTORS



Christian Delaire, 55

Independent
Non-Executive Director

DATE OF APPOINTMENT AS DIRECTOR

24 August 2017

LENGTH OF SERVICE AS DIRECTOR

(As at 31 December 2022)

5 years 4 months

NATIONALITY

France

BOARD COMMITTEES SERVED ON

- Nominating and Remuneration Committee (Chair)
- Audit and Risk Committee (Member)
- Sustainability Committee (Member)

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- Master of Science in Management from the ESSEC Business School in Paris

BACKGROUND AND WORKING EXPERIENCE

Mr Delaire has more than 25 years of experience in the investment management and real estate sectors. After an initial first experience with KPMG audit as financial and accounting auditor, he joined AXA Real Estate in 1994. From 1994 to 2009, he held various roles throughout the organisation including Head of Asset Management France, Global Head of Corporate Finance and Global Chief Investment Officer. In 2009, he joined AEW Europe, a real estate fund management company in Europe, as Chief Executive Officer, where he managed the Company from 2009 to 2014. From 2014 to 2016, he also acted as the Global CEO of Generali Real Estate, where he was responsible for the overall strategic vision and management of the firm and its €28 billion of assets.

PRESENT OTHER LISTED COMPANY DIRECTORSHIPS OR CHAIRPERSONSHIPS

(As at 31 December 2022)

- Atenor (Independent Director)
- Covivio (Independent Director)

PRESENT OTHER PRINCIPAL COMMITMENTS

(As at 31 December 2022)

- CDE Advisors
- Fonciere Atland, a real estate development, investment and asset management company listed on the Euronext Paris Stock Exchange (Senior Advisor)
- NODI SA

PAST LISTED COMPANY DIRECTORSHIPS OR CHAIRPERSONSHIPS HELD OVER PRECEDING 3 YEARS

(From 1 January 2020 To 31 December 2022)

- Nil



Ooi Eng Peng, 67

Non-Independent
Non-Executive Director

DATE OF APPOINTMENT AS DIRECTOR

15 September 2021

LENGTH OF SERVICE AS DIRECTOR

(As at 31 December 2022)

1 year 3 months

NATIONALITY

Australia

BOARD COMMITTEES SERVED ON

- Sustainability Committee (Chair)

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- Bachelor of Commerce, University of New South Wales, Australia
- Certified Practising Accountants of Australia (Member)
- The Singapore Institute of Directors (Member)

BACKGROUND AND WORKING EXPERIENCE

Mr Ooi has more than 35 years of real estate experience, including in property investment, development, project management, fund management and capital partnerships in Australia and across Asia. Mr Ooi joined Lendlease in 1981, working in various finance roles in Sydney, before taking on the role of Chief Financial Officer, Asia in the late 1990s. Later, Mr Ooi returned to Sydney with Lendlease and fulfilled the roles of Chief Financial Officer of Lendlease Development (2000 – 2002), Global Chief Financial Officer of Lendlease Investment Management (2002 – 2003) and Asia Pacific Financial Officer, Lendlease Communities (2003 – 2005). From 2006 to 2010, Mr Ooi was the Asia Chief Executive Officer, Lendlease Investment Management and Retail, based in Singapore. In 2010, Mr Ooi was appointed Asia Chief Executive Officer for Lendlease. Since retiring from his executive career in late 2011, Mr Ooi has gained board and board committee experience at both listed and non-listed entities across Asia Pacific.

PRESENT OTHER LISTED COMPANY DIRECTORSHIPS OR CHAIRPERSONSHIPS

(As at 31 December 2022)

- Cromwell Property Group (Non-Executive Deputy Chair)

PRESENT OTHER PRINCIPAL COMMITMENTS

(As at 31 December 2022)

- Savant Global Capital Pty Ltd

PAST LISTED COMPANY DIRECTORSHIPS OR CHAIRPERSONSHIPS HELD OVER PRECEDING 3 YEARS

(From 1 January 2020 To 31 December 2022)

- Perennial Real Estate Holdings Limited
- ESR Funds Management (S) Ltd (as Manager of ESR-REIT)

BOARD OF DIRECTORS



Simon Garing, 53

Chief Executive Officer And Executive Director

DATE OF APPOINTMENT AS DIRECTOR

3 September 2018

LENGTH OF SERVICE AS DIRECTOR

(As at 31 December 2022)

4 years 4 months

NATIONALITY

Australia

BOARD COMMITTEES SERVED ON

- Sustainability Committee (Member)

ACADEMIC AND PROFESSIONAL QUALIFICATIONS

- Bachelor of Commerce (Accounting and Finance) from the University of New South Wales, Australia
- Fellow of CPA (Australia)
- The Hong Kong Institute of Directors (Member)
- The Singapore Institute of Directors (Member)

BACKGROUND AND WORKING EXPERIENCE

Mr Garing has over 25 years of investment management, financial markets, risk management, and accounting experience in the global real estate industry. Prior to his appointment to the CEREBIT Manager, he was most recently the Chief Capital Officer of Cromwell Property Group, where he was responsible for capital management and fund raising for capital markets, as well as public and private fund initiatives. A proven capital markets manager, investor and analyst, Mr Garing was previously a Managing Director of Bank of America (formerly Bank of America Merrill Lynch) Asia Pacific ("APAC") and Bank of America Australia. He was the Global Head of Real Estate Research and the Chair of the bank's APAC Recommendation Review Committee, managing around 130 equity analysts who evaluated and analysed approximately 1,200 companies spanning several asset classes and industry sectors across 12 APAC countries. Prior to that, he held several senior roles at leading financial advisory firms and investment banks.

PRESENT OTHER LISTED COMPANY DIRECTORSHIPS OR CHAIRPERSONSHIPS

(As at 31 December 2022)

- Nil

PRESENT OTHER PRINCIPAL COMMITMENTS

(As at 31 December 2022)

- Nil

PAST LISTED COMPANY DIRECTORSHIPS OR CHAIRPERSONSHIPS HELD OVER PRECEDING 3 YEARS

(From 1 January 2020 To 31 December 2022)

- Nil



CROMWELL
EUROPEAN REIT

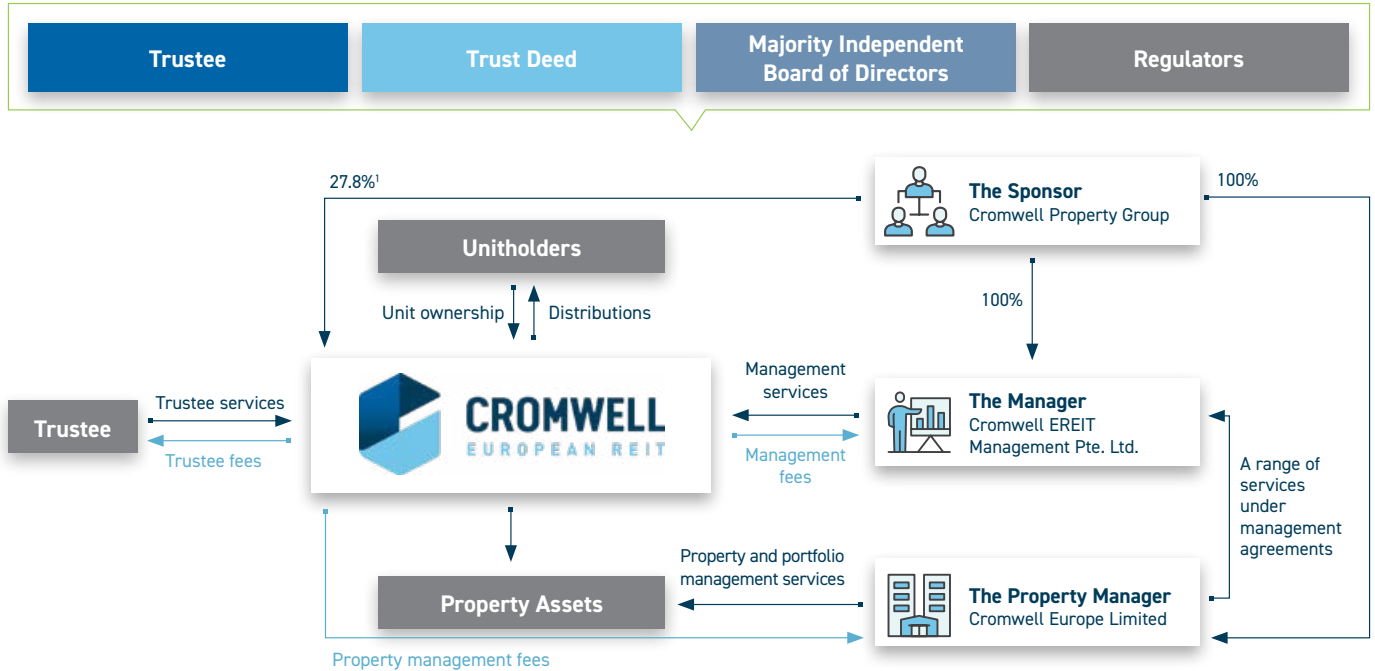
CELEBRATING

5 Years

Level 3 Garden Studio
6.30pm to 8.30pm



THE SPONSOR, THE MANAGER AND THE PROPERTY MANAGER



THE MANAGER

Cromwell EREIT Management Pte. Ltd. is the Manager of CEREIT. The Manager has general powers of management over the assets of CEREIT and manages its assets and liabilities for the benefit of the Unitholders. The Manager sets the strategic direction of CEREIT and provides recommendations to the CEREIT Trustee on the acquisition, divestment, development and / or enhancement of CEREIT's assets in accordance with its investment strategy. The Manager provides a holistic range of services and these services are performed by its Singapore-based team and the Europe-based teams of the subsidiaries of the Manager. The services provided by the Manager and its subsidiaries include, but are not limited to the following:

- **Investment management:** formulating CEREIT's investment strategy, including determining the location, sub-sector type and other characteristics of CEREIT's property portfolio, overseeing the negotiations and providing supervision in relation to investments of CEREIT, and making final recommendations to the CEREIT Trustee;
- **Asset management:** formulating CEREIT's asset management strategy, including determining the tenant-customer mix, asset enhancement plans and rationalising operational costs, providing supervision in relation to asset management of CEREIT and making

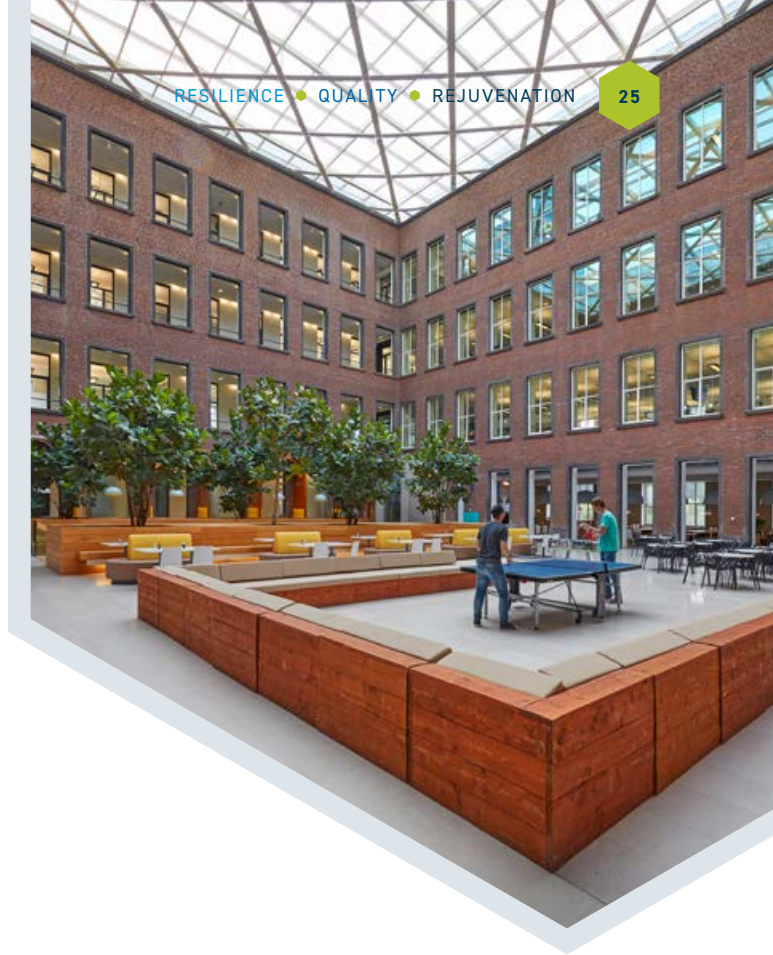
final recommendations to the CEREIT Trustee on material matters;

- **Capital management:** formulating the plans for equity and debt financing for CEREIT's property acquisitions, distribution payments, expense payments and property maintenance payments, executing CEREIT's capital management plans, negotiating with financiers and underwriters, and making final recommendations to the CEREIT Trustee;
- **Finance and accounting:** preparing accounts, financial reports and annual reports for CEREIT on a consolidated basis;
- **Compliance:** making all regulatory filings on behalf of CEREIT and using commercially reasonable best efforts to assist CEREIT in complying with the applicable provisions of the relevant legislations pertaining to the location and operations of CEREIT, the listing manual of the SGX-ST, the Trust Deed, any tax ruling and all relevant contracts;
- **Investor relations:** communicating and liaising with investors, research analysts and the investment community; and
- **ESG:** devising and executing CEREIT's sustainability strategy and plans, including managing stakeholder relations and preparing and submitting annual sustainability reports and other relevant reports such as GRESB

THE SPONSOR

Both the Manager and the Property Manager are wholly-owned subsidiaries of the Sponsor.

Cromwell Property Group is the Sponsor of CEREIT and owns approximately 27.8% of CEREIT's Units in issue as at 31 December 2022. Cromwell Property Group is an ASX-listed real estate investor and fund manager with operations on three continents and a global investor base. As at 31 December 2022, the Sponsor has approximately €7.6 billion of real estate assets under management globally with 350+ employees in 20 offices across 15 countries.



THE PROPERTY MANAGER

Cromwell Europe Limited is the Property Manager of CEREIT, with its head office in London and an established property management platform with 200+ employees in 14 offices across 11 countries in Europe, generally including countries in which CEREIT assets are located. The primary goal of the Property Manager is to maximise cash flows, earnings, and value of each of CEREIT's assets to meet CEREIT's objectives. The Property Manager's services include but are not limited to:

- **Investment management services:** assistance with deal sourcing, due diligence, capital management (including debt refinancing) and execution support for property transactions;
- **Asset management services:** management of the properties, business plan advisory and support services, new investments or development / extension services, debt advisory services, onboarding of new acquisitions, lease management services, technical management services, sustainability services, disposal services and general management services;
- **Portfolio management services;**
- **Accounting and administration services;**
- **Treasury management services;**
- **Technical property management services;**
- **Project management services;**
- **Development management services;**
- **Risk management services; and**
- **ESG data collecting and reporting services**

CROMWELL PROPERTY GROUP'S EUROPEAN PRESENCE

14 offices providing on-the-ground local market knowledge and expertise



📍 Office Locations

THE MANAGER

KEY EXECUTIVES



Simon Garing

Chief Executive Officer
and Executive Director



Shane Hagan

Chief Financial Officer

Mr Garing was appointed as the CEO and Executive Director of the Manager on 13 May 2019, after an interim period as Acting CEO from 3 September 2018.

As CEO, Mr Garing works with the Board to determine the strategy for CEREIT and with the other members of the management team to ensure that CEREIT operates in accordance with the Manager's stated investment strategy. The CEO is also responsible for the overall day-to-day management and operations of CEREIT and works with the Manager's investment, asset management, finance, investor relations, legal, risk and compliance teams to meet the strategic, investment, regulatory, sustainability and operational objectives of CEREIT.

Mr Garing has over 25 years of investment management, financial markets and accounting experience in the global real estate industry. Prior to his appointment to the CEREIT Manager, he was most recently the Chief Capital Officer of Cromwell Property Group, where he was a member of the global leadership team and was responsible for capital management and fund raising for capital markets.

A proven capital markets manager, investor and analyst, Mr Garing was previously a Managing Director of Bank of America (formerly Bank of America Merrill Lynch) APAC and Bank of America Australia. He was the global head of real estate research and the Chair of the bank's APAC Recommendation Review Committee, managing around 130 equity analysts who evaluated and analysed approximately 1,200 companies spanning several asset classes and industry sectors across 12 APAC countries.

Prior to that, he held several senior roles at leading financial advisory firms and investment banks, including Bell Potter and Babcock & Brown. Notably, he was a Managing Director of UBS Australia, where he was also Co-Head of Global Real Estate Research.

Mr Garing holds a Bachelor of Commerce (Accounting and Finance) degree from the University of New South Wales and is a Fellow of CPA (Australia).

He is vice-chairman of the executive committee and Chairman of the promotions sub-committee of REITAS. He is also a member of the Singapore Institute of Directors and of the Hong Kong Institute of Directors.

Mr Hagan was appointed as the Manager's Head of Finance in November 2018 and was subsequently appointed as the Manager's CFO on 1 May 2019.

As CFO, Mr Hagan works with the CEO and other members of the management team to formulate strategic plans in accordance with CEREIT's stated investment objectives, as well as for applying the appropriate capital management strategy for finance, tax, treasury and accounting matters to support the Manager's plans and maintain CEREIT's financial health. Mr Hagan has over 25 years of experience in the real estate industry across Singapore, Australia and New Zealand. Prior to joining the Manager, Mr Hagan held executive positions in several Singapore-listed real estate investment trusts, including Mapletree Commercial Trust and Ascendas Real Estate Investment Trust.

Mr Hagan holds a bachelor's degree in Commerce and Administration from Victoria University and is a Chartered Accountant of the Chartered Accountants Australia and New Zealand. Mr Hagan is a member of the regulatory sub-committee of REITAS.



Andreas Hoffmann

Head Of Property

Mr Hoffmann was appointed Head of Property in January 2019.

As Head of Property, he oversees all portfolio and asset management and development management functions across Cromwell's European teams that support CEREIF. This includes the recommendations of strategic targets and yearly budgets, planning and overseeing the key stages of asset and development management, leasing and customer retention programmes, asset enhancement initiatives including capex programmes, cost minimisation solutions and sales programmes.

Prior to joining the Manager, Mr Hoffmann was Managing Director, Head of Asset Management Europe and a member of the European Management team and European Investment Committee at UBS Real Estate & Private Markets for 14 years, where he was responsible for the asset management of a €6 billion portfolio of approximately 150 commercial properties across 12 European countries.

Mr Hoffmann graduated from Dresden University (Dipl.-Ing. in Electrical Engineering). He holds a Master of Science degree in Telecommunications from King's College London and a Master of Business Administration degree from Imperial College London. Mr Hoffmann is the Chairman of EPRA's PropTech Committee and a member of the advisory board of the smart building PropTech company Spaceti.com.



Elena Arabadjieva

Chief Operating Officer And
Head Of Investor Relations

Ms Arabadjieva joined the Manager in September 2017 and as Head of Investor Relations and was promoted to COO and Head of Investor Relations in September 2018.

As COO, Ms Arabadjieva is responsible for ESG and sustainability reporting, business continuity and general business operations. As Head of Investor Relations, Ms Arabadjieva is responsible for investor and stakeholder engagement, marketing and communications as well as continuous disclosure and transparent market communications.

Ms Arabadjieva has more than 25 years of experience in Asia and has held several senior investor relations, marketing, sales and communications positions in Singapore. Prior to joining the Manager, Ms Arabadjieva was the Head of Investor Relations and Corporate Communications of Cambridge Industrial Trust (now known as ESR-LOGOS REIT). Prior to ESR-LOGOS REIT, Ms Arabadjieva was the Director of Investor Relations of Genting Singapore PLC (a constituent of STI Straits Times index).

Ms Arabadjieva holds a Master's degree in Architecture from the University of Architecture, Civil Engineering and Geodesy (Bulgaria) and a Master of Business Administration from INSEAD (France and Singapore). Ms Arabadjieva is member of the alumni association of INSEAD (Singapore Chapter).

THE PROPERTY MANAGER KEY EXECUTIVES



Pertti Vanhanen

Managing Director,
Europe

Mr Vanhanen was appointed as the Managing Director of Cromwell Property Group, Europe in January 2021.

Mr Vanhanen has overall management responsibility for Cromwell Property Group's platform and activities in Europe, including investment, fund and asset management, investor and capital partner relationships as well as the local finance, operations and sustainability teams.

Mr Vanhanen is a seasoned leader with over 30 years of experience in the real estate industry, having held senior roles at a number of leading European management organisations throughout his career, most recently as Global Co-head of Real Estate at Aberdeen Standard Investments. While at Aberdeen Standard Investments and Aberdeen Asset Management, Mr Vanhanen led or was closely involved in several major corporate and real estate transactions, including the merger of AAM and SLI's real estate divisions, the establishment of the group's Asian real estate organisation and the launch of several successful funds and trusts including pan-European residential funds, Nordic funds and the first ever open-ended property fund in Finland.

Mr Vanhanen holds an Executive MBA from Helsinki School of Economics. In the past years he has completed senior leadership programmes at London Business School, INSEAD and Harvard.



Florian Hoyndorf

Head Of Development,
Europe

Mr Hoyndorf joined Cromwell Property Group, Europe in 2021 as Head of Development, Europe.

Mr. Hoyndorf's role is to identify and execute development opportunities within the existing CEREIT portfolio and to provide such services to other Cromwell clients.

After working for several years as an architect, he served as an expansion, transaction and asset manager at Aldi and Amazon, delivering more than 50 retail venues and numerous logistics plants ranging from last-mile delivery sites to 200,000 sqm fulfilment centres. Mr. Hoyndorf also headed up his own company for several years with a focus on retail park development in Spain and Portugal. More recently, he was Head of Real Estate and Construction of LOGISTA Group, southern Europe's largest logistic carrier and wholesaler for consumer goods in Spain, Portugal, Italy, France, Germany and Poland.

Beyond his engagement with Cromwell, he is a professor for Real Estate Development at the London campus of ESCP Business school.

Mr. Hoyndorf holds a degree in Architecture from the University of Applied Sciences in Hamburg and a Master's degree in Urbanism from the Universitat Politecnica de Catalunya, Barcelona.



Patrick Lowe

Head Of Transactions,
Europe



Sandrine Fauconnet

ESG Manager, Europe

Mr Lowe joined Cromwell Property Group in 2010 and is currently Head of Transactions, Europe.

Mr Lowe's principal responsibilities include assisting the Manager with all aspects of transactions for CEREIT. Amongst others, this entails ensuring the sourcing of investment opportunities with transaction colleagues across Europe that are consistent with CEREIT's investment strategy and available funding and ensuring there are robust frameworks in place for the underwriting of due diligence on and execution of all such opportunities. Prior to this role, Mr Lowe held various senior positions at Cromwell Property Group including Treasury Manager and Financial Analyst.

Mr Lowe's prior experience is with Lloyds Banking Group, where he managed debt and equity exposures to joint-ventures with leading sponsors in European and UK real estate. Prior to this, Mr Lowe joined the Bank as part of their Corporate Graduate Programme undertaking placements in infrastructure finance and private equity in addition to real estate.

Mr Lowe has an MSc in Real Estate Investment and Finance from Henley Business School and a BA (Hons) from the University of Manchester.

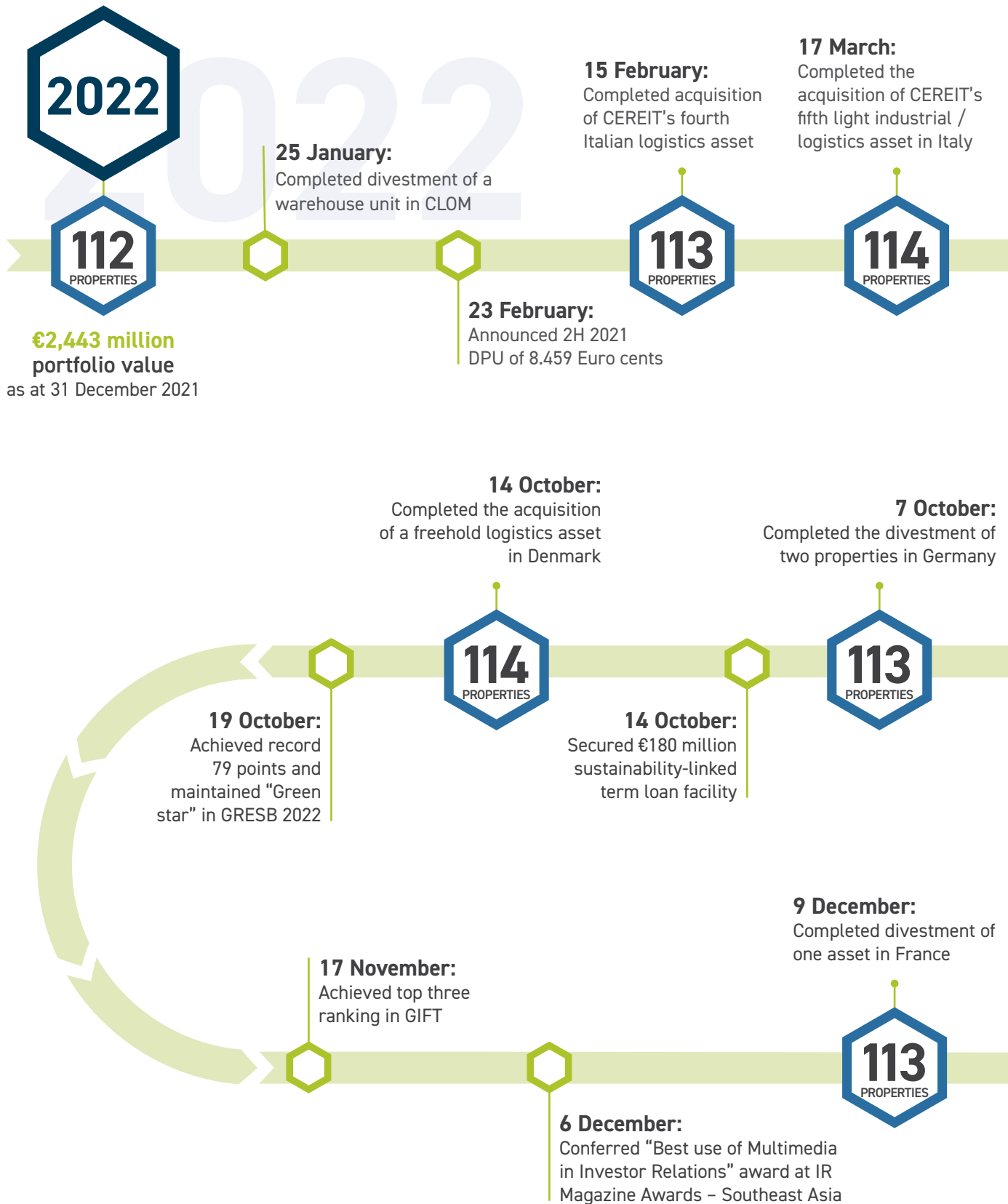
Ms Fauconnet was appointed ESG Manager, Europe for Cromwell Property Group, Europe in September 2021.

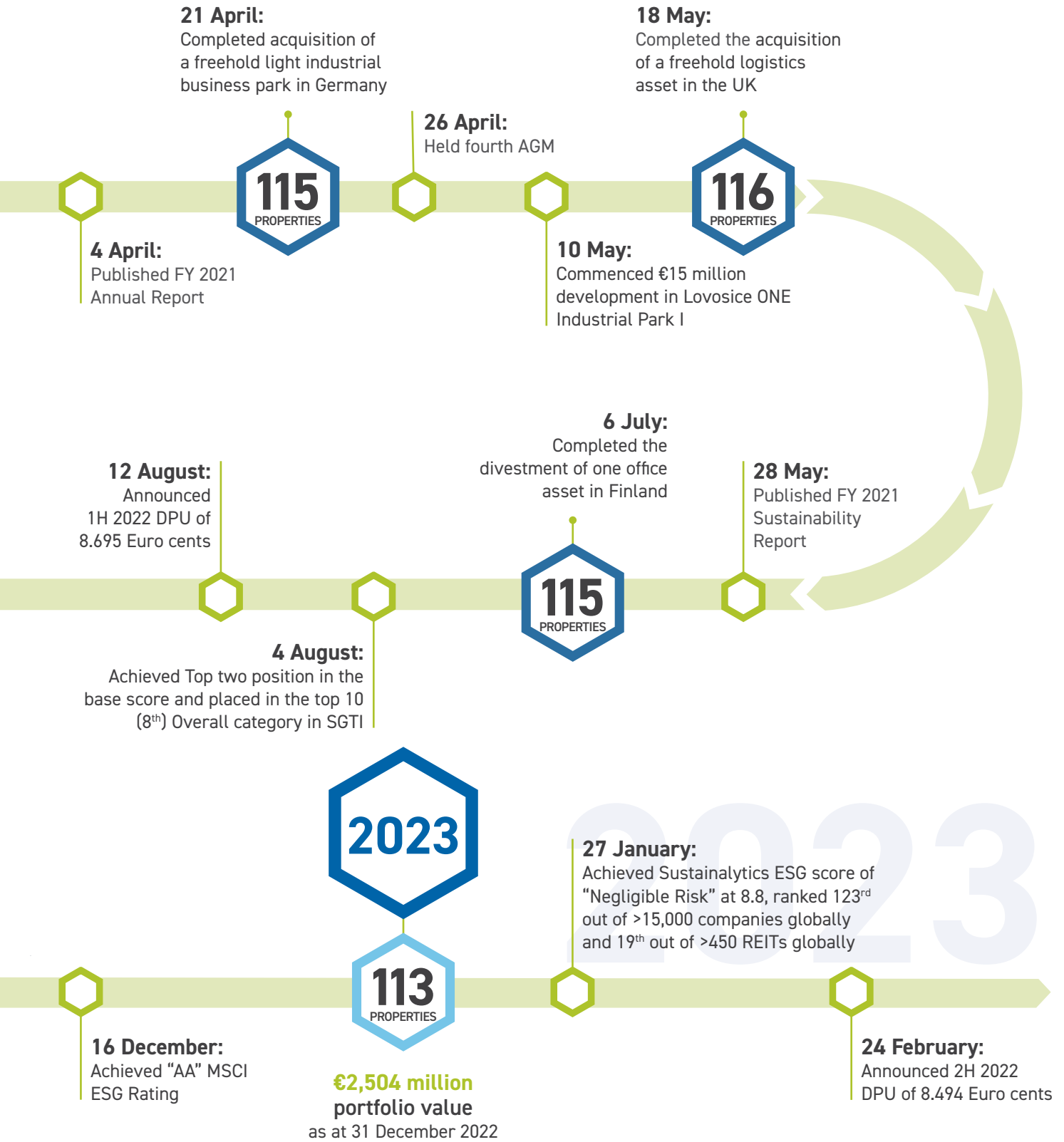
Ms Fauconnet's responsibilities include delivering the sustainability framework across the European operations and ensuring compliance with relevant legislation, best practices, and the group's pathway to Net Zero carbon emissions.

Ms Fauconnet has worked in Cromwell for the last four years prior to this current role, starting in the Asset Management team. Earlier in her career, Sandrine has spent 17 years working internationally on investment and asset management roles with investment companies, including Unibail Rodamco in France and Stockland in Australia. She also worked as project manager for an office refurbishment for Rawson Homes in Australia and a portfolio manager with retail development projects across Central and Eastern Europe.

Ms Fauconnet studied business management at ISG Business School in France.

CEREIT'S MILESTONES





MANAGER'S REPORT

EXECUTIVE SUMMARY

The Manager is pleased to report on another year of continued operational resilience and credible performance for CEREIT in FY 2022, even as COVID-19's impact on the economy eased but was promptly replaced by heightened geopolitical tensions, Russia-Ukraine war, increased inflation and rising interest rates. Despite the macro uncertainties and slowing economic growth, the Board declared a FY 2022 DPU of 17.189 Euro cents which was 1.3% higher y-o-y. The DPU growth was largely driven by new acquisitions as well as inflation-linked rental indexation that increased rental income, offsetting rise in interest expense and other operating costs.

FY 2022 NPI grew 5.1% y-o-y to €136.8 million, mostly due to the 23.9% y-o-y growth in the light industrial / logistics sector. FY 2022 like-for-like NPI was in line y-o-y, with light industrial / logistics sector 5.4% higher, largely due to market rental growth, indexation and higher occupancy, offset by a weaker office performance due primarily to a rise in vacancy.

CEREIT's portfolio occupancy reached a record high of 96.0% at the end of 2022 with 26% of the portfolio or 489,214 sqm leased up or renewed over the year at a strong 5.7% rent reversion.

Independent valuations were conducted for 112 out of 113 properties as at 31 December 2022 by CBRE & Savills, with one recently acquired asset held at Directors' valuation. These 113 properties were valued at an aggregate of €2,503.9 million as at 31 December 2022. After taking into account the benefit of valuation increases on properties under development in Italy and the Czech Republic, fair value decreased an aggregate 0.8% or €18.4 million on a like-for-like basis, as compared to the book value as at 31 December 2021. Notably, the light industrial / logistics portfolio value gained 5.0% or €50.3 million as compared to the 31 December 2021 valuations, supported by rental growth and development expenditure.

Early refinancing of most of the debt facilities due to expire in late 2023 was completed in December 2022, leveraging both new and existing banking relationships, with the balance of the maturing debt refinanced in February 2023.

The second half of 2022 was more challenging from a macro perspective. The Manager scaled back acquisitions and refocused on selective divestments in anticipation of further yield expansion across all sectors, completing only one acquisition during the period. In total, €107.3 million of light industrial / logistics acquisitions and €41.0 million of non-core asset divestments were completed during FY 2022.

In FY 2022, the Manager has made good progress on CEREIT's €250 million development and AEs medium-term pipeline. Approximately €400 million in non-strategic asset divestments will be staggered over the next two to three years to fund the development programme and offset any potential pressure on LTV. Asset and capital recycling, sustainable developments and asset rejuvenation will further improve the overall quality of the portfolio and provide growth in DPU and NAV over the medium term.

Amid the continuing uncertain macroeconomic environment, the Manager remains focused on mitigating risk through responsibly managing financial flexibility and augmenting the quality of CEREIT's portfolio.

FINANCIAL PERFORMANCE

FY 2022 gross revenue was €222.1 million, up 11.0% or €22.0 million y-o-y mainly due to income from acquisitions in the Czech Republic, Slovakia, Italy, the UK, the Netherlands and Germany over the last two years, as well as inflation indexation from the existing portfolio. Property operating expense was €85.3 million, up 21.8% or €15.3 million y-o-y. This was largely due to higher operating expenses, which were mostly recharged as service charge to tenant-customers. Correspondingly, service charge income also increased considerably to €43.6 million, up 25.3% or €8.8 million y-o-y. Service charge expenses and non-recoverable expenses rose to €67.1 million, up 22.7% or €12.4 million y-o-y. The main driver for these increases were utilities charges for electricity and heating, on the back of higher energy prices and inflation. Non-recoverable property expenses (including property taxes, insurance, repairs / maintenance, service charge leakage and letting fees) increased 13.3% y-o-y, resulting in a net €3.6 million impact on CEREIT's distributable income.

FY 2022 NPI was 5.1% higher than FY 2021, mainly attributable to income from new acquisitions, inflation indexation across the portfolio and turnover rent received by Starhotels Grand Milan, Italy. This was partially offset by loss of income from Via Nervesa 21 in Milan, Italy which is undergoing redevelopment. FY 2022 like-for-like¹ NPI was €118.6 million, largely in line with pcp.

FY 2022 net finance costs of €24.4 million were 12.2% or €2.7 million higher than pcp, mainly due to higher borrowings drawn down to fund new acquisitions and capital expenditure, and higher interest rates because of the increase in short-term Euribor and €STR.

FY 2022 Manager's fees of €6.1 million were 7.8% higher than pcp, due to higher deposited property value mostly from new acquisitions.

FY 2022 other trust expenses were €6.0 million, 19.4% or €1.0 million higher as compared to FY 2021. This was mainly due to an increase in professional fees, including one-off tax consultancy services and higher audit, valuation and legal fees.

Net foreign exchange loss for FY 2022 mostly arose from the revaluation of EUR denominated intercompany loans by a CEREIT subsidiary due to the depreciation of GBP against EUR.

FY 2022 gain on divestments of €0.8 million arose mainly from the divestment at a premium of a warehouse unit contained within Centro Logistico Orlando Marconi asset in Italy and an office asset in Finland. This was partially offset

by loss on divestment of two light industrial / logistics assets in Germany and a logistics park in France relating to transaction costs, as the fair value gain had already been recorded in the fair value gain on investment property.

The fair value gain on derivative instruments was attributable to the increase in values of interest rate cap and cross currency swap contracts as a result of rising Euribor and depreciating EUR against SGD respectively.

FY 2022 income tax expense of €13.8 million comprised current income tax expense of €8.9 million, capital gain tax expense of €1.5 million and deferred tax expense of €3.4 million. FY 2022 current income tax expense of €8.9 million was 36.3% or €2.4 million higher than pcp, representing an increase in the effective tax rate over the year from 6.7% to 9.0%. The income tax expense increase was mainly attributable to a capital gain tax on the divestment of Parc du Bois du Tambour in Gondreville, France, income tax on non-exempt foreign interest income received in Singapore, withholding tax on payments of intercompany loan interest and income tax on gain on the sale of interest rate cap contracts.

Deferred tax expense was lower and this was mainly due to net fair value loss on investment properties in FY 2022 as compared to net fair value gain on investment properties in FY 2021.

FY 2022 Distributable Income includes €2.05 million of realised capital gains paid out to offset lost income from the Via Nervesa 21 redevelopment.

	FY 2022	FY 2021	Variance %
Gross revenue (€'000)	222,105	200,122	11.0%
NPI (€'000)	136,775	130,092	5.1%
Total return (€'000)	41,949	96,603	(56.6%)
Total return attributable to Unitholders (€'000)	39,628	96,359	(58.9%)
Income available for distribution to Unitholders (€'000)	96,667	93,618	3.3%
Applicable number of Units ('000)	562,392	551,960	1.9%
DPU Euro cents per Unit ("cpu") ¹	17.189	16.961	1.3%

¹ Like-for-like analysis excludes FY 2021 and FY 2022 acquisitions and divestments, rental income from Via Nervesa 21, Milan due to redevelopment and a one-off write back of doubtful debt provisions that occurred in FY 2021.

MANAGER'S REPORT

GROSS REVENUE AND NPI COMMENTARY

FY 2022 gross revenue was €222.1 million, up 11.0% or €22.0 million y-o-y. FY 2022 NPI was €136.8 million, up 5.1% or €6.7 million y-o-y. The table below compares the gross revenue and NPI figures y-o-y by asset class and by country.

	GROSS REVENUE			NET PROPERTY INCOME		
	FY 2022 €'000	FY 2021 €'000	Variance %	FY 2022 €'000	FY 2021 €'000	Variance %
LIGHT INDUSTRIAL / LOGISTICS						
The Netherlands	6,648	5,307	25.3%	4,688	3,387	38.4%
Italy	12,009	6,332	89.7%	9,170	4,560	>100.0%
France	32,467	30,047	8.1%	20,191	20,072	0.6%
Germany	17,285	16,140	7.1%	11,333	10,705	5.9%
Denmark	10,848	8,999	20.5%	5,650	5,063	11.6%
The Czech Republic	4,478	3,425	30.7%	3,392	2,588	31.1%
Slovakia	6,294	4,575	37.6%	4,232	3,363	25.8%
UK	3,839	384	>100.0%	3,377	342	>100.0%
Total - Light industrial / Logistics	93,868	75,209	24.8%	62,033	50,080	23.9%
OFFICE						
The Netherlands	44,753	41,053	9.0%	26,667	25,707	3.7%
Italy	22,786	23,878	(4.6%)	15,215	17,136	(11.2%)
France	6,128	8,673	(29.3%)	2,223	5,308	(58.1%)
Poland	28,194	25,781	9.4%	13,824	15,655	(11.7%)
Finland	10,514	11,301	(7.0%)	5,118	6,052	(15.4%)
Total - Office	112,375	110,686	1.5%	63,047	69,858	(9.7%)
OTHERS						
Italy	15,862	14,227	11.5%	11,695	10,154	15.2%
Total - Others	15,862	14,227	11.5%	11,695	10,154	15.2%
Total	222,105	200,122	11.0%	136,775	130,092	5.1%

Light industrial / logistics

FY 2022 gross revenue from the light industrial / logistics portfolio was €93.9 million, 24.8% or €18.7 million higher than pcp. FY 2022 light industrial / logistics NPI was €62.0 million, 23.9% or €12.0 million higher than pcp, mainly due to new acquisitions. During the period, two light industrial / logistics properties were acquired in 1Q 2022 (Via dell'Industria 18 in Vittuone and Via Fogliano 1 in Coccaglio, both in Italy), two properties were acquired in 2Q 2022 (Löbstedter Str. 101-109 in Jena, Germany and The Cube in Runcorn, the UK) and one property was acquired in 4Q 2022 (Sognevej 25 in Denmark). These acquisitions contributed an additional €7.2 million to FY 2022 NPI.

This positive variance was partly offset by the 3Q 2021 divestment of Parc de Popey in France and the 4Q 2022 divestments of two properties in Germany (An der Steintach 8-10 and Kinzigheimer Weg 114). The divestment of Parc du Bois du Tambour, France was completed in early December 2022, therefore its impact to FY 2022 NPI was limited. These divestments reduced the FY 2022 light industrial / logistics NPI by approximately €0.7 million compared to pcp.

FY 2022 light industrial / logistics like-for-like NPI was €43.9 million, 5.4% or €2.3 million higher than pcp. All countries outperformed, most notably France, mainly due to a large lease renewal at Parc des Docks in Saint Ouen, Paris and higher income from Parc des Guillaumes in Noisy-le-Sec and Parc du Merantais in Magny-Les-Hameaux. These positive variances were offset by lower income from Parc Sully in Sully-sur-Loire. Excluding the two divestments completed in 4Q 2022, Germany's light industrial / logistics NPI was 2.5% or €0.3 million higher, due to rent indexation in some of the properties. Denmark's light industrial / logistics NPI increased by 7.4% or €0.4 million, due to higher occupancy in Priorparken 700 and 800 in Brøndby and excluding the 2H 2022 acquisition of Sognevej 25 in Brøndby. The Netherlands' light industrial / logistics NPI increased by €0.4 million or 12.1%, mainly due to rent indexation across the portfolio and excluding the acquisitions completed in 4Q 2021.

Office

FY 2022 office sector gross revenue was €112.4 million, 1.5% or €1.7 million higher than pcp, while FY 2022 office sector NPI was €63.1 million, 9.7% or €6.8 million lower than pcp.

Overall, all countries underperformed except for CEREIF's largest portfolio in the Netherlands, whose NPI was up

3.7% or €1.0 million higher y-o-y due to higher income from Central Plaza and Bastion. This increase was partly offset by a temporary loss of income due to lower occupancy in Haagse Poort in Den Haag, where existing tenant-customers have returned some space.

The sector's muted performance was mainly due to France which was 58.1% or €3.1 million lower than pcp, due to lower occupancy in Paryseine in Paris. Poland's FY 2022 office NPI decreased by 11.7% or €1.8 million as compared to pcp, due to lower occupancy and higher incentives at Business Garden in Poznań, the absence of early termination indemnity in Avatar in Kraków and increased vacancy at Grójecka 5 in Warsaw. Italy's FY 2022 office NPI was 11.2% or €1.9 million lower than pcp, due to loss of income from Via Nervesa 21 in Milan which is currently undergoing redevelopment. Finland's FY 2022 office NPI was 15.4% or €0.9 million below pcp. This was due to the divestment of Opus 1 in Helsinki in July 2022 and lower income from Purotie 1 in Helsinki and Myyrmäenraitti 2 and Pakkalankuja 6 in Vantaa due to higher vacancies in these three assets.

FY 2022 office sector like-for-like NPI was 6.1% or €4.1 million lower than pcp. This was mainly due to lower occupancy in Paryseine in Paris, France, lower occupancy in Haagse Poort in Den Haag, the Netherlands and a combination of lower occupancy and higher incentives in Business Garden in Poznań, Poland.

Others

CEREIF's 'others' sector portfolio consists of three government-let campuses, one retail asset and one hotel, all located in Italy.

FY 2022 'others' gross revenue was €15.9 million, 11.5% or €1.6 million higher y-o-y. FY 2022 'others' NPI was €11.7 million, 15.2% or €1.5 million higher y-o-y. The FY 2022 outperformance was mainly due to higher rental income in Viale Europe 95 in Bari and higher turnover rent in Via Varesse 23 in Saronno. For Via Varesse 23 in Saronno in particular, as COVID-19 lockdowns eased towards the end of FY 2021, higher turnover rent was recognised in 1H 2022 and higher turnover rent achieved in FY 2022. This validated the approach to restructure this lease during 2020.

CEREIF's 'others' portfolio remains unchanged compared to pcp, therefore the above reflects the like-for-like analysis as well.

MANAGER'S REPORT

VALUATIONS

Independent valuations of 112 out of 113 properties in CEREIT's portfolio as at 31 December 2022 were undertaken in December 2022 by CBRE and Savills. CBRE valued properties in France, Poland, Denmark, the Czech Republic and Slovakia. Savills valued properties located in the Netherlands, Italy, Germany, Finland and the UK. The 112 properties were valued at an aggregate of €2,488.1 million as at 31 December 2022, which represented an aggregate €18.4 million or 0.8% like-for-like decrease in fair value compared to the book value as at 31 December 2021. This factored in the benefit of valuation increases on properties under development in Italy and the Czech Republic.

The Manager's pivot to light industrial / logistics sector has benefitted CEREIT this valuation round, with the sector recording a like-for-like fair value increment of 5.0% or €50.3 million y-o-y. The light industrial / logistics portfolios in France and Denmark showed valuation increases of €21.4 million and €17.6 million respectively, due to AELs and market rent growth. The Czech Republic portfolio valuation was €12.1 million higher due to the increase in value of properties under development. However, the UK portfolio fell by €10.1 million on the back of substantially higher interest rates, similar market movements and weak exchange rate.

The office sector recorded a like-for-like reduction in fair value by €65.4 million or 5.1% and the other sector by €3.4

million or 2.7% y-o-y. Valuation declines were recorded in a number of countries, notably in the Netherlands (down by €36.8 million) and Poland (down by €15.8 million) on a mix of widening cap rates, short-term vacancy and shorter WALE in some weaker office markets, and higher interest rates.

The portfolio's fair value change includes gains from development capital expenditures from Via Nervesa 21 in Milan, Italy (€5.7 million) and Lovosice ONE Industrial Park I in Lovosice, the Czech Republic (€10.8 million), as well as a €3 million increase in plot valuations for Nove Mesto ONE Industrial Park I and III in Kočovice, Slovakia. If this €19.5 million benefit is excluded, the adjusted like-for-like valuation write-down for the portfolio would have been €37.9 million or 1.6% lower y-o-y.

The decline in valuation was not significant due to the following reasons: (i) AELs (excluding developments) reduced the valuers' maintenance capex assumptions and further increasing occupancy, resulted in relative valuation gains (ii) majority of CEREIT assets being located in good or very good macro / micro locations, therefore experiencing ERV growth and (iii) CEREIT portfolio has a relatively high NIY yield of 5.7% with a healthy 150+ bps spread to increasing financing costs, providing some downside protection, while the average reversionary yield is 6.9%, pointing to valuers' expectations of higher NOI growth over the medium term.

Country	Purchase Price €'000	Number of Properties	Valuation ¹ as at 31 Dec 2022 €'000	Variance between Valuation and Purchase Price %
The Netherlands	586,398	14	639,190	9.0%
Italy	598,670	22	586,970	(2.0%)
France	339,576	20	438,955	29.3%
Germany	156,555	14	217,250	38.8%
Poland	240,650	6	215,725	(10.4%)
Denmark	84,523	12	122,358	44.8%
Finland	99,620	10	85,800	(13.9%)
The Czech Republic	60,891	7	74,200	21.9%
Slovakia	62,389	5	65,970	5.7%
UK	73,350	3	57,467	(21.7%)
Total	2,302,622	113	2,503,885	8.7%

¹ Includes Sognevej 25 at purchase price

FINANCIAL POSITION

	As at 31 Dec 2022	As at 31 Dec 2021	Change %
Gross asset value (€'000)	2,589,984	2,534,530	2.2%
Net tangible assets ("NTA") attributable to Unitholders (€'000)	1,358,717	1,413,130	(3.9%)
Gross borrowings before unamortised debt issue costs (€'000)	1,019,905	927,375	10.0%
Aggregate leverage (%)	39.4%	36.6%	2.8 p.p.
Aggregate leverage excluding distribution (%) ²	40.1%	37.3%	2.8 p.p.
Net Gearing (%) ³	38.5%	35.1%	3.4 p.p.
Units in issue ('000)	562,392	561,045	0.2%
Net Asset Value ("NAV") attributable to Unitholders € per Unit	2.42	2.52	(4.0%)
Adjusted NAV attributable to Unitholders € per Unit (excluding distributable income)	2.33	2.43	(4.1%)

CEREIT's balance sheet remained resilient, with €35.4 million in cash and only €41.9 million drawn against the €200.0 million RCF at the end of 2022. GAV as at 31 December 2022 increased marginally by 2.2% as compared to 31 December 2021 as five new acquisitions in Denmark, Germany, Italy and Germany for €107.3 million were completed during the year. This increase was partially offset by the divestments in Italy, Finland, France and Germany and fair value loss from the independent valuations. The acquisitions were funded by a combination of available cash, drawdown on the RCF or from the proceeds of divestments.

Aggregate leverage as at 31 December 2022 increased marginally to 39.4% (up from 36.6% a year ago) and net gearing to 38.5% (up from 35.1% a year ago), mainly attributable to acquisitions. Aggregate leverage remains within the Board approved range of 35-40% therefore the Manager is of the view that there is no material impact on the risk profile of CEREIT.

As at 31 December 2022, NAV attributable to Unitholders per Unit and adjusted NAV attributable to Unitholders per

Unit decreased by 4.0% to €2.42 and €2.33 respectively, mainly due to the fair value loss on valuations recorded at the end of the year.

CAPITAL MANAGEMENT

Following the extensive transformation of CEREIT's debt structure in the last few years, FY 2022 saw less refinancing activity relative to previous years. However, given the rising interest rate outlook and the challenging economic environment, it was important to undertake and complete several significant capital management initiatives during the year.

In 4Q 2022, a new €180.0 million 4-year sustainability-linked facility was established, introducing leading banks OCBC, HSBC, QNB and RHB as new lenders to CEREIT. In 1Q 2023, the Manager also completed a rollover of existing €50.63 million Nov-2023 facility with new lender commitment making up an aggregate amount of €70.63 million. The restated 3.5-years sustainability-linked facility included an accordion feature to increase the size up to €110.0 million. Following the completion of these two facilities, there are no debt facilities maturing until

² Aggregate leverage excluding distribution is calculated by deducting the distributable income not yet distributed at period end from GAV

³ Net Gearing is calculated as aggregate debt less cash over total assets less cash

MANAGER'S REPORT

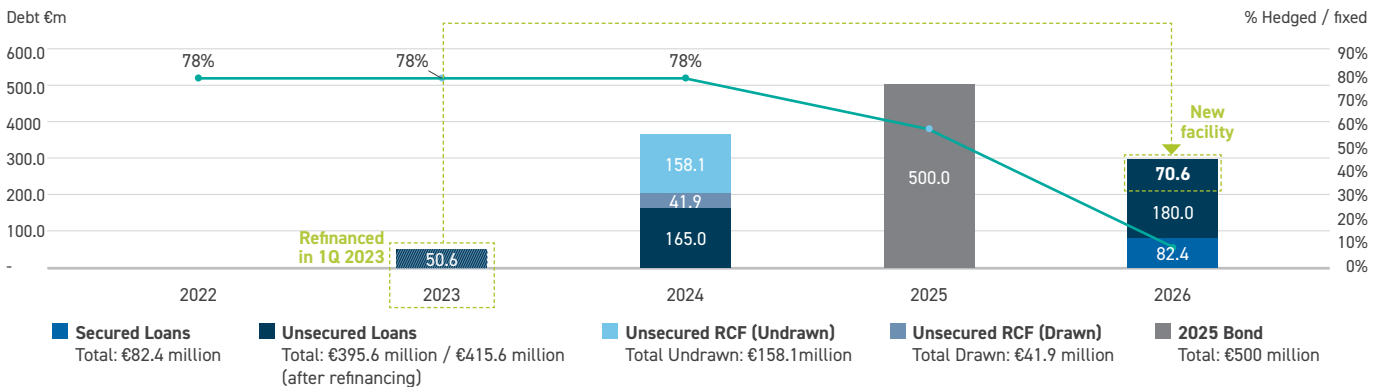
November 2024. This puts CEREIF in a very good position considering the current uncertain and challenging banking and debt capital markets environment.

In July 2022, the Manager also took the opportunity to blend and extend CEREIF's interest rate cap book. €210.0 million of new interest rate cap was transacted at a 60-basis points strike, resulting in 78% of total debt being hedged / fixed until the end of 2024 and then stepping down to 57% in 2025. These caps had a fair value of over €10.0 million as at 31 December 2022.

As a result of these transactions, as well as a sustained increase in the 3-month Euribor to 2.132% at the end of the year, the all-in interest rate increased to 2.38% p.a.

As at 31 December 2022, CEREIF had total drawn debt of €1,019.9 million, of which €500.0 million is from a bond issued under the EMTN programme and €519.9 million from bank facilities. The chart below shows the debt expiry profile as at 31 December 2022 and shows the new €70.6 million facility which has fully refinanced the debt maturing in 2023 (facility completed after year-end).

DEBT MATURITY PROFILE AS AT 31 DECEMBER 2022⁴ AND PERCENTAGE HEDGED / FIXED RATE



OTHER CAPITAL MANAGEMENT STATISTICS

	As at 31 Dec 2022	As at 31 Dec 2021	EMTN covenant
Interest Coverage Ratio ⁵	5.3x	5.8x	≥2x
Adjusted Interest Coverage Ratio ⁶	4.9x	5.7x	n.a.
Priority debt ⁷	3.0%	3.3%	<35%
Unencumbrance ratio ⁷	249.5%	260.7%	>170%
Weighted Average Debt Maturity	2.9 years	3.4 years	n.a.

Other capital management statistics remained comfortably within the covenants under the EMTN programme.

Interest coverage ratio of 5.3x, calculated in accordance with the Property Funds Appendix, where amortised debt establishment costs are included in the numerator, was

lower than last year mainly due to higher finance costs. Excluding amortised debt establishment costs, interest coverage ratio would have been an even more comfortable 6.1x at 31 December 2022.

⁴ Excludes S\$100 million of perpetual securities issued in November 2021 (classified as equity instruments)

⁵ Calculated as per Property Funds Appendix. Interest Cover as per EMTN prospectus (excluding amortised debt establishment costs) is 7.0x.

⁶ Calculated as per Property Funds Appendix, including distributions on perpetual securities

⁷ As defined in the EMTN prospectus

TRANSACTIONS

Acquisitions

Focus remained on selective acquisitions and in total €107.3 million of light industrial / logistics asset acquisitions at a blended NOI yield of 7.4% were completed in FY 2022, with the majority completed in 1H 2022. The transactions expanded CEREIT's footprint in Denmark, Germany, Italy and the UK. CEREIT continues to rebalance its portfolio towards light industrial / logistics properties with a medium-term objective of majority light industrial / logistics exposure. However, given the current macro environment and CEREIT's current aggregate gearing at the upper end of the Board's policy range of 35 - 40%, the Manager has deprioritised further acquisitions until greater visibility on asset prices transpires and CEREIT's cost of capital improves.

Two light industrial / logistics properties in Italy

In February 2022, the Manager completed the acquisition of Via Fogliano 1 in Coccaglio, a 44,643 sqm freehold, light industrial / logistics asset located 76 kilometres east of Milan's city centre, for €24.5 million at 6.7% NOI yield, 19.9% below the independent valuation. The property is 100% occupied by Bialetti Industrie SpA, a leading Italian coffee and houseware products group, on a long-term 12-year lease.

In March 2022, the Manager completed the acquisition of Via dell'Industria 18 in Vittuone, a 63,221 sqm freehold, light industrial / logistics asset located 30 kilometres west of Milan's city centre, for €26.5 million at 7.8% NOI yield, 9.9% below market valuation. The asset is situated on a 99,700 sqm site with future redevelopment potential for urban logistics use. The asset was fully let to ABB, a Fortune 500 company, on a 'full repairing' lease.

One light industrial property in Germany

In April 2022, the Manager completed the acquisition of Löbstedter Str. 101 – 109 in Jena, a 18,800 sqm freehold,

life science / light industrial asset, for €17.3 million at 5.5% NOI yield, 5.3% below market valuation. The asset is situated on a 23,300 sqm site within an established commercial area. The asset is fully let to 13 tenant-customers, most of whom are well-established bio-medical companies who operate in the life sciences, medical and industrial equipment industries, as well as the precision engineering and biotechnology space.

One logistics property in the UK

In May 2022, the Manager completed the acquisition of a freehold logistics asset The Cube in Runcorn, Northwest England for £20.0 million (€23.2 million⁸ equivalent) at 5.2% NOI yield, 14.7% below market valuation. The asset is 100% let to Kammac Limited, a privately-owned, U.K.-focused third-party logistics company, on a triple net 10-year lease. The tenancy includes an RPI-linked rent review at year five subject to a collar/cap of 1% and 3% (compounded annually).

One light industrial property in Denmark

In October 2022, the Manager completed the acquisition of Sognevej 25 in Brøndby, a 22,842 sqm freehold, light industrial / logistics complex on a 41,649 sqm site for approximately €15.8 million at a 9.1% NOI yield, 7.0% below market valuation. Sognevej 25 is strategically situated adjacent to CEREIT's existing Priorparken 700/800 assets in Brøndby in a well-established business park eight kilometres west of Copenhagen's CBD.

Divestments

Consistent with the Manager's proactive portfolio management strategy to improve the risk-return profile of CEREIT's portfolio, the Manager divested four assets and one small warehouse unit contained within the Centro Logistico Orlando Marconi asset in Italy during FY 2022 for a total of €41.0 million, which was €6.9 million or ~20.2% higher than the assets' most recent aggregated valuations.

MANAGER'S REPORT

Acquisitions completed in FY 2022

Building	Vendor	Address	City	Purchase Price (€ million)	Valuation ⁹ (€ million)	Completion Date
ITALY						
Via Fogliano 1	Bialetti Holding S.r.l.	Coccaglio (BS), Via Fogliano n.1	Coccaglio	24.5	30.6	15 Feb 2022
Via dell'Industrial 18	Polis Fondi S.G.R.p.A.	Via dell'Industria, 18, 20009 Vittuone MI	Milan	26.5	29.4	17 Mar 2022
GERMANY						
Löbstedter Str. 101 - 109	Bayernfonds Immobilien Jena Gewerbepark KG	Löbstedter Str. 101 - 109, Unstrutweg 1,4, Ilmstr. 4,4a	Jena	17.3	18.3	21 Apr 2022
UK						
The Cube	Threadneedle Pensions Limited	The Cube, Preston Brook, Whitehouse Industrial Estate, WA7 3GA	Runcorn	23.2 ¹⁰	25.7 ¹⁰	18 May 2022
DENMARK						
Sognevej 25	M7 EREIP V DK Propco 1 K/S	Sognevej 25, DK-2605 Brøndby	Brøndby	15.8	17.0	14 Oct 2022

Divestments completed in FY 2022

Building	Purchaser	Address	City	Disposal Price (€ million)	Valuation (€ million)	Completion Date
ITALY						
Building 9, Centro Logistico Orlando Marconi	Carlini Gomme S.r.l	Via del Lavoro	Monteprandone	2.8	1.6 ¹¹	25 Jan 2022
FINLAND						
Opus 1	Julius Tallberg-Kiinteistöt Oyj	Hitsaajankatu 24	Helsinki	16.2	15.2 ¹²	6 Jul 2022
GERMANY						
An der Steinlach 8-10	United Germany 2022 Propco S.à r.l.	An der Steinlach 8-10	Bischofsheim	6.0	5.2 ¹³	7 Oct 2022
Kinzigheimer Weg 114	United Germany 2022 Propco S.à r.l.	Kinzigheimer Weg 114	Hanau	5.0	5.0 ¹³	7 Oct 2022
FRANCE						
Parc du Bois du Tambour	Activimmo	Route de Nancy	Gondreville	11.0	7.1 ¹³	9 Dec 2022

⁹ Valuations undertaken at the time of the respective acquisitions using the comparative & investment, and income capitalisation methodologies in accordance to the RICS Valuation – Global Standard

¹⁰ Based on exchange rate as at completion date

¹¹ Apportioned value of the asset's independent valuation undertaken as at 31 December 2021 using the income capitalisation methodology in accordance to the RICS Valuation – Global Standard

¹² Based on valuation undertaken as at 31 December 2021 using the income capitalisation methodology in accordance to the RICS Valuation – Global Standard

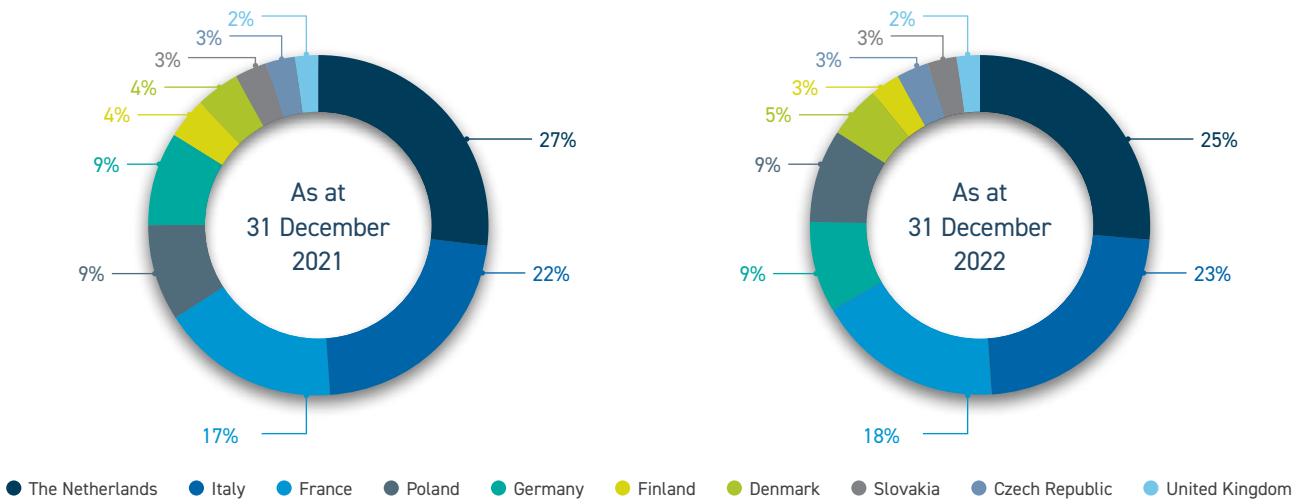
¹³ Based on valuation undertaken as at 30 June 2022 using the income capitalisation method (for assets located in Germany) and discounted cashflow method (for asset located in France) in accordance to the RICS Valuation – Global Standard

PORTFOLIO PERFORMANCE

As at 31 December 2022, CEREIF's portfolio comprised 113 predominantly light industrial / logistics and office assets

across ten countries in Europe – the Netherlands, Italy, France, Germany, Poland, Denmark, Finland, the Czech Republic, Slovakia, and the UK.

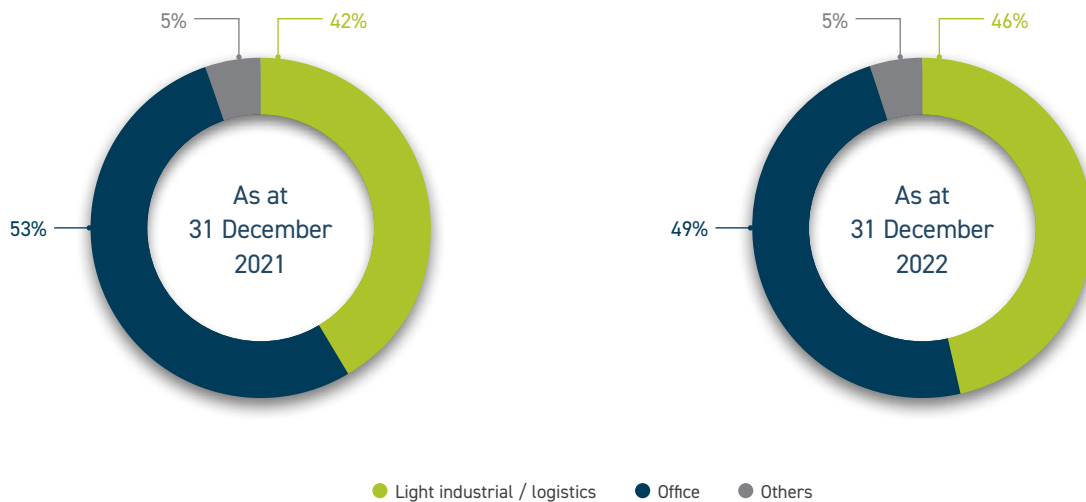
CEREIT PORTFOLIO BY COUNTRY



CEREIT's portfolio weighting towards light industrial / logistics increased to 46% as at the end of FY 2022, up from 42% as at the end of FY 2021, in keeping with the

Manager's strategy to rebalance the portfolio to majority weighting to this sector.

CEREIT PORTFOLIO BY ASSET CLASS



MANAGER'S REPORT

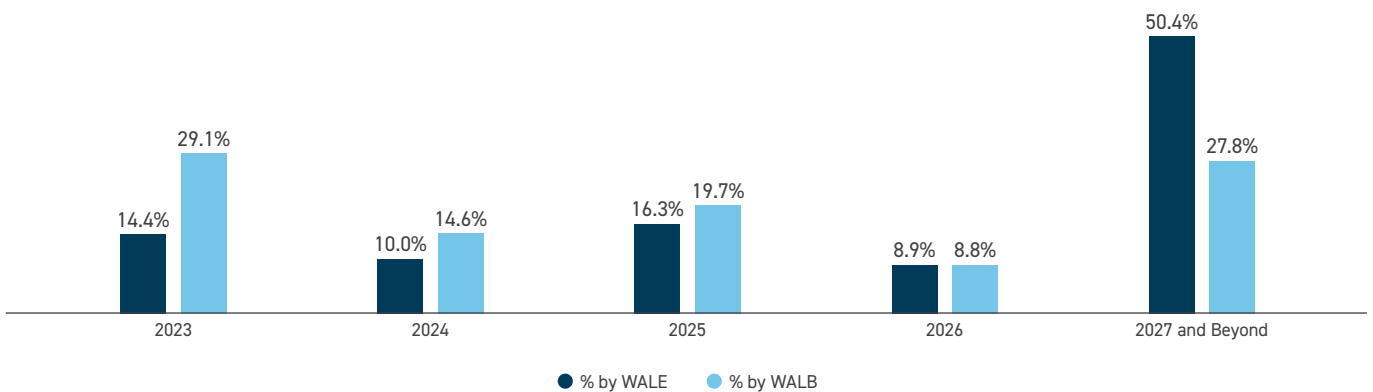
LEASE MANAGEMENT

Overall portfolio

In FY 2022, the Manager achieved a number of leasing successes, which further improved portfolio occupancy and de-risked the portfolio. In total, 26% of portfolio NLA was re-leased in FY 2022 at an average +5.7% rent reversion; 2H 2022 rent reversion was even stronger at +7.6%¹⁴. This represented 264 new and renewed leases signed with 222 tenant-customers, covering 489,214 sqm of space by NLA. Tenant-customer retention rate for the full year FY 2022 was at 64.3%.

CEREIT's portfolio occupancy by NLA was a record 96.0% as at the end of December 2022, 1 p.p. higher than the 95.0% a year before and 8.3 p.p. higher than at IPO (87.7%). As at 31 December 2022, CEREIT's portfolio WALE was 4.6 years (largely maintained over the past four years) while the top ten tenant-customers' WALE was 4.7 years. The portfolio WALB was 3.2 years as at 31 December 2022. The WALE of new leases signed in FY 2022 was 6.8 years.

LEASE EXPIRY PROFILE



Total portfolio	4Q 2022	3Q 2022	2Q 2022	1Q 2022	Total
Number of new leases signed	30	55	44	32	161
Number of leases renewed	30	28	24	21	103
Tenant-customer retention rate	80.4%	67.9%	61.1%	24.5%	64.3%
Total number of leases as at the end of respective period	1,056	1,069	1,069	1,022	
Total number of tenant-customers as at the end of respective period	845	859	866	842	

Asset class	As at 31 Dec 2022	As at 31 Dec 2021	IPO
Light industrial / logistics	98.1%	95.7%	82.9%
Office	89.3%	91.9%	94.8%
Other	100.0%	100.0%	100.0%
Total	96.0%	95.0%	87.7%

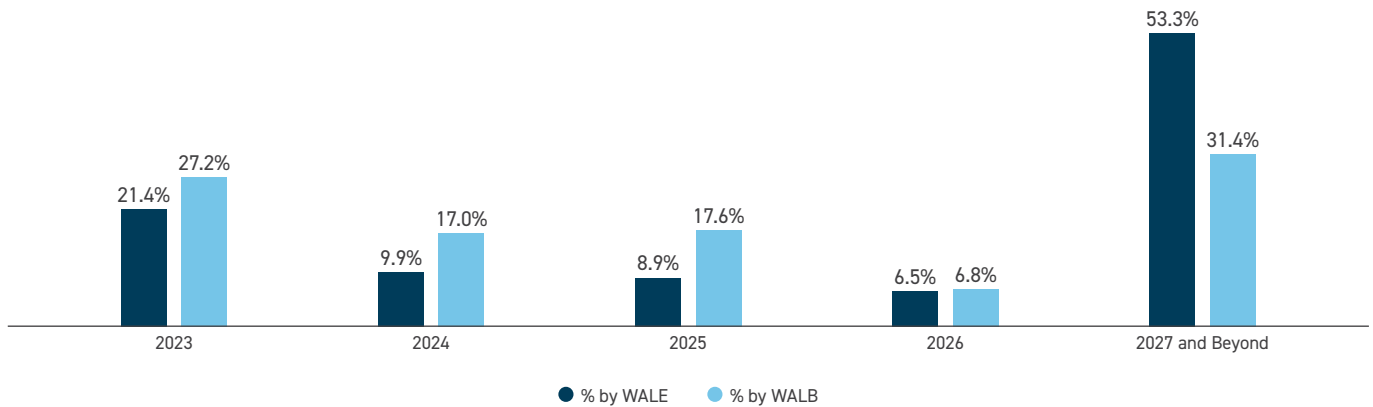
14 Three silent renewals in Italy with tenant-customer 'Agenzia del Demanio' have not been included in the rent reversion calculations, reason being these are considered as the 15% rent reduction is driven by Governmental Decree and does not reflect changes in market rent; the renewal consists of a third lease term period of six years with a 6-month notice rolling break option

Light industrial / logistics sector

The light industrial / logistics portfolio achieved a record occupancy of 98.1% as at 31 December 2022 (up from 95.7% in FY 2021), achieving positive average rent reversion of 6.1%. WALE slightly decreased to 4.8 years

(down from 5.0 years in FY 2021), while WALB remained stable at 3.6 years, in line with FY 2021. The tenant-customer retention rate was 73.4%, up significantly y-o-y (59.6% in FY 2021). 57% of breaks and expiries until 30 June 2023 have been de-risked as at 31 December 2022.

LEASE EXPIRY PROFILE



Light industrial / logistics	4Q 2022	3Q 2022	2Q 2022	1Q 2022	Total
Number of new leases signed	16	26	28	16	86
Number of leases renewed	24	17	15	13	69
Tenant-customer retention rate	96.5%	61.9%	54.6%	51.3%	73.4%
Total number of leases as at the end of respective period	598	604	605	578	
Total number of tenant-customers as at the end of respective period	538	547	551	532	

Light industrial / logistics	Occupancy	WALE	WALB
France	98.0%	5.3 years	2.4 years
Germany	97.4%	4.9 years	4.7 years
The Netherlands	99.7%	3.6 years	3.1 years
Italy	100.0%	4.1 years	3.6 years
Denmark	93.1%	2.8 years	2.7 years
The Czech Republic	99.2%	5.8 years	5.8 years
Slovakia	100.0%	5.7 years	5.7 years
UK	100.0%	7.5 years	6.7 years
TOTAL	98.1%	4.8 years	3.6 years

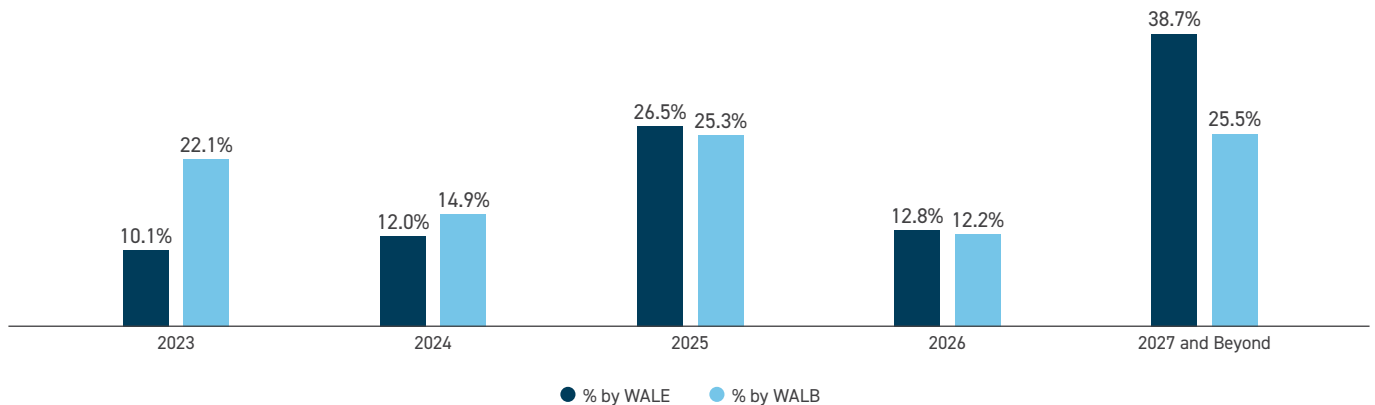
MANAGER'S REPORT

Some notable leasing successes for the light industrial / logistics sector in FY 2022 include:

- 5,439 sqm lease renewal for 9 years signed with global delivery service company at Parc Des Docks, Saint Ouen, Paris, France, at a significant +42% rent reversion (retrospective to 1st January 2020)
- 23,774 sqm long term renewal lease signed with a mass market retailer company at Strada Provinciale Adelfia, Rutigliano, Italy, with a WALB of 6 years
- 20,730 sqm lease renewal secured for 5 years with major Logistics tenant-customer at Nove Mesto ONE Industrial Park III, Beckov, Slovakia
- 13,266 sqm five-year new lease signed with a tenant-customer from the automotive industry at Lovosice ONE Industrial Park II, Lovosice, the Czech Republic
- 34,666 sqm lease renewal secured for six years with an existing tenant-customer, and 11,016 sqm new lease for 6+6 years signed with a car manufacturer at 12% higher rent at Via Dell'Industria 18, Vittuone, Italy

Vacant space at Lovosice ONE Industrial Park I, the Czech Republic is not considered as part of occupancy calculations while the property is undergoing development.

LEASE EXPIRY PROFILE



Office	4Q 2022	3Q 2022	2Q 2022	1Q 2022	Total
Number of new leases signed	14	29	16	16	75
Number of leases renewed	5	11	9	8	31
Tenant-customer retention rate	34.3%	71.9%	83.3%	15.5%	41.5%
Total number of leases as at the end of respective period	449	456	455	435	
Total number of tenant-customers as at the end of respective period	303	308	311	306	

Office	Occupancy	WALE	WALB
The Netherlands	93.4%	3.7 years	3.3 years
Italy	98.8%	5.7 years	2.9 years
Poland	84.9%	3.2 years	2.8 years
Finland	76.3%	2.7 years	2.6 years
France	71.4%	6.1 years	3.2 years
TOTAL	89.3%	4.0 years	3.0 years

Office sector

The office sector occupancy decreased by 2.6 p.p. to 89.3% as at 31 December 2022 (down from 91.9% as at 31 December 2021). WALE increased to 4.0 years (2021: 3.9 years) and WALB remained stable at 3.0 years (2021: 3.0 years). Tenant-customer retention rate was slightly lower at 41.5%, as compared to 47.2% in FY 2021. 33% of breaks and expiries until 30 June 2023 have been de-risked as of 31 December 2022. The office portfolio registered positive rent reversion of 4.9% for FY 2022 on average, mainly due to new leases in the Netherlands signed at higher market rates.

Some of the key leasing successes in the office sector in FY 2022 include:

- 8,981 sqm 9-year lease renewal signed with the main tenant-customer (infrastructure public company) at Via Pianciani 26, Italy
- 3,221 sqm of lease renewals signed with two tenant-customers for five and seven years and a 978 sqm new lease for 3 years signed in Business Garden, Poland; increasing occupancy to 91% as at year-end 2022
- 4,059 sqm new lease signed with tenant-customer (oil company) for ten years at Haagse Poort, the Netherlands
- 737 sqm new lease signed with tenant-customer in Paryseine, Ivry sur Seine, France at 20% above previous headline rent

The leases with Agenzia del Demanio at Corso Lungomare Trieste 29 and Corso Annibale Santorre di Santa Rosa 15 in Italy have been renewed for a further six years and are now due to expire in December 2028, however the tenant-customer now has rolling break option with 6-month notice period.

The lease with Agenzia del Demanio at Via dell'Amba Aradam 5 in Rome, Italy has been terminated by the tenant-customer on the break date of 28 December 2022. The asset is now fully vacant and is being prepared for a full upgrade refurbishment. Vacant space for both refurbishment projects at Via dell'Amba Aradam 5 in Rome, Italy and Via Nervesa 21 in Milan, Italy are not part of occupancy calculations while they are undergoing redevelopment.

'Others' sector

Occupancy rate for the 'others' sector as at 31 December 2022 remained at 100% (2021: 100%). WALE and WALB decreased to 6.5 years (2021: 7.1 years) and 2.1 years (2021: 2.4 years) respectively. The tenant-customer retention rate was 100% with no leases lost. No leases are subject to break or expiry before 30 June 2023. The lease with Agenzia del Demanio at Viale Europa 95, Italy, has been renewed for a further six years and is now due to expire in December 2028, however the tenant-customer now has a rolling break option with 6-months' notice.

MANAGER'S REPORT

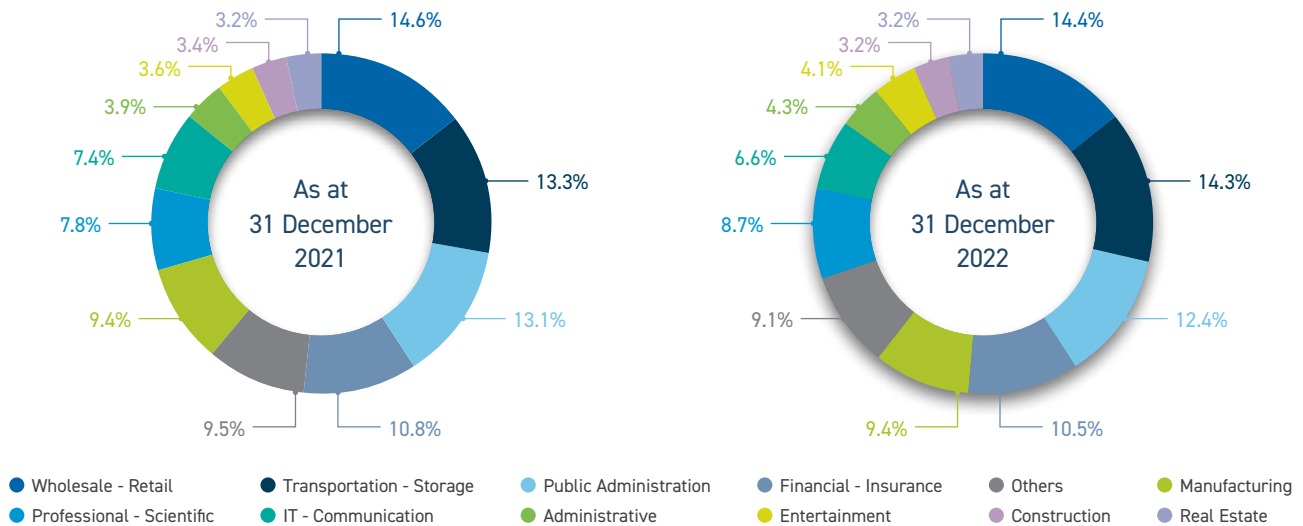
Tenant-customers

CEREIT's tenant-customer base continues to be well-balanced with 845 tenant-customers, post the acquisitions in the UK, Germany and Italy, and divestments in Finland, Germany and France. The Manager has continued to proactively diversify CEREIT's tenancy mix to minimise tenant-customer concentration risk. CEREIT's top ten tenant-customers now contribute 28.5% of total headline rent as at 31 December 2022, dropping below 30% for the first time and as compared to 30.9% in the preceding year and 41% at IPO. CEREIT's top tenant-customer, the Italian government's Agenzia del Demanio, now contributes 9.5%

of total headline rent, down from close to 20.0% at IPO based on its dilution as a proportion of the portfolio and the recent 15% drop in mandated rent on the recent renewals. CEREIT's exposure to SME tenant-customer leases is only ~8% of gross rental income.

Government and semi-government leases account for ~10% of total headline rent while a further ~82% of the leases are to large multinational and domestic corporations, such as UBS, Motorola, Vodafone, KPMG, UPS, DHL and CBRE. The tenant-customer base is well-spread across various sectors as shown in the graph below.

TENANT TRADE SECTOR BY HEADLINE RENT



TOP TEN TENANT-CUSTOMERS

Tenant-customer	Country	% of Total Headline Rent
1 Agenzia del Demanio	Italy	9.5%
2 Nationale Nederlanden Nederland B.V.	The Netherlands	5.1%
3 Essent Nederland B.V.	The Netherlands	2.4%
4 Employee Insurance Agency (UWV) ¹⁵	The Netherlands	1.9%
5 Kamer van Koophandel	The Netherlands	1.8%
6 Motorola Solutions Systems Polska Sp. z o.o.	Poland	1.8%
7 Holland Casino ¹⁶	The Netherlands	1.7%
8 ABB S.p.A.	Italy	1.5%
9 Felss Group	Germany	1.4%
10 Coolblue B.V.	The Netherlands	1.4%
		28.5%

¹⁵ Uitvoeringsinstituut Werknemersverzekeringen (UWV)

¹⁶ Nationale Stichting tot Exploitatie Van Casinospelen in Netherlands

MAJOR REDEVELOPMENTS, ASSET ENHANCEMENTS AND SUSTAINABILITY INITIATIVES

Via Nervesa 21, Milan, Italy (to be renamed 'Nervesa 21')

With final designs completed in early 2022, full redevelopment including LEED Platinum & WELL Gold green building certifications is currently underway. All required permits have been received, strip-out and remediation works have been completed. Refurbishment works are well-progressed, with approximately 95% of the materials recycled. With planned completion date at end of 2023, a pre-let commitment has been signed for 44% of the building with a leading global communications company, a year ahead of completion. Significant leasing enquiries have been received for the remaining spaces with leases likely to start in 1Q 2024, confirming CEREIF's strategy of rejuvenating well-located older assets.

Via dell'Amba Aradam 5, Rome, Italy (to be renamed 'Maxima')

In December 2022, Agenzia del Demanio's sub-tenant vacated the premises, enabling the Manager to progress its plans to redevelop the asset into a Grade A platinum office in the Rome San Giovanni district. While the €45 million construction project is subject to final building permits and Board approval (expected during FY 2023), strip-out works have already begun in March 2023. The development programme is similar to Via Nervesa 21's, targeting LEED Platinum & WELL Gold certifications for a fully redeveloped office building to be completed in 2025. The remediation works tender is set to commence in 2Q 2023 and the team is planning to secure all required permits by end 1H 2023, which will then allow for the refurbishment works phase to proceed. The project has already received a number of genuine enquiries from tenant-customers searching for premium office and commercial spaces. The appointed marketing agency is finalising all marketing leasing materials.

Lovosice ONE Industrial Park I, Lovosice, the Czech Republic

CEREIT's first green field development in Lovosice ONE Industrial Park I, commenced in mid-2022 with a total €15 million development budget for a fixed price construction contract and ancillary project and leasing costs (excluding land acquisition costs). The project comprises the refurbishment of 2,611 sqm of the existing building and the development of five new units with a total NLA of 14,679 sqm warehouse and ancillary office space, in line with existing building permits. The existing building has already

been fully refurbished and reconfigured for logistics use with operating permit received. The Czech logistics company Lorenc Logistic s.r.o has already moved into the refurbished building in January 2023. The construction of the five new logistic units is progressing well, with expected delivery in June 2023. Two of the five new units are already pre-let (5,362 sqm) for five years from June 2023 to a German 3PL tenant-customer. Advanced negotiations are ongoing for the three remaining units (c.9,000 sqm). CEREIF is targeting a BREEAM "Very Good" certification for this development.

Nove Mesto ONE Industrial Park I/III, Kočovce, Slovakia

In October 2022, the Board approved a green field development with a total budget of €13 million for a fixed price construction contract and ancillary project and leasing costs (excluding land acquisition costs and rent-free incentives) for the development (expansion) of c.15,825 sqm warehouse and ancillary office space in Nove Mesto ONE Industrial Park I and III, Slovakia, in line with existing building permits. The development is targeting BREEAM "Very Good" certification, with solar panel feasibility study underway. A lease agreement with an existing manufacturing tenant in Nove Mesto ONE Industrial Park III was signed for a 10-year fixed lease term commencing 1 October 2023. This tenant-customer also extended the existing approximately 10-year remaining lease term for 4,335 sqm in the existing building, which had started in January 2022, by another 18 months, to match with the end date of the new 10-year lease agreement.

Via Dell'Industria 18, Vittuone, Italy

The local asset management team renegotiated a lease renewal with a single tenant-customer, securing 34,666 sqm (20,309 sqm out of 54,975 sqm were vacated) for 6 years from 1Q 2023. This has freed up 40% of the asset to now be under a full refurbishment in FY 2023, targeting more loading bays and logistics facilities and a LEED Gold certification to prepare for new logistic tenant-customers. Concurrently, a new 6+6 year lease for 11,016 sqm (54% of the repositioned portion of the warehouse) was signed with a car manufacturer at a 12% higher rent with a start date in 3Q 2023. The balance of the refurbished area has already attracted pleasing leasing enquiries.

Deepki Europe-wide rollout and property energy audits

Further progress has been made in FY 2022 on the data collection automation for energy and water consumption and waste management across CEREIF's portfolio. A

MANAGER'S REPORT

software tool called Deepki is now in place to collect this ESG data for all landlord-controlled areas and for tenant-customer energy consumption. Energy audits are being conducted for all of CEREIT's assets by external technical experts that will result in recommended capex investment plans on an asset-by-asset basis uploaded into Deepki as a basis for defining long-term reduction targets by end-2023.

ASSET MANAGEMENT FOCUS FOR FY 2023

The Manager will continue asset management and enhancement initiatives in the following areas:

- Maintain high portfolio occupancy level >94% and WALE of >4 years through active leasing and tenant-customer engagement initiatives
- Undertake vacant refurbishments to transform structurally vacant office space attached to warehouses into leasable space
- Continue and intensify property-level sustainability initiatives, with a specific focus on (1) consumption data collection and uploading into Deepki (2) energy audits completion to define long-term capex plans aimed at reducing energy and water consumption and more efficient waste management as a basis for setting quantitative reduction targets in line with new European regulations and with CEREIT's ESG objectives (3) implementing various property-related energy reduction measures (e.g. LED lighting, solar panels, smart meters, BMS control/upgrades), waste and water reduction measures
- Progress and complete the ongoing redevelopments of Via Nervesa 21 in Milan, Italy, Lovosice ONE Industrial Park I in Lovosice, the Czech Republic and Nove Mesto ONE Industrial Park I/III in Kočovce, Slovakia
- Commence the planning and construction stages of further development and hard refurbishment projects that form part of the ~€250 million CEREIT development pipeline to be completed by 2025/2026, including Via dell'Amba Aradam 5 in Rome, Italy (to be renamed Maxima)
- Continue to work on the planning stages for further large scale, long-term redevelopment opportunities in the CEREIT portfolio, in particular for Parc des Docks in Saint Ouen, Paris, France and De Ruyterkade 5 in Amsterdam, the Netherlands
- Continue to divest non-core office and other assets to facilitate the pivot to light industrial / logistics, to further improve CEREIT portfolio quality and to recycle sales proceeds into the CEREIT development projects

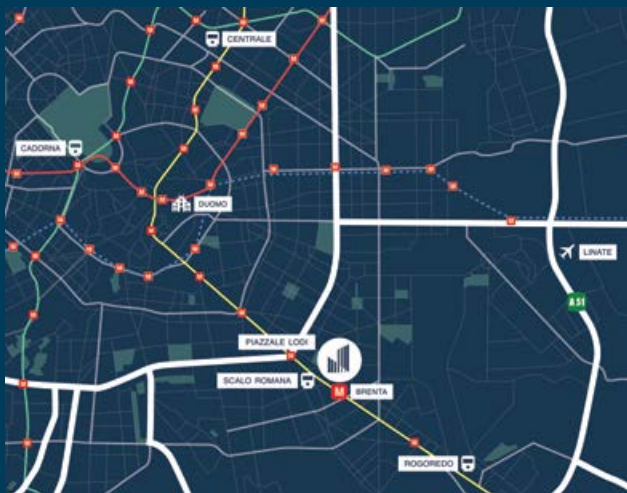


Via Nervesa
Artist's Impression



NERVESIA 21

GREEN OFFICES | MILANO



INVESTOR RELATIONS

CEREIT proactively engages with the investment community through regular, effective and clear two-way communication.

The Manager is committed to providing regular updates on CEREIT's financial results and operating performance and to provide timely information on any material changes that could potentially affect CEREIT's Unit price.

The Manager has a dedicated investor relations team that runs a proactive investor outreach programme. CEREIT's investor communication activities are governed by:

- (1) CEREIT's market disclosure protocol, ensures that CEREIT discloses all price-sensitive information to the SGX-ST in a timely manner in accordance with the Listing Rules and that all Unitholders have equal and timely access to material information concerning CEREIT, including its financial position, performance, ownership and governance
- (2) the Manager's investor relations policy, which outlines the principles and practices followed by the Manager to ensure regular, effective and fair two-way communication with the investment community

INVESTOR RELATIONS ACTIVITIES

The Manager regularly engages with Unitholders and the investment community to communicate CEREIT's financial results, operating performance and business plans, share latest corporate and industry developments and gather views and feedback on a range of strategic and topical issues.

Since April 2020, further to the amendments to Rule 705(2) of the SGX-ST Listing Manual, the Manager has adopted half-yearly financial reporting for CEREIT with effect from FY 2020. Full and half-year result announcements include financial statements and supplementary materials such as results presentations and media releases. The Manager provides interim business updates for the first and third quarters which include presentations, key financial metrics, media releases and other supplementary information.

The Manager uploads all announcements and supporting materials on SGXNet, on CEREIT's website at www.cromwelleuropeanreit.com.sg and further publicises

them on CEREIT's LinkedIn page as appropriate. Full-year and half-year announcements are also typically accompanied by video messages intended for the general audience, which are uploaded on CEREIT's website and on CEREIT's LinkedIn page. (<https://www.linkedin.com/company/cromwell-european-reit/>).

Other than financial results announcements, the Manager releases market-relevant general corporate announcements, media releases, investor presentations and annual and sustainability reports on SGX-ST in a timely manner and concurrently makes them available on the Investor Relations section of CEREIT's website at www.cromwelleuropeanreit.com.sg. CEREIT's website features company news as well as information on the Manager's strategy, Board and the Management team. Regularly updated information on CEREIT's properties, including property photographs, descriptions and maps are also available on the website.

The Manager conducts live quarterly results briefings, allowing for the opportunity to solicit feedback and ask questions. Archived recordings of the briefings are also made available on CEREIT's website post-briefing for up to a year.

In addition to results briefings and dialogues, the Manager also provides strategy and performance updates, and regularly solicits the investment community's views through participation in local and regional conferences, one-on-one meetings, group teleconferences and post-results briefings. Half-yearly results highlights video messages from the CEO are uploaded on all appropriate platforms.

With travel and in-person meetings fully restored by the second half of 2022, live conferences and site visits resumed. The Manager continued to conduct its investor outreach using a combination of online and physical formats, depending on investor preference. Over the last year, the management team conducted and participated in a record more than 170 virtual and in-person meetings, investor conferences, webinars and public investor forums.

The Manager engaged in dialogues with more than 520 institutional debt and equity investors, more than 1,100 retail investors and close to 140 analysts.

CEREIT is currently covered by three equity research houses in Singapore. Notably, RHB initiated coverage in 2022, while DBS continued coverage and UBS resumed coverage under a new analyst. The investor relations team has annual KPIs to enhance research coverage and investor and market outreach programmes.

AGM

CEREIT held its fourth annual AGM on 26 April 2022 in a fully-virtual format, following MAS and Ministry of Health (MOH)'s COVID-19 prevention regulations. The AGM Notice to Unitholders was published on 4 April 2022, 22 days in advance of the AGM, to give Unitholders more time to register and send questions. Registered Unitholders were able to observe the AGM proceedings through a live audio-visual webcast or live audio-only stream and ask questions 'live'. The Manager also provided several options for submission of questions to the Chair in advance of the AGM. The Board received valuable feedback from Unitholders during the advance submission. All substantial and relevant questions were addressed in writing and published on SGXNet and on CEREIT's website. AGM minutes were also published on CEREIT's website.

The Manager provided advanced voting by proxy for polling on all resolutions. Unitholders showed their support with more than 98% approval of all ordinary resolutions. Prior to the upcoming fifth Annual AGM, the Manager encourages all Unitholders to send in their questions according to the information provided in the AGM Notice of Meeting.

MEDIA ENGAGEMENT

In FY 2022, CEREIT was mentioned in close to 260 media articles from over 45 international media outlets, comprising international wires and media, international and local property trade media, regional and local business trade media, and local titles in Asia-Pacific. This translates to a marginal 1.5% decrease in media mentions when compared to the previous year.

CEREIT has an established social media presence and a good following of CEREIT's LinkedIn page, which had more than 2,000 followers as at the end of 2022 (~25% increase y-o-y), with an average post engagement rate of 6.5%, far exceeding the platform average of 2% and surpassing relevant S-REITs peers.

Recognising the increasingly diverse offline and online media landscape, the Manager is stepping up efforts to engage not only with traditional and trade media but also with financial bloggers and other social media channels.

AWARDS AND RECOGNITIONS

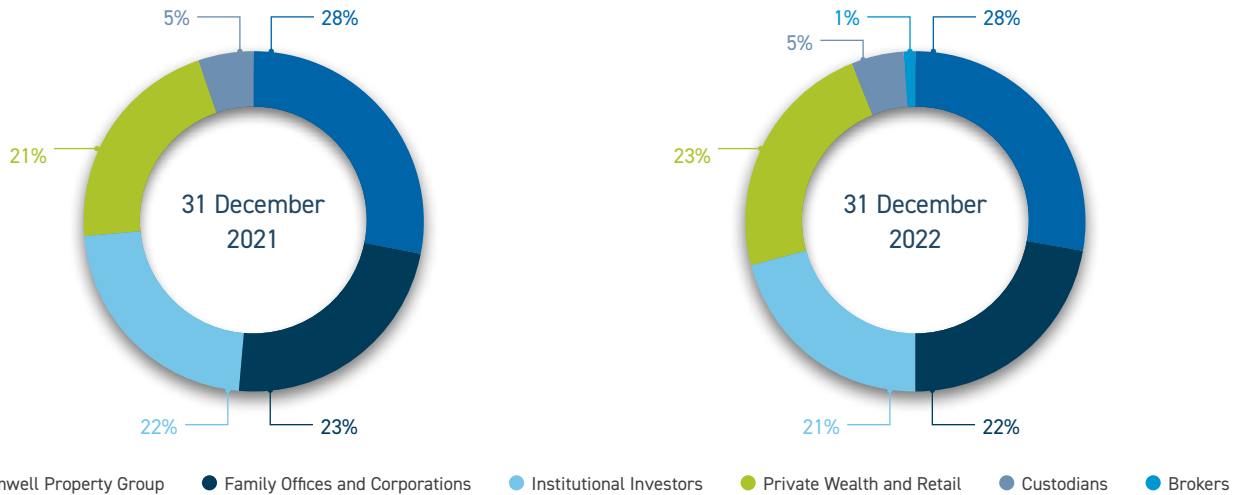
Meaningful upgrades in key ESG ratings over the course of 2022 speak volumes of the Manager's efforts to integrate sustainability into all aspects its business. CEREIT received a double-notch upgrade in MSCI ESG rating from "BBB" in 2021 to "AA" in 2022, placing CEREIT as one of only four Singapore REITs to attain a rating at this level. In early 2023, Sustainalytics assigned CEREIT the lowest ESG Risk Rating of 'Negligible Risk' with a score of 8.8 points. In addition to ranking first in its Sustainalytics-selected peer group, CEREIT ranked 129th out of 15,000 ranked companies globally and is in the Top 20 out of over 450 REITs globally. CEREIT also maintained its 'Green Star' status in GRESB assessment for the third consecutive year, scoring 79 points overall. CEREIT's score increased by three points year-on-year and outperformed the Global and European average, placing it 2nd out of seven of its European Diversified Office / Industrial listed peers. CEREIT also maintained its EPRA sBPR Bronze Award for a second year in a row.

In 2022, the Manager won 'Best use of Multimedia of IR' Award at the IR Magazine Awards, for its success in adopting and using LinkedIn as a credible, important, and effective IR communications channel in a highly regulated public market environment.

In 2022, CEREIT achieved Number 2 position in the base score and placed in the Top 10 (8th) Overall category (including bonuses and penalties) in the latest SGTI rankings. CEREIT retained its position in this ranking amongst the Top 10 for a third year in a row, and has achieved a continuous rise in score since its first assessment in 2019, scoring above 100 for the first time.

CEREIT was also ranked 3rd out of a total of 43 Singapore-listed real estate investment trusts in the 2022 GIFT rankings. In particular, CEREIT has done well by coming in among the Top 5 in the "governance" component and among the Top 15 in the "business risk" component. The Manager has gained additional points in some areas, such as hosting a live Q&A at the AGM.

INVESTOR RELATIONS



DIVERSIFIED UNITHOLDER REGISTER

CEREIT's Units trade in dual Euro and Singapore Dollars currencies and this attracts the support of a diverse international mix of institutional, family office, private wealth and retail investors. The current CEREIT Unitholder register comprises more than 4,700 investors, with approximately 63% based in Singapore¹ and the other 37% from the UK, the Netherlands, Germany, the Nordics, South Korea, Taiwan, Hong Kong, Japan, Thailand, Malaysia, Australia, Philippines, the U.S. and Canada. The investor register remains very institutionalised, although the percentage of institutional investors dropped slightly to 21% (from 22% a year before), largely due to outflow of institutional capital from REITs on the back of negative segment sentiments due to rising interest rates.

INCLUSION IN KEY INDICES

CEREIT is now part of a large number of indices across all major providers – Bloomberg, FTSE EPRA Nareit, iEdge, MSCI and S&P, amongst others.

PROACTIVE TWO-WAY COMMUNICATION WITH UNITHOLDERS

The Manager has made its investor relations policy available on CEREIT's website for greater transparency.

https://investor.cromwelleuropeanreit.com.sg/investor_policy.html. The policy also specifically outlines the various modes of communication with Unitholders and the ways in which the Manager solicits the views of these Unitholders. The Manager has a dedicated investor relations section on its website, featuring online enquiry forms, 'Email Alerts' subscription option and a specific investor relations contact with email address so that Unitholders can subscribe for regular updates and direct their enquiries appropriately.

The investor relations team responds to all credible and substantiated Unitholder enquiries in a timely manner, either via email or a phone call.

INVESTOR RELATIONS CONTACTS:

Elena Arabadjieva

COO / Head of Investor Relations

Telephone : +65 6920 7539

Email : ir@cromwell.com.sg

Website : [cromwelleuropeanreit.com.sg](https://investor.cromwelleuropeanreit.com.sg)

¹ Including the holdings of the Sponsor

FY 2022 INVESTOR RELATIONS CALENDAR

18 January 2022	CLSA Singapore Hidden Jewels Access Day
23 February 2022	FY 2021 results announcement
23 February 2022	FY 2021 results analyst, investor and media briefing
1 - 24 March 2022	FY 2021 results virtual and in-person NDR - Singapore, UK
15 - 18 March 2022	MIPIM Real Estate Fair, France
8 April 2022	Philip Securities Webinar
26 April 2022	AGM (virtual, with live Q&A)
12 May 2022	1Q 2022 business update announcement
12 May 2022	1Q 2022 business update analyst, investor and media briefing
13 - 24 May 2022	1Q 2022 business update virtual / in-person NDR – Singapore, Australia, Hong Kong, Malaysia
21 May 2022	REITs Symposium 2022
24 May 2022	DBS Property Conference (fireside chat)
30 May 2022	REITAS HSBC ESG Webinar
3 June 2022	IREUS REIT Roundtable Seminars 2022
23 June 2022	Citi Asia Pacific Property Conference 2022
12 August 2022	1H 2022 results announcement
12 August 2022	1H 2022 results analyst, investor and media briefing
16 - 26 August 2022	1H 2022 results virtual / in-person NDR – Singapore, Malaysia, Thailand
25 August 2022	Citi-SGX-REITAS REITs/Sponsors Forum 2022
30 August 2022	NDR SGX with NH Securities (in-person)
6 - 8 September 2022	EPRA Think Conference - Europe
6 / 14 September 2022	Morgan Stanley fixed income NDR (France, UK)
3 - 5 October 2022	Expo Real - real estate trade fair, Germany
7 October 2022	REITAS Annual Conference
10 November 2022	3Q 2022 business update announcement
10 November 2022	3Q 2022 business update group analyst, investor and media briefing
10 November 2022	CEREIT's 5-year anniversary
16 - 20 November 2022	3Q 2022 business update investor meetings
24 November 2022	DBS / REITAS / SGX Investor Conference Bangkok (Thailand)
29 November 2022	SIAS Cromwell European REIT Investor Day
3 December 2022	IR Magazine Southeast Asia Forum

INVESTOR RELATIONS

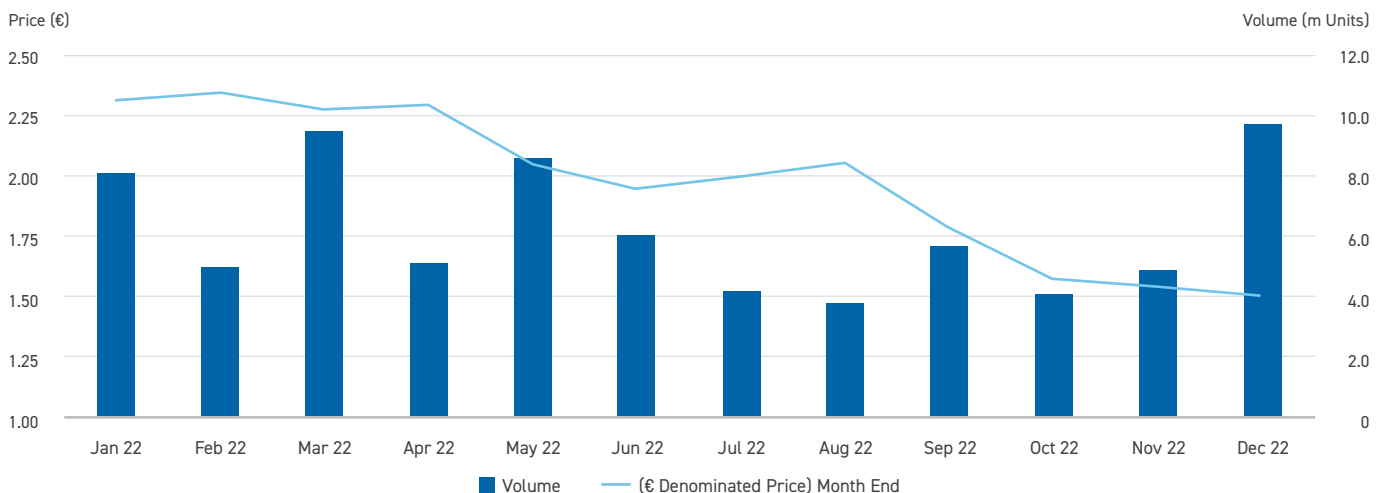
TRADING STATISTICS FOR FINANCIAL YEAR (€-DENOMINATED CWBU.SI)

	2022	2021
Opening price	€ 2.530	€ 2.400
Highest price	€ 2.560	€ 2.690
Lowest price	€ 1.490	€ 2.125
Closing price	€ 1.500	€ 2.530
Adj. volume-weighted average price	€ 2.025	€ 2.446
Total Volume traded (million Units)	74.8	171.8
Total turnover traded (million €)	151.5	419.9
Unit price performance	(40.7%)	5.4%
Total Unitholder returns (1Y)	(36.0%)	13.5%
Total Unitholder returns (2Y)	(27.4%)	8.8%
Total Unitholder returns (3Y)	(30.3%)	43.7%
Average volume per day (million Units)	0.299	0.682
Average turnover per day (million €)	0.606	1.666

TOTAL UNITHOLDER RETURN 2022 (€-DENOMINATED CROM.SI)



MONTHLY VOLUMES AND UNIT PRICE PERFORMANCE



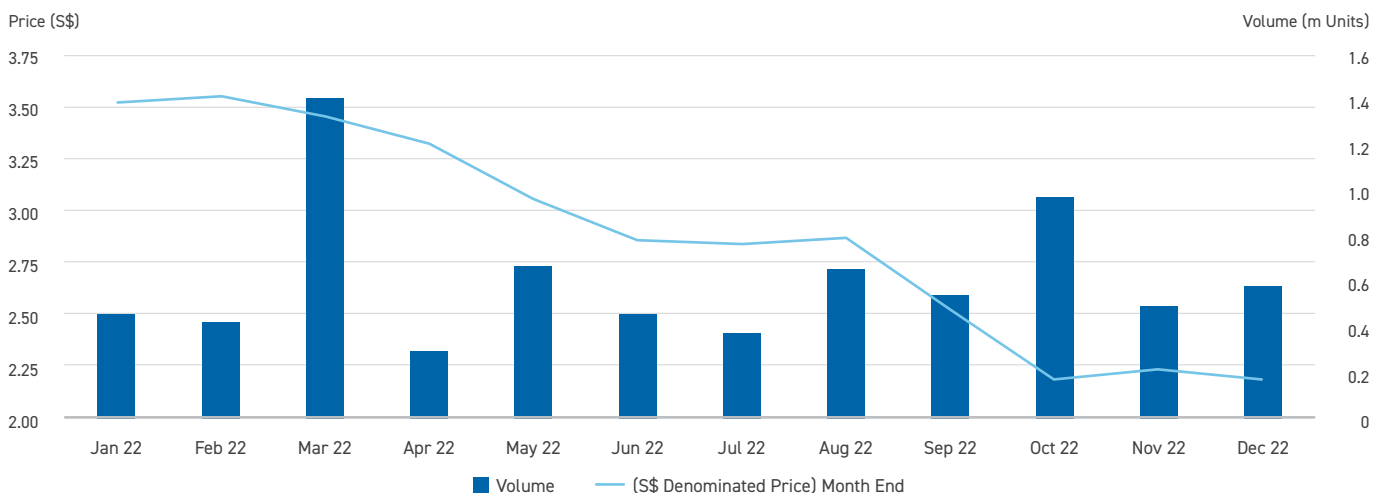
TRADING STATISTICS FOR THE FINANCIAL YEAR (\$-DENOMINATED CWCU.SI)

	2022	2021
Opening price	S\$ 3.880	S\$ 3.850
Highest price	S\$ 3.910	S\$ 4.470
Lowest price	S\$ 2.090	S\$ 3.450
Closing price	S\$ 2.180	S\$ 3.880
Adj. volume-weighted average price	S\$ 2.929	S\$ 3.831
Total Volume traded (million Units)	7.3	10.0
Total turnover traded (million S\$)	21.5	38.1
Unit price performance	(43.8%)	0.8%
Total Unitholder returns (1Y)	(39.4%)	8.5%
Total Unitholder returns (2Y)	(34.2%)	10.6%
Total Unitholder returns (3Y)	(33.0%)	40.4%
Average volume per day (million Units)	0.030	0.041
Average turnover per day (million S\$)	0.087	0.156

TOTAL UNITHOLDER RETURN 2022 (\$-DENOMINATED CROM.SI)



MONTHLY VOLUMES AND UNIT PRICE PERFORMANCE



PROPERTY PORTFOLIO OVERVIEW

(AS AT 31 DECEMBER 2022)

THE NETHERLANDS

LIGHT INDUSTRIAL / LOGISTICS

- 1 Veemarkt
- 2 Boekweitstraat 1 - 21 & Luzernestraat 2 - 12
- 3 Rosa Castellanosstraat 4
- 4 De Immenhorst 7
- 5 Capronilaan 22 - 56
- 6 Kapoeasweg 4 - 16
- 7 Folkstoneweg 5 - 15

OFFICE

- 8 Haagse Poort
- 9 Central Plaza
- 10 Bastion
- 11 Moeder Teresalaan 100 / 200
- 12 De Ruyterkade 5
- 13 Koningskade 30
- 14 Blaak 40

ITALY

LIGHT INDUSTRIAL / LOGISTICS

- 1 CLOM (Centro Logistico Orlando Marconi)
- 2 Via dell'Industria 18
- 3 Via Fogliano 1
- 4 Via Fornace snc
- 5 Strada Provinciale Adelfa

OFFICE

- 6 Piazza Affari 2
- 7 Via dell'Amba Aradam 5
- 8 Via Pianciani 26
- 9 Building F7-F11
- 10 Via Nervesa 21
- 11 Via Camillo Finocchiaro Aprile 1
- 12 Cassiopea 1-2-3
- 13 Via della Fortezza 8
- 14 Nuova ICO
- 15 Corso Lungomare Trieste 29
- 16 Corso Annibale Santorre di Santa Rosa 15
- 17 Via Rampa Cavalcavia 16-18

OTHERS

- 18 Viale Europa 95
- 19 Starhotels Grand Milan
- 20 Via Madre Teresa 4
- 21 Via Salara Vecchia 13
- 22 Via Brigata Padova 19

FRANCE

LIGHT INDUSTRIAL / LOGISTICS

- 1 Parc des Docks
- 2 Parc des Guillaumes
- 3 Parc du Landy
- 4 Parc Delizy
- 5 Parc des Grésillons
- 6 Parc Urbaparc
- 7 Parc Louvresses
- 8 Parc du Merantais
- 9 Parc Béziers
- 10 Parc des Érables
- 11 Parc Jean Mermoz
- 12 Parc Locaparc 2
- 13 Parc le Prunay
- 14 Parc de Champs
- 15 Parc Acticlub
- 16 Parc Parçay-Meslay
- 17 Parc Sully

OFFICE

- 18 Paryseine
- 19 Cap Mermoz
- 20 Lénine

GERMANY

LIGHT INDUSTRIAL / LOGISTICS

- 1 Parsdorfer Weg 10
- 2 An der Wasserschluft 7
- 3 Siemensstraße 11
- 4 Göppinger Straße 1 - 3
- 5 Löbstedter Str. 101 - 109, Unstrutweg 1, 4, Ilmstr. 4, 4a
- 6 Gewerbestraße 62
- 7 An der Kreuzlache 8-12
- 8 Hochstraße 150-152
- 9 Henschelring 4
- 10 Frauenstraße 31
- 11 Kolumbusstraße 16
- 12 Gutenbergstraße 1, Dieselstraße 2
- 13 Moorfleeter Straße 27, Liebigstraße 67-71
- 14 Dresdner Straße 16, Sachsenring 52

POLAND

OFFICE

- 1 Business Garden
- 2 Green Office
- 3 Riverside Park
- 4 Avatar
- 5 Grójecka 5
- 6 Arkońska Business Park

FINLAND

OFFICE

- 1 Plaza Vivace
- 2 Plaza Forte
- 3 Myyrmäenraitti 2
- 4 Plaza Allegro
- 5 Mäkitorpantie 3b
- 6 Grandinkulma
- 7 Pakkalankuja 6
- 8 Kauppakatu 39
- 9 Pakkalankuja 7
- 10 Purotie 1

DENMARK

LIGHT INDUSTRIAL / LOGISTICS

- 1 Naverland 7-11
- 2 Sognevej 25
- 3 Priorparken 700
- 4 Priorparken 800
- 5 Stamholmen 111
- 6 Herstedvang 2-4
- 7 Islevdalvej 142
- 8 Naverland 8
- 9 Hørskætten 4-6
- 10 Fabriksparken 20
- 11 Naverland 12
- 12 Hørskætten 5

THE CZECH REPUBLIC

LIGHT INDUSTRIAL / LOGISTICS

- 1 Lovosice ONE Industrial Park II
- 2 Moravia Industrial Park
- 3 Lovosice ONE Industrial Park I
- 4 ONE - Hradec Králové
- 5 South Moravia Industrial Park
- 6 Pisek Industrial Park I
- 7 Pisek Industrial Park II

SLOVAKIA

LIGHT INDUSTRIAL / LOGISTICS

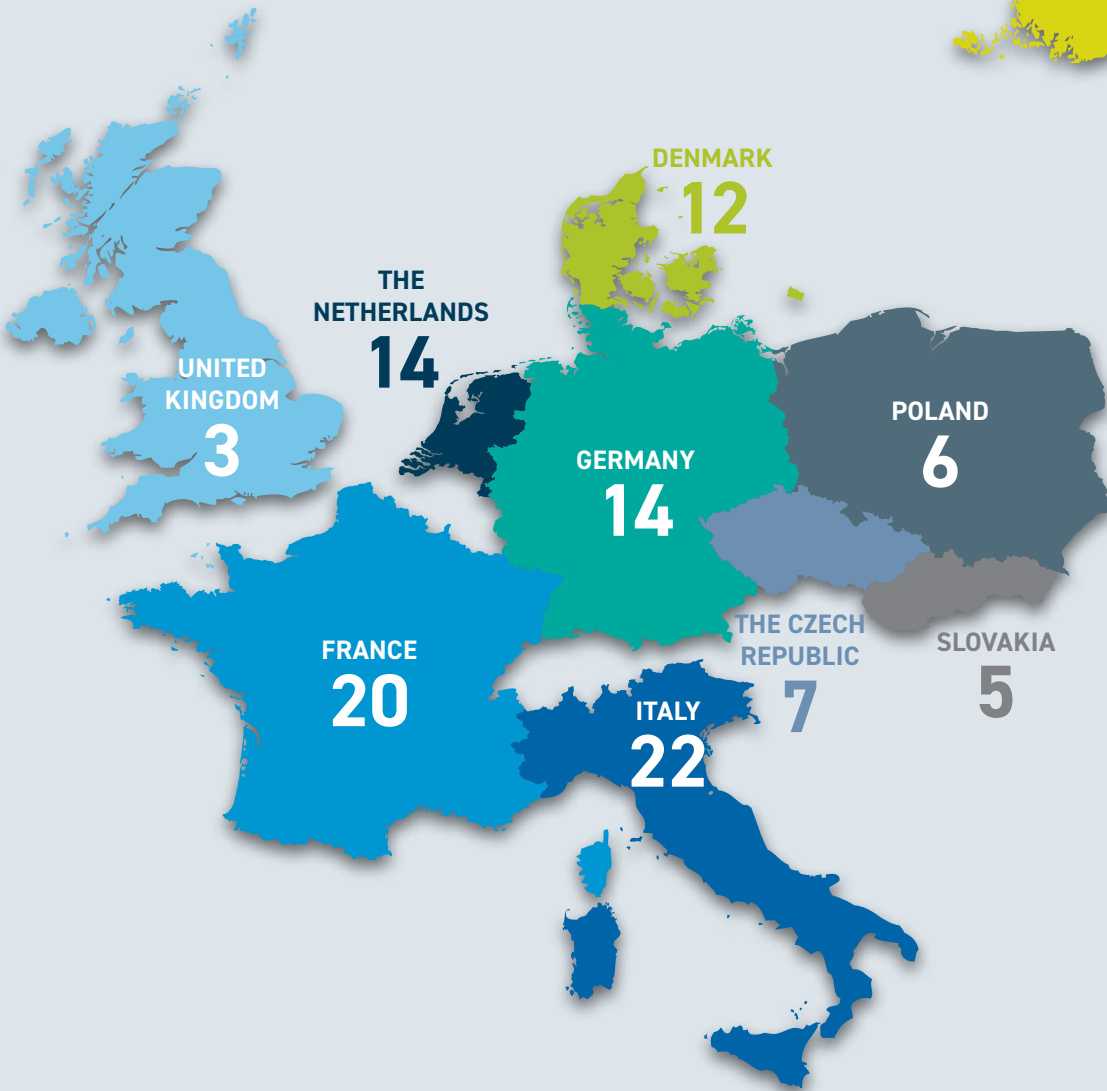
- 1 Nove Mesto ONE Industrial Park III
- 2 Nove Mesto ONE Industrial Park I
- 3 Kosice Industrial Park
- 4 Nove Mesto ONE Industrial Park II
- 5 Zilina Industrial Park



UNITED KINGDOM

LIGHT INDUSTRIAL / LOGISTICS

- 1 Thorn Lighting
- 2 The Cube
- 3 Kingsland 21



70

LIGHT INDUSTRIAL / LOGISTICS



38

OFFICES



5

OTHERS

TOP 10 PROPERTIES

01

Haagse Poort


Prinses Beatrixlaan 35 - 37
& Schenkade 60 - 65,
Den Haag, The Netherlands



Property Type	Office
Acquisition date	30 Nov 2017
Purchase Price	€158,750,000
NLA	68,502 sqm
Lease type	Multi-tenanted
Land tenure	Part Freehold, Part Right of Superficies and Part Perpetual Leasehold
Gross Revenue FY 2022	€15,717,141
Building Certification	BREEAM Very Good

HIGHLIGHTS

- Haagse Poort is one of the most iconic office buildings in The Hague (Den Haag), located at Beatrixkwartier, in the Beuzendwarsloot
- Unique building with an office "bridge" over the A12 motorway to Amsterdam
- The property consists of a high-rise and a low-rise section, and is located only 600 metres from Den Haag train station

 **89.3%**
Occupancy¹
-10.7 p.p y-o-y

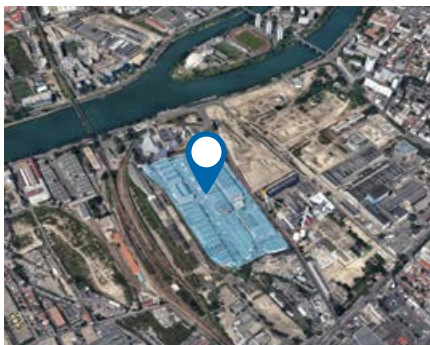
 **€158.0 million**
Property Valuation¹
(-0.5% since acquisition)



02

Parc des Docks

50 rue Ardoin,
Saint Ouen, France



Property Type	Light Industrial/ Logistics
Acquisition date	30 Nov 2017
Purchase Price	€98,000,000
NLA	73,371 sqm
Lease type	Multi-tenanted
Land tenure	Freehold
Gross Revenue FY 2022	€12,301,009

HIGHLIGHTS

- The “jewel in the crown” is a cluster of 11 industrial buildings located in Saint-Ouen in Paris, a suburb that is well-suited for last-mile logistics being only three kilometres away from the Champs-Élysées; Saint-Ouen is also very accessible from the Paris CBD by road and public transport and to / from Roissy-Charles de Gaulle International airport
- The site is bordered by mixed use buildings, in particular various new residential buildings
- The growing importance of this submarket is driven by the Grand Paris infrastructure project’s delivery of new metro stations nearby and the construction of the Olympic village in 2024, only a few kilometres away

 **95.7%**
Occupancy¹
(+8.9 p.p. y-o-y)

 **€158.0 million**
Property Valuation¹
(+61.2% since acquisition)

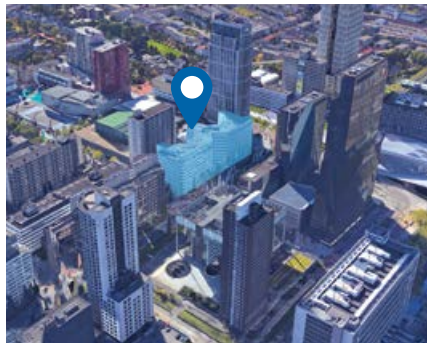
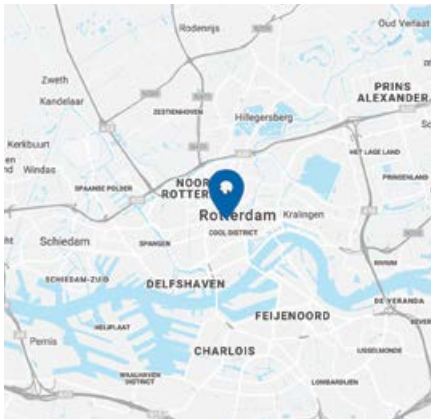
1 As at 31 Dec 2022

TOP 10 PROPERTIES

03

Central Plaza

Plaza 2 – 25 (retail) /
Weena 580 – 618 (offices),
Rotterdam, The Netherlands



Property Type	Office
Acquisition date	19 Jun 2017
Purchase Price	€156,805,000
NLA	33,263 sqm
Lease type	Multi-tenanted
Land tenure	Part Freehold, Part Leasehold
Gross Revenue FY 2022	€12,011,075
Building Certification	BREEAM Very Good

HIGHLIGHTS

- Central Plaza is a prominent office building located in the Rotterdam CBD directly across from Rotterdam Central Station, one of the busiest train stations in the Netherlands
- Consists of office space spread across two office towers A and B, each with its own entrance, and houses such as iconic names as KPMG, Coolblue and Holland Casino. The ground floor hosts restaurants and retail tenants

 **94.3%**
Occupancy¹
(-3.7 p.p. y-o-y)

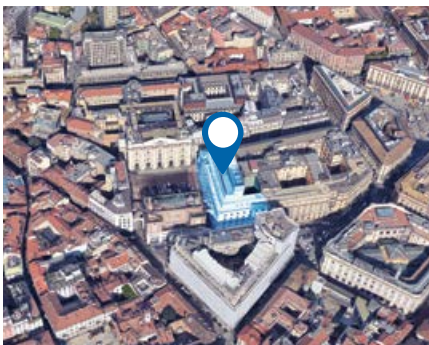
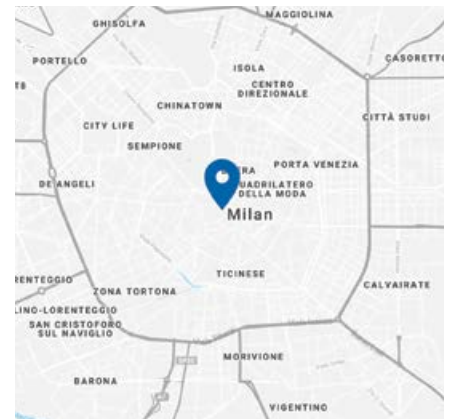
 **€156.0 million**
Property Valuation¹
(-0.5% since acquisition)



04

Piazza Affari 2

Piazza degli Affari 2,
Milan, Italy



Property Type	Office
Acquisition date	30 Nov 2017
Purchase Price	€81,700,000
NLA	7,787 sqm
Lease type	Multi-tenanted
Land tenure	Freehold
Gross Revenue FY 2022	€4,567,595
Building Certification	BREEAM Very Good

HIGHLIGHTS

- Trophy asset in the heart of Milan's CBD opposite the Milan Stock Exchange, built in the 1930s and partially refurbished in 2017. It provides eight floors above ground and two basement levels. The surrounding area includes prime office properties, hosting many Fortune 500 companies
- Easily accessible by foot from Duomo
- Conveniently located ~25 minutes by car to Linate Airport and ten minutes by metro to The Central Railway Station

 **99.7%**
Occupancy¹
(Flat y-o-y)

 **€99.8 million**
Property Valuation¹
(+22.2% since acquisition)

TOP 10 PROPERTIES

05

Business Garden

2,4,6,8 and
10 Kolorowa Street,
Poznań, Poland



Property Type	Office
Acquisition date	24 Sep 2019
Purchase Price	€88,800,000
NLA	42,268 sqm
Lease type	Multi-tenanted
Land tenure	Freehold
Gross Revenue FY 2022	€8,933,806
Building Certification	LEED Platinum



HIGHLIGHTS

- Business Garden is located in Poznań, known as a large academic cluster with over 110,000 students and 24 universities
- Business Garden is centrally-located between the Poznań city centre and Poznań Airport and is one of the few projects in Poland that has received LEED certification at platinum level

 **91.0%**
Occupancy¹
(-6.0 p.p. y-o-y)

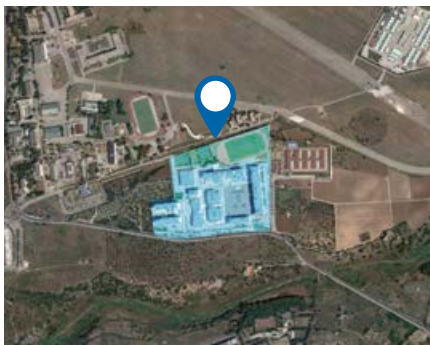
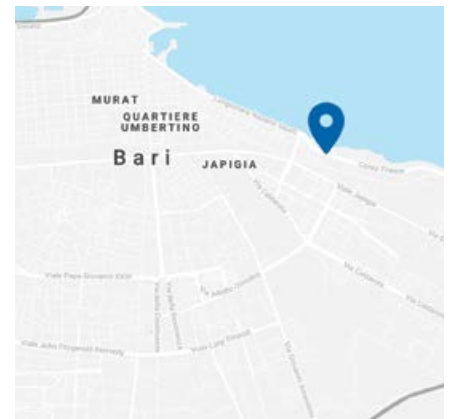
 **€83.6 million**
Property Valuation¹
(-5.9% since acquisition)



06

Viale Europa 95

Viale Europa 95,
Bari, Italy



Property Type	Other
Acquisition date	30 Nov 2017
Purchase Price	€83,100,000
NLA	123,261 sqm
Lease type	Master
Land tenure	Freehold
Gross Revenue FY 2022	€9,767,450

HIGHLIGHTS

- Located ~2 kilometres from Bari airport
- Consists of 11 buildings with different uses: classrooms, dormitory, auditorium, office, church, outdoor and indoor sports facilities



100.0%
Occupancy¹
(Flat y-o-y)



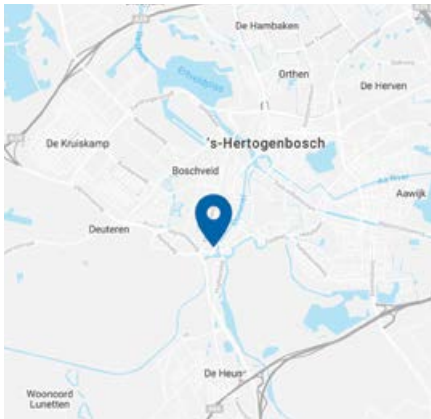
€73.3 million
Property Valuation¹
(-11.8% since acquisition)

TOP 10 PROPERTIES

07

Bastion

Willemsplein 2 - 10,
's-Hertogenbosch,
The Netherlands



Property Type	Office
Acquisition date	28 Dec 2018
Purchase Price	€76,850,000
NLA	31,979 sqm
Lease type	Multi-tenanted
Land tenure	Freehold
Gross Revenue FY 2022	€6,841,288
Building Certification	BREEAM Very Good

HIGHLIGHTS

- Impressive building featuring eight floors across six wings, only a five-minute walk from the centre of 's-Hertogenbosch
- Bastion was expanded and renovated in 2005 by installing new wings at the rear
- Bastion has various installations for energy management, such as its own geothermal energy storage, that provides heat in the winter and coolness in the summer

 **96.2%**
Occupancy¹
(+1.9 p.p. y-o-y)

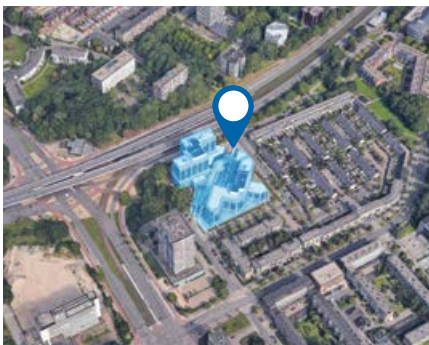
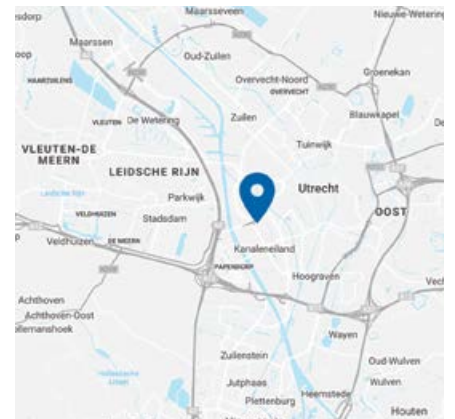
 **€72.9 million**
Property Valuation¹
(-5.1% since acquisition)



08

Moeder Teresaaan 100 / 200

Moeder Teresaaan 100 / 200,
Utrecht, The Netherlands



Property Type	Office
Acquisition date	28 Dec 2018
Purchase Price	€50,727,904
NLA	21,922 sqm
Lease type	Multi-tenanted
Land tenure	Perpetual Leasehold
Gross Revenue FY 2022	€4,383,359
Building Certification	BREEAM Very Good

HIGHLIGHTS

- Located in the city centre of Utrecht, the building consists of two towers with energy label "A"
- Strategically located – five minutes by car to Oudenriijn traffic junction – one of the most important traffic arteries in the Netherlands with A2 and A12 highways converging at this junction
- Just a stone's throw away from the HOV fast tram stop - a popular transport route connecting the Utrecht Central Station and Nieuwegein / IJsselstein



100.0%
Occupancy¹
(Flat y-o-y)



€54.5 million
Property Valuation¹
(+7.4% since acquisition)

TOP 10 PROPERTIES

09

De Ruyterkade 5

De Ruyterkade 5,
Amsterdam, The Netherlands



Property Type	Office
Acquisition date	19 Jun 2017
Purchase Price	€36,365,000
NLA	8,741 sqm
Lease type	Single tenant
Land tenure	Continuing Leasehold
Gross Revenue FY 2022	€3,012,750

HIGHLIGHTS

- Overlooking the river, the building is located next to Central Station and can be reached within a few minutes' walk from the train, bus, tram and metro
- Five to 10 minutes from the A10 West motorway

 **100.0%**
Occupancy¹
(Flat y-o-y)

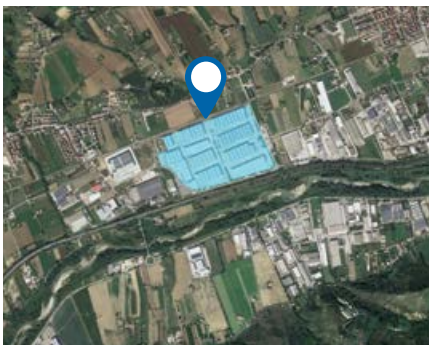
 **€54.5 million**
Property Valuation¹
(+49.9% since acquisition)



10

CLOM (Centro Logistico Orlando Marconi)

Via del Lavoro
Monteprandone, Italy



Property Type	Light Industrial/Logistics
Acquisition date	23 Dec 2020
Purchase Price	€52,575,000
NLA	151,298 sqm
Lease type	Multi-tenanted
Land tenure	Freehold
Gross Revenue FY 2022	€4,977,834

HIGHLIGHTS

- Located in Monteprandone, along the A14/E55 motorway
- Nine warehouses and a freight railway terminal

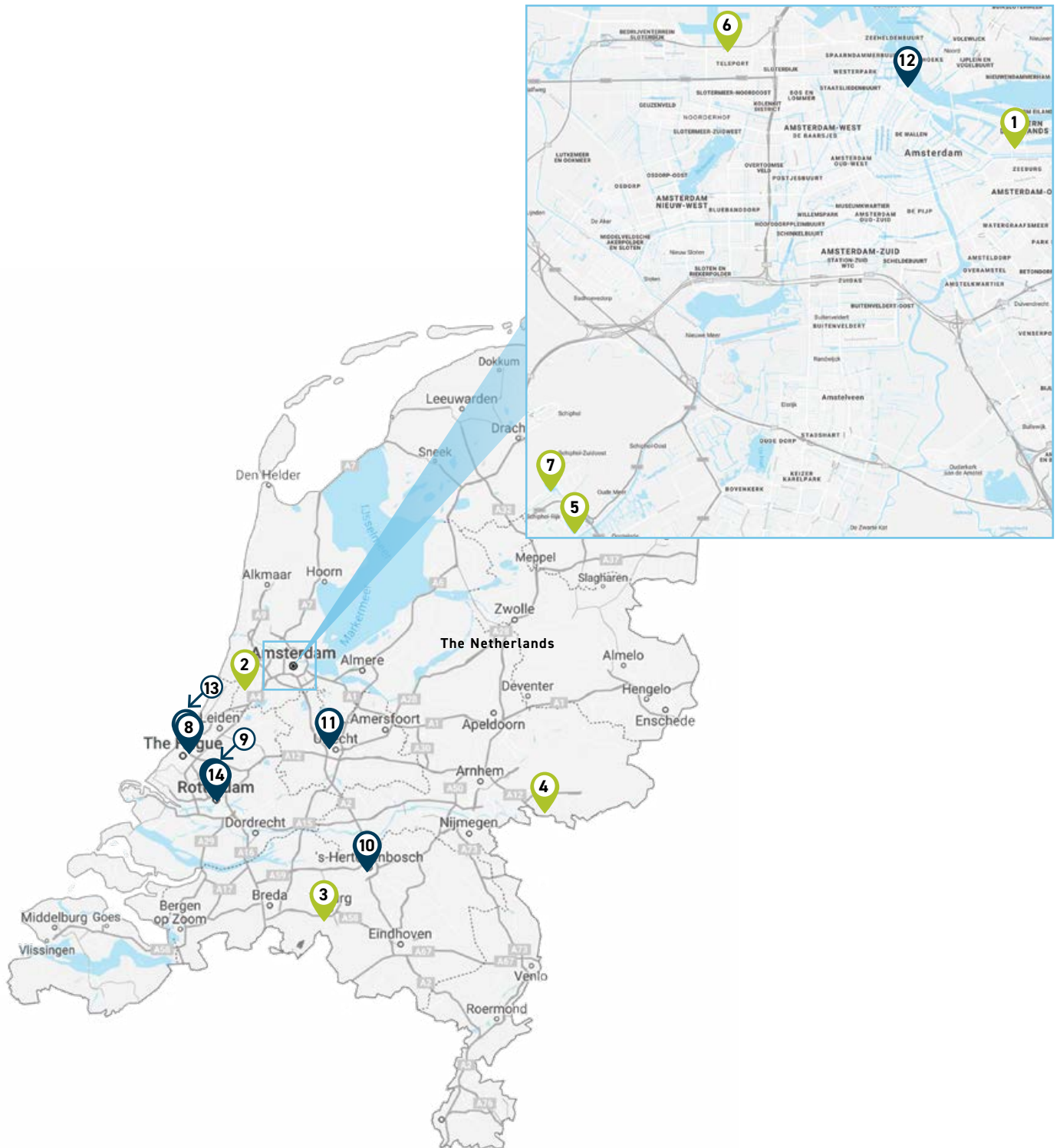


99.9%
Occupancy¹
(+0.3 p.p. y-o-y)



€53.1 million
Property Valuation¹
(+1.0% since acquisition)

THE NETHERLANDS ASSETS



LIGHT INDUSTRIAL / LOGISTICS



1 Veemarkt,
Amsterdam



2 Boekweitstraat 1 - 21 &
Luzernestraat 2 - 12,
Nieuw-Vennep



3 Rosa Castellanosstraat 4,
Tilburg



4 De Immenhorst 7,
's Heerenberg



5 Capronilaan 22 - 56,
Schiphol-Rijk



6 Kapoeasweg 4 - 16,
Amsterdam

OFFICE



7 Folkstoneweg 5 - 15,
Schiphol



8 Haagse Poort,
Den Haag



9 Central Plaza,
Rotterdam



10 Bastion,
's-Hertogenbosch



11 Moeder Teresalaan 100 / 200,
Utrecht



12 De Ruyterkade 5,
Amsterdam



13 Koningskade 30,
Den Haag



14 Blaak 40,
Rotterdam

THE NETHERLANDS ASSETS

Address	Acquisition Date	Purchase Price (€'000)
LIGHT INDUSTRIAL / LOGISTICS		
1 Veemarkt, Veemarkt 27-75 / 50-76 / 92-114, Amsterdam	30 Nov 2017	35,500
2 Boekweitstraat 1 - 21 & Luzernestraat 2 - 12, Nieuw-Vennep	30 Nov 2017	5,155
3 Rosa Castellanosstraat 4, Tilburg	30 Dec 2021	11,325
4 De Immenhorst 7, 's Heerenberg	23 Dec 2021	8,350
5 Capronilaan 22 - 56, Schiphol-Rijk	30 Nov 2017	6,250
6 Kapoeasweg 4 - 16, Amsterdam	30 Nov 2017	2,575
7 Folkstoneweg 5 - 15, Schiphol	30 Nov 2017	5,200
OFFICE		
8 Haagse Poort, Prinses Beatrixlaan 35 - 37 & Schenkkade 60 - 65, Den Haag	30 Nov 2017	158,750
9 Central Plaza, Plaza 2 - 25 (retail) / Weena 580 - 618 (offices), Rotterdam	19 Jun 2017	156,805
10 Bastion, Willemsplein 2 - 10, 's-Hertogenbosch	28 Dec 2018	76,850
11 Moeder Teresalaan 100 / 200, Utrecht	28 Dec 2018	50,728
12 De Ruyterkade 5, Amsterdam	19 Jun 2017	36,365
13 Koningskade 30, Den Haag	19 Jun 2017	16,595
14 Blaak 40, Rotterdam	30 Nov 2017	15,950

Valuation as at 31 December 2022 (€'000)	Lettable Area (sqm)	Gross Revenue FY 2022 (€'000)	Occupancy as at 31 December 2022	Lease Type	Land Tenure
49,700	21,957	3,026	99.1%	Multi-tenanted	Continuing Leasehold
11,500	8,471	725	100.0%	Multi-tenanted	Freehold
11,000	8,638	545	100.0%	Single tenant	Freehold
10,200	15,109	543	100.0%	Single tenant	Freehold
9,040	5,364	629	100.0%	Multi-tenanted	Freehold
7,140	5,494	394	100.0%	Multi-tenanted	Freehold
5,510	5,006	787	100.0%	Multi-tenanted	Leasehold
158,000	68,502	15,717	89.3%	Multi-tenanted	Part Freehold, Part Right of Superficies and Part Perpetual Leasehold
156,000	33,263	12,011	94.3%	Multi-tenanted	Part Freehold and Part Leasehold
72,900	31,979	6,841	96.2%	Multi-tenanted	Freehold
54,500	21,922	4,383	100.0%	Multi-tenanted	Perpetual Leasehold
54,500	8,741	3,013	100.0%	Single tenant	Continuing Leasehold
20,700	5,697	1,289	100.0%	Single tenant	Perpetual Leasehold
18,500	7,800	1,499	84.7%	Multi-tenanted	Freehold

ITALY ASSETS



LIGHT INDUSTRIAL / LOGISTICS



1 CLOM (Centro Logistico Orlando Marconi), Via del Lavoro, Montepreandone



2 Via dell'Industria 18, Vittuone



3 Via Fogliano 1, Coccaglio



4 Via Fornace, Mira



5 Strada Provinciale Adelfia, Rutigliano

OFFICE



6 Piazza Affari 2,
Milan



7 Via dell'Amba Aradam 5, Rome



8 Via Pianciani 26, Rome



9 Building F7-F11,
Assago



10 Via Nervesa 21, Milan



11 Via Camillo Finocchiaro Aprile 1,
Genova



12 Cassiopea 1-2-3,
Milan



13 Via della Fortezza 8, Florence



14 Nuova ICO, Via Guglielmo Jervis 9,
Ivrea



15 Corso Lungomare Trieste 29,
Bari



16 Corso Annibale Santorre
di Santa Rosa 15, Cuneo



17 Via Rampa Cavalcavia 16-18,
Venice Mestre

OTHERS



18 Viale Europa 95,
Bari



19 Starhotels Grand Milan,
Via Varese 23, Saronno



20 Via Madre Teresa 4, Lissone



21 Via Salara Vecchia 13, Pescara



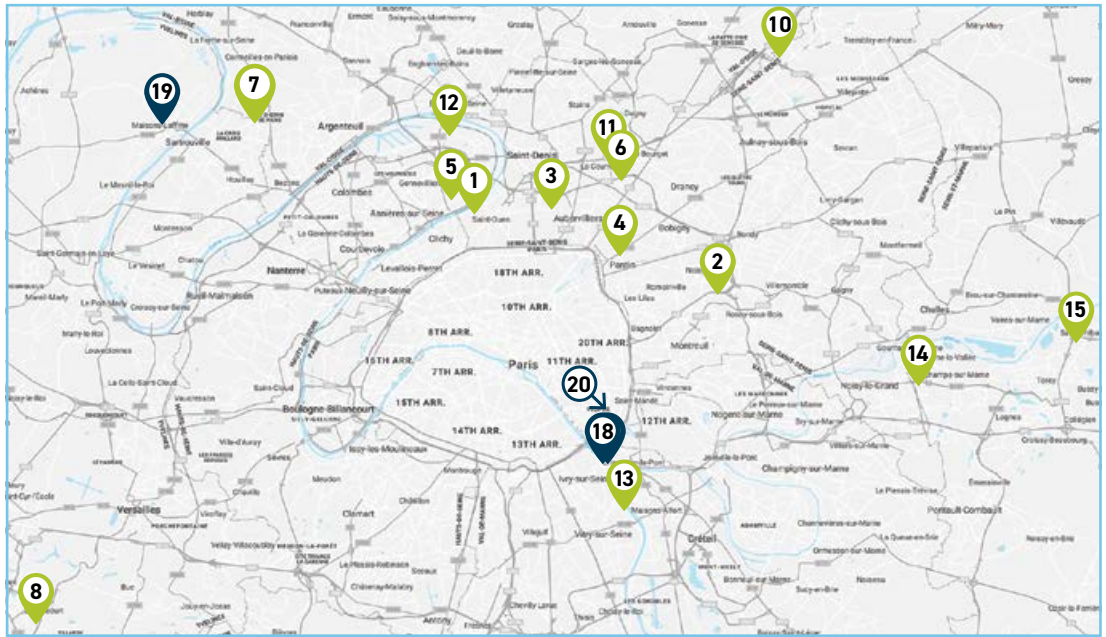
22 Via Brigata Padova 19, Padova

ITALY ASSETS

Address	Acquisition Date	Purchase Price (€'000)
LIGHT INDUSTRIAL / LOGISTICS		
1 CLOM (Centro Logistico Orlando Marconi), Via del Lavoro, Monteprandone	23 Dec 2020	52,575
2 Via dell'Industria 18, Vittuone	17 Mar 2022	26,500
3 Via Fogliano 1, Coccaglio	15 Feb 2022	24,500
4 Via Fornace snc, Mira	29 Oct 2021	19,570
5 Strada Provinciale Adelfa, Rutigliano	30 Nov 2017	12,000
OFFICE		
6 Piazza Affari 2, Piazza degli Affari 2, Milan	30 Nov 2017	81,700
7 Via dell'Amba Aradam 5, Rome	30 Nov 2017	49,800
8 Via Pianciani 26, Rome	30 Nov 2017	33,900
9 Building F7-F11, Viale Milanofiori 1, Assago	30 Nov 2017	27,600
10 Via Nervesa 21, Milan	30 Nov 2017	25,400
11 Via Camillo Finocchiaro Aprile 1, Genova	5 Dec 2018	23,775
12 Cassiopea 1-2-3, Via Paracelso 22-24-26, Milan	28 Nov 2019	17,700
13 Via della Fortezza 8, Florence	15 Feb 2018	17,350
14 Nuova ICO, Via Guglielmo Jervis 9, Ivrea	27 Jun 2018	16,900
15 Corso Lungomare Trieste 29, Bari	5 Dec 2018	12,250
16 Corso Annibale Santorre di Santa Rosa 15, Cuneo	30 Nov 2017	9,550
17 Via Rampa Cavalcavia 16-18, Venice Mestre	30 Nov 2017	5,600
OTHER		
18 Viale Europa 95, Bari	30 Nov 2017	83,100
19 Starhotels Grand Milan, Via Varese 23, Saronno	30 Nov 2017	19,100
20 Via Madre Teresa 4, Lissone	30 Nov 2017	20,800
21 Via Salara Vecchia 13, Pescara	30 Nov 2017	13,000
22 Via Brigata Padova 19, Padova	30 Nov 2017	6,000

Valuation as at 31 December 2022 (€'000)	Lettable Area (sqm)	Gross Revenue FY 2022 (€'000)	Occupancy as at 31 December 2022	Lease Type	Land Tenure
53,100	151,298	4,978	99.9%	Multi-tenanted	Freehold
31,400	54,975	2,595	100.0%	Single tenant	Freehold
27,200	44,643	1,745	100.0%	Single tenant	Freehold
18,800	27,937	1,534	100.0%	Single tenant	Freehold
15,600	29,638	1,158	100.0%	Multi-tenanted	Freehold
99,800	7,787	4,568	99.7%	Multi-tenanted	Freehold
39,100	16,689	3,666	0.0% ¹	Master	Freehold
37,000	10,725	3,099	100.0%	Multi-tenanted	Freehold
28,400	16,111	2,449	97.4%	Multi-tenanted	Freehold
27,200	9,712	46	0.0%	Single tenant	Freehold
20,900	15,538	1,777	100.0%	Master	Freehold
16,700	11,500	1,912	97.2%	Multi-tenanted	Freehold
15,900	9,139	1,260	100.0%	Master	Freehold
11,800	20,428	1,527	96.6%	Multi-tenanted	Freehold
10,700	11,674	1,184	100.0%	Master	Freehold
7,300	8,794	861	100.0%	Master	Freehold
4,610	4,081	438	100.0%	Master	Freehold
73,300	123,261	9,767	100.0%	Master	Freehold
17,100	17,400	2,295	100.0%	Single tenant	Freehold
15,700	11,765	2,145	100.0%	Multi-tenanted	Freehold
11,400	15,998	1,133	100.0%	Master	Freehold
3,960	8,151	522	100.0%	Master	Freehold

FRANCE ASSETS



LIGHT INDUSTRIAL / LOGISTICS



1 Parc des Docks,
Saint Ouen, Paris



2 Parc des Guillaume,
Noisy-le-Sec



3 Parc du Landy,
Aubervilliers

LIGHT INDUSTRIAL / LOGISTICS



4 Parc Delizy,
Pantin



5 Parc des Grésillons,
Gennevilliers



6 Parc Urbaparc,
La Courneuve



7 Parc Louvresses,
Gennevilliers



8 Parc du Merantais,
Magny-Les-Hameaux



9 Parc Béziers,
Villeneuve-lès-Béziers



10 Parc des Érables,
Villepinte



11 Parc Jean Mermoz,
La Courneuve



12 Parc Locaparc 2,
Vitry-sur-Seine



13 Parc le Prunay,
Sartrouville



14 Parc de Champs,
Champs sur Marne



15 Parc Actclub,
Saint Thibault des Vignes



16 Parc Parçay-Meslay,
Parçay-Meslay



17 Parc Sully,
Sully-sur-Loire

OFFICE



18 Paryseine,
Ivry-sur Seine, Paris



19 Cap Mermoz,
Maisons-Laffitte, Paris



20 Lénine,
Ivry-sur Seine, Paris

FRANCE ASSETS

Address	Acquisition Date	Purchase Price (€'000)
LIGHT INDUSTRIAL / LOGISTICS		
1 Parc des Docks, 50 rue Ardoin, Saint Ouen	30 Nov 2017	98,000
2 Parc des Guillaumes, 58 rue de Neuilly – 2 rue du Trou Morin, ZAC des Guillaumes, Noisy-le-Sec	30 Nov 2017	24,000
3 Parc du Landy, 61 rue du Landy, Aubervilliers	30 Nov 2017	18,600
4 Parc Delizy, 32 rue Délizy, Pantin	30 Nov 2017	18,100
5 Parc des Grésillons, 167-169 avenue des Grésillons, Gennevilliers	30 Nov 2017	17,250
6 Parc Urbaparc, 75-79 rue du Rateau, La Courneuve	30 Nov 2017	12,600
7 Parc Louvresses, 46-48 boulevard Dequevauvilliers, Gennevilliers	14 Feb 2019	6,800
8 Parc du Merantais, 1-3 rue Georges Guynemer, Magny-Les-Hameaux	30 Nov 2017	9,400
9 Parc Béziers, Rue Charles Nicolle, Villeneuve-lès-Béziers	23 Jan 2019	10,200
10 Parc des Érables, 154 allée des Érables, Villepinte	30 Nov 2017	6,100
11 Parc Jean Mermoz, 53 rue de Verdun – 81, rue Maurice Berteaux, La Courneuve	30 Nov 2017	7,500
12 Parc Locaparc 2, 59-65 rue Edith Cavell, Vitry-sur-Seine	30 Nov 2017	5,600
13 Parc le Prunay, 13-41 rue Jean Pierre Timbaud, ZI du Prunay, Sartrouville	30 Nov 2017	4,900
14 Parc de Champs, 40 boulevard de Nesles, ZAC le Ru du Nesles, Champs sur Marne	30 Nov 2017	5,900
15 Parc Acticlub, 2 rue de la Noue Guimante, ZI de la Courtillière, Saint Thibault des Vignes	30 Nov 2017	4,700
16 Parc Parçay-Meslay, ZI du Papillon, Parçay-Meslay	23 Jan 2019	5,700
17 Parc Sully, 105 route d'Orléans, Sully-sur-Loire	23 Jan 2019	5,500
OFFICE		
18 Paryseine, 3 Allée de la Seine, Ivry-Sur Seine, Paris	17 Jul 2019	35,203
19 Cap Mermoz, 38-44 rue Jean Mermoz, Maisons-Laffitte, Paris	17 Jul 2019	38,022
20 Lénine, 1 rue de Lénine, 94200 Ivry-Sur Seine, Ivry-Sur Seine, Paris	17 Jul 2019	5,500

Valuation as at 31 December 2022 (€'000)	Lettable Area (sqm)	Gross Revenue FY 2022 (€'000)	Occupancy as at 31 December 2022	Lease Type	Land Tenure
157,950	73,372	12,301	95.7%	Multi-tenanted	Freehold
32,900	18,719	2,838	100.0%	Multi-tenanted	Freehold
26,550	12,763	2,202	98.9%	Multi-tenanted	Freehold
24,650	12,415	2,271	92.4%	Multi-tenanted	Freehold
22,300	10,064	1,725	100.0%	Multi-tenanted	Freehold
17,625	12,607	1,766	96.2%	Multi-tenanted	Freehold
12,550	7,621	1,051	100.0%	Single tenant	Leasehold
11,250	10,312	990	99.9%	Multi-tenanted	Freehold
11,150	8,944	857	100.0%	Single tenant	Freehold
9,430	8,077	981	100.0%	Multi-tenanted	Freehold
9,120	6,005	737	100.0%	Multi-tenanted	Freehold
8,680	5,614	796	100.0%	Multi-tenanted	Freehold
8,490	9,441	855	100.0%	Multi-tenanted	Freehold
6,960	7,051	811	100.0%	Multi-tenanted	Freehold
6,630	8,055	797	100.0%	Multi-tenanted	Freehold
4,920	5,232	406	100.0%	Single tenant	Freehold
3,490	15,500	261	100.0%	Single tenant	Freehold
31,250	20,776	3,188	72.7%	Multi-tenanted	Freehold
29,830	11,224	2,625	76.6%	Multi-tenanted	Freehold
3,230	2,320	315	35.0%	Multi-tenanted	Freehold

GERMANY ASSETS



LIGHT INDUSTRIAL / LOGISTICS



1 Parsdorfer Weg 10,
Kirchheim



2 An der Wasserschluft 7,
Sangerhausen



3 Siemensstraße 11,
Frickenhausen



4 Göppinger Straße 1 - 3,
Pforzheim



5 Löbstedter Str. 101 - 109,
Unstrutweg 1, 4, Ilmstr. 4, 4a,
Jena



6 Gewerbestraße 62,
Bretten



7 An der Kreuzlache 8-12,
Bischofsheim



8 Hochstraße 150-152,
Duisburg



9 Henschelring 4,
Kirchheim



10 Frauenstraße 31,
Maisach



11 Kolumbusstraße 16,
Hamburg



12 Gutenbergstraße 1, Dieselstraße 2,
Königsbach-Stein



13 Moorfleeter Straße 27,
Liebigstraße 67-71, Hamburg



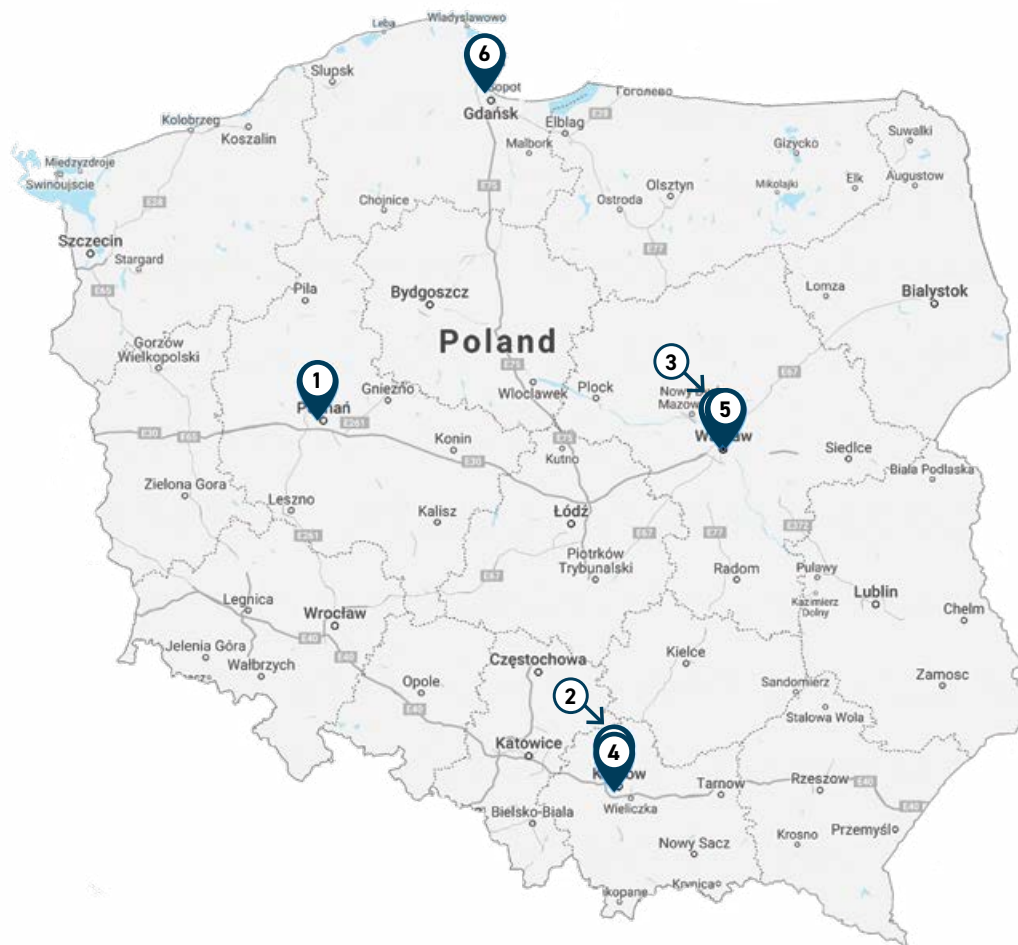
14 Dresdner Straße 16, Sachsenring 52,
Straubing

GERMANY ASSETS

Address	Acquisition Date	Purchase Price (€'000)
LIGHT INDUSTRIAL / LOGISTICS		
1 Parsdorfer Weg 10, Kirchheim	30 Nov 2017	25,887
2 An der Wasserschlufft 7, Sangerhausen	13 Aug 2020	16,392
3 Siemensstraße 11, Frickenhausen	30 Nov 2017	12,965
4 Göppinger Straße 1 – 3, Pforzheim	24 Mar 2020	15,229
5 Löbstedter Str. 101 – 109, Unstrutweg 1, 4, Ilmstr. 4, 4a, Jena	21 Apr 2022	17,342
6 Gewerbestraße 62, Bretten	24 Mar 2020	13,559
7 An der Kreuzlache 8-12, Bischofsheim	30 Nov 2017	8,696
8 Hochstraße 150-152, Duisburg	30 Nov 2017	4,885
9 Henschelring 4, Kirchheim	30 Nov 2017	7,608
10 Frauenstraße 31, Maisach	30 Nov 2017	5,854
11 Kolumbusstraße 16, Hamburg	30 Nov 2017	6,914
12 Gutenbergstraße 1, Dieselstraße 2, Königsbach-Stein	24 Mar 2020	9,212
13 Moorfleeter Straße 27, Liebigstraße 67-71, Hamburg	30 Nov 2017	7,072
14 Dresdner Straße 16, Sachsenring 52, Straubing	30 Nov 2017	4,941

Valuation as at 31 December 2022 (€'000)	Lettable Area (sqm)	Gross Revenue FY 2022 (€'000)	Occupancy as at 31 December 2022	Lease Type	Land Tenure
38,800	26,444	2,635	96.1%	Multi-tenanted	Freehold
18,600	30,557	1,199	100.0%	Single tenant	Freehold
18,200	37,188	2,423	94.4%	Multi-tenanted	Freehold
17,400	11,273	1,050	100.0%	Single tenant	Freehold
16,900	15,991	969	100.0%	Multi-tenanted	Freehold
16,000	10,449	918	100.0%	Single tenant	Freehold
14,500	18,924	1,253	98.8%	Multi-tenanted	Freehold
12,900	17,690	1,275	92.5%	Multi-tenanted	Freehold
11,900	9,029	900	100.0%	Multi-tenanted	Freehold
11,300	8,663	815	91.7%	Multi-tenanted	Freehold
11,300	18,555	1,028	96.3%	Multi-tenanted	Freehold
10,900	8,013	697	100.0%	Single tenant	Freehold
9,320	7,347	823	100.0%	Multi-tenanted	Freehold
9,230	9,437	542	100.0%	Multi-tenanted	Freehold

POLAND ASSETS



Address	Acquisition Date	Purchase Price (€'000)
OFFICE		
1 Business Garden, 2, 4, 6, 8 and 10 Kolorowa Street, Poznań	24 Sep 2019	88,800
2 Green Office, 80, 80A, 82 and 84 Czerwone Maki Street, Kraków	25 Jul 2019	52,197
3 Riverside Park, Fabryczna 5, Warsaw	14 Feb 2019	31,300
4 Avatar, 28 Armii Krajowej Street, Kraków	25 Jul 2019	27,803
5 Grójecka 5, Warsaw	14 Feb 2019	22,308
6 Arkońska Business Park, Arkońska 1&2, Gdańsk	14 Feb 2019	18,242

OFFICE



1 Business Garden,
Poznań



2 Green Office,
Kraków



3 Riverside Park,
Warsaw



4 Avatar,
Kraków



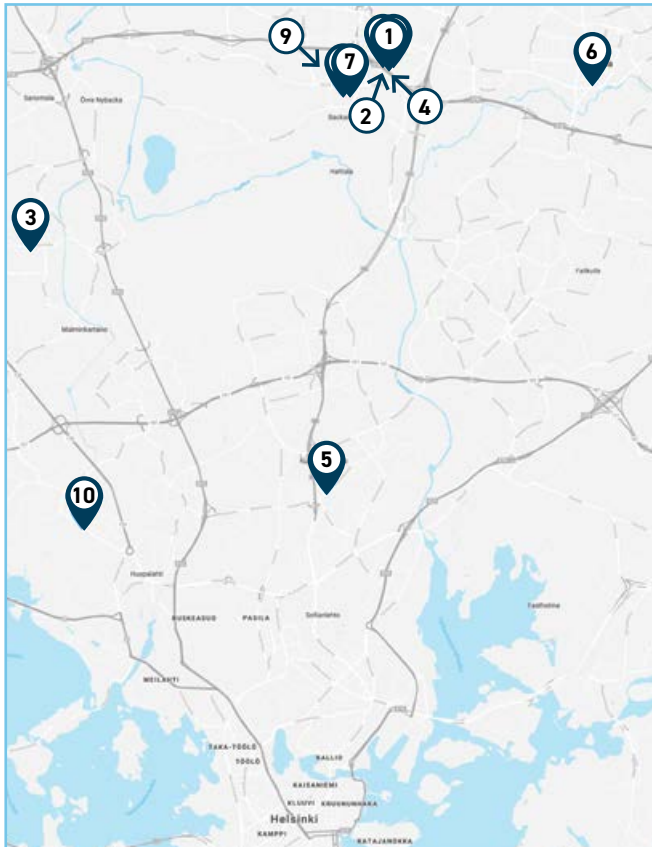
5 Grójecka 5,
Warsaw



6 Arkońska Business
Park, Gdańsk

Valuation as at 31 December 2022 (€'000)	Lettable Area (sqm)	Gross Revenue FY 2022 (€'000)	Occupancy as at 31 December 2022	Lease Type	Land Tenure
83,600	42,268	8,934	91.0%	Multi-tenanted	Freehold
46,900	23,105	9,364	100.0%	Multi-tenanted	Freehold
27,700	12,529	2,816	77.4%	Multi-tenanted	Freehold
23,050	11,338	3,146	100.0%	Multi-tenanted	Freehold / perpetual usufruct
18,450	10,864	1,531	51.5%	Multi-tenanted	Freehold
16,025	11,171	2,403	55.6%	Multi-tenanted	Freehold

FINLAND ASSETS



Address	Acquisition Date	Purchase Price (€'000)
OFFICE		
1 Plaza Vivace, Äyritie 8 C, Vantaa	28 Dec 2018	13,234
2 Plaza Forte, Äyritie 12 C, Vantaa	28 Dec 2018	12,600
3 Myyrmäenraitti 2, Vantaa	28 Dec 2018	12,000
4 Plaza Allegro, Äyritie 8 B, Vantaa	28 Dec 2018	11,173
5 Mäkitorpantie 3b, Helsinki	28 Dec 2018	7,600
6 Grandinkulma, Kielotie 7, Vantaa	28 Dec 2018	12,500
7 Pakkalankuja 6, Vantaa	28 Dec 2018	9,700
8 Kauppakatu 39, Kuopio	28 Dec 2018	7,600
9 Pakkalankuja 7, Vantaa	28 Dec 2018	6,100
10 Purotie 1, Helsinki	28 Dec 2018	7,113

OFFICE



1 Plaza Vivace,
Vantaa



2 Plaza Forte,
Vantaa



3 Myyrmäenraitti 2,
Vantaa



4 Plaza Allegro,
Vantaa



5 Mäkitorpantie 3b,
Helsinki



6 Grandinkulma,
Vantaa



7 Pakkalankuja 6,
Vantaa



8 Kauppakatu 39,
Kuopio



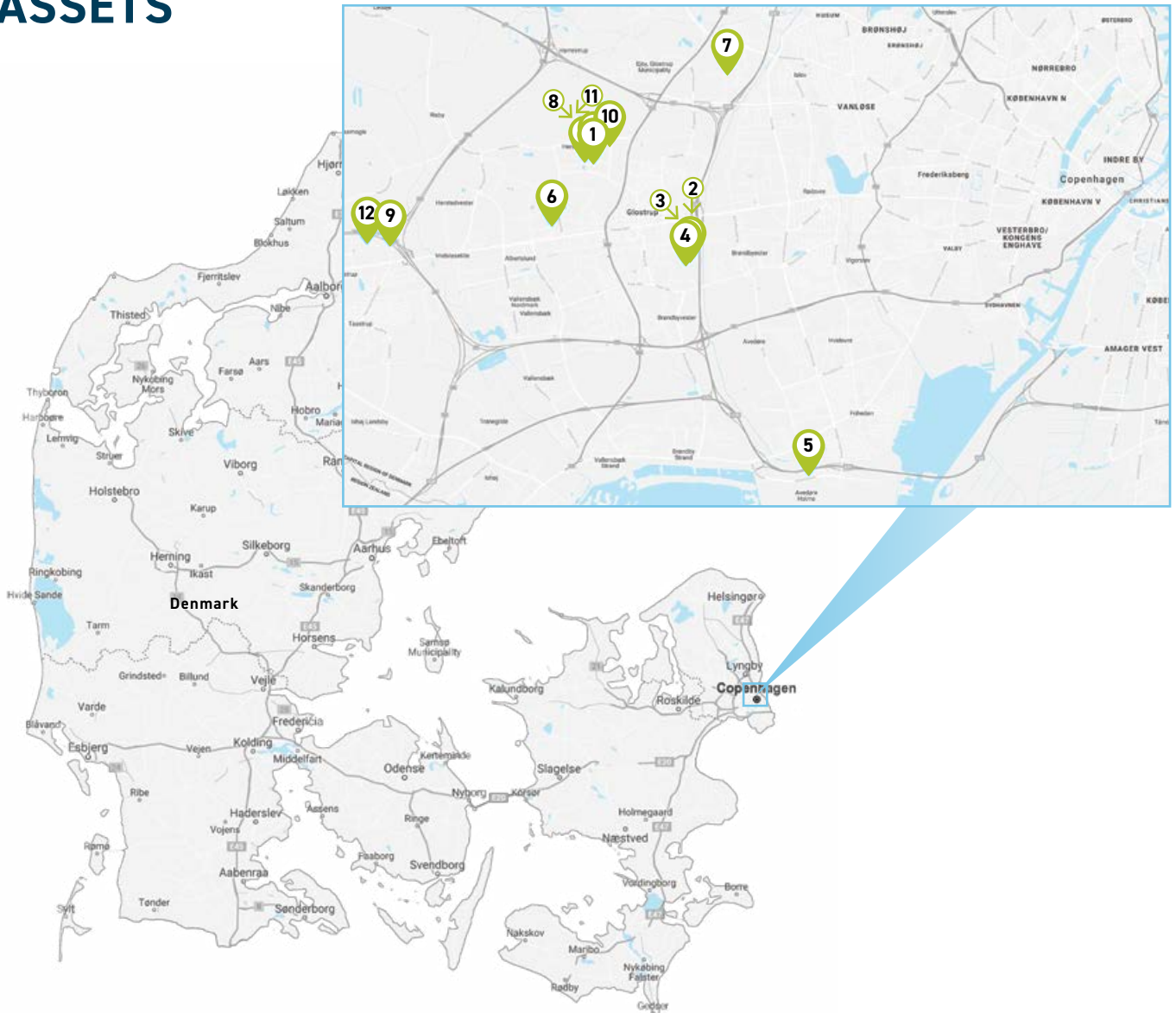
9 Pakkalankuja 7,
Vantaa



10 Purotie 1,
Helsinki

Valuation as at 31 December 2022 (€'000)	Lettable Area (sqm)	Gross Revenue FY 2022 (€'000)	Occupancy as at 31 December 2022	Lease Type	Land Tenure
12,100	5,663	936	64.4%	Multi-tenanted	Freehold
11,500	6,054	1,157	67.7%	Multi-tenanted	Freehold
10,000	7,515	1,262	81.6%	Multi-tenanted	Freehold
9,300	4,620	816	70.7%	Multi-tenanted	Freehold
9,100	4,367	882	96.9%	Multi-tenanted	Freehold
8,600	6,191	1,298	95.1%	Multi-tenanted	Freehold
8,500	7,821	1,179	76.5%	Multi-tenanted	Freehold
7,700	4,832	1,044	96.4%	Multi-tenanted	Freehold
5,900	3,425	666	87.3%	Multi-tenanted	Freehold
3,100	4,692	331	25.6%	Multi-tenanted	Freehold

DENMARK ASSETS



Address	Acquisition Date	Purchase Price (€'000)
LIGHT INDUSTRIAL / LOGISTICS		
1 Naverland 7-11, Glostrup	30 Nov 2017	10,500
2 Sognevej 25, Brøndby	14 Oct 2022	15,784
3 Priorparken 700, Brøndby	30 Nov 2017	11,200
4 Priorparken 800, Brøndby	30 Nov 2017	8,600
5 Stamholmen 111, Hvidovre	30 Nov 2017	4,300
6 Herstedvang 2-4, Albertslund	30 Nov 2017	6,300
7 Islevdalvej 142, Rødovre	30 Nov 2017	5,500
8 Naverland 8, Glostrup	30 Nov 2017	5,500
9 Hørskætten 4-6, Tåstrup	30 Nov 2017	5,200
10 Fabriksparken 20, Glostrup	30 Nov 2017	5,200
11 Naverland 12, Glostrup	30 Nov 2017	3,011
12 Hørskætten 5, Tåstrup	30 Nov 2017	3,428

LIGHT INDUSTRIAL / LOGISTICS



1 Naverland 7-11,
Glostrup



2 Sognevej 25,
Brøndby



3 Priorparken 700,
Brøndby



4 Priorparken 800,
Brøndby



5 Stamholmen 111,
Hvidovre



6 Herstedvang 2-4,
Albertslund



7 Islevdalvej 142,
Rødovre



8 Naverland 8,
Glostrup



9 Hørskættens 4-6,
Tåstrup



10 Fabriksparken 20,
Glostrup



11 Naverland 12,
Glostrup



12 Hørskættens 5,
Tåstrup

Valuation as at
31 December 2022
(€'000)

Lettable Area
(sqm)

Gross Revenue
FY 2022
(€'000)

Occupancy as at
31 December
2022

Lease
Type

Land
Tenure

16,470	22,272	1,718	91.6%	Multi-tenanted	Freehold
15,784	22,842	763	100.0%	Multi-tenanted	Freehold
14,923	15,431	1,205	100.0%	Multi-tenanted	Freehold
13,216	14,703	1,131	97.5%	Multi-tenanted	Freehold
12,220	13,717	1,028	83.4%	Multi-tenanted	Freehold
9,142	11,890	843	88.4%	Multi-tenanted	Freehold
9,075	11,151	885	77.5%	Multi-tenanted	Freehold
8,255	11,945	830	85.1%	Multi-tenanted	Freehold
7,247	9,233	849	96.5%	Multi-tenanted	Freehold
6,991	7,615	738	100.0%	Multi-tenanted	Freehold
4,531	6,875	400	100.0%	Single tenant	Freehold
4,504	4,985	454	100.0%	Single tenant	Freehold

THE CZECH REPUBLIC ASSETS



Address	Acquisition Date	Purchase Price (€'000)
LIGHT INDUSTRIAL / LOGISTICS		
1 Lovosice ONE Industrial Park II, Průmyslová 1190, Lovosice	11 Mar 2021	14,111
2 Moravia Industrial Park, Jaktáře 1752, Uherské Hradiště	11 Mar 2021	16,066
3 Lovosice ONE Industrial Park I, Tovární 1161, Lovosice	11 Mar 2021	3,182
4 ONE – Hradec Králové, Vážní 536, Hradec Králové	4 Jun 2021	10,099
5 South Moravia Industrial Park, Cukrovarská 494/39, Vyškov	11 Mar 2021	11,514
6 Písek Industrial Park I, Stanislava Maliny 464, Písek	11 Mar 2021	4,192
7 Písek Industrial Park II, U Hřebčince 2564/23, Písek	11 Mar 2021	1,728

LIGHT INDUSTRIAL / LOGISTICS



1 Lovosice ONE Industrial Park II, Lovosice



2 Moravia Industrial Park, Uherské Hradiště



3 Lovosice ONE Industrial Park I, Lovosice



4 ONE-Hradec Králové, Vážní 536, Hradec Králové



5 South Moravia Industrial Park, Vyškov



6 Písek Industrial Park I, Písek



7 Písek Industrial Park II, Písek

Valuation as at 31 December 2022 (€'000)	Lettable Area (sqm)	Gross Revenue FY 2022 (€'000)	Occupancy as at 31 December 2022	Lease Type	Land Tenure
15,950	17,411	1,259	98.8%	Multi-tenant	Freehold
15,500	13,222	1,066	100.0%	Single Tenant	Freehold
13,950	2,763	158	0.0%	Single Tenant	Freehold
11,800	8,382	797	97.3%	Multi-tenant	Freehold
10,750	11,154	766	100.0%	Single Tenant	Freehold
4,410	4,235	304	100.0%	Single Tenant	Freehold
1,840	2,513	128	100.0%	Single Tenant	Freehold

SLOVAKIA ASSETS



Address	Acquisition Date	Purchase Price (€'000)
LIGHT INDUSTRIAL / LOGISTICS		
1 Nove Mesto ONE Industrial Park III, Rakoluby 241, Kočovce	11 Mar 2021	16,220
2 Nove Mesto ONE Industrial Park I, Beckov 645, Beckov	11 Mar 2021	16,906
3 Kosice Industrial Park, Veľká Ida 785, Veľká Ida	11 Mar 2021	14,630
4 Nove Mesto ONE Industrial Park II, Kočovce 245 Kočovce	11 Mar 2021	9,584
5 Zilina Industrial Park, Priemysel'na 1, Nededza	11 Mar 2021	5,048

LIGHT INDUSTRIAL / LOGISTICS



1 Nove Mesto ONE Industrial Park III, Kočovce



2 Nove Mesto ONE Industrial Park I, Beckov



3 Kosice Industrial Park, Veľká Ida



4 Nove Mesto ONE Industrial Park II, Kočovce



5 Zilina Industrial Park, Nededza

Valuation as at 31 December 2022 (€'000)	Lettable Area (sqm)	Gross Revenue FY 2022 (€'000)	Occupancy as at 31 December 2022	Lease Type	Land Tenure
20,060	25,066	2,346	100.0%	Multi-tenant	Freehold
18,950	17,764	1,508	100.0%	Multi-tenant	Freehold
12,400	11,759	909	100.0%	Single Tenant	Freehold
9,400	14,719	1,052	100.0%	Single Tenant	Freehold
5,160	5,047	478	100.0%	Single Tenant	Freehold

UNITED KINGDOM ASSETS



Address	Acquisition Date	Purchase Price (£'000)
LIGHT INDUSTRIAL / LOGISTICS		
1 Thorn Lighting, DurhamGate, Spennymoor, County Durham DL16 6HL, Durham	17 Dec 2021	38,463
2 The Cube, Wincanton Logistics, Aston Lane North, Preston Brook, Runcorn, WA7 3GE, Runcorn	18 May 2022	23,230
3 Kingsland 21, 21 Kingsland Grange, Warrington	3 Aug 2021	11,657

LIGHT INDUSTRIAL / LOGISTICS



1 Thorn Lighting,
Durham



2 The Cube,
Wincanton Logistics



3 Kingsland 21,
Warrington

Valuation as at 31 December 2022 (€'000)	Lettable Area (sqm)	Gross Revenue FY 2022 (€'000)	Occupancy as at 31 December 2022	Lease Type	Land Tenure
30,818	41,611	2,471	100.0%	Single Tenant	Freehold
17,240	14,120	702	100.0%	Single Tenant	Freehold
9,409	9,764	666	100.0%	Single Tenant	Freehold

EUROPEAN PROPERTY MARKET RESEARCH:

THE NETHERLANDS, FRANCE, GERMANY, ITALY, DENMARK, FINLAND,
POLAND, CZECH REPUBLIC, SLOVAKIA AND THE UNITED KINGDOM
OFFICE, INDUSTRIAL & LOGISTICS MARKETS

KNIGHT FRANK RESEARCH

Prepared for:

Cromwell EREIT Management Pte Ltd in its capacity of the manager of
Cromwell European Real Estate Investment Trust

22nd March 2023

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This is an independent research report prepared for Cromwell European Real Estate Investment Trust (“CEREIT”), on various office and industrial and logistics markets in Europe. The report includes economic, investment and sector profiles for the Netherlands; France; Germany; Italy; Denmark; Finland, Poland, the Czech Republic and Slovakia, and an overview of the key markets within each of these countries.

1. THE NETHERLANDS

Section 1: Executive Summary

- ◆ The Dutch economy is seen to have entered a recession in late 2022 however it is expected to be relatively short-lived and shallow. Following GDP growth of 4.5% in 2022, a slower rate of growth of 1.2% is predicted for 2023 (source: Oxford Economics). The Netherlands enjoys a strong labour market. Although government pandemic support packages have ended and unemployment has started to rise, a generally tight labour market will support the consumer spending recovery in H2 2023. Risks for the economy are low relative to advanced economies.
- ◆ In 2022 there was a total of €17.0 billion invested into real estate in the Netherlands, down 21% y/y. The industrial sector was the most invested sector in 2022 and 2021, followed by the office sector. A total of €4.5 billion were transacted in the industrial sector, the second highest total on record.
- ◆ The office vacancy rate across the Netherlands stood at 10.5% at the end of 2022, down from 11.2% at the end of 2021. Levels of availability continue to reduce, due to the limited number of speculative completions and ongoing conversions of older office stock.
- ◆ On a national level, levels of occupier demand for offices have not returned to pre-pandemic levels. However, the picture varies considerably across different markets. In 2022, national office take up totalled 955,660 sq. metres. This was 5% higher than that recorded in 2021 but 23% lower than in 2019.
- ◆ The Netherlands has one of the most mature and established logistics market in Europe. Take up in 2022 totalled 3.4 million sq. metres, down 14% on 2021, however, a lack of stock has constrained activity. At the end of 2022, vacancy rates were at just 4.1% nationally, down from 6.3% at the end of 2021, with some submarkets recording much lower vacancy rates. With industrial development likely to remain constrained, rents will come under further upward pressure.

Section 2: Economy

The Netherlands has a prosperous and open economy which depends heavily on foreign trade and has stable industrial relations, a large current account surplus and normally low inflation. Its geographic location means that it plays an important role as a European transportation hub.

Industrial activity in the Netherlands is mainly in food processing, chemicals, oil refining and electrical machinery. Although its crude oil production is small, the Netherlands is one of the largest producers and distributors of natural gas, though production has been cut down since 2017 and the Dutch government has stated that it will continue cutting production limits.

Output in the Netherlands returned to its pre-pandemic level in late 2021, following one of its steepest falls in GDP due to the pandemic in 2020 (-3.8%). However, the Dutch economy is seen to have entered a recession in Q3 2022 that is expected to last for the first half of 2023 but remain shallow (Oxford Economics). Weak consumer spending is likely to be the main driver of the downturn with slowing global demand and a hesitant investment recovery also contributing. Following GDP growth of 4.9% in 2022, a more moderate rate of growth of 1.2% is predicted for 2023 as private consumption slows. 2024 forecasts have also recently been lowered to 1.4% due to the expectation of more ECB rate hikes dampening aggregate demand (Oxford Economics).

Headline inflation remains the top concern, though y/y inflation slowed in the final months of 2022 due to the large contraction in energy prices, which are expected to continue to fall in the coming months. Annual headline inflation for 2022 was 10%, but it is expected to slow to about 4% this year.

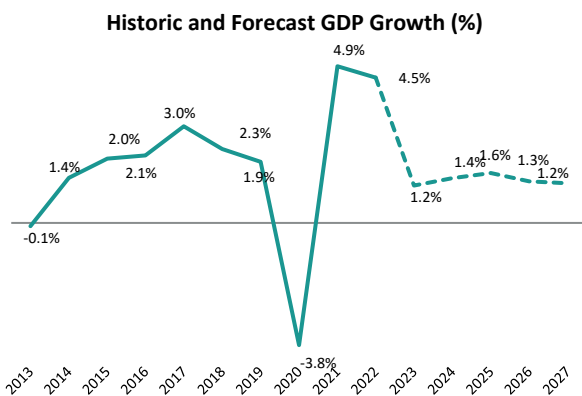
Medium-term demand prospects for the Netherlands are very solid, particularly by international comparison. Domestic demand is set to slow next year, as higher inflation has been eating into real disposable incomes, dampening consumer spending, but demand is forecast to rebound in 2024-2025. Meanwhile, external demand is likely to weaken due to global economic slowdowns.

National Statistics – Economic Outlook

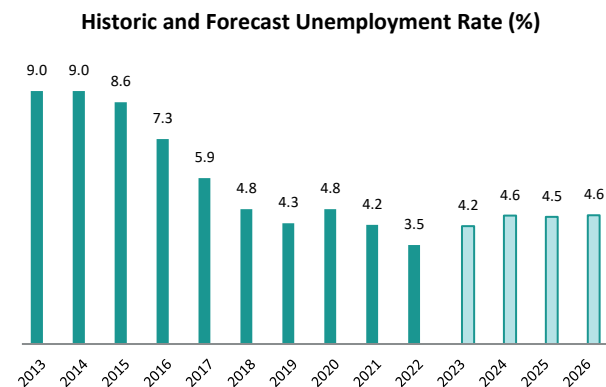
	2021	2022	2023 (f)	2024 (f)	2025 (f)	2026 (f)	2027 (f)
Total Population (millions)	17.54	17.66*	17.75	17.82	17.88	17.94	18.0
GDP Growth (%)	4.87	4.52	1.16	1.39	1.55	1.29	1.23
Unemployment rate (%)	4.24	3.52	4.20	4.57	4.53	4.58	4.56
Central Bank Interest rate (%)	0.00	0.58	3.35	2.54	1.75	1.75	1.75
Government debt (% of GDP)	66.47	64.43	64.60	65.23	64.79	64.23	63.42
Inflation (CPI) (%)	2.68	10.0	3.99	1.68	1.25	1.66	1.86

Source: Oxford Economics (07/03/2023)
*Forecast

The Dutch economy enjoys a strong labour market, with the unemployment rate recovering to 3.5% for 2022 (ILO definition, Oxford Economics), following the pandemic-induced rise to 4.8% in 2020. Although the government pandemic support packages have ended and unemployment has started to rise, high job vacancy levels suggests that this will only be gradual, and that employment will support the consumer spending recovery in H2 2023. The unemployment rate is forecast to be 4.2% in 2023 and expected to marginally rise slowly thereafter, though remaining below the long-run average (Oxford Economics).



Source: CBS Netherlands, Oxford Economics



Source: Statistics Netherlands (CBS), Oxford Economics

Household real income will fall in 2023, despite the price cap on gas and energy and the reduction of petrol and diesel taxes. As a result, private consumption is forecast to slow down sharply from 5.8%(f) growth in 2022 to 0.0% in 2023, according to Oxford Economics. The main driver of growth will likely be government spending, as fiscal expansionary coalition agreement and the new support measures to combat the energy crisis start coming into effect.

Government debt is comparatively low and as the debt-to-GDP ratio will remain around or below 60% in the medium term, there will be no risk to the sustainability of public finances. The 2023 government budget is quite expansionary by Dutch standards, adding about €17bn or 2% of GDP in new spending to support the economy. This includes the fiscal support measures to shield households from high energy costs, which will limit the drop in disposable real incomes.

Risks for the Dutch economy centre around the recent energy crisis and supply-chain disruptions, but these are set to ease as inflation is forecast to drop to more moderate levels in 2023 and 2024. However, industrial production contracted in November, indicating that the sector may drag on growth and the recession will be heavily concentrated in energy-intensive industries.

Section 3: Commercial Real Estate Market

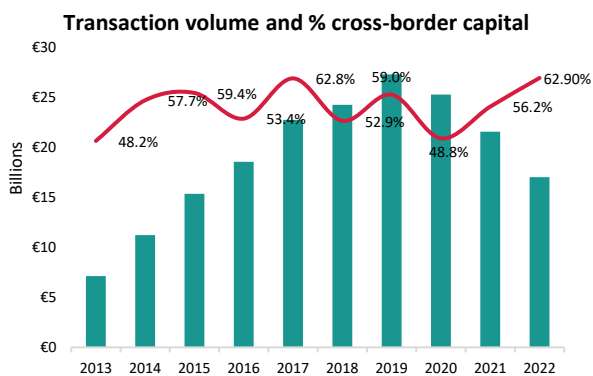
A: Investment Market

The Netherlands is continental Europe's fourth-largest commercial real estate (CRE) investment market, after Germany, France and Spain. The strong trade and transport connections combined with a multi-lingual

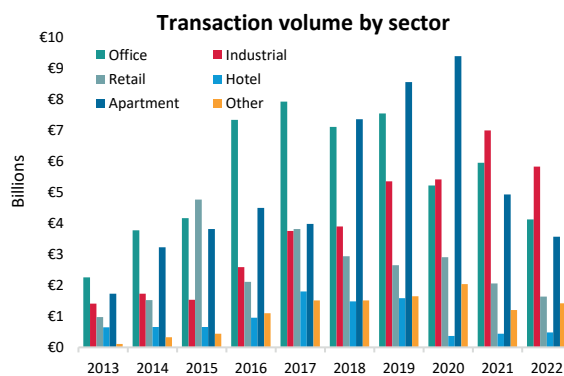
business culture and a highly transparent market in makes the Netherlands an attractive market for international investors.

In 2022 there was a total of €17.0 billion invested into real estate in the Netherlands, down 21% y/y and lower than the levels recorded over the past six years. The industrial sector was the most invested sector in 2022 and 2021, followed by the office sector. This contrasts with the previous two years (2019 and 2020) when the apartment sector attracted the largest amount of capital. International investors accounted for more than half of the total transacted volumes (63%). Buyers from the UK, Germany and US were most acquisitive in 2022, all invested more than they did in 2021. While international investors focused on the industrial sector, domestic investors continue to favour the apartment and office sectors.

In total, the office sector transaction volume in 2022 was €4.1 billion, down 31% y/y and 23% below the ten-year average. Most capital targeting offices in the Netherlands in 2022 was focused on Amsterdam and the wider Randstad region (which also includes the cities of Rotterdam, The Hague and Utrecht). The rise in bond yields and swap rates is currently driving higher return requirements for investors. Value-add or opportunistic investors in particular are seeking significant discounts on secondary office stock. However, a lack of distress in the market means there is currently a mismatch between buyer and seller pricing and this is dampening transaction activity. Prime office yields in Amsterdam have risen from 3.15% at the end of 2021, to 4.15% in Q4 2022. Deka's purchase of Booking.com's HQ building in December represented a yield of c.4.3%, the sale-and-leaseback transaction has an initial lease term of 16.5 years, and rent is pegged to CPI with a 5% cap. The building is a prime CBD office development, completed in 2022 and rated BREEAM Excellent.



Source: Knight Frank Research, Real Capital Analytics



Source: Knight Frank Research, Real Capital Analytics

The industrial sector attracted strong investor interest in 2022, with €4.5 billion transacting in the sector. This is the second highest total on record, with only last year (2021) recording a higher total, with €5.5 billion. The strength of the occupier market continues to drive investor appetite for the sector. The Netherlands is a key gateway market for international freight coming into Europe through the ports, particularly Rotterdam. The growth in e-commerce across Europe is boosting occupier demand in the Dutch logistics market.

Yet while the fundamentals for the industrial sector remain strong, inflationary pressures on development and financing costs are impacting investment into logistics, alongside other sectors. Strong competition amongst investors over the past few years has driven yields down, with prime logistics yields at 3.4% at the end of 2021. However, the increase in swap rates is driving up financing costs and yields have risen in the second half of 2022, to stand at 4.4% at the end of Q4 2022.

Total returns for the industrial sector continue their upward trajectory. Annual total returns in the year to Q4 2022 were 11.4%, down from 16.8% in Q3, the highest level recorded on the MSCI quarterly index. Total returns for the office sector were -3.7% in the year to Q4 2022 (MSCI, Netherlands Quarterly Property Index).

B: Office Sector – occupier market

Amsterdam is the largest office market in the Netherlands in terms of built stock, followed by Rotterdam, Utrecht, and then The Hague. While Amsterdam has become the commercial and financial centre, the other

Randstad cities (of Rotterdam, The Hague and Utrecht) have their own distinct economies, associated characteristics, and occupier markets, which influence their unique office markets and related investment risk profiles.

With hybrid working becoming a more significant feature of the workplace post-pandemic, the locations and types of space required by occupiers are likely to become more focused on well-located, core assets. The adoption of hybrid working is also likely to vary across sectors and functions and will therefore impact differently across the various Dutch office markets.

Since the Global Financial Crisis, record amounts of older office space have been withdrawn from the Dutch market, the majority of which was in the major cities. In addition to Amsterdam, available office space in Rotterdam and The Hague has reduced significantly with many properties decommissioned and converted to much-needed residential schemes. The consolidation of office stock has resulted in structural reduction of vacancy rates across the key cities and strong positive rental growth, particularly in centrally located prime office locations.

The office vacancy rate across the Netherlands stood at 10.5% at the end of 2022, this is down from 11.2% at the end of 2021. Levels of availability continue to reduce, due to the limited number of speculative completions and ongoing conversions of older office stock.

Following legislation that comes into effect on the 1st of January 2023, office buildings in the Netherlands must have an energy performance certificate (EPC) label of C or above. This has required sustainability upgrades for many buildings, given that 10% of the office stock in the Netherlands currently has a D label or worse, and 35% has no label at all. However, it is not anticipated that this legislation will have a dramatic impact on values in 2023, with much of the non-compliant stock located outside of the core office markets.

According to 2016 research by the Economic Institute for Construction and Housing (EIB) and the Energy Research Centre of the Netherlands (ECN), upgrading to a C label may be achievable for most offices with just the installation of LED lighting. However, older and poorly insulated F and G-rated buildings may be uneconomical to refurbish and may be withdrawn as office stock. It is unlikely that this will have a dramatic impact on the Dutch office market and any programme of enforcement or removal of stock is likely to be slow and small in scale.

On a national level, levels of demand have not returned to pre-pandemic levels. However, the picture varies considerably across different markets. In 2022, national office take up totalled 955,660 sq. metres, this was 5% higher than that recorded in 2021 but 23% lower than in 2019.

Amsterdam

The Amsterdam office market is dominated by financial services, business services, and Information, Communication and Technology (ICT) sectors. These sectors have recorded strong growth over the past ten years, with continued growth expected in 2023. However, there are downside risks for the economy and the Amsterdam office market. Amsterdam is a hub for tech companies, some of whom have been seeking to reduce their cost base recently. For example, Amsterdam-based Philips recently announced their plans to cut 6,000 jobs globally, including 1,100 in the Netherlands.

High growth tech start-ups are often highly reliant on debt and venture capital funding but, rising financing costs and difficulties in securing finance, could mean expansion plans are put on hold or further cost cutting is necessary. Some tech companies have been seeking to release capital from their real estate holdings, for example Booking.com launched the sale of its estate in 2021. This included their new global headquarters in Amsterdam, which Deka purchased in 2022, for c.€566 million. Booking.com moved into the new 65,000 sq. metre development located on the historic waterfront on Oosterdokseiland near Central Station at the end of 2022, taking a long-term lease of around 18 years to 2040.

The vacancy rate in Amsterdam has increased over the past few years, it stood at 9.5% at the end of 2019 but has risen to 14.8% at the end of 2022. However, there is significant variation according to submarket, with the vacancy in prime areas like the South Axis (Zuidas) and the city centre, much lower at around 4-6%. Availability increased across most locations in the region. There has been a trend in space becoming available for sublet which has partially contributed to the rising vacancy rate. While there has been a rise in

development activity, this has been concentrated in the most desirable markets, including the South Axis, where demand for space is strong. New developments in the South Axis market have recorded strong leasing activity.

Demand remains strong for high-quality office space and prime rents have risen (y/y), from €475 per sq. metre at the end of 2021, to €500 per sq. metre. However, Amsterdam prime office rents remain relatively low in an international context which helps attract international businesses in combination with its high-qualified and multi-lingual workforce. Average rents are expected to have risen around 3.8% in 2022 and further positive rental growth is expected to continue in 2023/24, with around 2.2% average growth expected in 2023, accelerating in 2024.

There is currently 368,790 sq. metres of office space in the development pipeline (end of 2022). With some buildings currently undergoing renovation or redevelopment. The Strawinskyhuis office building, located in the prime South Axis business district and which used to serve as courthouse offices is being redeveloped, with completion due in early 2023. The property will target BREEAM Outstanding in Use certification and WELL Platinum rating. Law firm DLA Piper have agreed a prelet on 6,900 sq. metres of the total 10,600 sq. metre floorspace.

Key Market Statistics:

Amsterdam	2017	2018	2019	2020	2021	2022
Vacancy Rate (%)	10.3	9.6	9.5	10.6	13.1	14.8
Take-Up (sq. m)	371,080	277,160	225,935	225,860	221,505	198,585
Availability (sq. m)	600,000	590,760	577,865	655,500	815,035	924,470
Prime Rent (€ sq. m/p.a.)	365	400	425	475	475	500
Prime Yield (%)	3.60	3.25	3.00	3.50	3.15	4.15

Source: BAK Research, Knight Frank Research

The Hague

After Amsterdam, The Hague is the next largest office market in the Netherlands in terms of built stock and the third-largest city by population. The Hague is the seat of the Dutch government as well as numerous international public bodies including the International Criminal Court (ICC), International Court of Justice, and Europol (European Union Agency for Law Enforcement Cooperation). Oil companies are also a significant part of the occupier base in The Hague - Royal Dutch Shell has their headquarters here, and Saudi Aramco, Kuwait Petroleum Corporation, and Total S.A. have all located their regional HQs in the city too.

However, the city's economic growth is increasingly being driven by ICT companies, along with business services and construction firms. International companies such as McDermott (construction, engineering), Siemens (electronic goods), and T-Mobile (ICT) have a significant presence in The Hague. The diversification of the occupier base has benefited The Hague, with take up proving robust during the pandemic, with some sectors impacted more strongly than others. The diverse occupier base should also help insulate the city from some of the current economic headwinds and rising inflationary pressures.

Total office stock in The Hague has been shrinking through the redevelopment of vacant buildings into other uses, predominantly housing. Though part of a wider, national trend, the situation was more pronounced in The Hague. Many government-owned buildings have been removed from the market, with the Dutch government consolidating its office space requirements and reducing its property holdings. However, they remain a significant owner of offices in The Hague, with high concentrations in the City Centre and the Central Station Area.

The office market in The Hague recorded 63,890 sq. metres of take up in 2022, 2% up y/y. However, 2021 and 2022 have recorded lower levels of demand compared with previous years. There has been a fall in demand for larger floorplates, with smaller lot size requirements dominating take up. As part of the broader trend in office requirements, demand is focused upon high-quality space close to public transport links. Substantial investments have been made in the Randstad Rail commuter network and high-density, mixed-use developments around transport hubs will support future growth.

Despite relatively weak take up, availability across the market has continued to contract. At year-end there was a total of 254,515 sq. metres of office space available, a vacancy rate of 7.0%, this is down from 7.7% at the end of 2021, or from 11.7% five-years ago. Though the overall vacancy rate is c.7%, it is significantly lower in some submarkets, availability is particularly limited in the Centre and the Benoordenhout markets.

A lack of stock in the city is a constraint on the occupier market. The number of developments planned is currently limited. As new stock is added to the market, it should offer opportunities for growth and boost take-up over the next few years. There is currently 146,600 sq. metres of office space in the development pipeline.

Key Market Statistics:

The Hague	2017	2018	2019	2020	2021	2022
Vacancy Rate (%)	11.7	11.2	8.5	8.1	7.7	7.0
Take-Up (sq. m)	105,000	61,825	129,620	85,310	62,745	63,890
Availability (sq. m)	442,000	417,470	314,530	297,825	279,895	254,515
Prime Rent (€ sq. m/p.a.)	210	220	225	225	225	225
Prime Yield (%)	5.50	5.25	4.60	4.60	4.60	5.25

Source: BAK Research, Knight Frank Research

Rotterdam

Rotterdam is home to the largest port in the country and several export-dependent corporations are based here including Unilever (consumer goods), Procter & Gamble (consumer goods), Pfizer (pharmaceuticals), Stolt-Nielsen (logistics), and Maersk (logistics). Imports are also an important part of the city economy. Around 40% of container freight from China to Europe is destined for Rotterdam and the expansion in Chinese-European trade over the past ten years has driven increasing freight volumes in the port.

Rotterdam has also been diversifying its offering somewhat; away from a purely industrial port city to a centre for technology, creative, and business services sectors. The ICT sector has grown significantly over the last five years, though still accounts for a relatively modest share of the overall occupier market. Technology firms Capgemini, Infosys, Microsoft, and Google all have offices in Rotterdam. One of the largest online retail platforms in the Netherlands and Belgium, Coolblue is located here.

There has been a rapid increase in the number of tech start-ups in Rotterdam over the past few years and ICT has become an important sector for the city's economy and demand for office space. Rotterdam's strong university base as well as cheaper living costs and office rents make the city an attractive alternative to Amsterdam for both residents and companies, particularly for young professionals and start-ups. The growth of this tech ecosystem is driving demand, particularly for flexible office provisions.

Rotterdam has a large proportion of older office stock, though there has been a significant amount of stock removed from the market, which has structurally reduced the vacancy rate. The vacancy rate in Rotterdam was 11.0% at the end of 2022, this is down from 13.2% at the end of last year and 17.4% five years ago.

As is true of most cities, the pandemic led to suppressed office demand in Rotterdam in 2020/21. However, take up has recovered in 2022, with 102,215 sq. metres of space taken up, up 20% y/y. Demand continues to rise for high-quality office space with market-leading sustainability credentials. In Rotterdam, the demand for this best-in-class space has been accelerated by the rapid growth of the city's young professional population. This is increasingly attracting occupiers, particularly in the tech and financial services sectors, to workspace in Rotterdam's CBD. This appetite for high quality space with a focus on the CBD and Kop van Zuid submarkets is also encouraging development activity. With demand increasingly focused on prime city centre offices, secondary locations will expect to see rising vacancy rates or office conversions.

Prime rents have risen 8.2% in 2022 (up from €245 per sq metre pa) and the focus on high-quality offices in the best locations is likely to keep rental levels stable. However, secondary rents are likely to fall as demand for lower quality offices in weaker locations softens.

Key Market Statistics:

Rotterdam	2017	2018	2019	2020	2021	2022
Vacancy Rate (%)	17.4	15.1	14.8	14.1	13.2	11.0
Take-Up (sq. m)	79,000	132,680	101,950	80,460	85,465	102,215
Availability (sq. m)	563,000	499,220	487,430	459,735	429,235	356,265
Prime Rent (€ sq. m/p.a.)	225	235	235	235	245	265
Prime Yield (%)	5.00	4.75	4.60	4.60	4.60	5.00

Source: BAK Research, Knight Frank Research

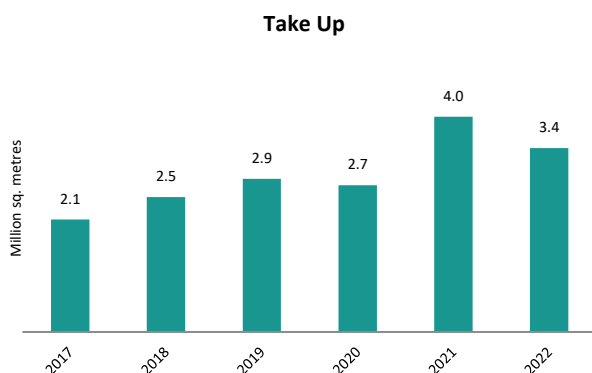
C: Industrial Sector – occupier market

The Netherlands has one of the most mature and established logistics markets in Europe. The high level of connectivity, combined with access to the largest populations in Europe makes the Netherlands home to some of the most sought-after industrial and logistics locations in Europe, particularly for distribution and cross-border e-fulfilment, such as the North Limburg logistics corridor and hubs in Venlo and Venray.

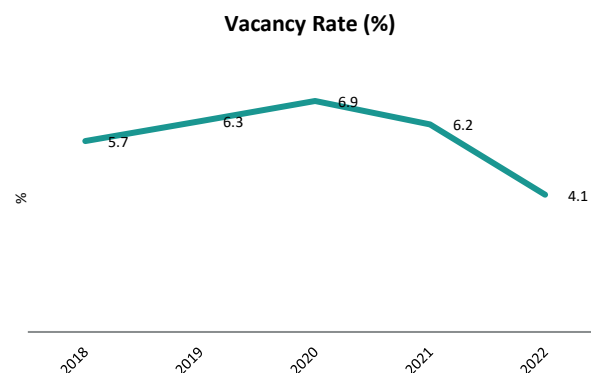
Demand for modern, high-quality distribution centres has driven developments over the past ten years which has in turn boosted stock levels and occupier take up. There is a strong drive towards automation in the logistics sector, which is particularly important in a market where increasing time pressures, rising costs, and the limited availability of labour are major challenges for operators. Specialised e-commerce fulfilment centres with high-tech, flexible space, and with warehouse automation are becoming more common as companies continue to look for efficiency gains whilst paying attention to cost margins.

The established logistics regions in the Netherlands have so far concentrated mainly on the areas around the larger metropolises. In particular, the areas around Schiphol Airport near Amsterdam and Rotterdam, Europe's largest seaport, are considered logistics hubs with global significance. In addition, some regions such as Tilburg / Den Bosch, Eindhoven, or Venlo are grouped around the transport corridors in a south-eastern direction. An increased concentration of logistics space can also be seen around the cities of Almere, Zwolle, and Enschede. Although these areas have historically been considered secondary locations, occupiers with less specific location requirements are increasingly considering them due to their availability of land.

As well as domestic-driven consumption and e-commerce, demand for logistics in the Netherlands is also driven through trade. Many goods that are destined for the UK, Germany, and France arrive in or travel through the Netherlands. The Netherlands is home to Europe's largest container port of Rotterdam and is central to the network of transport corridors that link markets in Southern Europe, Central, and Eastern Europe to the UK and the Nordic markets. The Netherlands handles more maritime freight than any other European country and the Port of Amsterdam is the fourth-largest cargo port in Europe.



Source: BAK Research



Source: BAK Research

Despite Covid-related restrictions being lifted in many global markets, due to restrictions in China which only ended recently and the ongoing the war in Ukraine, supply chain issues have persisted throughout 2022. These have led to firms seeking to hold additional safety stock to protect their order books from any blips in supply. The war in Ukraine has also impacted the flows of goods via the New Silk Road, the overland trade

route between China and Europe, which has in turn led to an increase in reliance on other routes such as shipping routes and on major seaports such as Rotterdam. The loss of trade flows into and out of Russia is likely to have a negative impact overall.

A large proportion of take up of logistics still comes from trade-focused operators. This means that the logistics market in the Netherlands is exposed to global trade dynamics. International trade was severely impacted by the pandemic with factory shutdowns, supply chain issues, and thus a significant contraction in demand for trade and thus for port-centric logistics space in mid-2020. However, 2021 and 2022 have witnessed rising consumption and trade-driven demand.

The UK's departure from the EU is also reported to be having a positive impact on demand for warehousing in the Netherlands and Brexit continues to be a driver of occupier take up in the Netherlands. Additional customs procedures mean that goods need to remain in the port for longer (in both the UK and in the Netherlands), and distributors and 3PLs have been taking space to ensure faster, more cost-effective distribution from the UK to customers in mainland Europe. For example, Design911, a supplier of Porsche car parts recently acquired a 25,000 sq. metres warehouse in Heijningen, the Netherlands. While previously, EU customers would have to wait 10 days for orders and could also receive unexpected fees, they can now offer next day delivery across Europe.

Take up totalled 3.4 million sq. metres in the Netherlands in 2022, down 14% y/y, but 21% above the five-year average. However, a lack of stock has constrained activity, at the end of 2022 availability was just 2.0 million sq. metres, down 30% y/y. At the end of 2022, vacancy rates were at just 4.1% nationally, down from 6.3% at the end of 2021, with some submarkets recording much lower vacancy rates. There is currently a pipeline of 4.5 million sq. metres of space under construction, which should ease the current supply pressures in 2023. However, in the medium to long term, development is likely to remain constrained because of higher interest rates, heightened build costs and continued political regulatory pressure. As a result, rents are expected to come under further upward pressure.

Key Market Statistics:

Amsterdam	2017	2018	2019	2020	2021	2022
Prime Rent (€ sq. m/p.a.)	85	85	85	85	85	85
Prime Yield (%)	5.00	4.50	4.10	3.80	3.40	4.40

Source: Knight Frank Research

2. FRANCE

Section 1: Executive Summary

- ◆ GDP growth slowed to 2.6% in 2022, with the economy entering a period of mild recession as high inflation curbs household spending, but the economy is predicted to grow by 0.5% in 2023, and 1.2% in 2024 (Oxford Economics).
- ◆ Transaction volumes reached €37.2 billion in 2022, up from €34.5 billion in 2021. Domestic buyers continue to dominate activity in the investment market. Foreign capital accounted for just 35% of the total transacted volume. Commercial property investment is highly focused on the office sector and is concentrated in and around the Greater Paris market.
- ◆ Take up in the Greater Paris Region office market totalled 2.19 million sq. m, 16% higher than in 2021 and very close to the ten-year average. The CBD had an exceptional year in 2022, the third best in its history after 2006 and 2007, with 462,000 sq. metres of office space taken up.
- ◆ The immediate supply of space in the Greater Paris Region is at historical highs and the vacancy rate is now 7.7% compared to 7.3% a year ago and 5% before the outbreak of Covid-19, with increased take up not offsetting vacancies and deliveries. However, the gap between Paris and the rest of the Ile-de-France region has widened, with vacancy rates of between 1% and 5% in some Parisian submarkets.
- ◆ Online penetration rates have continued to increase in France, post-pandemic. From 13.8% of total retail sales in 2021, they accounted for 14.9% in 2022 (Centre for Retail Research). France is thus the third largest online retail market in Europe behind the UK and Germany. Meanwhile industrial vacancy rates have fallen to a new low of around 3.8% nationally.

Section 2: Economic Overview

The French economy is the sixth-largest economy in the world and is dominated by the services sector (80% of total output), which has risen over the past decade at the expense of the industrial sector. The main industrial sectors are the food processing industry, equipment and machinery repairs, the fabrication of metal products and the chemical industry. On the demand side, the economy is dominated by private consumption, which accounts for around 55% of total GDP, with investment and government consumption accounting for approx. 22-24% each. This reflects the typical structure of a Western European economy and is in line with the eurozone.

Following the fastest rate of GDP growth in over five decades in 2021 for France, at 6.8%, GDP growth slowed to 2.6% in 2022, with the economy forecasted to have contracted in Q4 2022 and entered a period of mild recession as high inflation curbs household spending. However, comfortable gas reserves and recent dropping of energy prices have led to a slightly more improved outlook. Oxford Economics estimates the economy will grow by just 0.5% in 2023, and 1.2% in 2024.

Inflation in France accelerated in 2022 due to energy market volatility. Though the rate of growth softened towards the end of the year, the delayed passthrough of high energy prices to core inflation and the reduction of public support mean that inflation is likely to continue to rise in the very short term. Inflation for 2022 came in at 5.2% and is forecast to average 5% in 2023 and 1% in 2024 (Oxford Economics).

National Statistics – Economic Outlook

	2021	2022	2023 (f)	2024 (f)	2025 (f)	2026 (f)	2027 (f)
Total Population (millions)	67.74	67.88*	68.04	68.22	68.39	68.56	68.73
GDP Growth (%)	6.77	2.58	0.46	1.20	2.50	2.28	1.89
Unemployment rate (%)	7.88	7.30*	7.56	7.75	7.65	7.50	7.30
Central Bank Interest rate (%)	0.00	0.58	3.35	2.54	1.75	1.75	1.75
Government debt (% of GDP)	145.23	129.37*	128.75	132.66	133.13	132.75	131.80
Inflation (CPI) (%)	1.64	5.22	5.18	0.98	0.70	1.19	1.68

Source: Oxford Economics (07/03/2023)

*Forecast

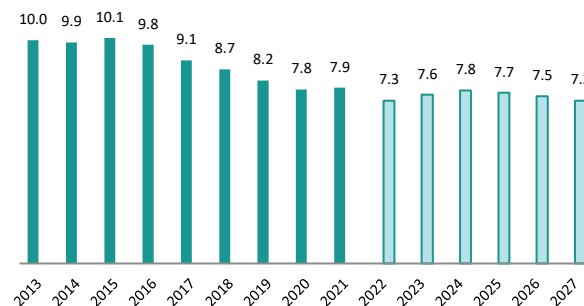
Total consumption is expected to be limited by the impact of elevated inflation on purchasing power, as households continue to cut back on goods consumption. Private consumption is expected to grow by just 0.3% this year and by 1.1% next year, as consumer confidence weakens amid household financial pressures. Further ahead, tighter-than-anticipated monetary policy will drag on investment and growth.

Historic and Forecast GDP Growth (%)



Source: INSEE, Oxford Economics

Historic and Forecast Unemployment Rate (%)



Source: INSEE, Oxford Economics

Though the unemployment rate in France is persistently high and the participation rate is low, the labour market remains quite resilient. Oxford Economics sees employment contracting in 2023, with the unemployment rate rising to 7.6%, from 7.3% in 2022 (ILO definition). In this context and amid subdued consumer confidence and elevated inflation, households are likely to remain cautious, prioritising savings rather than spending despite fiscal support measures.

Since 2000, labour costs have been growing at a faster pace than in France's trading partners, weighing on competitiveness. While the outlook for wages is subdued as the coronavirus shock hit the labour market hard, labour in France is likely to remain more expensive than that of its trading partners in the absence of structural reforms to contain relative labour costs.

The re-election of President Emmanuel Macron in April 2022 to serve another five-year term should allow him to resume structural reforms including boosting national competitiveness, improving labour market participation, and cutting taxes, as well as engaging in energy transition. However, losing his absolute majority in parliament means that it will be more difficult than previously anticipated in his first mandate. If structural reforms struggle to be implemented, this could mean cutting potential output forecasts.

Other risks for the French economy include historically low consumer confidence, monetary tightening, deteriorating credit conditions and squeezed profit margins for businesses.

Section 3: Commercial Real Estate Market

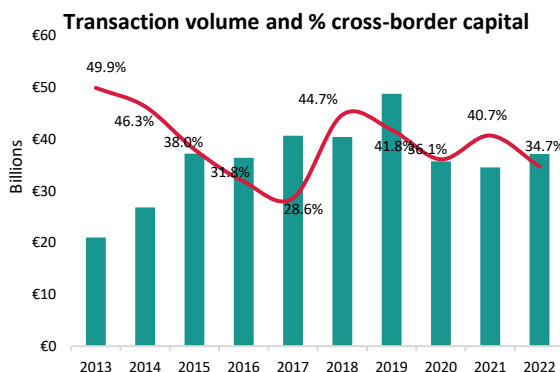
A: Investment Market

Transaction volumes reached €37.2 billion in 2022, up from €34.5 billion in 2021. Domestic buyers continue to dominate activity in the investment market, foreign capital accounting for just 35% of the total transacted.

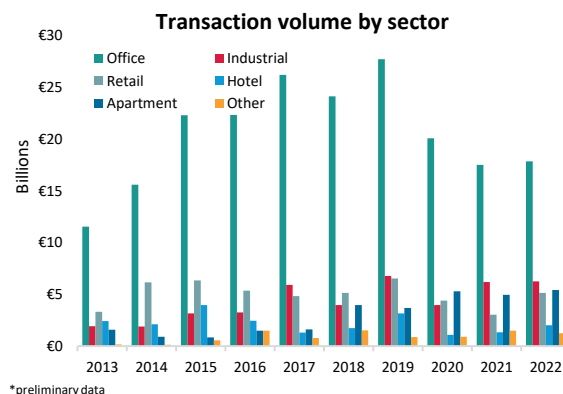
Commercial property investment in France is highly focused on the office sector and is concentrated in and around the Greater Paris market, particularly the CBD and La Défense submarkets. As one of the core markets, Paris remains one of the top targets for investors into European real estate. The Paris office market is the second largest in Europe in terms of capital invested in 2022, only London is larger. Some investors are reluctant to venture outside of the Ile-de-France area due to the relatively small size of the regional office markets, general lack of good quality stock, and thus lower levels of liquidity.

In 2022, investors from the UK were the most active sources of foreign capital in the French commercial real estate market, followed by Canadian and US buyers. Investment from Canadian buyers was boosted by the purchase of 150 avenue des Champs-Élysées, in Paris' 8th arrondissement, for an undisclosed sum

estimated to be around €648 million. A consortium of investors, including Brookfield Asset Management (headquartered in Canada), purchased the asset.



Source: Knight Frank Research, Real Capital Analytics



Source: Knight Frank Research, Real Capital Analytics

The Paris City Centre market recorded an uptick in transactions in 2022, due to some sizable office transactions. Domestic buyers remained focused on the Paris market, increasing their activity in Central Paris, but also increased activity in some regional cities such as Lille, Marseille and Toulouse. French buyers were highly acquisitive in the retail sector in 2022, investing €4.3 billion, the highest level since 2014 and more than double the level recorded in 2021. Domestic buyers also increased activity in the industrial sector in 2022, though the sector remained dominated by cross-border capital.

€5.2 billion of industrial and logistics deals concluded in 2022 across the country, down from €6.2 billion in 2021. Buyers from the UK, US, and China were the most active sources of foreign capital in the French industrial and logistics sector in 2022. Capital from China was boosted by GLP's purchase of a European 18-property portfolio for €552 million, with the majority of assets in France (as well as Germany and the Netherlands). This was the largest transaction in the French industrial and logistics sector this year. Another significant pan-European industrial portfolio transaction with assets in France was Prologis' acquisition of the Crossbay EU portfolio, for €1.6 billion.

As is the case across Europe, pricing is coming under pressure from softening bond yields and rising swap rates. Prime Paris office yields softened in 2022, from 2.75% (Q4 2021) to 3.25%. Further yield softening is expected in 2023. The French office sector recorded annual total returns of -5.7% in the year to Q4 2022 (MSCI Europe Quarterly Property Index), this is down from 4.7% in 2021.

In France, logistics yields have recorded significant compression over recent years, from 4.25% at the end of 2019, they were 3.0% at the end of 2021 but have softened in 2022, to reach 4.25% (Q4 2022). Further yield softening is expected in 2023. Annual total returns for the industrial sector were -4.0% in the year to Q4 2022, down from 22.8% in 2021.

B: Office Sector – occupier market

The French office market is highly centred on Paris and the Ile-de-France region where strong investor and occupier appetite for prime office assets remains. 2022 ended on a positive note with 616,000 sq. m of office space let or sold to occupiers in Q4. This brings the total amount of office space let or sold to occupiers in 2022 to 2.19 million sq. m, 16% higher than in 2021 and very close to the ten-year average.

The upturn in activity benefited all size bands, in particular offices 1,000 - 5,000 sq. metres in size, where volumes let rose by 25% annually, as well as offices over 5,000 sq. m, which saw 62 transactions in 2022 compared with 56 in 2021 and just 22 in 2020. All this directly contributed to the strong performance of the Greater Paris Region market. Large transactions accounted for nearly 710,000 sq. m, up 25% y/y, although they are playing a less decisive role than before the pandemic, confirming the impact of remote working and corporate real estate streamlining policies on the consumption of office space. There was a sharp decrease in the number of very large leases (> 40,000 sq. m), accounting for only 7% of the volume of large space let in 2021 and 2022, compared with 16% in the 20 years prior to the pandemic. While very large premises are

less sought after, new assets accounted for 82% of take up in 2022 in the Greater Paris Region, compared with an average of 71% in the 10 years prior to the health crisis.

The CBD market had an exceptional year in 2022, the third best in its history after 2006 and 2007, with 462,000 sq. m of space taken up. The Inner Paris market accounted for 44% of take up in the Greater Paris Region over the last two years, compared to an average of 39% in the ten years pre-pandemic. The strong results of the Paris market are due to the wide variety of companies located in the capital. In the CBD, the consulting, tech, finance and coworking sectors remained very active in 2022, while the luxury sector was also very active. The CBD is also notable for the dynamism of its occupiers: more than half of take up volumes in the business district in 2022 on large areas were due to expansion or the creation of new sites, whereas the other service sectors in the Paris region are still very much driven by real estate streamlining. In addition to a high and rising retention rate, the CBD is benefiting from demand from companies located in the suburbs. By moving to Paris, they compensate for higher property costs by reducing the amount of space leased.

2022 was also a robust year in the Greater Paris Region for office space leased by co-workers and by the educational sector, while demand for office space from tech companies slowed in the second half of the year, against a backdrop of a slowdown in fundraising and a decrease in valuations.

At the end of Q4 2022, the immediate supply of space in the Greater Paris Region totalled 4.3 million sq. m, an increase of 6% y/y and a historically high volume. The increase of letting activity in certain office markets has not offset the scale of vacancies and deliveries. The vacancy rate is now 7.7% compared to 7.3% a year ago and 5% pre-pandemic. The gap between Paris and the rest of the region has widened; except for the North-East of the capital, all Parisian sectors have vacancy rates of between 1 and 5%. The shortage is more marked in the central arrondissements and the CBD, where the vacancy rate remains below 3%. On the other hand, availability remains very abundant in the North and in Péri-Défense, with vacancy rates close to 20%. This is also the case in La Défense, where the delivery of two emblematic assets in the business district: the Hekla Tower (76,000 sq. m) and the Aurore Tower (37,000 sq. m) has pushed the vacancy rate to almost 15% despite the take up in 2022 of several large and medium-sized areas.

In 2022, the amount of space over 5,000 sq. m under construction in the Greater Paris Region fell sharply after several years of increase. The peak was reached in 2020 with 1.69 million sq. m of space under construction. This figure has fallen back to 1.4 million sq. m, a drop of 6% y/y and 17% compared to the peak in 2020. However, the volume of office space that is available and under construction remains 19% above the ten-year average. The situation varies greatly across the Greater Paris Region; while there has been a marked change in La Défense, where available space over 5,000 sq. m under construction has fallen by 42% over the year, the decrease is more limited in Paris CBD (-15%).

In 2021, 1.2 million sq. m of new office space was completed in the Greater Paris Region, a volume inflated by the postponement of operations due to the health crisis. 2022 saw a decrease in completions, with around 900,000 sq. m. A further decline in the level of completions is anticipated in 2023, with 770,000 sq. m of new/redeveloped offices to be delivered, 70% of which are still available. The downturn in deliveries could be short-lived, with the cumulative volume of transactions expected in 2024 and 2025 totalling 2.6 million sq. m. However, half of this is made up of projects that have not yet been launched. The large number of new office opportunities complicates the absorption of second-hand space and assets that are less suited to occupier demand, thereby fuelling long-term vacancies.

In most suburban sectors, negotiation conditions are more favourable to tenants than before the start of the pandemic, with generous rental incentives sometimes more than 30% or even 35% in certain office hubs. As a result, the gap has widened between rents in the prime and more secondary locations. Prime rents have continued to rise in the CBD market, they have reached €955 per sq. m per year at the end of 2022, compared with €930 per sq. m a year ago. There has been an increase in the number of leases signed at values \geq €900 per sq. m.

Average rental growth in Paris is expected to slow in 2023, with around 1.7% growth expected for Paris CBD for the 2023, compared to a growth rate in 2022 of c.4.9%. In La Défense, average rental growth of 1.0% is predicted for both 2023 and 2024.

In 2022, there has been an acceleration in the number of conversions, from office space into housing and other mixed-use operations, with a limited but growing number of projects. New development guidelines place greater emphasis on the transformation of existing buildings. The city wants to encourage changes of use in favour of housing, particularly in areas with a lack of housing in the west of Paris. As a result, new housing quotas have been proposed, covering more than 500 office buildings, nearly half of which are in the CBD, however, many of these may not materialise.

Key Market Statistics:

Paris (IDF)	2017	2018	2019	2020	2021	2022
Vacancy Rate (%)	6.10	5.40	5.00	6.50	7.30	7.70
Take-Up (sq. m)	2,575,900	2,559,550	2,382,053	1,304,494	1,893,594	2,190,000
Stock (million sq. m)	53.7	54.0	54.5	55.0	55.6	56.1
Prime Rent (€ sq. m/p.a.)	810	840	865	940	930	955
Prime Yield (%)	3.00	3.00	2.75	2.75	2.75	3.25

Source: Knight Frank Research

C: Industrial market – occupier sector

France ranks as the world's ninth exporter and seventh importer of merchandise (source: WTO, 2021), and Paris, with a population of 12.3 million, is one of the largest logistics markets in Europe. The Ile-de-France market dominates, and Greater Paris region has accounted for roughly a quarter of total take up over the past three years. While the Parisian market is the frontrunner in terms of urban logistics, Lille and the wider Hauts-de-France region is a distribution hub location offering a balance between competitive operational costs and access to markets. The region boasts relatively cheaper occupier costs and benefits from the availability of land plus its proximity to the Channel Tunnel and therefore the UK market. The region has a strong manufacturing base and is home to several automotive manufacturing plants, including ones for Toyota and Renault.

Take up in France in 2022 totalled around 4.1 million sq. m, down from 4.5 million sq. m in 2021 (-9% y/y). The year started strong, with robust levels of take up recorded in the first quarter, however subsequent quarters saw take up levels wane. Take up activity has been dominated by third party logistics firms (3PLs), though food retailers and manufacturers were also active. New build properties continue to attract the lion's share of take up, though second-hand space has risen as a share of the market, with a lack of new supply available in several key markets.

Strong occupier demand last year (2021) encouraged an uptick in speculative development, and this has continued into 2022, signalling continued investor/developer confidence in the market, despite inflationary pressures and emerging economic headwinds. There is currently 1.1 million sq. m of speculative construction underway, which is high relative to historic levels but on a par with last year. Ongoing development activity is focused in the Haut-de-France region. Schemes underway include Panattoni and ADM's 45,000 sq. m speculative scheme in Beauvais, in the Ile-de-France region, north of Paris, due to complete in 2023.

Despite relatively high levels of speculative construction, vacancy rates have fallen to a new low of around 3.8% nationally, compared with a level of around 4.5% at the end of 2021. Vacancy rates are particularly low in the south of France, in the Provence-Alpes-Côte d'Azur region and in Greater Paris.

The softening in logistics yields and lower levels of investor activity may have encouraged owner-occupier take up activity in the later part of the year. For example, Lidl purchased a newly built, 50,400 sq. m warehouse located in Béziers, in the south of France. The warehouse is situated near the A9 motorway, which crosses France from east to west towards Spain and serves as one of the country's main logistics corridors.

Online penetration rates have continued to increase in France, post-pandemic - they accounted for 14.9% of total retail sales in 2022, up from 13.8% in 2021 (source: Centre for Retail Research). France is thus the third largest online retail market in Europe behind the UK and Germany. However, online sales account for a smaller share of the total retail market compared with the UK and Germany. Rising volumes of online retail

will continue to support growing demand for logistics space, particularly within locations close to existing and growing consumer bases.

Key Market Statistics:

Paris	2017	2018	2019	2020	2021	2022
Prime Rent (€ sq. m/p.a.)	58	58	58	58	60	70
Prime Yield (%)	5.00	4.75	4.25	3.90	3.00	4.25%

Source: Knight Frank Research

3. GERMANY

Section 1: Executive Summary

- ◆ 2022 saw GDP growth of 1.9% in Germany, however, a contraction of 0.2% is predicted for 2023, rebounding again to 1.7% growth in 2024 (Oxford Economics). Easing supply bottlenecks amid large backlogs continue to offset the drag from sky-high energy prices for industry. Inflation has likely peaked, though core inflation will remain sticky.
- ◆ Commercial property investment totalled €46.5 billion in 2022, less than half the record level transacted in the record year of 2021, as investors became increasingly hesitant due to uncertainty around bond yields, central bank interest rates and a weakening economic outlook.
- ◆ However, logistics properties remain highly desirable and investment into the sector rose to €8.7 billion in 2022, up from €8.6 billion in 2021. Covid-19 has accelerated the shift towards online retail and home deliveries, and this is underpinning strong occupier demand in the logistics sector.
- ◆ Domestic buyers continue to dominate the German investment market, though cross-border investors accounted for a larger share of the total in 2022 than in 2021.
- ◆ Office take up volumes have risen y/y across the big seven markets, though not all markets saw take up increase in 2022. There was around 3.4 million sq. m of space taken across the big 7 in 2022, around 7% more than was recorded in 2021. Despite rising vacancy rates, rental growth has strengthened in 2022, due to the polarisation in terms of occupier requirements, with a focus on high quality stock.
- ◆ In 2022, take up of German industrial and logistics units has totalled 8.2 million sq. m, down slightly on the 8.7 million sq. m recorded in 2021 and the second highest level on record.
- ◆ Available stock levels are depleting, and demand is being met by a shortage of logistics developments and very limited vacancy. The top five city markets reported declining levels of take up, due to limited availability. Prime rents have therefore risen across all the German markets this year.

Section 2: Economy

Germany is the largest economy in Europe and the fourth largest globally (by nominal GDP). The economy accounted for a quarter (24.7%) of the European Union's GDP in 2021. Germany is also the US' largest European trading partner and the sixth-largest market for US exports. With a population of 83.2 million, Germany is the largest consumer market in the EU (ITA).

Services are the dominant sector of the German economy, accounting for almost 70% of output. However, at about 25%, industry's share of output is high compared with other western European countries. The higher proportion of industry means that exports are more important to the German economy as compared to other major European countries and it is therefore more sensitive to external economic shocks.

The German economy returned to growth in 2021 (2.6%) following a contraction in 2020 (4.9%). 2022 saw GDP grow by a further 1.9%. While a contraction of 0.2% is forecast for 2023, the economy is expected to rebound in 2024, with 1.7% GDP growth forecast (Oxford Economics). Easing supply bottlenecks amid large backlogs continue to offset the drag from sky-high energy prices for industry. Output rose m/m in November 2022 and while recent falls in gas prices will ease headwinds this year, November factory orders plunged to 10% below pre-war levels. With the global economy in a downturn, German industry is unlikely to escape recession, with consumer spending likely to be a drag (Oxford Economics).

Inflation dropped to 8.6% in December, from 10% in November, due to first stage of the gas price brakes/caps and easing fuel prices (Oxford Economics). Inflation has likely peaked as falling commodity prices and policy measures dampen prices. But core inflation is likely to be stickier, keeping inflation at a predicted 4.7% in 2023, after 7.9% in 2022.

National Statistics – Economic Outlook

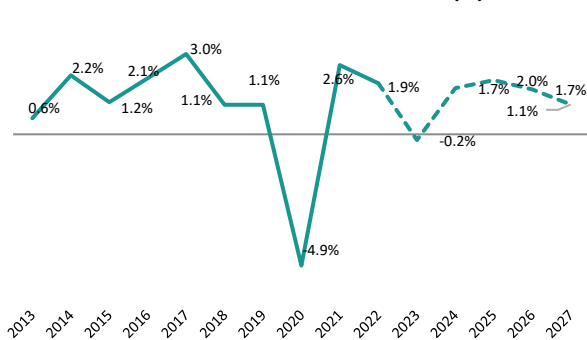
	2021	2022	2023 (f)	2024 (f)	2025 (f)	2026 (f)	2027 (f)
Total Population (millions)	83.26	83.48*	83.60	83.62	83.63	83.62	83.60
GDP Growth (%)	2.59	1.91	-0.21	1.73	2.02	1.68	1.11
Unemployment rate (%)	5.68	5.28	5.53	5.30	5.17	5.18	5.16
Central Bank Interest rate (%)	0.00	0.58	3.35	2.54	1.75	1.75	1.75
Government debt (% of GDP)	64.58	61.59*	62.05	62.06	61.02	60.13	59.59
Inflation (CPI) (%)	3.13	7.91	4.65	0.15	0.75	1.68	1.93

Source: Oxford Economics (07/03/2023)

*Forecast

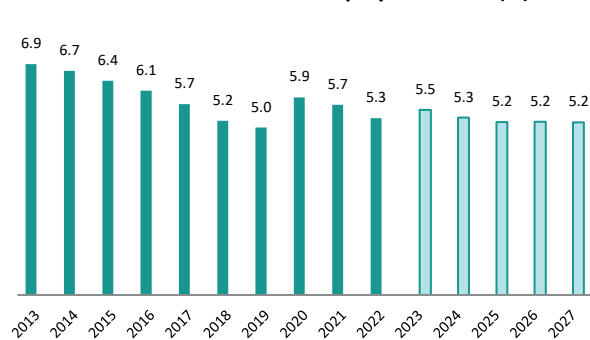
The German labour market remains resilient due to strong immigration and rising labour market participation. The strong Covid-19 fiscal support in 2020 resulted in a relatively modest unemployment rate rise due to the pandemic, it dipped in 2022 though it is forecast to rise again in 2023.

Historic and Forecast GDP Growth (%)



Source: German Federal Statistical Office, Oxford Economics

Historic and Forecast Unemployment Rate (%)



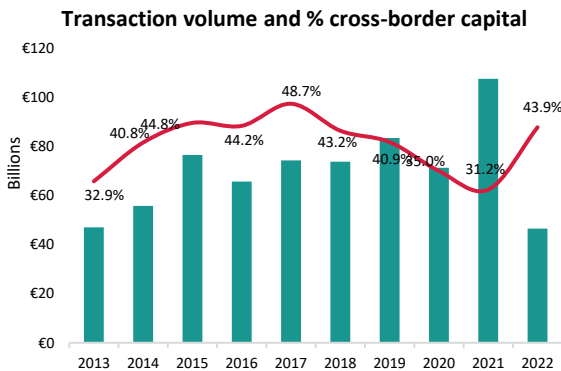
Source: German Federal Statistical Office, Oxford Economics

Higher-than expected inflation, a more severe weakening in the labour market, an escalation in the war in Ukraine and rising levels of debt all pose downside risks, but risks of gas shortages have receded in recent weeks. Demand is expected to pick up towards mid-2023 as inflation slows, wages rise, supply bottlenecks ease, and firms better adjust to the constrained gas supply. The government's strong fiscal position means there is a good chance of further support as shown by last year's announcement of a €200bn package, though fiscal policy is unlikely to fully offset the hit from higher inflation. Further ahead, Germany's economy will be constrained by its low potential growth rate as weak demographics limit demand growth over the medium term.

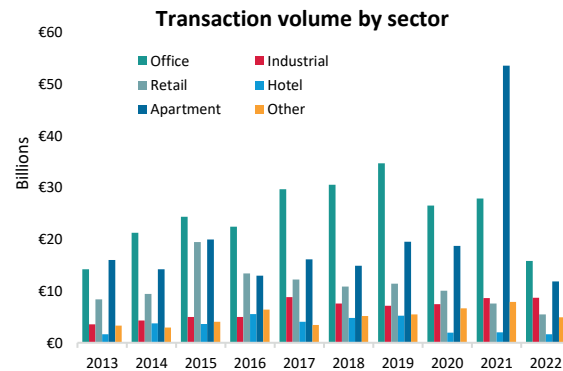
Section 3: Commercial Real Estate Market

A: Investment Market

The German investment market is highly liquid, supported by a decentralised structure with multiple large cities servicing as business hubs and concentrations of population. Investment activity is shared across the "Big-5" (Hamburg, Berlin, Frankfurt, Munich and Düsseldorf) or "Big-7" markets (which also include the cities of Stuttgart and Cologne). These markets are generally preferred over smaller second and third tier markets, due to their higher liquidity.



Source: Knight Frank Research, Real Capital Analytics



Source: Knight Frank Research, Real Capital Analytics

Commercial property investment totalled just €46.5 billion in 2022, less than half the record €107.5 billion transacted in 2021. Investors have become increasingly cautious throughout 2022 due to uncertainty around bond yields, central bank interest rates and the impact of a weakening economic outlook. The rising bond yields and swap rates have led investors to reassess pricing. However, with a lack of distress for sellers, there has been a degree of inertia in the market throughout the second half of 2022. For buyers reliant on debt, investment opportunities are currently limited, as debt is often no longer accretive to cash-on-cash returns.

The ten-year German Bund yield was 2.56% at the end of 2022 as compared to a year ago when it was negative -0.18%. Institutional investors in particular are likely to increase their allocations to fixed-rate government bonds. As returns on the bond market have strengthened, the return premium offered by real estate has reduced. Despite rising bund yields, prime property yields are proving resilient, with only marginal outward movements. Prime office yields in Munich in Q3 2022 were 2.90%, only marginally up from 2.55% at the end of 2021. However, average yields are moving out more quickly, widening the gap between prime and secondary properties.

Except for industrial, all sectors recorded a decrease in volumes y/y. The record total last year was boosted by the residential sector, which accounted for roughly half of total investment. 2022 saw a return to more normal investment patterns, with the office sector dominating again, although investment into the office sector was still down 43% y/y.

The largest transaction in 2022 was the Sony Center in Berlin, which was acquired for €1.354 billion by the Norwegian Sovereign Wealth Fund, NBIM. This City Centre property comprises 113,000 sq. m of prime office, retail and residential space across eight buildings and includes the Bahn Tower. Another significant transaction in 2022 saw Marienurm, an office building in Frankfurt acquired by Korean Pension Fund, NPS for €820 million. Built in 2019, the CBD office building has a 95% occupancy rate, with tenants including Goldman Sachs, Bank of America and Mastercard.

Logistics properties continue to be highly desirable. Investment into the sector rose to €8.7 billion in 2022, up from €8.6 billion in 2021. Covid-19 has accelerated the shift towards online retail and home deliveries, and this is underpinning strong occupier demand in the logistics sector. This in turn is attracting investor interest, and demand for the sector has driven down yields for prime assets in core markets in recent years. As with other markets, the rising cost of debt and strengthening bond yields is now putting upward pressure on yields. However, this is not unique to the industrial sector. Prime Berlin industrial yields were 3.40% at the end of Q2 2022, up from 3.30% in Q1 2022.

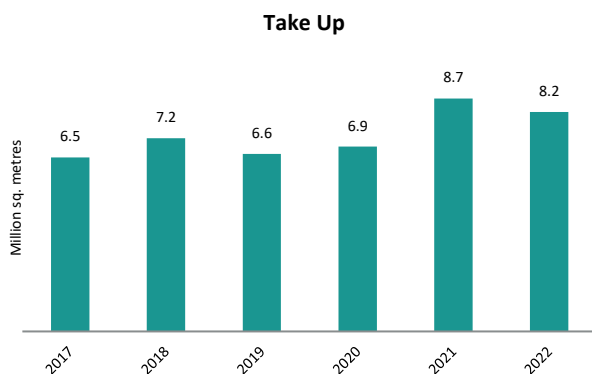
The largest transactions in the industrial sector in 2022 was a platform deal that saw CTP Invest acquiring Deutsche Industrie REIT 2022, for a total of €789 million. The acquisition of 87 industrial properties across Germany will enable CTP to unlock further growth in the German market and strengthen its position as continental Europe's largest listed owner, developer and operator of industrial property. Another significant transaction was a portfolio of 22 assets, 21 of which are in Germany (and one in Poland) acquired by German Garbe Group for €650 million.

Domestic buyers continue to dominate activity in the German investment market, though cross-border investors accounted for a larger share of the total in 2022, with 44% of capital coming from overseas investors, compared with 31% in 2021.

Slowing capital growth has dented returns. Annual total returns for German offices were -0.2% in the year to Q4 2022 (MSCI Europe Quarterly Property Index), down from 11.3% in 2021. Annual total returns for the industrial sector were -3.2% in the year to Q4 2022, down from 24.1% in 2021.

C: Industrial Sector – occupier market

In 2022, take up of German industrial and logistics units has totalled 8.2 million sq. m, the second highest annual total on record, down slightly on the 8.7 million sq. m in 2021. However, the rate of take up has slowed throughout the course of 2022. The German warehousing and logistics occupational market is driven by a combination of retailers, distribution, and manufacturing which contribute to a balanced occupier market. There was a notable decline in activity from online retailers, particularly in the second half of the year, however general retailers (multi-channel, grocery and high street) increased their activity relative to last year. Third party logistics firms (3PLs) and manufacturers also increased their activity in 2022.



Source: Knight Frank Research

Although occupier demand remains strong, levels of available stock have been depleted by strong levels of activity in 2021 and early 2022, demand has been met by a shortage of logistics developments and very limited vacancy. Overall, the top five city markets reported declining levels of take up, due to limited availability. However, Berlin, where there has been greater development activity, saw take up rise y/y. There were several significant occupier transactions in Berlin in 2022, including 327,000 sq. m of space taken up by electric car manufacturer Tesla.

In Berlin, GLP is currently building Magna Park Berlin-Werder, southwest of the city. a 50,000 sq. m design and build facility for electrical wholesaler Sonepar. The rest of the project, which will comprise a further 130,000 sq. m, will be built out on a speculative basis. The speculative phase of construction is due to commence in early 2023.

A lack of availability across the key markets means that companies face having to be more flexible in terms of their requirements if they are to secure space immediately or agree a pre-lease and await completion. Occupiers are also looking beyond the core markets to locations that may have been considered peripheral or secondary.

After Berlin, the Ruhr area recorded the second largest share of take up in 2022 in Germany, accounting for 7% of the national total, though this represented a decrease y/y. The Ruhr region is where development activity is concentrated, and most take up in the region is focused on new buildings or development projects, with demand coming predominantly from retail and distribution firms. The region is one of the most sought-after logistics markets in Germany and has seen a significant proportion of transactions due to its proximity to a large consumer base and excellent transport links. The region is strategically important in European

logistics networks, for trade from Northern European ports and onward distribution to locations across Germany and beyond. Major occupier deals in 2022 include Rhenus who are taking 81,400 sq. m in Wesel; Lidl, taking 54,000 m² in Bochum; and the ITG Group and Picnic who each acquired 50,000 sq. m in Oberhausen.

The Hamburg logistics market has flourished due to its strong and varied transportation links to the Netherlands in the west and Denmark and Sweden to the north. The Port of Hamburg is the third-largest container port in Europe and the city is also home to an international airport and has excellent road and rail networks. The city is a centre of trade, shipping, and aerospace engineering, and these, along with manufacturing industries and trade links, drive demand for warehouse space in Hamburg. However, the market is relatively supply constrained, with large facilities in particularly short supply. This is driving rental growth, as occupiers compete for stock, and increased development in peripheral locations. Rents in Hamburg have risen more steeply than in other markets, with prime rents up around 16% y/y. With limited development expected to complete in 2023, the market is likely to remain supply constrained, putting continued pressure on rents.

Prime rents have risen across all the German big-7 markets this year. The strongest growth was in Hamburg and Berlin. Munich and Stuttgart continue to have the highest rents across the markets, followed by Hamburg and Frankfurt.

Key Market Statistics:

Berlin	2017	2018	2019	2020	2021	2022
Prime Rent (€ sq. m/p.a.)	60.0	68.4	72.0	79.2	85.2	108.0
Prime Yield (%)	4.50	4.50	4.25	3.50	3.40	4.10

Source: Knight Frank Research

4. ITALY

Section 1: Executive Summary

- ◆ 2022 saw robust GDP growth of 3.9% in Italy. A more modest rate of GDP growth of 0.5% and 0.9% is forecast for 2023 and 2024, respectively.
- ◆ Italy's commercial property market recorded investment totalling €11.4 billion in 2022, up from €10.9 billion in 2021, though below the record level set in 2019. The office sector attracted the largest share of investment in 2022. The industrial sector recorded a decrease in transactions compared to 2021, however 2022 was the second highest total on record with €2.7 billion transacted.
- ◆ Foreign investors have remained active in Italy throughout 2022, accounting for 71% of investment. The industrial sector was a key target for both US and UK investors, with activity focused on Northern Italy.
- ◆ 2022 has seen strong levels of office occupier demand in Milan, with 494,600 sq. m taken up, 40% higher than in 2021. Meanwhile the vacancy rate has fallen. Occupiers are increasingly rethinking their requirements and workspaces, with ESG considerations, leading to increased focus on Grade-A and new build stock.
- ◆ Italy has been a relatively late adopter of online shopping and e-commerce; however, the market has been expanding rapidly. In 2022, Italy had an online retail penetration rate of 10.2%, compared to just 1.5% ten years ago. However, the online market share remains lower than other European countries (Centre for Retail Research).
- ◆ In response to market growth, e-commerce (pure-play) retailers and distribution companies have been expanding their presence in Italy, driving demand for both big-box and smaller distribution centres located close to urban populations.

Section 2: Economy

Italy is the third-largest national economy in the European Union, the eighth largest in the world by nominal GDP. It remains the second-largest manufacturing economy in the eurozone. Italy's economy is reasonably open, with total exports at around 30% of GDP. While in the 2000s its export performance had been relatively poor compared to Germany or Spain, in recent years Italy has closed that gap. However, in some sectors, the level of investment and innovation remains low.

Following 6.7% GDP growth in 2021, 2022 recorded robust growth of 3.9%. A mild recession started in Q4 2022, though GDP came in above expectations, therefore 2023 growth forecasts have been upgraded to 0.5%, with further modest growth expected for 2024, of 0.9%. With Italy's long-term growth projection stuck at close to zero, reforms to address demographic problems are needed to improve annual GDP growth. But pursuing structural reforms will require changes to Italy's political agenda and fractured multi-party system.

Inflation in Italy is higher than the eurozone average. This is explained by a stronger persistence of the energy component, with Italy not benefitting as much as the rest of the eurozone from the drop in gas prices and the impact of fiscal policies. However, inflation peaked in Q4 2022. High prices will likely last further into this year and Oxford Economics anticipates Italian inflation will average 5.3% in 2023 and weigh heavily on domestic demand. Inflation is predicted to slow gradually thereafter.

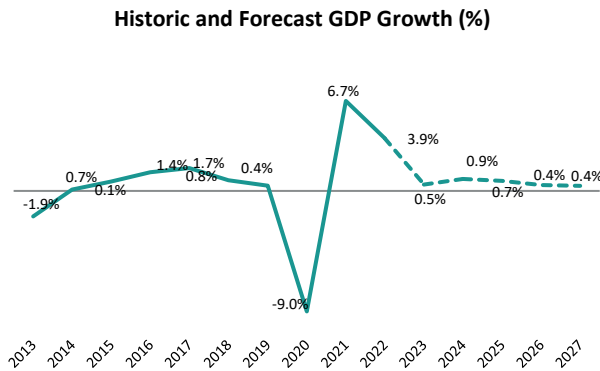
National Statistics – Economic Outlook

	2021	2022	2023 (f)	2024 (f)	2025 (f)	2026 (f)	2027 (f)
Total Population (millions)	59.18	59.09*	59.01	58.95	58.87	58.80	58.72
GDP Growth (%)	6.72	3.92	0.47	0.89	0.74	0.44	0.38
Unemployment rate (%)	9.52	8.09	8.42	8.38	8.36	8.37	8.42
Central Bank interest rate (%)	0.00	0.58	3.35	2.54	1.75	1.75	1.75
Government debt (% of GDP)	174.33	171.55	168.32	168.49	167.58	166.51	164.89
Inflation (CPI) (%)	1.87	8.20	5.30	1.17	0.92	1.08	1.50

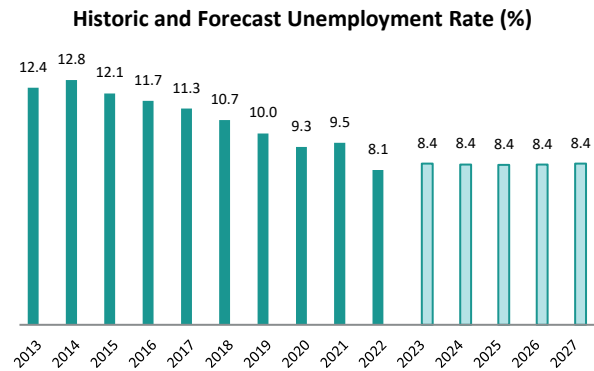
Source: Oxford Economics (07/03/2023)

*Forecast

The overall subdued employment expectations for Italy are based on the country's demographic imbalance. Italy has a low labour participation rate, at around 65%, with the female participation rate, at just c.56. Reforms to increase participation could have a significant impact on the country's long-term growth potential.



Source: ISTAT, Oxford Economics



Source: ISTAT, Oxford Economics

Government debt remains high in Italy and has been negatively impacted by the pandemic. That said, a debt crisis in Italy is not expected and concerns over the government's high level of debt in the short-term have not emerged.

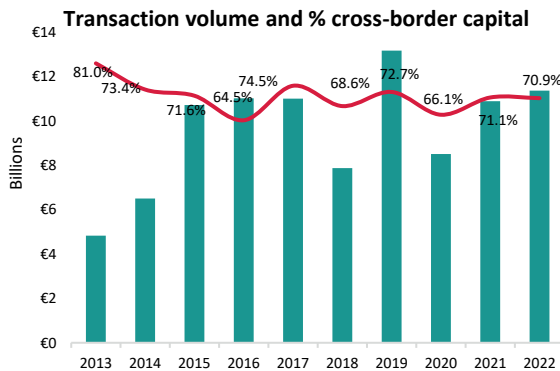
High inflation, subdued growth and government debt are the main concerns for the Italian economy. The fiscal position will remain an issue in the medium term. Undoubtedly businesses and households will face the first sustained increase in interest rates in more than a decade. That, coupled with uncertainty, means investment is likely to slow. Italy's ageing population, lower education levels relative to peers, and subdued investment will all keep potential growth low.

Section 3: Commercial Real Estate Market

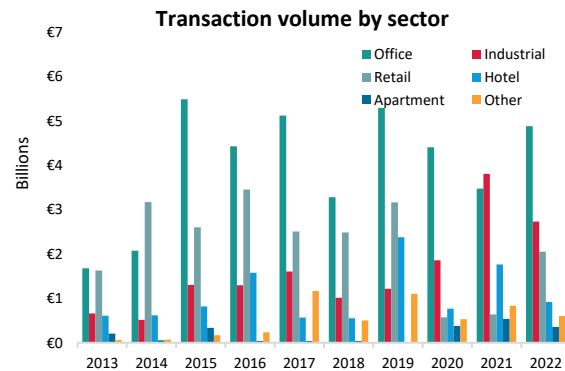
A: Investment Market

Italy's commercial property market recorded investment totalling €11.4 billion in 2022, up from €10.9 billion in 2021, though below the record level set in 2019, when €13.2 billion was transacted. The office sector attracted the largest share of investment in 2022, with investment into the office sector up 41% y/y. The retail sector saw the largest y/y increase, following two years of very weak activity. The industrial sector recorded a decrease in transactions compared with a record €3.8 billion in 2021, however 2022 was the second highest total on record, with €2.7 billion transacted.

Foreign investors have remained active in Italy throughout 2022, accounting for 71% of investment, on a par with previous years. US and UK buyers remained the most active, while activity from French buyers increased compared with 2021. The industrial sector was a key target for both US and UK investors, with activity focused on Northern Italy. Northern Italy is considered favourably due to its strong economic links and infrastructure connectivity with international markets.



Source: Knight Frank Research, Real Capital Analytics



Source: Knight Frank Research, Real Capital Analytics

In the office sector, Milan remains the key target for investor interest. Investment into Milan rose 72% y/y. Prime yields in Milan were at 3.2% in Q3 2022 and only moved out by 20bps over the course of 2022, they continue to compare favourably to other European markets, such as Paris or the main German cities. The focus of investment has been on core and core-plus assets, with most investors remaining cautious of non-core markets assets or locations. The focus for both investors and occupiers is turning towards green buildings, located in business hubs, close to transport and amenities.

The Rome office market is predominantly income-driven, government institutions and public sector services remain an important segment of the occupier market. Prime rents have risen (y/y) and well-let properties in prime locations can offer investors a relatively attractive risk-return profile. Rome is also a candidate city for EXPO 2030, should its bid prove successful, it could help boost investment prospects for the city. Investment volumes in Rome are down 13% y/y, with a notable slowing in investor activity levels.

One of the largest single asset transactions in 2022 was the purchase of a Cortile della Seta, an office building with street level retail in the Brera district in the centre of Milan by a joint venture between Italian insurance companies Generali Group and Poste Vita for €350 million. The building is tenanted by luxury retail group, LVMH, along with Calligari, Flexform and Kering Group and Lodes. The historic building was recently renovated by the vendor in 2021 with the highest standards in terms of flexible office design, sustainability, energy efficiency and employee comfort, achieving the prestigious WELL Core certification Platinum, the highest recognition for assets built placing employee wellbeing and comfort at the forefront of design. It is also LEED Gold and NZEB (Nearly Zero Energy Building), with over 50% of the energy derived from clean sources, including photovoltaic panels and a geothermal system for both heating and cooling.

Another significant transaction in 2022 was Blackstone's acquisition of one of Italy's largest portfolios of real estate assets belonging to Reale Compagnia Italiana (RCI), a private group founded in Milan in 1911, for approximately €1.13 billion. RCI is owned by over 300 shareholders, mainly old Milanese families. The RCI portfolio includes many commercial buildings in the city centre of Milan and Turin, mainly offices leased out to law firms and other long-term tenants. It also has a strong retail component, including some of Milan's best-known historic cafes and a shopping arcade in Turin.

Robust fundamentals in the logistics sector have attracted strong investor interest. Confidence in the logistics sector is driving development, which is helping to boost the stock of investment-grade assets and thus driving further investment into the sector. Several land and development projects were transacted in 2022, with interest coming from both investors with a long-standing presence in Italy, as well as new entrant such as major European and global property companies, who are looking at Italy as market with strong growth potential. 2022 saw the second highest investment total on record for the sector, though activity slowed in the second half of the year.

Prime industrial yields in Italy are currently around 4.75% (Q4 2022), having softened by 75bps y/y. The repricing has been driven by rising debt costs and interest rates, while increasing uncertainty is prompting investors to be more cautious. Despite this, the robust fundamentals for the sector continue to underpin strong demand from operators and this should maintain investor interest in the sector.

B: Office Sector – occupier market

Milan

Milan is a smaller city than Rome (the population is less than half) but benefits from its proximity to other European markets including southwest France, Switzerland, Austria, and southern Germany, and its strong international business presence. Milan is the key commercial hub for many financial institutions, including the Italian Stock Exchange, and is also the key commercial and industrial centre and the wealthiest city in the country. Milan (along with Cortina d'Ampezzo) will also be the host city for the Winter Olympics in 2026.

The service sector is the dominant economic sector in Milan and there is also a strong ICT and media presence in the city. As an important hub for manufacturing and fashion, Milan attracts many fashion and luxury goods companies who chose to base their operations here.

The main office markets in Milan are in the CBD (Duomo) and Porta Nuova (the new Business District). Porta Nuova is rising in popularity as it becomes an established submarket within the city with ongoing office and residential developments. Located to the north of the city centre in Italy's most-connected transportation hub, Porta Nuova is one of the largest urban development projects in Europe and is proving popular with occupiers due to its mixed-use, modern design and large modern office buildings.

2022 has seen strong levels of occupier demand in Milan, with 494,600 sq. m taken up by occupiers, 40% higher than in 2021 and 36% above the five-year average. Occupiers are increasingly rethinking their requirements and workspaces, with ESG considerations. Prime products with environmental credentials, and employee wellbeing are increasingly critical in the occupier decision-making process. This has led to an increasing focus on Grade-A and new build stock, which accounted for 83% of take up so far this year.

Occupier appetite for high quality, sustainable buildings is encouraging, with several projects announced or commenced recently. In 2021 construction began on CityWave, a new office building that forms part of the CityLife redevelopment in the Fiera Milano district. The building is being developed by Generali Real Estate and is due to complete in 2025. It will be powered exclusively by renewable sources, with the exterior clad in 11,000m² of photovoltaic panels providing an estimated 1,200MWh of energy a year.

Another recent acquisition for redevelopment saw Ardian Real Estate and Primonial REIM acquire Via Amerigo Vespucci 2, in the heart of Milan's Porta Nuova district. The building is set to be redeveloped to meet Grade A Green+ and Net Zero Energy standards. Hines are also investing in office redevelopment opportunities in Milan, with a €200 million investment into a corporate headquarters refurbishment project in Milan, located at 25 Via Tortona, in Milan's CBD. The project, which consists of four buildings covers a total surface area of 30,000m², is expected to commence in 2024 and complete in 2026 and will be targeting a LEED Platinum Certification.

The office vacancy rate in Milan has fallen throughout 2022, from 11.1% at the end of 2021, to 9.5% at the end of Q4 2022. Strong take up activity, coupled with redevelopment activity is driving down vacancy and driving up the quality of office stock in Milan. Grade A office space by comparison, has vacancies of only 3.2%.

While some outdated stock is being redeveloped, the polarisation in demand, toward best-in-class offices, is likely to have a negative impact on the demand for less efficient, secondary offices and buildings in peripheral locations. Rising energy costs and inflationary pressures, coupled with increasing awareness of environmental factors, and a desire to provide employees with high standards of facilities and amenities will continue this trend toward best-in-class offices, which will lead to further divergence in performance between prime and secondary offices.

Prime rents increased by 13% in 2022, to stand at €700 per sq. m per annum, in CBD Duoma. The outlook for 2023 is for rental growth in Milan to moderate. Prime yields softened by 75bps to 3.75%, however the cost of debt has risen sharply, and the Italian 10-year bond yield was yielding more than 4% at the end of 2022, therefore further yield softening is likely in 2023.

Key Market Statistics:

Milan	2017	2018	2019	2020	2021	2022
Vacancy Rate (%)	12.0	10.9	10.1	9.8	11.1	9.5
Take-Up (sq. m)	330,600	381,765	474,838	280,659	354,000	494,600
% Of Grade A Take Up	65%	73%	64%	66%	73%	82%
Prime Rent (€ sq. m/p.a.)	530	585	600	600	620	700
Prime Yield (%)	3.50	3.40	3.30	3.10	3.00	3.75

Source: Knight Frank Research

Rome

Rome's office occupier market is dominated by public administration and government departments, with IT/Communications and Consulting/Business occupiers also extremely prevalent. The markets post-pandemic recovery has continued in 2022, with another year of robust occupier activity.

Rome recorded take up of approximately 120,000 sq. m of office space in the first three quarters of 2022, following 180,000 sq. m in 2021 and broadly in line with the long-term average. Activity has been concentrated in the EUR, Centre / Semicentre and CBD submarkets. The trend towards best-in-class, Grade-A buildings and sustainability features that has been observed in Milan has not been as evident in Rome. Grade-A accounted for a much smaller proportion of occupier take up in Rome (c.40%). However, development activity has been restrained, with a limited number of completed developments or ongoing developments.

Some companies, particularly tech firms, are seeking out new, high-quality and sustainable buildings, which are typically found in more secondary locations. However, Rome is in short supply of these types of assets. The market suffers from an acute shortage of high-quality product available in the short to medium-term. Serviced offices continue to grow as a segment of the market, with occupiers facing a lack of options for well-located, well-specified offices and some remaining unsure of their longer-term space requirements, these are likely to remain popular amongst occupiers.

Demand for smaller spaces remains strong and agreements for smaller spaces have dominated the take up figures so far this year. The vacancy rate in Rome stands at about 9%, though there is considerable variation across the different submarkets, vacancy rates in the CBD district are around just 2.5%.

Rental values in prime areas have recorded a modest rise in Rome over the past few years, with prime CBD rents rising 6% y/y, to €475 per sq. m. Rental growth is expected to moderate further over the next two years. According to the IPF consensus forecasts, average rental growth of 1.9% is forecast for 2023, followed by 0.5% growth next year (IPF Consensus Forecasts, November 2022).

Key Market Statistics:

Rome	2017	2018	2019	2020	2021	2022
Prime Rent (€ sq. m/p.a.)	400	415	440	450	475	525
Prime Yield (%)	3.75	3.75	3.75	3.70	3.70	4.00

Source: Knight Frank Research

C: Industrial Sector – occupier market

While the economic outlook has weakened, expectations for growth remain. Given the geographic location of Italy, most logistics markets tend to be led by domestic consumption. These domestic markets have strong potential, however expectations for growth vary across the country. Retail spending is forecast to rise 5% over the next ten year (Oxford Economics), though much stronger growth is forecast for Lombardy (Milan), Emilia-Romagna (Bologna) and Lazio (Rome).

Italy has been a relatively late adopter of online shopping and e-commerce. However, the market has been expanding rapidly and this has accelerated during the pandemic. Online shopping in Italy is considerably

behind other European countries. In 2022, Italy had an online retail penetration rate of 10.2%, growth over the past ten years has been rapid, online penetration rates in Italy were just 1.5% ten years ago. However, the online market share remains lower than other European countries, the average penetration rate in Europe is 15.4% and, in the UK, rates were 26.5% in 2022 (Centre for Retail Research).

Around ten years ago, the UK had an online retail penetration rate similar to that of Italy today, if Italy's e-commerce market were to evolve along a similar path to the UK, we could expect online sales to more than double over the next ten years. This would provide for future demand for both distribution centres and urban logistics in key hubs across the country.

In response to market growth, e-commerce (pure play) retailers and distribution companies have been expanding their presence in Italy. The growth of the e-commerce market and rising demand for home delivery options are driving demand for both big-box and smaller distribution centres located close to urban populations. Amazon has already established several large-scale distribution facilities in Italy, rapidly expanded its network throughout the country, building several large-scale distribution centres. However, they are now seeking to sublease seven of their Italian assets totalling 51,618 sq. m.

In Italy, the market is polarised between large distribution space at strategic intersections in the north of the country and small spaces located close to urban populations. Modern, investment-grade warehouse stock for distribution services is located along the main motorway corridor that connects Milan, Turin, Bergamo, and Venice as well as in the port city of Genoa. Milan and northern Italy benefit from their proximity to other European markets, and a strategic location in terms of trans-European transport routes, between the hubs in northern Europe and further south into Italy, as well as between eastern Europe and west along the Mediterranean coast.

Take up levels recorded in 2022 were strong, with approximately 2.9 million sq. m of warehouse space taken up, a 14% increase y/y. Demand was focused on grade-A stock (which accounted for more than 90% of take up Q1-Q3 2022) and was driven primarily by 3PLs, who represented more than half of the total. Online retailers have been active in acquiring space over the past two years but there has been a noticeable pull back from the market in 2022. That said, multi-channel or high street retailers were more active this year. Despite the pull back in demand from online retailers, there was strong occupier appetite for smaller urban logistics units and prime rents for last mile logistics assets in Milan have risen significantly this year.

Strong occupier appetite for warehouse space has led to falling vacancy rates in Italy and increasing competition for best-in-class assets, which in turn, has led to growth in prime rents. The highest rents in Italy are found in the north of the country, particularly close to urban centres. Prime rents in Milan are currently around €61 per sq. m per year, an increase from €57 per sq. m at the end of 2021. However, rents for small, well-located last mile assets in the city can reach more than €100 per sq. m.

Prime rents in Genoa, which is Italy's busiest seaport, are also c.€60 per sq. m per year (Q3 2022). Genoa has large warehouses, shipping and transport, customs operations, and a strong agri-food distribution sector, it is also well-connected via the A7 to Milan and close to the E70 motorway and the trans-European transport corridor.

A lack of available space in the most desirable locations is driving occupiers to try to secure a building before completion or pursuing build-to-suit options. There has been strong demand for build-to-suit development, by international distribution companies and retailers keen to customise buildings to fit their requirements in terms of fit-out and automation. Occupier demand is focused on high-quality modern buildings, and this is attracting development activity as well as institutional investors into the market.

There has been a rise in development activity, much of which has been on a speculative basis (around 70%). Development activity has been concentrated in Milan, along with Turin, Genoa and the A7 corridor. There is also increasing development activity in Rome, though this tends to be on a pre-let / built-to-suit basis. With financing and build costs elevated, speculative development activity is likely to slow in the coming year, which should put further pressure on the vacancy rate and on rents.

Prime yields have softened in the second half of 2022, they were 4.25% at the end of 2021, they are now around 4.75%, though further softening is expected in 2023. That said, positive rental growth is anticipated for Milan, which should help offset any uptick in yields and protect returns.

Key Market Statistics:

Milan	2017	2018	2019	2020	2021	2022
Prime Rent (€ sq. m/p.a.)	50	55	55	57	57	61
Prime Yield (%)	6.50	6.50	5.50	5.00	4.25	4.75

Source: Knight Frank Research

5. DENMARK

Section 1: Executive Summary

- ◆ Like many others, the Danish economy entered a mild recession towards the end of 2022. Overall GDP growth is expected to have expanded by 3.4% in 2022, with 0.6% forecast for 2023 rebounding to 2.1% in 2024 (Oxford Economics).
- ◆ The Danish investment market has continued to perform well in 2022 and while down on 2021 levels, the market recorded €8.5 billion, the second highest annual total on record. The apartment sector continues to dominate the investment market, accounting for 19% of volumes.
- ◆ Investment in Danish industrial and logistics property totalled €1.1 billion in 2022, the second highest annual total, though down from a record €1.7 billion in 2021. Investment slowed throughout the second half of the year as rising debt costs and a weakening economic outlook dampened investor sentiment.
- ◆ Prime yields moved out in line with interest rate rises, with prime logistics yields around 5.0% at the end of 2022.
- ◆ Denmark's industrial and logistics sectors are focused on key import /export locations within the Greater Copenhagen region. Speculative development in Copenhagen remains limited which is keeping the vacancy rate low. However, strong occupier demand is encouraging an uptick in speculative development.

Section 2: Economy

Denmark is a relatively small and open economy with a high standard of living and an extensive welfare state. It typically benefits from a comfortable balance of payments surplus as it's a net exporter of food and energy. The importance of Denmark's trade links with the Eurozone has meant that the central bank effectively pegs the Danish krone (DKK) to the euro.

In December 2022, Denmark's National bank raised interest rates by 50bps, in line with the ECB. The central bank typically mirrors ECB rates to maintain the peg with the euro, but upwards pressure on the krone in recent months forced it to widen the interest rate spread at the October meeting with smaller rate hikes than that of the ECB. Tight monetary policy is expected to weigh on the strength of growth particularly from H2 2023.

Following a contraction of 2.1% in 2020, the Danish economy returned to growth in 2021 and recorded its fastest GDP growth rate since 2006 of 4.9%. Like many other neighbouring countries, Denmark's economy ended 2022 on weak footing, with flat to negative growth expected for Q4 2022 and Q1 2023, however, a steady pickup in activity should follow for the rest of the year 2023. Overall GDP growth is expected to have expanded by 3.4% in 2022, with 0.6% forecast for 2023 and rising to 2.1% in 2024 (Oxford Economics).

Inflation should fall to an average of 3.6% in 2023 following a 7.7% peak in 2022. High inflation is likely to drag on consumption and external demand from the rest of Europe this year, but activity should pick up towards the latter half of the year and into next year as inflation falls back to 0.9% (forecast) and real income growth turns positive. Oxford Economics forecasts that consumption will contract by 0.1% this year.

National Statistics – Economic Outlook

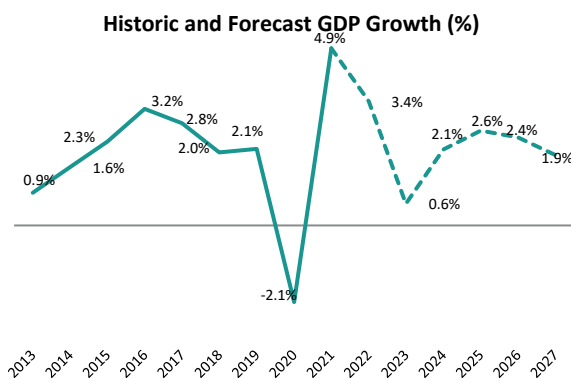
	2021	2022	2023 (f)	2024 (f)	2025 (f)	2026 (f)	2027 (f)
Total Population (millions)	5.85	5.88*	5.90	5.92	5.94	5.95	5.97
GDP Growth (%)	4.86	3.41*	0.60	2.08	2.60	2.41	1.94
Unemployment rate (%)	5.08	4.47	4.80	4.30	4.23	4.25	4.25
Central Bank Interest rate (%)	0.00	0.33	2.63	2.06	1.75	1.75	1.75
Government debt (% of GDP)	50.61	44.10*	42.63	42.47	42.09	40.92	39.31
Inflation (CPI) (%)	1.85	7.70	3.59	0.91	1.01	1.71	2.00

Source: Oxford Economics (07/03/2023)

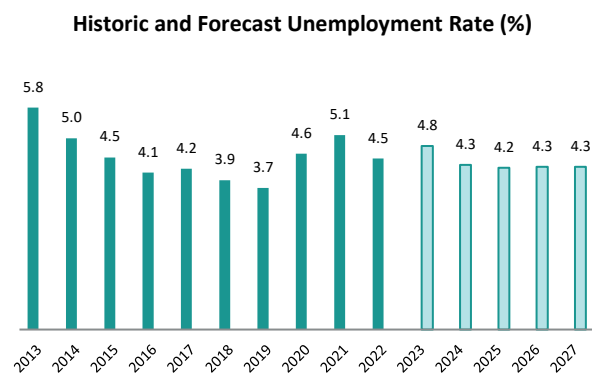
*Forecast

Denmark's long-run labour market trends are among the more positive in Europe, with a rising retirement age offsetting the impact of an ageing population on the working population. Unemployment was very low before Covid-19, and labour shortages worsened significantly in the aftermath of the economy reopening. The ILO unemployment rate was 4.5% in 2022, with 4.8% forecast for 2023 (Oxford Economics). A soft landing for the labour market, as labour demand slows, is expected.

The tight labour market has placed upward pressure on wages in recent years, which has fed into higher overall market costs. A stricter stance on immigration has meant that attracting skilled workers was more difficult and was an obstacle to increasing the labour supply. However, raising the retirement age should improve the labour force participation of older workers.



Source: Statistics Denmark, Oxford Economics



Source: Statistics Denmark, Oxford Economics

Denmark's public accounts are in good shape. Although government debt to GDP jumped in 2020, debt fell back in 2021 and is expected to remain relatively low and trend downwards in the long term. Denmark's strong economic recovery means that the government budget has already returned to surplus ahead of many European economies.

Risks to the Danish economy include elevated labour shortages, high inflation weighing on real disposable incomes, and weakening consumer demand, while Russia's war in Ukraine will dent growth prospects in 2023.

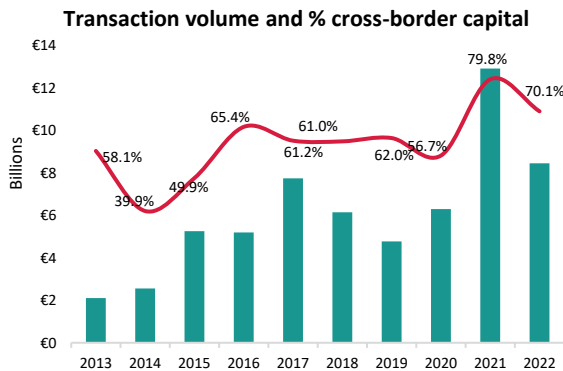
Section 3: Commercial Real Estate Market

A: Investment Market

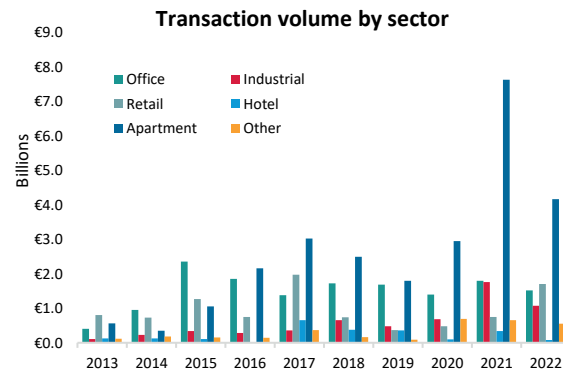
The Danish investment market has continued to perform well in 2022, despite a decrease in transaction volumes compared with last year, the market recorded €8.5 billion, the second highest annual total on record. The decrease was largely driven by the apartment sector, with several sizeable transactions taking place in 2021. The apartment sector continues to dominate the investment market however, accounting for 19% of volumes. The retail sector saw the largest y/y increase in investment, with €1.7 billion transacting in 2022, the highest total since 2017, when Project Ocean, a €1.9 billion retail portfolio changed hands.

Denmark is an attractive investment market, particularly for those investors adopting more cautious strategies. Denmark's stable and open economic backdrop combined with low sovereign debt makes the Danish property market attractive. International institutions have been particularly active in the apartment sector as it is a liquid and well-established market. Strong demographic fundamentals and further urbanisation are expected to support future growth in this sector.

Some sizeable residential assets transacted in 2022. In May, Dutch housing investor, Orange Capital purchased a portfolio for around €672 million (DKK 5 billion) of housing from Nordic Private Equity firm NREP. The residential portfolio comprises of 1,220 modern rental apartments located across seven residential blocks in Copenhagen and Aarhus.



Source: Knight Frank Research, Real Capital Analytics



Source: Knight Frank Research, Real Capital Analytics

Most international capital is typically from the neighbouring Nordic countries, particularly Sweden. However, German investors were the top source of overseas capital into the Danish market in 2022, followed by Swedish and Dutch investors. The apartment sector was the main target for overseas capital in 2022, followed by the retail sector.

Investment in Danish industrial and logistics property totalled €1.1 billion in 2022, the second highest annual total, though down from a record €1.7 billion in 2021. In 2021, the market has seen increased competition from international investors who accounted for 81% of the total invested. Investment has slowed throughout the second half of the year however, as rising debt costs and a weakening economic outlook dampen investor sentiment. Prime yields are moving out in line with interest rate rises, with prime logistics yields were around 5.0% at the end of 2022, compared with 4.0% at the end of 2021.

Higher financing costs have started to weigh on land sales and forward-funding transactions in the second half of the year. Heightened build costs and increasing financing costs will mean that some schemes may no longer be viable. This will ensure that new build properties remain in tight supply, which in turn is likely to mean limited choices for operators seeking well-located assets of a good specification and this should support rental growth, though rates of growth are likely to be lower than those recorded in the past couple of years.

Some notable transactions included Arrow Capital Partners' (Australia) and Cerberus (US) purchase of a ten-property portfolio, with properties located in Holstebro, Hedensted, Losning, Vejle, Fredericia, Lunderskov, Hillerod and Hvidovre, from Pristine Properties (Sweden) for €81 million. Catena (Sweden) agreed to forward purchase a 32,000 sq. m warehouse located in Horsens, along the E45 motorway corridor, for €44.1 million. The property is leased to Danish 3PL, DKI Logistics on a ten-year (index-linked) lease.

C: Industrial Sector – occupier market

Denmark's industrial and logistics sectors are focused on key import /export locations within the Greater Copenhagen region, the country's main market. The logistics market is highly centralised, and occupiers tend to focus on locations such as Taastrup, Ishøj Køge, and Greve. A further hub of activity is focused in the Triangle area in Jutland. Denmark's key exports include machinery, pharmaceuticals, medical and optical apparatus, and the industrial and logistics market, particularly in Copenhagen, is primarily focused on the manufacture, storage, and distribution of these products.

Greater Copenhagen is regarded as a hub for pharmaceutical logistics with more than 350 international pharma-related companies established in the region. The increasing demand for biopharmaceutical products such as vaccines and the increasing supply of drugs from drug manufacturers is expected to drive continued demand for pharmaceutical logistics in the region.

Online retail and the domestic consumer market are also increasingly important sources of demand in the industrial and logistics market. Almost 53% of all Scandinavian companies and 35% of the entire Scandinavian population are within a 3-hour drive from Copenhagen, making the city a natural distribution hub. By 2028, the world's longest rail and highway tunnel will link Denmark and Germany – The Fehmarnbelt

Fixed Link, reducing travel time between Copenhagen and Hamburg from 4 hours to 2.5 hours. This will improve connectivity with the rest of Europe and reduce travel times. Several global logistics firms are present in Copenhagen, including DHL Express, FedEx, PostNord, UPS and TNT.

In Copenhagen, vacancy rates have risen slightly in 2022, though they remain very low at 2%, up from 1.3% at the end of 2021. Low vacancy rates and demand for high quality facilities has put upward pressure on prime rents, with an uptick in prime industrial rents in Copenhagen reported in 2022.

Speculative development in Copenhagen remains limited which is keeping the vacancy rate low. However, strong occupier demand is encouraging an uptick in speculative development. One of the largest logistics developments currently underway is the E20 Park Copenhagen. Units at the park have been leased to Nordics automotive business NDI Group, who took 6,302 sq. m and children's clothing company Molo, who took 5,732 sq. m. A further distribution centre of 37,000 sq. m is also underway speculatively, offering unit sizes from around 7,000 sq. m upwards, ready for occupation in Q1 next year.

Key Market Statistics:

Copenhagen	2017	2018	2019	2020	2021	2022
Vacancy Rate (%)	2.2	2.3	2.3	2.0	1.3	2.0
Prime Rent (€ sq. m/p.a.)	77	80	87	91	91	94
Prime Yield (%)	5.75	5.75	5.25	4.70	4.00	4.25

Source: Knight Frank Research

NB: Vacancy rates based on estimates

6. FINLAND

Section 1: Executive Summary

- ◆ Finland is a midsized, open economy, heavily dependent on exports. Manufactured goods are the main export category, accounting for more than half of the total, as well as mineral fuels, ores and metals, and agricultural products.
- ◆ Consumer confidence is below pandemic levels due to inflation and surging interest rates. However, headline inflation is likely around its peak.
- ◆ Cross-border capital represented 64% of the real estate investment market in 2022. Investment from German buyers has increased this year, driven mainly by acquisitions in the residential sector.
- ◆ The apartment sector was the most transacted in 2022, with a record €2.4 billion invested, up from €2.0 billion in 2021. The logistics sector continued to attract investors, though investment volumes declined by 11% y/y.
- ◆ The Helsinki region attracts the lion's share of investment across all sectors and accounted for 93% of all office investment in 2022. Much of the investment outside of Helsinki tends to be via portfolio transactions. Investors and occupiers are increasingly demanding well-located, best in class offices, that offer strong ESG credentials.
- ◆ Over the past few years, Finland's office market has witnessed increasing divergence between prime and secondary markets, with increased appetite for high-quality, new-build stock. This polarisation has been further amplified by current inflationary pressures and rising energy costs, with tenants vacating old offices and relocating to new, more efficient premises.

Section 2: Economy

Finland is a midsized, open economy, heavily dependent on exports. On the expenditure side, the structure of the economy is dominated by private consumption, accounting for 55% of total GDP. Both investment and government consumption make up around 20%. This reflects a typical economic structure of a Western European economy and is in line with the eurozone average.

Sweden and Germany are key trade partners. Historically, Russia has been a key trade partner for Finland, accounting for almost 10% of Finland's trade in goods. However, Russia's war in Ukraine and the subsequent EU sanctions imposed, have resulted in a sharp contracting in both import and export trade with Russia. As of end-September, Russia only accounted for 1% of Finland's goods exports and 3% of Finland's goods imports. Although Russia has cut off gas exports to Finland, it is not expected to create a disruption due to Finland's low dependence on gas and a new Finnish-Estonian floating LNG terminal. Manufactured goods are the main export category, accounting for more than half of the total, as well as mineral fuels, ores and metals, and agricultural products.

Finland recovered from the pandemic in 2021 with 3.0% GDP growth. However, business confidence indicators deteriorated in 2022, and consumer confidence has fallen sharply due to inflation and surging interest rates. Headline inflation is likely around its peak, but core inflation will prove stickier. Despite the recent decrease in energy prices on wholesale markets, energy prices for consumers and businesses will remain high. Oxford Economics forecasts inflation to average 4.4% in 2023, down from just over 7% in 2022, and reducing further to 1.6% for 2024.

National Statistics – Economic Outlook

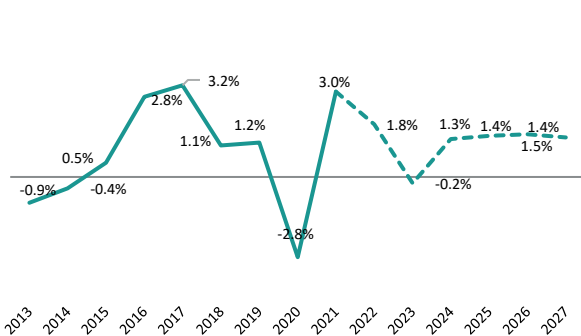
	2021	2022 (f)	2023 (f)	2024 (f)	2025 (f)	2026 (f)	2027 (f)
Total Population (millions)	5.54	5.55	5.55	5.56	5.56	5.56	5.57
GDP Growth (%)	2.98	1.84	-0.22	1.32	1.43	1.49	1.38
Unemployment rate (%)	7.62	6.78	7.35	6.87	6.31	6.16	6.07
Central Bank interest rate (%)	0.00	0.58*	3.35	2.54	1.75	1.75	1.75
Government debt (% of GDP)	72.95	70.75	72.05	72.33	71.71	70.57	69.44
Inflation (CPI) (%)	2.19	7.03*	4.35	1.55	1.94	2.01	2.00

Source: Oxford Economics (07/03/2023)

*Actual

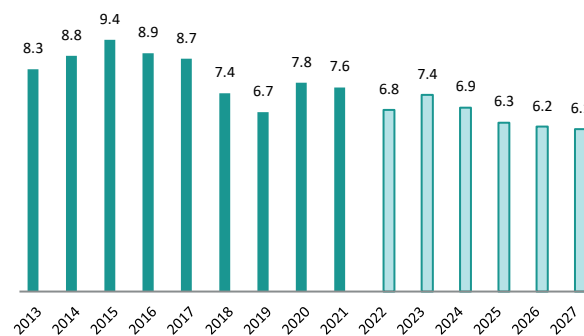
Following a rise to 7.8% in 2020, the ILO unemployment rate improved to a projected 6.8% in 2022, though it remains elevated with little improvements expected. It is forecast to rise again to 7.4% this year (Oxford Economics). Finland's rapidly ageing population is set to raise the old-age dependency ratio over the next 10 years. The previous government had success in reducing structural unemployment and extending the retirement age to boost participation rates, however in the absence of large immigration flows, labour supply will remain relatively flat, providing little impetus to long-term potential growth (Oxford Economics). As Finland has suffered from declining productivity and high labour costs for several years, the government has recently reached an agreement with businesses and unions that includes an increase in working hours and wage freezes in exchange for tax cuts.

Historic and Forecast GDP Growth (%)



Source: Statistics Finland, Oxford Economics

Historic and Forecast Unemployment Rate (%)



Source: Statistics Finland, Oxford Economics

Though government finances were strong in 2022, support measures for households and a weak economy will keep the deficit elevated. A gradual consolidation is expected, although green and digital investments, defence (due to the changed security environment), and age-related expenditure will keep government spending high over the medium term, requiring a sizeable fiscal effort to ensure public finances remain sustainable.

Short-term risks include inflation, the war in Ukraine and Finland's formerly large trade with Russia. Much depends on the passthrough of wholesale energy and food prices to core inflation, and government measures to soften the blow to households, which have so far been limited. The central bank has warned that new tools are needed to tackle household indebtedness.

Section 3: Commercial Real Estate Market

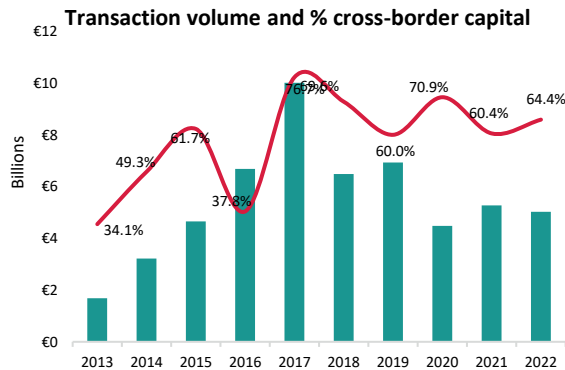
A: Investment Market

Finnish property attracted €5.0 billion of investment in 2022, down from €5.3 billion in 2021, transaction volumes remain suppressed compared with pre-pandemic levels. The apartment sector was the most transacted in 2022, with a record €2.4 billion invested, up from €2.0 billion in 2021. The residential and care sectors are considered favourably, due to the positive demographic trends underpinning demand. The Finnish rental residential sector has increasingly attracted foreign investors in recent years. The market has attracted both specialised residential funds as well as generalist real estate investors.

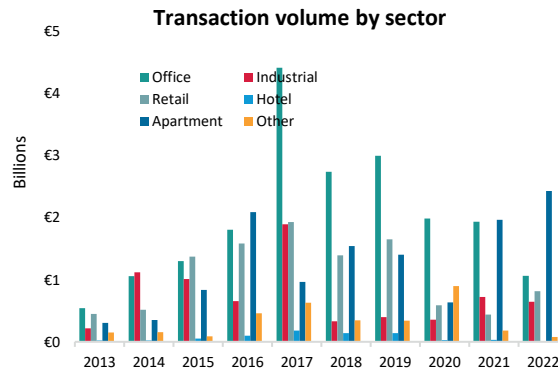
Offices were the second most transacted sector, though volumes were down 45% y/y. The retail sector saw a sharp uptick in transactions, up 85% y/y, though volumes remain subdued compared with pre-pandemic levels. The logistics sector continued to attract investors, though investment volumes were down slightly (-11%) on 2021. E-commerce remains a relatively small proportion of the total retail market in Finland, therefore offering good potential for future growth.

Cross-border capital represented 64% of the real estate investment market in 2022. In the past few years, an increasing number of foreign investors have entered the Finnish market through co-investment structures with local operating partners. Investment from German buyers has increased this year, driven mainly by acquisitions in the residential sector. There are several German investors active in Finland, many of which have recently expanded their investment focus. Most of them have previously mainly concentrated on large

prime office assets in the Helsinki metropolitan area. The largest of these is DWS Real Estate, along with Deka Immobilien and Union Investment.



Source: Knight Frank Research, Real Capital Analytics



Source: Knight Frank Research, Real Capital Analytics

The Helsinki region attracts the lion’s share of investment across all sectors and accounted for 93% of all office investment in 2022. Much of the investment outside of Helsinki tends to be via portfolio transactions where assets in the portfolio are in various cities. Investors and occupiers are increasingly demanding well-located, best in class offices, that offer strong ESG credentials. This is likely to drive obsolescence for lower quality assets in secondary locations and the market will become increasingly polarised.

The largest office sector transaction in 2022 was NREP’s acquisition of a 15,500 sq. m multi-tenanted office building in the Helsinki CBD area from Allianz RE Germany, for a price believed to be around €115 million. Another significant office transaction in 2022 was UniInstitutional EREs (a subsidiary of German Union Investments) forward-purchase of Wood City, a single let office building in the Jätkäsaari area of Helsinki, for €58 million. The 6,000 sq. m timber office building is due to complete in 2024. The project is expected to meet the highest sustainability criteria, with LEED Platinum certification planned. The building is already fully leased for ten years to the IT security company WithSecure, which will set up its headquarters there. The “Wood City” district in Helsinki’s Jätkäsaari submarket, is undergoing a massive redevelopment as an inner-city residential and office location.

Prime office yields in Helsinki have recorded significant compression in previous years. However, there has been an outward movement in yields in 2022 of around 50-60 bps, now standing at around 3.85% in December 2022, compared with 3.30% at the end of 2021.

B: Office Sector – occupier market

Across Finland, there is currently around 20 million sq. m of office stock (according to Statistics Finland), around 9 million sq. m of which is in the Helsinki Metropolitan Area (HMA) – the country’s main office market. There are small regional office markets located in Tampere and Turku, but they account for a very small proportion of stock. Helsinki is also the focus for office investment, with 93% of capital focused on assets in the city in 2022.

Finland’s office market has witnessed increasing divergence between prime and secondary markets. The pandemic and the associated changes to working patterns, is driving occupiers to adjust their requirements in terms of location, space, environmental performance, and efficiencies. This is fuelling appetite for high-quality, new-build stock. This polarisation has been further amplified by current inflationary pressures and rising energy costs. Occupiers are vacating old offices and relocating to new premises, which are typically more efficient, this trend is driving up vacancy rates and obsolescence in secondary markets. However, redevelopments and conversions to other uses are removing some lower quality stock from the market.

Helsinki

Helsinki has a high proportion of private-sector jobs and several specialist sectors have developed due to the highly educated workforce, including financial services, research and development, and tech industries. The city is home to many digital industries including gaming, cloud services, e-commerce and digital consulting, and many self-employed people in these sectors require highly flexible office space, where they do not have to commit to lengthy leases and can alter their space or service requirements at short notice.

Completions in 2022 in Helsinki total around 40,000 sq. m, broadly comparable with the 51,000 sq. m in 2021, but significantly lower than the level in 2020, when more than 200,000 sq. m completed. 2022 has seen several planned office developments postpone their start dates into 2023. Currently, around 85,000 sq. m of space is expected to complete in 2023. However, inflationary pressures and increasing economic uncertainty may lead to further development delays. The largest developments currently under construction are We Land in the Ruoholahti district of Helsinki and Nordea's new facilities at their campus in Vallila, just north of Helsinki's CBD, both are due to complete in 2024.

Activity in the occupier market was concentrated in good quality assets and locations well served by public transport and local amenities. Uncertainty around long-term requirements remain however, and some occupiers are exploring the possibility of subleasing or utilising flexible office space to achieve cost savings.

The vacancy rate across the Helsinki Metropolitan Area is currently 12.6% in Q4 2022 (as estimated by the Helsinki Research Forum). The impacts of the pandemic have led to a slight increase over the past few years, both in the CBD and across the HMA, though some submarkets have held up better than others. The Pasila office sub-market remains one of the most sought-after markets and vacancy rates are lower at around 4.2%. Vacancy rates in the CBD area remain relatively high, at around 10%. However, prospects for rental growth here remain positive. The vacancy rates are highest in the Pitäjänmäki and Aviapolis areas, at around 24% and 16% respectively.

Office rents in central Helsinki continue to rise, despite growing economic uncertainty and occupiers' ongoing reassessment of space requirements. Discussions around remote working and "right-sizing" office footprints continue as rates of office occupancy are yet to stabilise post-pandemic. Occupiers are also increasingly conscious of ensuring they utilise space efficiently as the economic situation worsens.

Prospects for future rental growth remain positive, particularly for the CBD area. Average rents in Helsinki are forecast to rise 1.1% in 2023, accelerating to 1.6% in 2024 (IPF Consensus Forecasts, Nov 2022).

Key Market Statistics:

Helsinki	2017	2018	2019	2020	2021	2022
Prime Rent (€ sq. m/p.a.)	452	458	460	462	462	540
Prime Yield (%)	3.75	3.60	3.30	3.30	3.30	3.85

Source: Knight Frank Research

7. POLAND

Section 1: Executive Summary

- ◆ Greater reliance on consumption over exports has made Poland more resilient to external shocks. However, the economy is expected to have shrunk at end-2022 as consumption waned amid high inflation and growing interest costs.
- ◆ The unemployment rate in Poland is at historic lows with the country experiencing severe labour shortages. Russia's invasion of Ukraine triggered a massive refugee outflow from Ukraine with most finding shelter in Poland. This uptick in labour force should boost the Polish economy's long-run potential.
- ◆ As the largest and most liquid investment market in Central and Eastern Europe, Poland continues to attract significant volumes of foreign capital. In 2022, 93% of all investment into Polish commercial assets was from overseas investors. The office sector overtook industrial to be the most invested sector in 2022, in a departure from the trend observed in recent years. Just over €2.0 billion was invested in offices.
- ◆ Take up in the Poland office market increased by 20% in 2022 when compared to 2021, with almost 1.49 million sq. m of office space leased, similar to pre-pandemic levels. Vacancy rates have declined in most office markets underpinned by robust demand and a slowdown in completions, resulting in modest rental growth. Further modest rental growth predicted for 2023 and 2024.
- ◆ Elevated geopolitical and macroeconomic uncertainty is likely to continue hampering investment in 2023.

Section 2: Economy

Poland is the sixth-largest economy in the EU in terms of population but is less open than some of its neighbours. Exports account for about half of total GDP. In terms of industries, services are the largest component of the economy (63.7%), followed by industry (33.5%), much of which is export-oriented, and agriculture (2.8%). Given Poland's major role in European and German supply chains, transport equipment and industrial machinery constitute a major part of both exports and imports (about 40% of total), as production of these products relies on imports related to components from Europe and Asia (Oxford Economics).

Poland was impacted by Covid-19, experiencing its first annual decline in GDP in 2020 since 1990, but returning to 6.8% growth in 2021 and a 5.8% rate of growth forecast for 2022. The Polish economy shrunk by 2.4% in Q4 2022 as consumption waned amid high inflation and growing interest costs. Lower gas prices and fiscal support will support a rebound later this year, enhancing the prospects for energy and gas-intensive industrial sectors and increasing the faster disinflation. 2023 GDP growth forecast has been upgraded to 0.2%, with 2.6% predicted for 2024.

Overall, for 2022, inflation came in at 14.4% for Poland and is expected to peak near 20% y/y in February as regulated energy prices are adjusted upwards and firms respond to higher minimum wage. For the year ahead, falling commodity prices coupled with a weaker US dollar will, if sustained, prove disinflationary. With inflation softening in December 2022, as gas prices fell and core inflation weakened, 2023 inflation forecasts by Oxford Economics were cut to 13.6%, with a predicted further decline to 6.7% for 2024.

National Statistics – Economic Outlook

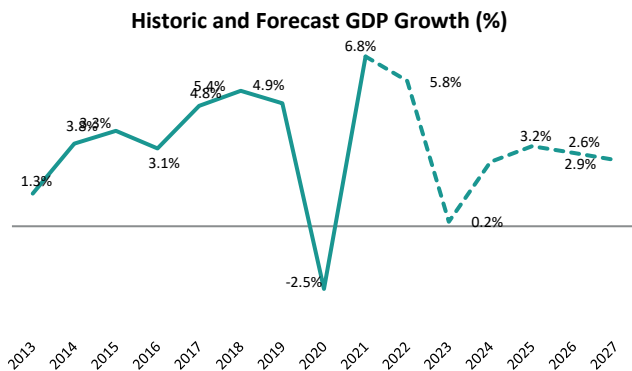
	2021	2022 (f)	2023 (f)	2024 (f)	2025 (f)	2026 (f)	2027 (f)
Total Population (millions)	37.81	37.91	37.94	37.88	37.80	37.72	37.62
GDP Growth (%)	6.77	5.80	0.18	2.57	3.19	2.93	2.64
Unemployment rate (%)	3.36	2.88	3.52	3.01	2.46	2.46	2.46
Central Bank Interest rate (%)	0.35	5.27*	6.75	5.66	3.69	3.35	3.35
Government debt (% of GDP)	47.22	43.61	43.81	42.49	40.43	39.07	38.26
Inflation (CPI) (%)	5.13	14.36*	13.56	6.68	3.51	2.85	2.52

Source: Oxford Economics (07/03/2023)

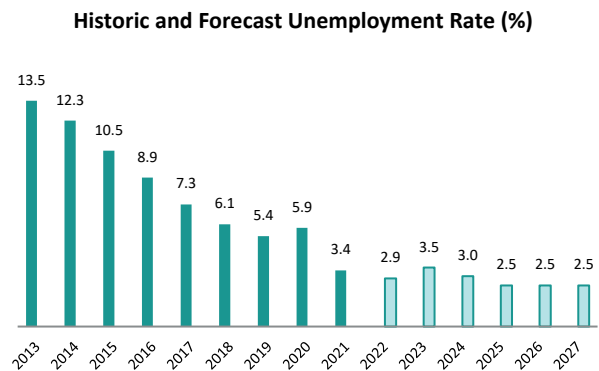
*Actual

The labour market in Poland recovered strongly from the pandemic with the unemployment rate now at historic lows and the country experiencing severe labour supply shortages. The ongoing slowdown in activity will ease labour market pressures, and unemployment is expected to reach around 3.5% (ILO) at the end of 2023. However, Poland's demographic profile will weigh on the labour market in the longer-term.

Russia's invasion of Ukraine triggered a massive refugee outflow from Ukraine, with most finding shelter in Poland. It remains uncertain what proportion of the refugees will permanently settle in Poland, but Oxford Economics estimates a 1.5%-2.5% boost to the working-age population and a 1%-2.25% uptick in the labour force over the next two years, which would boost the Polish economy's long-run potential.



Source: Statistics Poland, Oxford Economics



Source: Statistics Poland, Oxford Economics

Consumer spending is being cushioned by the resilient labour market and fiscal policy supporting disposable incomes, but the surge in inflation and Russia's invasion of Ukraine have dented consumers' optimism. In the long term, Poland's aging demographic profile will increasingly drag on demand growth, while investment and productivity may be negatively affected by the uncertain policy environment.

Expansionary fiscal policy in recent years has been mostly offset by stronger growth and improved tax collection, keeping the deficit well below the 3% of GDP threshold. But new household-shielding programmes as well as higher military spending and interest costs is expected to push the government deficit to around 5% of GDP in 2023.

Short-term risks for Poland include inflation and a deeper recession, concerns around government policy, primarily the political clash with the EU, and less predictable (loosening) fiscal policy including income tax cuts which poses uncertainty around fiscal sustainability and investor confidence.

Section 3: Commercial Real Estate Market

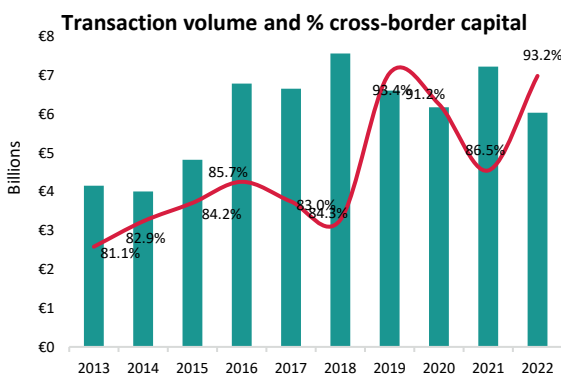
A: Investment Market

In 2022, commercial investment in Poland reached €6.0 billion, an 16% decrease compared to 2021. As the largest and most liquid investment market in Central and Eastern Europe, Poland, continues to attract significant volumes of foreign capital. In 2022, 93% of all investment into Polish commercial assets was from overseas investors. US buyers were most active, spending €1.9 billion in 2022, compared with just €1.2 billion in 2021. European buyers also remained active in 2022, with €2.9 billion invested, on a par with last year (€3.0 billion invested in 2021). Investors from the UK were less active in 2022 compared with previous years, this may be due to the less favourable exchange rate for sterling-denominated buyers. Investors from Asia were also less acquisitive compared with previous years.

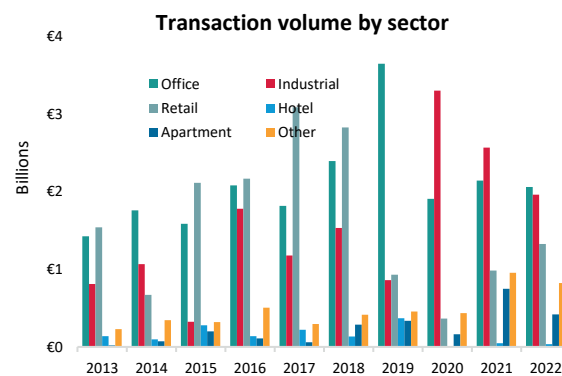
Following a strong first quarter in 2022, investment activity was down in subsequent quarters. The Russian invasion of Ukraine at the end of February 2022 is likely to have impacted investment volumes, with some investors opting for caution and seeking to limit further exposure to neighbouring markets.

Foreign capital is increasingly targeting assets outside of the capital city Warsaw, Warsaw accounted for 33% of cross-border investment into Poland in 2022, compared with 54% in 2021, and 49% in 2020. Some significant regional retail assets transacted this year, boosting the investment into other regions. These included Blackstone's sale of Forum Gdansk, to South African NEPI, for €250 million. The deal reportedly represents the largest single-asset shopping centre transaction.

The office sector overtook industrial to be the most invested sector in 2022, in a departure from the trend observed in recent years. Investment into the office sector totalled €2.0 billion, just behind the €1.9 billion invested into the industrial sector. Retail investment rose 35% y/y to €1.3 billion, the highest annual total recorded since 2018. Investment into the apartment sector returned to more normal levels in 2022, following a spike in 2021 which was due to a significant portfolio transaction.



Source: Knight Frank Research, Real Capital Analytics



Source: Knight Frank Research, Real Capital Analytics

The largest transaction in 2022 was the sale of Forum Gdansk, a shopping centre in Gdansk. South African headquartered NEPI Rockcastle purchased the asset from Multi Corporation for €250 million. NEPI also acquired an additional two shopping centres from Atrium European RE for €127 million, the neighbouring shopping centres located in Toruń were built in 2005 and 2015. The largest office transaction in 2022 was the Maraton Business Center in Poznań, purchased by Austrian Uniq Group from Unilmmo for around €60 million.

Elevated geopolitical and macroeconomic uncertainty is likely to continue hampering investment in 2023. However, the war in Ukraine is driving up build costs and this is likely to curtail development activity and thus keep the demand-supply balance in check. Rental growth is expected as a result.

Prime office yields were 4.50% at the end of 2021, they softened in Q3 2022 to 5.00%. However, further outward yield movement is expected in the short term. Capital values are likely to be cushioned by rising rental income, but the repricing is likely to offer up opportunities in the short term. Over the longer term, prime office yields are likely to continue to converge with those of other European office market.

B: Office Sector – occupier market

The capital city, Warsaw, is Poland's largest office market. There are however increasingly significant office markets in Katowice, Kraków, Łódź, Poznań, the Tri-city area (Gdańsk, Gdynia, Sopot) and Wrocław. While office investment is heavily focused on Warsaw given the city's size and ability to offer product, the regional markets continue to develop, supporting rising levels of both occupier and investor activity. The total office stock in Poland was estimated at 12.7 million sq. m at the end of 2022, with the largest amount of space, 6.29 million sq. m, located in Warsaw. The remaining 51% is in eight key regional cities. Kraków and Wrocław, with total office stock of approximately 1.71 million sq. m and 1.33 million sq. m respectively, are the largest regional office markets in Poland.

Take up activity in the Poland office market has been growing since the beginning of 2022, increasing by 20% when compared to the corresponding period of 2021. In 2022, almost 1.49 million sq. m of office space was leased across Poland, similar to the take up recorded in the years before the pandemic. Almost 58% of

the take up was noted in Warsaw, while the remaining was leased in the regional cities, with the highest in Kraków and in Wrocław.

Warsaw

Warsaw is the main economic hub of the region and a desirable location for businesses to locate. A highly educated workforce and access to European markets being key reasons that draw international companies to locate in Warsaw.

In Warsaw, tenant activity returned to pre-pandemic levels in 2022 after a slowdown in 2020/21. A total of 855,200 sq. m of space was taken in 2022, up from 646,500 sq. m in 2021. The demand structure is changing, with more renegotiations and fewer new contracts being signed than pre-pandemic. Compared to the pre-pandemic period, the share of renegotiations has increased (from an average of 30% in the years before the pandemic to around 40% during and after the pandemic).

At the end of 2022, the average vacancy rate for the nine largest business centres in Poland was estimated at 13.5%. Before the pandemic, Warsaw's vacancy rate had been steadily declining due to high demand from tenants and relatively limited new supply, and stood at 7.5%, the lowest it had been since 2008. The vacancy rate then increased to 12.7% in 2021 due to the high volume of new supply delivered to the market but declined to 11.6% at end-2022, underpinned by the strong levels of take up. A further decrease in the vacancy rate is possible if take up for offices in the following quarters remains at a comparable level, in addition to the limited supply under construction in Warsaw when compared to the previous years and postponing new developments.

During 2022, over 634,000 sq. m of office space was delivered to the market in Poland, with 37% located in Warsaw. Additionally, at the end 2022, nearly 750,000 sq. m was under construction in major cities in Poland with the largest amount of new ongoing developments in Warsaw where 184,900 sq. m of space was under construction. However, in Warsaw, this is limited relative to previous recent years, decisions to start new projects are increasingly being put on hold. This may lead to a supply deficit in Warsaw in the coming years. Approximately two-thirds of supply under construction in Warsaw is centrally located.

At the end of December 2022, prime rents in Warsaw increased to €312 per sq. m per year, from €300 in 2021. Rents in buildings under construction and scheduled for completion in the coming years are expected to be higher than current asking rents owing to rising construction materials costs and labour costs, as well as rising construction loan servicing costs.

In addition, according to the latest IPF European Consensus Forecasts from November 2022, Warsaw office market is expected to see average rental growth of 0.4% in 2023, a noticeable slowdown compared to the 5.2% recorded for 2022, and further growth of 1.4% in 2024.

Key Market Statistics (Warsaw):

Warsaw	2017	2018	2019	2020	2021	2022
Vacancy Rate (%)	11.7	8.7	7.8	9.9	12.7	11.6
Take-Up (sq. m)	820,128	856,644	877,966	607,839	646,500	866,166
Stock (sq. m)	5,283,549	5,461,676	5,587,911	5,910,000	6,234,600	6,290,000
Prime Rent (€ sq. m/p.a.)	276	288	300	300	300	312
Prime Yield (%)	5.25	4.70	4.50	4.75	4.75	5.25

Source: Knight Frank Research

Kraków

With an office stock of nearly 1.71 million sq. m, Kraków has maintained its leading position among regional office markets in Poland. Kraków in 2022 saw an increase in tenant activity and the number of transactions, indicating a return of demand from pre-pandemic results. The volume of lease transactions in Kraków amounted to more than 198,000 sq. m and accounted for 32% of the leased space in the regional cities, the highest among the regional business destinations. Demand in 2022 was 27% higher than in 2021 and moreover, reached a level comparable to the average annual volume of the last five years (198,500 sq. m).

Most of the contracts concluded in 2022 were new agreements (69% of the total volume). Renegotiations amounted to 29% of the total demand, while expansions accounted for only 2%.

In 2022, more than 100,500 sq. m of modern office space was delivered to the Kraków office market, in nine projects, which accounted for 25% of the space completed in all regional cities. This is two-thirds higher than 2021, and close to the average annual over the last five years. The largest developments completed in 2022 were Brain Park A and B (31,100 sq. m) and Fabryczna Office Park B4 and H1 (21,800 sq. m). In addition, at year end 2022, 107,300 sq. m of office space remained under construction, 95% of which is expected to be completed in 2023. This is nearly three times lower than in the pre-pandemic years. The largest projects under construction were Ocean Office Park B with 26,500 sq. m and Kreo (23,000 sq. m).

Due to the large amount of space delivered in the final quarter of 2022, the vacancy rate increased 60bps in Q4 and stood at 16% at the end of December 2022. However, due to the very high demand recorded in 2022, the vacancy rate was down y/y on 2021 levels.

Asking rents in Kraków at the end of 2022 ranged from €120 to €192 per sq. m per annum, remaining relatively stable y/y, while new office buildings saw an increase in rates. The continued high availability of office space may encourage tenants to renegotiate rents and incentive packages. On the other hand, high construction costs and in the cost of servicing construction loans may effectively limit investors' negotiating power, especially in new buildings.

Tricity (or Tri-City)

The Tricity area is the metropolitan area made up of the cities of Gdańsk, Gdynia, and Sopot. Tricity's office stock exceeded 1 million sq. m during 2022, making it the third largest office market among Poland's major regional cities, just behind Kraków and Wrocław.

The Tricity area is a dynamically developing office market with a broad occupier base and is home to several large international consultancy firms, banks, insurers, IT companies as well as pharmaceutical and life science companies. Lower living costs, coupled with high quality of life makes it an attractive city for employees. In 2022, Tricity was awarded 1st place for the most dynamically developing city in Poland (CEE Shared Services and Outsourcing Awards). High developer activity in Tricity has contributed to the development of many modern office buildings offering class A office space.

The Tricity region also has close business and transport links with Scandinavia and Western Europe. Particularly Gdańsk is home to several shipping companies and other maritime-connected businesses and so will remain an area of interest for companies linked to trade and transport.

Tenant demand was strong in the Tricity area in 2022, with a volume of lease transactions close to 101,000 sq. m recorded. This was similar to the demand observed in 2021 (108,000 sq. m) and higher than the average annual demand of the last 5 years (96,600 sq. m). The majority of take up in 2022 was new agreements (68%). Renegotiations accounted for 21% of the total demand, while expansions accounted for only 11%.

Despite high demand, the vacancy rate in the Tricity area increased by 100bps on an annual basis, to stand at 13.3% at the end of December 2022. This is the third lowest vacancy rate among the regional cities, just behind Szczecin and Poznań.

In the first half of 2022, nearly 50,600 sq. m of modern office space was delivered to the market, while there were no completions in the second half. This was 21% lower on 2021 levels. The largest developments completed in the last year were Format (16,000 sq. m) and K2 (10,900 sq. m). In addition, at the end of December 2022, over 59,200 sq. m of office space was under construction, of which about 32% is expected to be completed this year. This volume is significantly lower than in previous years, when 150,000-200,000 sq. m of modern office space was under construction each year.

Asking rents in the Tricity area at the end of 2022 ranged from €120 to €180 per sq. m per year, with a slight increase in some buildings. The relatively high availability of office space may encourage tenants to renegotiate rents and incentive packages. On the other hand, high construction costs, as well as an increase

in the cost of servicing construction loans, may effectively limit investors' negotiating power, especially in new buildings.

Poznań

Poznań saw the volume of lease transactions amount to nearly 46,600 sq. m in 2022. This was 36% lower than in 2021 and accounted for 8% of the total volume of agreements signed last year in regional cities. Last year's demand was lower than the average annual transaction volume of the past five years (58,900 sq. m). In 2022, new contracts accounted for the largest share of transactions (53%), while renegotiations represented 41% of the total contract volume. Expansions, on the other hand, amounted to just 6% of the space leased in Poznań during this period.

Due to the lack of new office space on the Poznań market, the vacancy rate at the end of 2022 was 10.5%, decreasing by as much as 220bps compared to the end of 2021.

The office stock in Poznań at the end of Q4 2022 was close to 623,100 sq. m and remained unchanged compared to the end of 2021, as no new developments completed on the Poznań office market. Developers remained active, with 93,300 sq. m still under construction at the end of the year, 45% of which is expected to be completed in 2023. The largest developments under construction are Andersia Silver with a planned completion date in 2025 (40,000 sq. m, Von der Heyden), and Nowy Rynek E, which is expected to be completed in H1 2023 (20,000 sq. m, Skanska Property Poland).

Asking rents in Poznań at the end of 2022 remained stable, ranging from €120 to €192 per sq. m per year. Low demand in the local market with still relatively high availability of office space may encourage tenants to renegotiate rents and incentive packages. There are still noticeable increases in service charges due to the increasing cost of services and utilities and, at the end of December 2022, these ranged from PLN 15.00 and 24.00 per sq. m per month.

8. CZECH REPUBLIC

Section 1: Executive Summary

- ◆ The Czech Republic is one of the most developed industrial economies in Central and Eastern Europe, having experienced a rapid catch-up in recent years based on skilled, low-cost manufacturing. The Czech economy slid into a recession at the end of 2022 with consumer spending and the labour market weakening. However, growth should pick up to 2.7% in 2024 according to Oxford Economics.
- ◆ Investment into the Czech market totalled just €1.1 billion in 2022, down from €1.5 billion in 2021. Industrial investment volumes were down significantly, down -72% y/y.
- ◆ While investment in industrial property is down, the sector continues to prove highly desirable for investors. Rising domestic consumption in the Czech Republic and the shift towards online retail in Europe are driving strong levels of occupier demand and the relatively affordable labour costs in the Czech Republic make it an attractive location for both logistics operators as well as manufacturing facilities.
- ◆ Its geographical location places it at a natural crossroads for major transit corridors, well connected to Germany, Poland, and Austria. The Czech Republic is, therefore, a strategic option for distribution companies, as it provides an extensive network of transport routes.
- ◆ The strong industrial occupier market has meant demand is outstripping new supply. The vacancy rate was just 1.2% in 2022, down from around 1.4% last year and around 3.3% at the end of 2020. This has pushed rents up further in 2022 across the Czech Republic.

Section 2: Economy

The Czech economy has enjoyed a rapid catch-up in growth based on skilled, low-cost manufacturing. The country enjoys one of the fastest growth rates in Europe, a low unemployment rate, and strong wage growth. Exports are benefiting from higher growth in Western Europe, particularly the revival in the automotive market, and favourable exchange rate. Household consumption is being sustained by strong nominal wage growth resulting from its tight labour market and supportive fiscal measures.

However, as labour costs have risen, growth has slowed. The Czech economy slid into a recession at the end of 2022, with GDP falling 0.3% in the quarter. Weak consumer spending is a primary cause of the Czech Republic's economic weakness, with sharp falls in real household incomes. 2023 GDP growth forecast for the Czech Republic therefore has been cut to -0.6%. Growth is expected to pick up to 2.7% in 2024 as inflation subsides, according to Oxford Economics. While consumer confidence picked up in January, this is likely a reaction to the government's energy price cap rather than a rebound in spending.

Industry is dominated by the metallurgy, engineering, car, and electronic industries that make up 41% of GDP. The largest part of the country's GDP comes from the service sector at 55%, while the agricultural sector contributes 5%. Industry ended 2022 with a small 0.3% m/m output increase in December, resulting in a 1.2% quarterly decline in Q4. Weak order books, both domestically and from abroad, as well as a manufacturing PMI well below 50, means that poor performance from the sector is expected for the short-term.

Inflation slowed in December, although the headline rate is still being distorted by policy interventions in energy prices. Overall inflation for 2022 was 15.1%, but it is expected to fall to single digits later in 2023, with 6.5% inflation forecast for the year, and then 1.9% for 2024 (Oxford Economics).

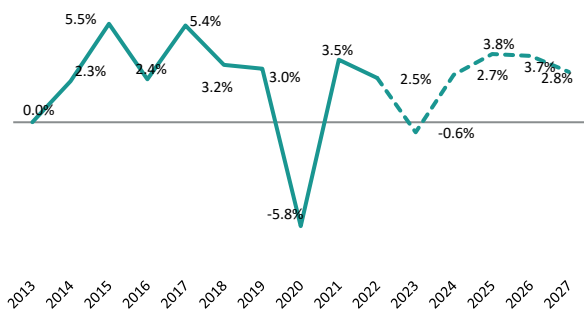
National Statistics – Economic Outlook

	2021	2022	2023 (f)	2024 (f)	2025 (f)	2026 (f)	2027 (f)
Total Population (millions)	10.72	10.74*	10.76	10.76	10.76	10.76	10.76
GDP Growth (%)	3.50	2.48	-0.56	2.66	3.81	3.70	2.81
Unemployment rate (%)	2.83	2.60*	3.80	3.46	3.14	3.00	3.00
Central Bank Interest rate (%)	0.89	5.95	6.59	4.75	3.03	2.28	2.25
Government debt (% of GDP)	40.38	39.06*	40.29	41.30	39.66	38.14	37.09
Inflation (CPI) (%)	3.83	15.11	6.54	1.94	1.95	2.03	2.00

Source: Oxford Economics (07/03/2023)
*Forecast

Although the Czech economy has one of the tightest labour markets in the EU, the ILO unemployment rate has increased recently but is expected to peak in mid-2023 before gradually falling back to 3% out to 2027. While the pandemic introduced some easing in labour market shortages, Oxford Economics expects the labour market to remain tight compared with the EU average, driving nominal wage growth higher.

Historic and Forecast GDP Growth (%)



Source: Czech Statistical Office, Oxford Economics

Historic and Forecast Unemployment Rate (%)



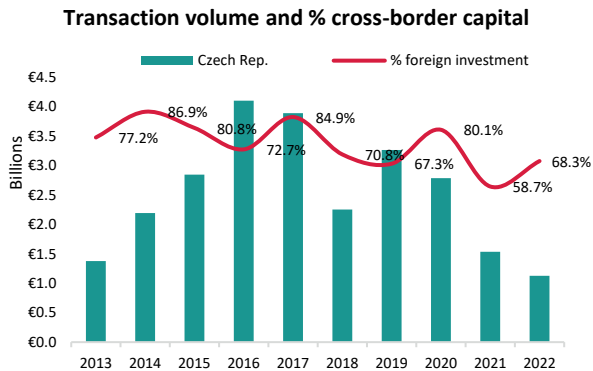
Source: Czech Statistical Office, Oxford Economics

After raising interest rates in 2022, the Czech National Bank (CNB) left rates unchanged at its meeting in February. Deteriorating demand, a weakening labour market, and easing commodity prices should prompt the CNB to pivot policy later this year. Government debt is below 40% of GDP and the central bank has a record of strong inflation targeting.

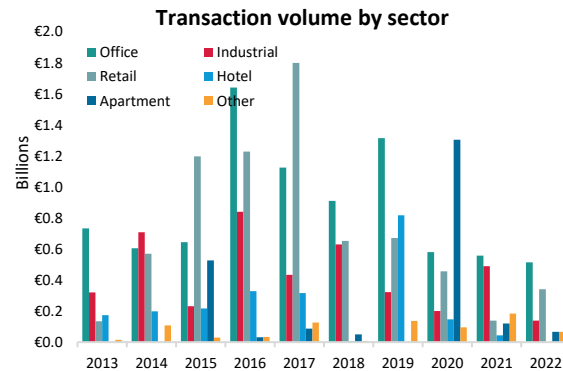
The Czech Republic's demographic profile, low retirement age and migration of workers to other EU countries, means that labour scarcity is a potential risk to future growth. Possible solutions could be the easing of visa procedures to attract workers from countries like Ukraine or the Balkans. While the country has benefited from integration into the German supply chain, over-reliance on the auto industry as a growth driver is also a risk given the growing labour shortages and the sector's procyclical nature. This now poses an even greater risk due to supply chain disruptions caused by the pandemic, as well as the shift to electric vehicles.

Section 3: Commercial Real Estate Market

A: Investment Market



Source: Knight Frank Research, Real Capital Analytics



Source: Knight Frank Research, Real Capital Analytics

Investment into the Czech market totalled just €1.1 billion in 2022, down from €1.5 billion in 2021. Industrial investment volumes were down significantly, down -72% y/y, while retail investment rose y/y, albeit from a very low base. Office investment was down slightly y/y, with €515 million invested in 2022, compared with €558 million in 2021.

Overseas investors accounted for 68% of the total spend in 2022, up from 59% in 2021. Austrian and US buyers were most active in 2022. Other European buyers followed by Dutch and German investors. There was an absence of large investment transactions in 2022, with no deals recorded more than €100 million. The largest transaction was KGAL Group (Germany) acquiring Charles Square Center in Prague, on behalf of a pan-European fund for €90 million. The multi-tenant office property also includes retail, restaurants and healthcare space.

Investment into the industrial sector has equated to an average of about 17% of total investment in the Czech Republic over the past ten years. Despite the decline in investment this year and softening in prime yields, the sector continues to prove highly desirable for investors. Rising domestic consumption in the Czech Republic and the shift towards online retail in Europe are driving strong levels of occupier demand the relatively affordable labour costs in the Czech Republic make it an attractive location for both logistics operators as well as manufacturing facilities.

In terms of logistics, the Czech Republic is situated in a prime geographical location at the centre of Europe. The country has an extensive network of transport routes, serving both domestic markets and surrounding European countries with major roads connecting the country to Germany, Poland, and Austria. Due to the strong transport infrastructure and access to consumer markets across Europe, coupled with a relatively affordable labour pool, make the Czech Republic an attractive option for firms considering “near-shoring” operations from the Far East.

C: Industrial Sector – occupier market

The Czech Republic has very low labour costs compared to its European counterparts, making it an attractive option for industrial and logistics operators. The monthly minimum wage in the Czech Republic is €652 per month (2022), slightly lower than the minimum wage in Poland (€655 per month) and between 50% and 70% lower than the minimum wages in the Netherlands, France, and Germany. Wages will likely continue to play a factor in warehouse demand and incentivise growth along the country’s border to serve demand for both distribution and production for its neighbouring European countries. The average wage has increased in 2023, as it has in other countries, yet the Czech Republic will continue to offer occupiers a competitive labour market.

Across the Czech Republic as a whole, modern industrial stock totals around 10.8 million sq. m at the end of 2022. A record level of completions was registered in 2022, with 1.1 million sq. m, more than double the level

recorded in 2021. The largest completion in 2022 was the completion of Amazons new 187,000 sq. m distribution centre in the Olomouc region near Kojetín. There is also a sizeable development pipeline. At the end of Q4 2022, the total space under construction in the Czech Republic amounted to the level of 1.2 million sq m, with around 40% of this being built on a speculative basis.

Inflationary pressures on build costs are putting upward pressure on the rents that landlords are asking on new builds. However, despite the low vacancy rates, pre-let activity is down y/y and lease negotiations are taking longer, with occupiers struggling to accept higher rents on top of the inflationary pressures they face on other input costs, such as labour and energy costs.

Nationwide take up totalled 2.21 million sq. m in 2022, although this is down 10% y/y, 2021 was a record year and 2022 remains significantly above the five-year average (+c.20%). The strong occupier market has meant demand is outstripping new supply. The vacancy rate is now just 1.2%, this is down from around 1.4% last year and around 3.3% at the end of 2020. Vacancy is particularly tight in the Greater Prague and South Moravia regions, with vacancy rates below 1%.

The limited supply of modern space, coupled with higher build costs and financing costs has pushed rents up further in 2022. Prime rents in Prague are up around 25% y/y, reaching €7.50 per sq. m per month at the end of 2022. Prime rents have risen across the Czech Republic, and even occupiers who are relatively footloose in terms of their location requirements now face rents above €5.00 per sq. m.

The Greater Prague area is the largest logistics and distribution hub in the Czech Republic (accounting for roughly one third of total stock in the country) and the second largest in Central and Eastern Europe (CEE) after Warsaw, Poland. Serving consumer markets, rising e-commerce levels, and rising trade volumes have all contributed to the demand for logistics and distribution facilities in the region. Prague also has a strong pharmaceuticals sector and IT manufacturing industry.

Much of the recent and ongoing development activity is concentrated in the Karlovy Vary and Pilsen regions. Meanwhile, construction in the Prague market remains very limited and this should keep vacancy rates here low. The total for Karlovy Vary was boosted by the construction of the largest warehouse yet to be built in the Czech Republic in Panattoni Park, Cheb with an area of 233,700 sq. m, the scheme is expected to complete in 2024/2025 and is pre-leased by fashion retailer H&M. The Cheb industrial park is in the immediate vicinity of the German motorway A93, making the location well-suited to operators serving the German market.

The all-in cost of financing having risen sharply in 2022. While prime yields have started to soften in 2022, from 4.0% at the end of 2021, to 4.5% at the end of 2022, inflation is expected to rise further in early 2023 and further yield softening is anticipated in 2023.

Demand from e-commerce and parcel delivery companies has cooled yet demand from logistics and production remains strong. However, with asking rents for new builds rising, and vacancy rates at all-time lows, occupiers are likely to seek out lease renewals, rather than move premises.

Rental growth will be modest in 2023, due to the robust level of development completions expected in 2023, coupled with an expectation of cooling occupier demand. The rate of rental growth has started to slow towards the end of 2022 and 2023 is likely to see rents stabilise.

Key Market Statistics:

Prague	2017	2018	2019	2020	2021	2022
Prime Rent (€ sq. m/p.a.)	54	57	58	58	72	80
Prime Yield (%)	6.00%	6.00%	5.00%	5.00%	4.00%	4.50%

Source: Knight Frank Research

9. SLOVAKIA

Section 1: Executive Summary

- ◆ The Slovak economy is an export-driven economy and weakening demand in key export markets as the eurozone enters recession could constitute a downside risk for manufacturing and exports. Industrial output is expected to decline in 2023, due to the war in Ukraine and cooling consumer demand in the EU. Inflationary pressures, and energy costs, are impacting manufacturers input costs. However, the industrial market remains robust.
- ◆ Slovakia is a strategically important logistics market due to low land values, cheap labour costs, and well-developed infrastructure, these factors have encouraged investment and development of logistics assets here. However, high financing costs and inflationary pressures have dampened speculative development activity.
- ◆ 2022 saw the investment total exceed the €1 billion mark for the first time. The investment market is small and highly dependent upon foreign capital. The office sector was the most transacted in 2022, with a record €456 million.
- ◆ Slovakia's economy is highly dependent on the automotive sector, producing mostly diesel and petrol-powered vehicles. The country's car manufacturing sector is likely to be negatively impacted by weakening foreign demand in its main export markets, coupled with the shift to electric vehicles.
- ◆ Despite an expected cooling in industrial occupier demand, vacancy rates are very low. Development activity has slowed and is expected to remain subdued. This should drive continued rental growth, though the pace of growth will slow.

Section 2: Economy

Slovakia's recent economic success has been built on large inflows of foreign direct investment (FDI), the automotive and electronics sectors particularly benefiting from foreign investment in modern factories and technology. These sectors continue to dominate Slovakia's export mix. Exports to the EU account for almost 85% of total exports, with sales to Germany accounting for 22% of total merchandise goods. Automotive goods are the key export product.

The Slovak economy rebounded in 2021 following the pandemic, with GDP growing by 3%. A further 1.7% growth is projected for 2022, however, the economy is expected to contract by 0.3% in 2023. The external environment is likely to remain a drag on growth, with elevated energy import prices continuing to dent Slovakia's current account balance. On the export side, weakening demand as the eurozone enters recession will be a major headwind for exporters. Industrial production fell 0.2% in Q3 2022 as high energy costs and persistent supply disruptions weighed on manufacturers. The outlook for the sector offers little optimism as order books and production expectations weakened in recent months.

Like all economies, inflation dynamics remain a concern, with 12.8% inflation expected for 2022 overall in Slovakia and energy and food prices contributing around two-thirds of this. There are tentative signs of softening, particularly in services prices, as demand weakens. Additionally, the easing of global commodity prices in recent months should soon feed into lower domestic inflation. But headline and core inflation are expected to ease only gradually throughout 2023 with 9.3% inflation forecast for the year, easing back towards target inflation next year (source: Oxford Economics).

National Statistics – Economic Outlook

	2021	2022 (f)	2023 (f)	2024 (f)	2025 (f)	2026 (f)	2027 (f)
Total Population (millions)	5.46	5.48	5.49	5.49	5.49	5.48	5.48
GDP Growth (%)	3.01	1.71	0.28	2.70	4.06	3.63	2.79
Unemployment rate (%)	6.84	6.13*	6.33	6.48	6.26	6.00	5.80
Central Bank Interest rate (%)	0.00	0.58*	3.35	2.54	1.75	1.75	1.75
Government debt (% of GDP)	60.13	57.87	59.16	63.57	63.82	63.47	62.92
Inflation (CPI) (%)	3.15	12.78	9.26	2.00	1.66	1.97	2.00

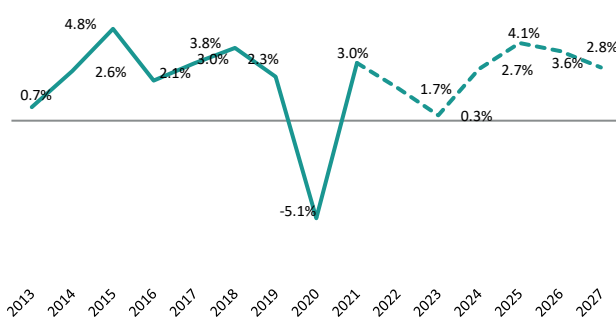
Source: Oxford Economics (07/03/2023)

*Actual

Slovakia benefits from the availability of a cheap and reasonably well-educated workforce. While the Slovak labour market suffered during the pandemic with the ILO unemployment rate rising to 6.7% in 2020 and 6.8% in 2021, it has staged an impressive recovery since (6.1% in 2022) and it remains tight by historical standards and relative to some other European countries. The relatively tight labour market has spurred healthy nominal wage growth, however, that is not enough to fully offset the inflationary erosion. In addition, firms' hiring intentions remain resilient across sectors for the time being.

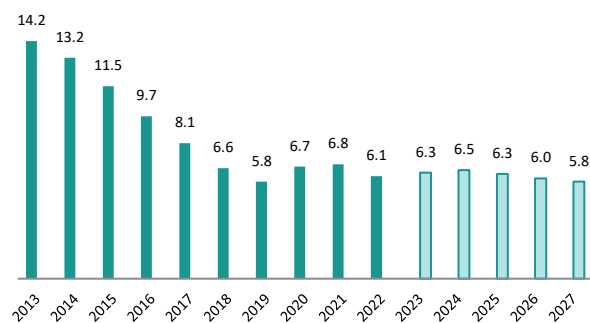
Opportunities include Slovakia being able to leverage its high-skilled but cost-competitive workforce to move up from the low value-added end of the supply chain, aided by the re-shoring trends seen in recent years. The labour force suffers from a poor demographic outlook, but there are gains to be made from improving participation rates and integrating current refugees from Ukraine.

Historic and Forecast GDP Growth (%)



Source: Slovakian Statistical Office, Oxford Economics

Historic and Forecast Unemployment Rate (%)



Source: Slovakian Statistical Office, Oxford Economics

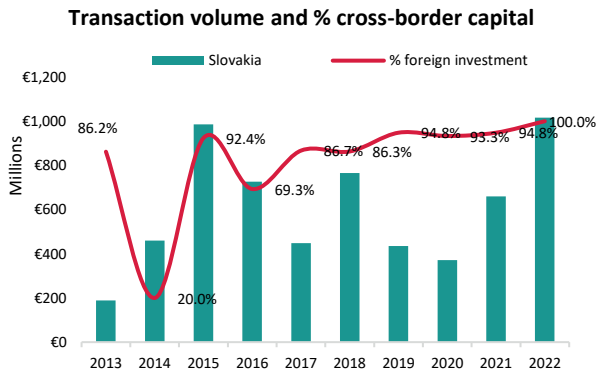
Slovakia's fiscal position remains comparatively sound. Interest rates on 10-year government bonds spiked following Russia's invasion of Ukraine and rose further in response to the ECB's hawkish turn but have since stabilised at around 3%.

Risks for Slovakia are low relative to other European economies. However, the economy's growth outlook is tied to dynamics in the eurozone, its main market for exports, and its cost-competitive skilled industrial sector. Inflation will weigh on growth in the medium term, particularly on consumer spending as household budgets are strained, but fiscal policy topped up with EU funds should partly offset this.

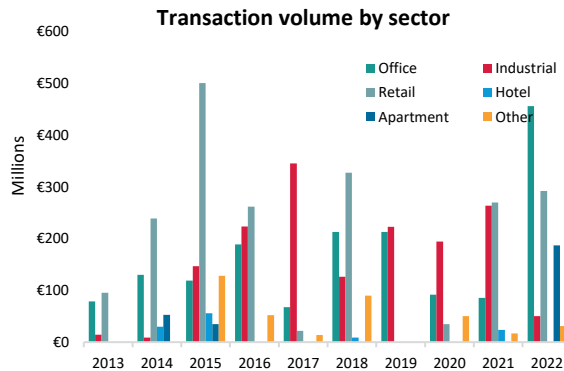
In addition, wages in the country have been growing at a much stronger pace than productivity over the past five years. If the gap between real wages and productivity growth persists, it could pose a threat to the competitiveness of Slovakia's large industrial sector. But wage growth is likely to be subdued in the near term given the labour market stresses induced by the pandemic and the high energy costs borne by the firms in the manufacturing sector.

Section 3: Commercial Real Estate Market

A: Investment Market



Source: Knight Frank Research, Real Capital Analytics



Source: Knight Frank Research, Real Capital Analytics

Investment volumes in Slovakia are low relative to other European markets. However, 2022 saw the investment total exceed the €1 billion mark for the first time. The investment market is small and highly dependent upon foreign capital, with international investors accounting for 100% of the total transacted in 2022. Buyers from the neighbouring countries, the Czech Republic and Austria were most active in 2022, though Slovakia has continued to attract investment from further afield.

The office sector was the most transacted in 2022, office investment increased substantially, with a record €456 million it is the highest figure on record and more than four times the amount invested in 2021. The retail sector also saw an increase y/y, while the industrial sector saw volumes decline.

Slovakia is a strategically important logistics market due to low land values, cheap labour costs, and well-developed infrastructure, these factors have encouraged investment and development of logistics assets here. However, high financing costs and inflationary pressures coupled with economic uncertainty have dampened development activity, particularly for speculative construction. Falling development activity has meant a lack of stock available for investment into the sector. The rise in investor/developer partnerships as well as a lack of investors wanting to exit investments in the sector are also limiting transactions.

Prime yields for industrial assets have softened around 50bps y/y to 5.75% at the end of 2022. Though the repricing has been less pronounced here than in other European markets, prime logistics assets in Slovakia continue to offer a premium over those in other European markets.

Investment into Slovakian real estate is likely to slow in 2023, along with the wider CEE region. The market is highly driven by cross-border investors who may want to limit exposure in the region as the Russia-Ukraine conflict continues and the impacts of sanctions deepen, with impacts felt most in neighbouring economies.

C: Industrial Sector – occupier market

Despite the relatively low levels of investment transactions, the Slovakian industrial and logistics market is a predominantly tenanted market as opposed to owner-occupied. Despite inflationary pressures on build costs, the supply of new industrial facilities remains strong. There has been a robust level of development activity over the past ten years, boosting stock levels with total modern Grade-A supply across Slovakia, with most premises located in the Greater Bratislava Region. Other popular locations include the western part of the country strategically located and well connected by the D1, D2 and R1 highways.

Development completions in 2022 totalled 435,800 sq. m, with leases agreed on around 80% of this space prior to completion. Some of the key developments that have completed in 2022 include VGP Park Bratislava E, totalling 56,000 sq. m, Prologis Park Bratislava DC22 totalling 40,000 sq. m and SLI Park Sered' DC33.2 totalling 44,300 sq. m.

The level of development activity has declined y/y. At the end of 2022, there was around 261,400 sq. m of space under construction, this is down from 392,000 sq. m at the end of 2021. The Western region accounts for 41% of this activity. Around a third of this space was pre-committed at the end of 2022. Most construction is being driven by build-to-suit schemes, with speculative development impacted by higher financing costs, build cost inflation and economic uncertainty.

The vacancy rate continued to decline in 2022, from around 6.7% at the end of 2021, to around 3.6% at the end of 2022. The Western region has the lowest vacancy rates (less than 1% at the end of 2022). The eastern and central regions have much higher vacancy. The highest amount of available stock can be found in the Bratislava region, with 65,000 sq. m of space available. However, it is also the region with most stock and take up activity and the vacancy rate is less than 4%.

Take up totalled 792,200 sq. m in 2022, up 54% y/y. As in previous years, occupier demand in 2022 has been driven predominantly by automotive, 3PLs and e-commerce (although e-commerce driven demand started cooling off in the second half of the year). The automotive industry remains highly important to Slovakia's industrial and logistics market and occupier deals in 2022 include Apollo tyres taking a pre-lease on 25,000 sq. m at VGP Bernolákovo.

Prime headline rents in Slovakia are currently around €3.75 - €6.50 per sq. m per month. The highest rents can be found in prime locations within the Bratislava region (€5.00 - €6.50 per sq. m). Prime rents outside of these prime Bratislava locations are around €3.75 - €4.50 per sq. m. The fall in vacancy rates coupled with heightened build costs have put upward pressure on rents. Demand also remains relatively robust despite economic headwinds. However, the rate of rental growth is beginning to slow as the economy cools and inflationary pressures ease.

Industrial output in Slovakia is expected to decline in 2023, due to the war in Ukraine and cooling consumer demand in the EU. Inflationary pressures, and energy costs, are impacting manufacturers input costs. Slovakia's economy is highly dependent on the automotive sector, producing mostly diesel and petrol-powered vehicles. The country's car manufacturing sector is likely to be negatively impacted by weakening foreign demand in its main export markets, coupled with the shift to electric vehicles.

Despite an expected cooling in occupier demand, vacancy rates are currently very low and development activity is expected to remain subdued and this should drive continued rental growth, though the pace of growth will slow.

Key Market Statistics:

Slovakia	2017	2018	2019	2020	2021	2022
Take-Up (sq. m)	410,000	260,000	375,000	436,000	516,000	792,200
Prime Rent (€ sq. m/p.a.)	51	51	54	58.8	58.8	61.5
Prime Yield (%)	7.00	6.50	6.25	6.25	5.00	5.75

Source: Knight Frank Research

10. THE UNITED KINGDOM

Section 1: Executive Summary

- ◆ GDP surprised on the upside towards the end of 2022 following an increase in output in the services sector, but a short recession is unavoidable with GDP forecast to fall by 0.4% this year, before rising by 1.5% in 2024, according to Oxford Economics.
- ◆ Investment into the UK commercial real estate investment market dipped slightly in 2022, to €71.1 billion, from €85.6 billion in 2021. Offices overtook industrial in terms of total investment in 2022. International investors accounted for 55% of the total transacted, on a par with that recorded in 2021. Despite economic uncertainties and inflationary pressures, the UK continued to attract overseas investors.
- ◆ The top logistics markets in the UK include London, due to the large consumer market and international freight terminals at Heathrow, and the Midlands (particularly East Midlands) due to a central location and motorway access.
- ◆ Industrial occupiers take up in the UK reached a total of 46.2 million sq. ft (or 4.3 million sq. m) in 2022. Though the annual total is lower than the record 70 million sq. ft (6.5 million sq. m) recorded in 2021, it is 6% above the five-year average.
- ◆ Over the past few years, positive rental growth and low vacancy rates have encouraged speculative development activity, though occupier demand for modern, well-located facilities has meant that most space built speculatively in recent years is being quickly absorbed either before or on completion.
- ◆ Headwinds for the industrial market include inflationary pressures impacting build and financing costs, development viability, and occupiers facing higher energy bills along with higher business rates from April.

Section 2: Economy

Following one of the steepest falls in GDP in 2020 for the UK among the advanced economies, a strong consumer-led economic recovery took hold in 2021 with GDP growth of 7.6% but persisting supply shortages and rising inflation has hampered output in 2022. GDP surprised on the upside towards the end of 2022 following an increase in output in the services sector (which makes up 80% of UK GDP on the output side), but activity in December was likely hampered by widespread industrial action. 2022 saw GDP growth of 4.1%, and Oxford Economics forecasts a mild but short recession with GDP falling 0.4% this year, before rising by 1.5% in 2024. The IMF similarly forecasts a 0.6% decline, reflecting tighter fiscal and monetary policies and constrained household budgets.

The Bank of England (BoE) interest rate was at 3.5% at the end of 2022. As expected, the BoE increased their interest rate by 50bps in their February meeting, to 4.00%. Oxford Economics expects the base rate to peak at 4.25% this year.

Energy and fuel prices, and energy futures prices, have fallen sharply in recent weeks, with a warm winter meaning European gas supplies are at record-high levels. If this sustains, it will limit the impact of energy costs on inflation. The recent fall in gas prices should lower inflation from mid-2023 and ease the squeeze on household finances. That said, a fall in real household income this year is still expected.

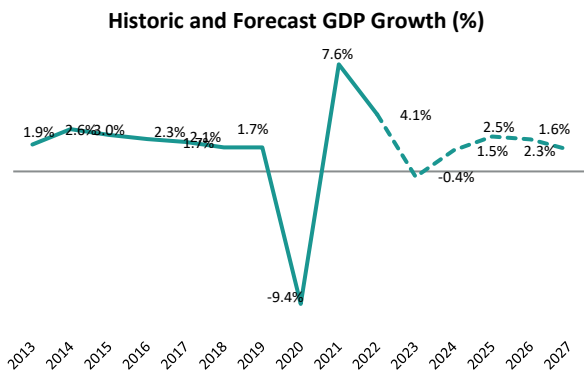
National Statistics – Economic Outlook

	2021	2022	2023 (f)	2024 (f)	2025 (f)	2026 (f)	2027 (f)
Total Population (millions)	67.14	67.65*	67.98	68.24	68.47	68.66	68.83
GDP Growth (%)	7.60	4.05	-0.38	1.50	2.47	2.27	1.55
Unemployment rate (%)	4.48	3.70	4.20	4.28	3.98	3.79	3.75
Central Bank interest rate (%)	0.11	1.46	4.15	3.72	2.73	1.86	1.75
Government debt (% of GDP)	105.93	101.37	103.51	103.04	101.24	99.08	96.98
Inflation (CPI) (%)	2.58	9.05	6.52	2.33	0.93	0.88	1.88

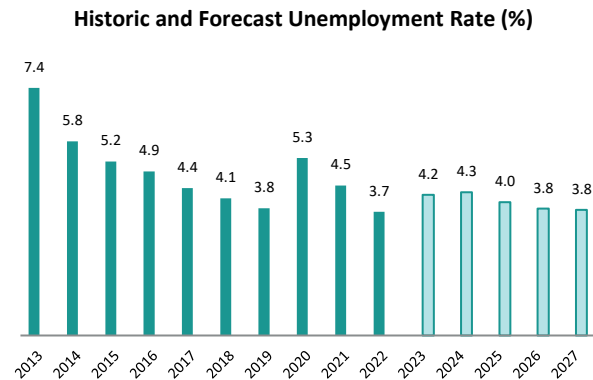
Source: Oxford Economics (07/03/2023)

*Forecast

The UK labour market remains historically tight despite recent rises to the unemployment rate (ILO). Falling output however is likely to lower demand for labour, causing conditions to loosen. An unemployment rate of around 4.3% is forecast for 2023/24.



Source: ONS, Oxford Economics



Source: ONS, Oxford Economics

The UK's demographic profile is much more favourable than that of most Western European economies. However, the dynamics for the coming decade are shakier than the recent past when an expanding working-age population had been a key driver of potential output growth. Immigration levels will need to be high enough on a sustained basis to offset the impacts of population ageing, according to Oxford Economics.

Political turmoil impacted the UK's financial markets in 2022. The so-called "mini-Budget" in September 2022 unveiled tax cuts worth 1.5% of GDP, however the negative financial market reaction triggered a change of leadership, the reversal of most of the tax cuts, and further fiscal tightening on top. Oxford Economics forecast the government debt to GDP ratio to lower in the medium term, reaching below 100% by 2025.

Although the UK and EU struck a basic free trade agreement, the switch from EU membership to the new relationship has given way to friction in UK-EU trade. This has resulted in some degree of trade damage, limiting improvements in total factor productivity. In the currency markets, uncertainty caused by Russia's invasion of Ukraine as well as September's mini budget caused substantial volatility in the pound against the US dollar in 2022. However, the pound is expected to strengthen over the forecast horizon but on a gradual basis.

Although the legacy of Brexit could weigh on medium-term growth prospects, the impact should be mitigated by the UK's more favourable demographic profile than most other Western European economies and by its strength in faster-growing areas of private services. Risks to the UK include inflationary pressures in the short-term, falling real incomes, and corporate insolvencies. The tightness of the labour market and the risk of that keeping inflation high via strong wage growth, remains the MPC's key concern.

Section 3: Commercial Real Estate Market

A: Investment Market

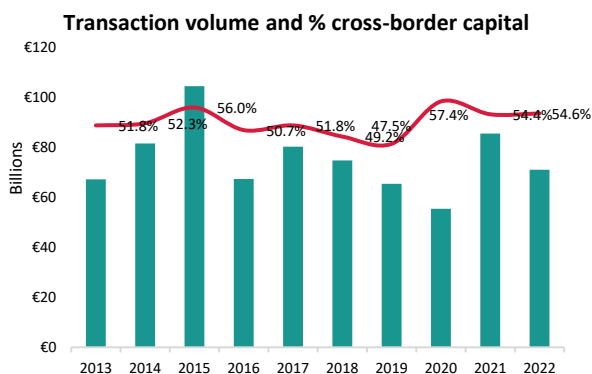
Investment into the UK commercial real estate (CRE) investment market dipped slightly in 2022, to €71.1 billion, down from €85.6 billion in 2021. Offices overtook industrial in terms of total investment in 2022. Investment into the industrial sector has been declining throughout the course of 2022, due to the impacts of rising debt costs and bond yields. Prime industrial yields for UK industrial had undergone a prolonged period of compression over the past ten years due to strong investor appetite and strong underlying market fundamentals. The industrial sector was not the only asset class to undergo a softening in yields but with prime industrial yields at just 3.5% at the end of 2021, the sector was particularly vulnerable.

The repricing has led to a degree of inertia in the industrial investment market due to the mismatch in terms of buyer and seller expectations, with investment stock being removed from the market, and investors

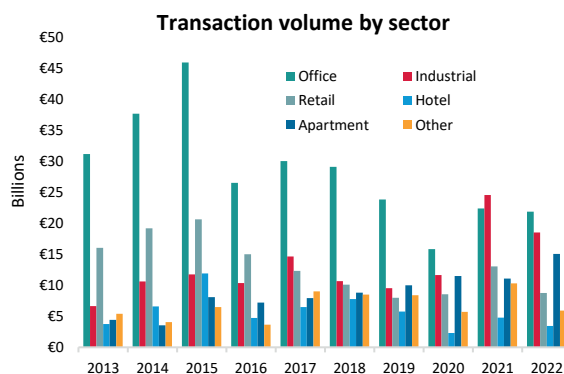
delaying decisions as they await further pricing movements. The second half of 2022 saw prime industrial yields soften by around 175-200bps, ending the year at 5.25-5.50%.

The office sector recorded a similar level of transactions in 2022 as it did a year earlier, with €21.9 billion invested in 2022, compared with €22.3 billion in 2021. The apartment sector was the third most invested sector and recorded robust transaction levels, with €15.0 billion invested, the highest annual total on record. Demand for Private Rented Sector (PRS) housing are underpinned by strong demographic trends and attracting investor interest.

International investors accounted for 55% of the total transacted, on a par with that recorded in 2021. Despite economic uncertainties and inflationary pressures, the UK continued to attract overseas investors. Buyers from the US, Singapore, Canada, Australia and France were most acquisitive in 2022. The investor base remains broad, with investment also coming from Asian countries as well as Europe and the Middle East. However, heightened debt costs meant there was a pullback in buyers dependent on leverage, with those buyers less dependent on debt, able to take advantage of a less competitive market in the second half of 2022.



Source: Knight Frank Research, Real Capital Analytics



Source: Knight Frank Research, Real Capital Analytics

Notable transactions in 2022 include Brookfield’s sale of the 23,000-bed Student Roost business, one of the largest operators of student housing in the UK, for £3.3 billion or €3.9 billion. The buyer was a joint venture between Singapore sovereign wealth fund GIC Real Estate and US real estate group Greystar Real Estate Partners. Another significant deal in 2022 was the sale of the UBS HQ in London. La Salle purchased the London City office building 5 Broadgate, on behalf of NPS (South Korea) from CK Asset Holdings (Hong Kong) for £1.2 billion or €1.45 billion.

C: Industrial Sector – occupier market

The key logistics hubs in the UK exist in London and the South East, the Midlands (both East and West), and Manchester, and the North-West. A smaller, more regionally focused market exists in Bristol and the wider South West region.

Access to consumer markets, distribution networks, and trade ports are the most important location criteria for logistics users. The top markets in the UK include London, due to the large consumer market and international freight terminals at Heathrow, and the Midlands (particularly East Midlands) due to a central location and motorway access. Prime Midlands locations can provide access to >90% of the UK population within 4.5 hours drive time limit. The North West is also a popular logistics location due to its proximity to the large urban conurbation that includes the cities of Manchester, Liverpool, and Leeds as well as maritime freight ports and airports.

Occupiers take up in the UK reached a total of 46.2 million sq. ft (or 4.3 million sq. m) in 2022. Though the annual total is lower than the record 70 million sq. ft (6.5 million sq. m) recorded in 2021, it is 6% above the five-year average. While occupier demand from online retailers slowed over the course of 2022, increased demand from manufacturers and 3PLs, as well as less traditional occupiers, is helping to plug the gap. Other areas of growth supporting occupier demand include the need for holding more stock, the reshoring or

onshoring of manufacturing and rising demand from less traditional occupiers, such as vertical farms and data centres. Enquiries levels are holding up, particularly from distribution firms, particularly 3PLs (third party logistics firms) and manufacturing firms.

The UK industrial and logistics vacancy rate was 3.3% at the end of Q4 2022, similar to that at the end of 2021 and down from 4.4% recorded at the end of 2020. Over the past ten years, vacancy rates have been falling as older redundant stock is removed from the market. As a result, vacancy rates are low in the London, South-East, and East region, currently at just 3.1. They are even lower in some of the other regional centres across the UK, with just over 2% vacancy rates recorded in the Midlands, Yorkshire & the Humber (West & South) and the South-West, due to demand for Grade A industrial stock exceeding current supply levels in these locations.

Over the past few years, positive rental growth and low vacancy rates have encouraged speculative development activity, though occupier demand for modern, well-located facilities has meant that most space built speculatively in recent years has been quickly absorbed by the market either before or on completion. Both build to suit, and speculative development activity rose over the course of 2022. However, given inflationary pressures impacting build and financing costs, and pressures on development viability due to volatility in the capital markets during 2022, vacancy rates are unlikely to rise significantly in the short-term.

Headwinds for the occupational market include occupiers facing higher energy bills along with higher business rates from April. Business rates for the sector are set to rise an estimated 34% on average. The current Energy Bill Relief Scheme comes to an end in March, and while the Government has announced a new Energy Bill Discount Scheme, it offers a lower level of protection, with the price cap being replaced with maximum discounts.

Average rents for UK industrial continue to grow, though the rate of growth is decelerating. Average UK industrial rents rose by 10.2% in 2022 (MSCI). They are forecast to increase by a more moderate 3.6% in 2023 (RealFor, Q4 2022). The strongest growth forecasts are for London, West Midlands and the Eastern region.

Key Market Statistics:

UK	2017	2018	2019	2020	2021	2022
Vacancy Rate (%)	4.7	4.6	5.2	4.4	3.2	3.3
Take-Up (sq. m)	2,675,906	3,513,461	3,177,185	4,830,156	6,504,191	4,289,116
Stock (million sq. m)	88.7	89.8	92.3	94.1	97.2	100.4
Prime Rent (€ sq. m/p.a.)	182	180	203	239	317	340
Prime Yield (%)	4.25	4.25	4.25	4.00	3.50	5.25

Source: Knight Frank Research

Midlands

The Midlands (both East and West Midlands) is home to the so-called “Golden Triangle” of logistics, which spans from Northamptonshire up the M1 to East Midlands Airport, and West as far as Tamworth area, the Golden Triangle is bustling with logistics names. As well as being close to the huge distribution centres of supermarkets and high street stores, Midlands-based supply chain companies enjoy access to over 90% of the UK population within a 4-hour drive. The region benefits from a robust transportation network. The M1 serves the four largest urban areas in the region and provides a direct route into London as well as links to the rest of the UK market. Manufacturing still plays an important role in the industrial and logistics market in the Midlands region.

Many occupiers choose to locate in the region due to these transportation links with the rest of the country, and the lower operational costs associated with premises located in London and the South East and the Midlands has the largest concentration of logistics stock of any region of the UK.

The Midlands region saw 15 million sq. ft (or 1.4 million sq. m) of industrial and logistics space taken up in 2022 (units over 50,000 sq. ft). This represents a 33% decline on the record levels seen in 2021 of 22.3 million sq. ft. Demand for new, high-quality space was the standout feature of the Midlands industrial market

in 2022, with 81% of take up comprising a combination of pre-let speculative buildings and build-to-suit units. This has led to prime rents in Birmingham for units over 50,000 sq. ft increasing by 29% in 2022, to £11 per sq. ft per annum (€124 per sq. m).

The distribution sector continues to dominate the Midlands occupier market, accounting for 69% of activity, up from 62% last year. The largest deal of Q4 was by logistics provider, DSV, who agreed a 10-year lease on 387,500 sq. ft (36,000 sq. m) at Brackmills Gateway, Northampton. The new building is BREEAM 'Outstanding' certified.

Availability in the Midlands at year end stood at 8.5 million sq. ft (units over 50,000 sq. ft), or 792,000 sq. m, resulting in a vacancy rate of 2.4%. This has increased from 1.6% recorded one year ago and follows six consecutive quarters of sub-2% vacancy rates. The improvement in supply is owing to several development completions in Q4. Nevertheless, second-hand units still comprise most of the immediately available space (74%), most of which is unsuitable for modern occupier requirements.

Despite the rise in completion levels, supply levels remain behind market demand in the Midlands. At end-December, there was 7.3 million sq. ft (677,000 sq. m) of speculative space under construction across 49 units. However, there is only one new, speculatively built unit over 400,000 sq. ft (37,161 sq. m) available to satisfy high quality, larger requirements.

Key Market Statistics:

Birmingham	2017	2018	2019	2020	2021	2022
Prime Rent (€ sq. m/p.a.)	86	83	85	95	108	124

Source: Knight Frank Research

Yorkshire

The key industrial and logistics hubs are in West Yorkshire and in South Yorkshire. The M62 is Yorkshire's main east-west route and links Yorkshire to Manchester and Liverpool in the West and Hull in the East. The M1 and the A1 are the main north-south routes. The M180 (continuing as the A180) connects the ports at Grimsby and Immingham via the M18 (European route E22). Airports in the region are Leeds Bradford Airport at Yeadon, Doncaster Sheffield Airport near Doncaster, and Humberside Airport near Brigg in North Lincolnshire.

Yorkshire has a rich history of industrial activity. The area was renowned for coal mining in the past, though coal still plays a part in the local economy of the region, many of the pits closed in the 1990s. Sheffield, South Yorkshire is known for its steel industry, though it too has declined in recent years. Leeds is the second-largest manufacturing city in the UK, after London. Hermes Europe, the UK's largest home delivery company is based in Yorkshire. There are numerous manufacturing companies located in the area, including several food manufacturers including Arla Foods.

Across the region, take up totalled just over 4 million sq. ft (373,000 sq. m) in 2022. The annual total is two-thirds down on that recorded in 2021 when 11.9 million sq. ft (1.1 million sq. m) of space was taken. The reduction in take up is a result of the severe shortage of Grade A space available across the region, particularly in West Yorkshire which saw a record low of under 1 million sq. ft (84,000 sq. m) of space signed in 2022. Distribution firms were most active across Yorkshire, accounting for over half of overall take up.

Supply levels remain extremely tight in the Yorkshire region as both new and modern second-hand space is quickly absorbed. Availability in the region stood at just under 3 million sq. ft (276,000 sq. m) at year-end with a vacancy rate of 2.4%. While overall supply levels increased on an annual basis, most of the space (79%) is in older second-hand and unsuitable for modern occupier requirements.

2022 saw a significant uplift in development activity in the region, particularly in South Yorkshire in the earlier half of the year, resulting in newly built space comprising 76% of its annual total take up. This compares to just 7% in West Yorkshire. However, the latter half of 2022 saw developers respond to the shortage of stock in West Yorkshire, with 2.5 million sq. ft (231,000 sq. m) of space under construction at year end. A further 3.1 million sq. ft (287,000 sq. m) of speculative space was under construction in South Yorkshire. A greater

level of take up is therefore anticipated towards the end of 2023, particularly for West Yorkshire, as much needed speculative development enters the market.

Strong occupier demand coupled with low levels of available stock is driving rental growth across all size units in the region. Prime rents in Leeds (for units over 50,000 sq. ft) were £7.50 per sq. ft per annum (€93 per sq. m) at the end of 2022, with new build rents now quoting up to £8.95 per sq. ft (€109 per sq. m). Robust demand particularly from distribution and retail occupiers for large, high-quality units is expected to support take up activity and continued rental growth in 2023, with c.2.7% average rental growth predicted for Yorkshire & the Humber (RealFor).

Key Market Statistics:

Leeds	2017	2018	2019	2020	2021	2022
Prime Rent (€ sq. m/p.a.)	72	69	75	75	86	93

Source: Knight Frank Research

North West

The North West is a key industrial and logistics hub, with many major retail and logistics operators basing their logistics operations here. There is also significant demand from manufacturing firms. The excellent transportation links and clusters of population make the region attractive as a base to service both the local population as well as across the UK. The region has a strong industrial heritage, and this continues to influence occupier sectors in the region, with a high percentage of manufacturing and retail businesses relative to other regions and a high proportion of manufacturing and retail businesses are headquartered in this region.

The North West region of the UK is covered by an extensive network of major roads, with the M61, the M6 (running north to south), the M60 (around Manchester), and the M62 (to Liverpool and Leeds) providing some of the key road network in the region. Aside from a robust road network, the North West region also benefits from airport and seaport connections in Manchester and Liverpool. Manchester Airport has recently expanded its logistics capacity through the Icon Manchester Airport development, a 45-acre build to suit logistics/warehouse development that was completed towards the end of 2021.

The North West region saw its second highest year for industrial and logistics occupier take up in 2022, of 7.3 million sq. ft (units over 50,000 sq. ft), or 677,000 sq. m. This is just 13% lower than the record levels seen in 2021 and is 23% ahead of the five-year annual average for the region. E-commerce and retail occupiers continue to drive demand for space, accounting for 44% of take up in 2022, up from 39% in 2021. A further 28% of take up in 2022 was by distribution firms.

The shortage of large, readily built stock in the North West region in 2022 has led to an increase in pre-let activity, rental pressure and longer lease agreements. A combination of new speculative buildings, build-to-suit units and pre-lease agreements comprised 70% of take up in the year.

Availability in the North West stood at 5.1 million sq. ft (477,000 sq. m) at year end, with a vacancy rate of 3.5%. Supply levels are relatively stable on an annual basis due to a steady number of development completions earlier in the year, however, there was only one new, Grade A unit over 250,000 sq. ft in size immediately available at the closing of 2022. The supply of second-hand units also declined by 22% annually.

Development activity in the North West has steadily risen over the past 18 months in response to the shortage of large, Grade A units, however a slowdown was seen towards the end of 2022 due to funding challenges. There was approximately 2.4 million sq. ft (222,000 sq. m) of space under construction speculatively at year end, 31% lower than at end 2021 (units 50,000 sq. ft+).

Prime rents (for units over 50,000 sq. ft) increased by 7.3% over the course of 2022, to £8.05 per sq. ft per annum (€100 per sq. m). Further rental growth is anticipated for the North West in 2023, albeit at a more moderate rate. Average rents are forecast to rise 3.1% in 2023 (RealFor), because of the low supply of stock coming to the market.

Key Market Statistics:

Manchester	2017	2018	2019	2020	2021	2022
Prime Rent (€ sq. m/p.a.)	80	78	85	87	95	100

Source: Knight Frank Research

North East

The North East is an important industrial hub, particularly for manufacturing. The largest company in the North East is Nissan Japanese car manufacturer Nissan has their UK car manufacturing plant based in Sunderland, North East. The plant employs 7,000 workers and made 350,000 cars last year. Of Sunderland's total output, 70% is promptly exported and sold in EU markets.

Total annual take up stood at 3.4 million sq. ft (312,000 sq. m), 28% lower than the record levels seen in 2021, of 4.7 million sq. ft (435,000 sq. m). 2022 saw several manufacturing owner occupier self-builds boosting the annual take up total. JDR Cables began construction on their new 742,709 sq. ft cable manufacturing facility near Blyth, Northumberland. Also notable is South Korean steel manufacturer SeAH Wind's 1.13 million sq. ft factory at Teesworks, Middlesbrough which remains under way. Manufacturing occupiers overall accounted for 71% of overall 2022 take up in the region. This compares to 45% in 2021.

The volume of immediately available space in the North East is 15% lower on an annual basis, standing at 2.3 million sq. ft (210,000 sq. m) at year end (units over 50,000 sq. ft). This results in a vacancy rate of 4.9%, compared to 5.8% at end-2021. Most of this space consists of older, second-hand stock, with just one new build completion in the year adding to immediately available stock levels.

2022 saw speculative development activity accelerate in response to supply constraints in the North East. A total of 867,000 sq. ft, or 80,600 sq. m, of space was under construction speculatively at year end, across eight units (units over 50,000 sq. ft). This compares to just three units at the same point in 2021.

While prime rents for units over 50,000 sq. ft in Newcastle remained stable y/y, at £7.50 per sq. ft per annum, though they fell marginally in €'s due to the weakening exchange rate to €93 per sq. m at the end of 2022. Average rental growth of 5.4% was recorded in the North East region. Further modest growth in average rents of 1.7% is predicted for 2023 (RealFor).

Enquiry levels remain active while the appeal of the region to manufacturers should support demand. However, wider UK economic headwinds including inflationary pressures and business rates rises could lead to business fall-out, most likely to be felt in the multi-let market.

Key Market Statistics:

Newcastle	2017	2018	2019	2020	2021	2022
Prime Rent (€ sq. m/p.a.)	83	78	82	78	95	93

Source: Knight Frank Research

CORPORATE GOVERNANCE

THE ROLE OF CEREIT'S MANAGER

The primary role of the Manager is to set the strategic direction of CEREIT and to make recommendations to the Trustee on any investment or divestment opportunities for CEREIT and the enhancement of the assets of CEREIT in accordance with the stated investment strategy for CEREIT. The research, evaluation and analysis required for these objectives are coordinated and carried out by the Manager. The Manager has general powers of management over the assets of CEREIT.

CEREIT, constituted as a trust, is externally managed by the Manager. The Manager appoints well-qualified and experienced personnel to run its day-to-day operations. All Directors' fees and employees' remuneration are paid by the Manager, and not by CEREIT.

The Manager was appointed in accordance with the terms of the Trust Deed. The Trust Deed outlines certain circumstances under which the Manager can be removed, including by notice in writing given by the Trustee upon the occurrence of certain events, or by resolution passed by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed. No termination fees are payable to the Manager upon the removal or retirement of the Manager under the Trust Deed.

The primary responsibility of the Manager is to manage the assets and liabilities of CEREIT for the benefit of the Unitholders. This is done with a focus on providing Unitholders with stable and growing DPU and NAV per Unit over the long term, while maintaining an appropriate capital structure. The Manager is also responsible for the risk management of CEREIT.

The other functions and responsibilities of the Manager include:

- (a) using its best endeavours to ensure that CEREIT's operations are carried out and conducted in a proper and efficient manner;
- (b) formulating CEREIT's investment strategy, including:
 - i. determining the location, sub-sector type and other characteristics of CEREIT's property portfolio;
 - ii. integrating sustainability risk considerations in the investment decision-making process; and
 - iii. negotiating, overseeing the negotiations and providing supervision in relation to investments of CEREIT and making final recommendations to the Trustee;
- (c) formulating CEREIT's asset management strategy, including:
 - i. determining the tenant-customer mix, asset enhancement works and rationalising operation costs;
 - ii. providing the supervision in relation to asset management of CEREIT and making final recommendations to the Trustee on material matters; and
 - iii. ensuring that ESG factors form integral part of the investment process,
- (d) formulating the plans for equity and debt financing for CEREIT's property acquisitions, distribution payments, expense payments and property maintenance payments. Executing the capital management plans, negotiating with financiers and underwriters and making final recommendations to the Trustee;
- (e) preparing accounts, financial reports and annual reports for CEREIT on a consolidated basis;
- (f) making all regulatory filings on behalf of CEREIT, and ensuring compliance with relevant laws and regulations including the applicable provisions of the SFA, the Listing Manual, the CIS Code (including Property Funds Appendix), the Singapore Code on Take-overs and Mergers, the Trust Deed, the capital markets services license issued to the Manager, any tax rulings and all relevant contracts;

- (g) communicating and liaising with the investment community and other external stakeholders, including but not limited to Unitholders, investors, analysts, media, business and community partners; and
- (h) preparing property plans on a regular basis, which may contain proposals and forecasts on revenue, capital expenditures, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and any relevant assumptions.

The Manager also considers managing sustainability risks (including environmental, social and governance factors) as part of its responsibilities. In this regard, the Board established a Sustainability Committee ("SC") in December 2021 and delegated to the SC the general oversight on sustainability issues and sustainability reporting. The SC is composed of all five Board members, four of whom are non-executive Directors (including the Chair of the SC) with a majority being independent. The SC's terms of reference set out, *inter alia*, the roles and responsibilities of the SC and include its purview over matters relating to the ESG framework, ESG targets, the sustainability reporting framework and CEREIT's policies, practices and performance on its material ESG factors which are significant and contribute to CEREIT's performance, business activities, and reputation as a corporate citizen.

CEREIT's ESG programme is set out in detail in the Sustainability Report FY 2022 which will be published no later than four months after the end of the financial year.

The Manager is a wholly-owned subsidiary of Cromwell Property Group (CEREIT's Sponsor), which holds approximately 27.8% interest in CEREIT as at 31 December 2022. The Sponsor is a real estate investor and global real estate fund manager, listed on the ASX with operations in 15 countries, with a vested interest in the long-term performance of CEREIT. The Sponsor's significant unitholding in CEREIT demonstrates its commitment to CEREIT and as a result, the Sponsor's interests are aligned with those of other Unitholders.

THE MANAGER'S CORPORATE GOVERNANCE CULTURE

The Manager aspires to the highest standards of corporate governance. The Manager is committed to continuous improvement in corporate governance. It has developed and, on an ongoing basis, maintains a roster of transparent policies and practices that provide a firm foundation for a trusted and respected business enterprise and meet the specific business needs of CEREIT. The Manager remains focused on complying with the substance and spirit of the principles and provisions of the Code while achieving operational excellence and delivering CEREIT's long-term strategic objectives. The Board of Directors is responsible for the overall corporate governance of the Manager, including establishing goals for Management and monitoring the achievement of these goals. This underscores their importance to the Manager.

The Manager has received accolades from the investment community for excellence in corporate governance. More details can be found in the Investor Relations section of this Annual Report.

This corporate governance report sets out the corporate governance practices for FY 2022 with reference to the principles of the Code. For FY 2022, CEREIT has complied with the principles and provisions of the Code in all material aspects and to the extent that there are any deviations from the Code, the Manager will provide explanations for such a deviation and the details of the alternative practices which have been adopted by CEREIT, which are consistent with the intent of the relevant principle of the Code.

CORPORATE GOVERNANCE

(A) BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board is collectively responsible for the long-term success of CEREIT and to protect and enhance Unitholder value. The Board recognises that each of the Directors is a fiduciary and should act objectively in the best interests of the Unitholders and hold Management accountable for performance.

The Directors are collectively and individually obliged to act honestly and with diligence, and in the best interests of CEREIT at all times. The Board puts in place a code of business conduct (please refer to pages 190 to 193 of this Annual Report), sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Manager.

The Manager requires its Directors to disclose their interests in transactions and any conflicts of interests. The Directors recuse themselves from any discussions and decisions concerning matters in which they may be in a conflict-of-interest situation. The Board is satisfied that no conflicts of interest were required to be disclosed by any Director in FY 2022. The Board is tasked to oversee the relationship between CEREIT, the Unitholders and the Manager and also to oversee the affairs of the Manager, in furtherance of the Manager's primary responsibility to manage the assets and liabilities of CEREIT for the benefit of Unitholders. The Board provides leadership to the CEO and Management and sets the strategic vision, direction and long-term objectives for CEREIT. The CEO, assisted by Management, is responsible for the execution of the strategy for CEREIT and the day-to-day operations of CEREIT's business.

The Board guides the corporate strategy and direction of the Manager, ensures that Management demonstrates business leadership and the highest quality of management skills with integrity and enterprise, and oversees the proper conduct of the Manager. The Board establishes the goals for Management, monitors the achievement of these goals and ensures that proper and effective controls are in place to assess and manage business risks.

The Board has reserved authority to approve certain matters and these include:

- (a) acquisitions, investments, developments, redevelopments and divestments;
- (b) issue of new Units;
- (c) income distributions and other returns to Unitholders; and
- (d) matters which involve a conflict-of-interest for a controlling Unitholder or a Director.

Internal Limits of Authority

The Board has adopted a set of internal controls and guidelines which establishes approval limits for operational and capital expenditures, investments, divestments, bank borrowings and cheque signatory arrangements. Such matters, which have been approved by the Board, are clearly communicated to Management in writing and reviewed annually. Transactions and other matters which require the approval of the Board are clearly set out in the delegation of authority. Appropriate delegations of authority and approval sub-limits are also provided at Management level to facilitate operational efficiency.

Board Committees

The Board has established various board committees to assist it in the discharging of its functions. Membership in the various board committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. These board committees are the ARC, the NRC and the SC. The Board may form other board committees as dictated by business imperatives.

The ARC, NRC and SC, collectively referred to as the Board Committees, and Board Committee shall mean any of them. The Board Committees have been constituted with clear written terms of reference approved by the Board and may decide on matters within these terms of reference and applicable limits of authority. The terms of reference of the respective Board Committees set out their compositions, authorities and duties, including reporting back to the Board. All terms of reference are reviewed and updated when necessary to ensure their continued relevance.

The members of both the ARC and the NRC are all non-executive CEREIT IDs, with a different independent chair for each Board Committee. The ultimate responsibility for decision-making and oversight rests with the Board as a whole. The compositions of the various Board Committees and the Directors' date of appointments are set out on pages 18 to 22 and 160 of this Annual Report.

Meetings

The Board meets at least once every quarter and as required by business imperatives. Board and Board Committee meetings are scheduled prior to the start of each financial year to allow Directors to plan ahead to attend such meetings, so as to maximise participation.

Where exigencies prevent a Director from attending a Board meeting in person, the constitution of the Manager permits the Director to participate via audio or video conference. With the reopening of borders in 2022, most of the meetings of the Board and its committees for FY 2022 have been held in physical format in the Manager's office in Singapore. The Board and Board Committees may also make decisions by way of resolutions in writing. In each meeting, where matters requiring the Board's approval are to be considered, all members of the Board attend and actively participate in the deliberations and discussions; and resolutions in writing are circulated to all Directors for their consideration and approval. The exception is where a Director has a conflict of interest in a particular matter, in which case he/she will be required to recuse himself/ herself from the deliberations and abstain from voting on the matter. This principle of collective decisions adopted by the Board ensures that no individual influences or dominates the decision-making process. A Director with multiple directorships is expected to ensure that sufficient time and attention can be and is given to the affairs of the Manager in managing the assets and liabilities of CEREIT for the benefit of Unitholders. As part of its annual effectiveness review, the Board has confirmed that each Director is not "overboarded" i.e. not sitting on an excessive number of Boards.

During Board meetings, non-executive Directors review the performance of Management against agreed goals and objectives and monitor the reporting of performance. During the Board meeting to discuss strategies, non-executive Directors constructively challenge and help develop proposals on these strategies.

A total of 12 Board meetings, 5 ARC meetings, 3 NRC meetings and 5 SC meetings were held in FY 2022. A record of the Directors' attendance at Board and Board Committees' meetings in FY 2022 is set out below. All Directors attended all meetings in FY 2022 and all Directors voted on each resolution where applicable. The Manager believes in the manifest contributions of its Directors beyond attendance at formal Board and Board Committee meetings. To judge a Director's contributions based on his/her attendance at formal meetings alone would not do justice to his/her overall contributions, which include being accessible to Management for guidance or exchange of views outside the formal environment of Board and Board Committees meetings.

CORPORATE GOVERNANCE

COMPOSITION AND ATTENDANCE RECORD OF MEETINGS

	Composition			Attendance Record of Meetings in FY 2022				
	ARC	NRC	SC	Board	ARC	NRC	SC	AGM
				Number of Meetings Held: 12	Number of Meetings Held: 5	Number of Meetings Held: 3	Number of Meetings Held: 5	Number of Meetings Held: 1
Lim Swe Guan	Member	Member	Member	12 out of 12	5 out of 5	3 out of 3	5 out of 5	1 out of 1
Fang Ai Lian	Chair	Member	Member	12 out of 12	5 out of 5	3 out of 3	5 out of 5	1 out of 1
Christian Delaire	Member	Chair	Member	12 out of 12	5 out of 5	3 out of 3	5 out of 5	1 out of 1
Ooi Eng Peng	-	-	Chair	12 out of 12	N/A	N/A	5 out of 5	1 out of 1
Simon Garing	-	-	Member	12 out of 12	N/A	N/A	5 out of 5	1 out of 1

Training

In view of the increasingly demanding, complex and multi-dimensional role of a director, the Board recognises the importance of ongoing training and development for its Directors so as to equip them to discharge the responsibilities of their office as Directors to the best of their abilities. The Manager has in place a training framework designed to meet the objective of having a Board which comprises competent individuals who possess up-to-date knowledge and skills necessary to discharge their responsibilities. The costs of training are borne by the Manager.

Directors understand the company's business and their fiduciary duties towards CEREIT as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors receive ongoing training in areas such as directors' duties and responsibilities, changes to regulations and accounting standards, ethical standards and industry-related matters. Directors are also regularly updated on matters that affect or may enhance their performance as Directors or Board Committee members. Directors may contribute by highlighting relevant areas of interest.

The Manager ensures that Directors are provided with opportunities for continual professional development in areas such as briefings by professional advisors and Management on the changes to accounting standards and the Code, industry developments, regulatory matters, ESG and sustainability reporting and dialogues with experts and senior business leaders on issues facing boards and board practices. Notably, in FY 2022, all the Directors have attended and successfully completed the prescribed ESG training as mandated by the SGX-ST.

Director Orientation

Upon appointment, each Director is provided with a formal letter of appointment. All Directors, upon appointment, also undergo a formal induction, training and development programme which focuses on orientating the Director on CEREIT's business, operations, strategy, organisational structure, responsibilities of KMP, ethical standards and financial and governance practices. All Directors, upon appointment, also undergo training on the roles and responsibilities of a director of a listed issuer.

Directors who are appointed to the Board from time to time either have prior experience as a director of an issuer listed on the SGX-ST or will undergo further training required under Rule 210(5)(a) of the Listing Manual.

Access to Information

An effective and robust Board, whose members engage in open and constructive debate to develop and refine proposals on strategy, is fundamental to good corporate governance. In this regard, the Board is kept well-informed of CEREIT's business and affairs and the industry in which CEREIT operates. The Manager recognises the importance of providing the Board with complete, adequate and timely information prior to Board meetings and on an ongoing basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities. Reports on CEREIT's operational and financial performance are also provided to the Board on a regular basis.

Where appropriate, informal meetings are also held for Management to brief Directors on prospective transactions, early stages of potential developments or other matters before formal Board approval is sought.

The Directors have separate and independent access to Management and the Company Secretary at the Manager's expense, at all times. The Company Secretary attends to corporate secretarial administration matters and attends all Board meetings. The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole.

The Board also has access to independent professional advice where appropriate and when requested, at the Manager's expense.

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Manager is currently led by a five-member Board, three of whom (including the Chair) are CEREIT IDs and four of whom are non-executive Directors. Accordingly, non-executive Directors make up a majority of the Board in FY 2022.

Profiles of the Directors are provided on pages 18 to 22 of this Annual Report.

The Board assesses the independence of each Director in accordance with the guidance in the Code, the Listing Manual and the SFR.

A CEREIT ID is one who is independent in conduct, character and judgement and has no relationship with the Manager, its related corporations and its shareholders who hold 5% or more of the voting shares of the Manager, or Unitholders who hold 5% or more of the Units in issue, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interests of CEREIT; and is independent from the management of the Manager and CEREIT, from any business relationship with the Manager and CEREIT, from every substantial shareholder of the Manager and every substantial Unitholder of CEREIT, and is not a substantial shareholder of the Manager or a substantial Unitholder of CEREIT, is not employed and has not been employed by the Manager or CEREIT or their related corporations in the current or any of the past three financial years, does not have an immediate family member who is employed or has been employed by the Manager or CEREIT or their related corporations in the current or any of the past three financial years and whose remuneration is or was determined by the Board and has not served on the Board for a continuous period of nine years or longer.

The Board has established a process for assessing the independence of its Directors. Each of the relevant non-executive Directors has confirmed that there are no material relationships which would render him/her non-independent. The confirmations have been reviewed by the Board during which the Board considered the Directors' respective contributions at Board meetings. The Board has carried out the assessment of each of its Directors for FY 2022 and the paragraphs below sets out the outcome of the assessment.

CORPORATE GOVERNANCE

With respect to Mr Lim Swe Guan, Mr Christian Delaire and Mrs Fang Ai Lian, they do not have any relationships and are not faced with any of the circumstances identified in the Code, SFR and Listing Manual, or any other relationships which may affect their independent judgement. The Board considered whether each of them had demonstrated independence of character and judgement in the discharge of their responsibilities as a Director in FY 2022, and is satisfied that each of Mr Lim, Mr Delaire and Mrs Fang had acted with independent judgement.

On the basis of the declarations of independence provided by the relevant non-executive Directors and the guidance in the Listing Manual, Code and the SFR, the Board has determined that Mr Lim Swe Guan, Mr Christian Delaire and Mrs Fang Ai Lian are CEREIT IDs. For FY 2022, all the CEREIT IDs are considered to be independent under the Code and SFR. All CEREIT IDs have also served on the Board for fewer than nine years. Each of them had recused himself/herself from the Board's deliberations respectively on his/her own independence.

The remaining Directors are not independent Directors as defined under the Listing Manual, Code and the SFR. Mr Simon Garing is the CEO and an executive Director of the Manager while Mr Ooi Eng Peng is a non-independent non-executive Director of the Manager and is a director and deputy chair on the board of the Sponsor. As at the last day of 2022, Mr Simon Garing has confirmed that he has acted in the best interest of all the Unitholders throughout the year. The Board is satisfied that Mr Simon Garing was able to act in the best interests of all the Unitholders in respect of FY 2022. It is further noted that Mr Simon Garing and Mr Ooi Eng Peng have served on the Board for fewer than nine years and neither of them is a substantial shareholder of the Manager nor a substantial Unitholder of CEREIT.

The CEREIT IDs, led by the independent Chair of the Board, communicate regularly without the presence of Management as required. The chair of such meetings provides feedback to the Board.

Board Diversity

The Manager recognises that diversity in relation to the composition of the Board provides a great range of perspectives, insights and challenges to support good and innovative decision making. The current Board comprises Directors who are business leaders and professionals with financial, banking, real estate, investment, risk management and accounting backgrounds. Each Director brings to the Board a range of skills, experience, insights and sound judgement which, together with his/her strategic networking relationships, serve to further the interests of CEREIT.

The Board embraces diversity and has formally adopted a Board Diversity Policy. The main objective of the Board Diversity Policy is to ensure that the Board comprises directors who as a group provide the appropriate balance and mix of skills, knowledge, experience and other aspects of diversity such as gender and age. The Board has made good progress in achieving its objective under the Board Diversity Policy and the current Board and Board Committees are of appropriate size and comprise Directors from diverse backgrounds, age and gender which provide an appropriate mix of skills, knowledge and experience so as to promote inclusion, mitigate against 'groupthink' and foster constructive debate.

The Board is supportive of gender diversity and subscribes to the view that female directors offer different perspective and enhance the decision-making process.

The Board is also of the view that gender should not be the main selection criteria and to look beyond gender to seek diversity of background, knowledge and thought in the appointment of a Director. As gender is an important aspect of diversity, the NRC will strive to ensure that (a) if external search consultants are used to search for candidates for Board appointments, the brief will include a requirement to also present suitable female candidates; (b) when seeking to identify a new Director for appointment to the Board, the NRC will request for female candidates to be fielded for consideration; and (c) at least one female director be appointed to the Board. In FY 2022, the Board has also set a medium-term goal to achieve and maintain at least 30% representation of each gender.

Annual Review of Board Size and Composition

The Board with the assistance of the NRC and relevant advisors, reviews on an annual basis, the size and composition of the Board, with a view to ensuring the Board has the appropriate mix of expertise and experience and that the size of the Board is appropriate in facilitating effective decision making and constructive debate, taking into account the scope and nature of the operations of CEREIT, and that the Board has a strong independent element. Any potential conflicts-of-interest are also taken into consideration.

Board Skills Matrix

The Board reviews, on a regular basis, the mix of skills, experience, independence, knowledge and diversity represented by Directors on the Board and determines whether the composition and mix remain appropriate for the Manager's purpose and strategic objectives and whether they cover the skills needed to address existing and emerging business and governance issues relevant to the Manager and CEREIT. The Board has adopted a Board Skills Matrix, which sets out the collective skills and attributes of the Board. The matrix is enhanced annually to include a wider range of skills, taking into account evolving topics such as digitalisation, ESG, tax and other key risk matters in order to meet the changing needs of CEREIT. It is noted that the current Directors have relevant skills and experience in each of the areas listed below.

Skill Area	Skills & Experience
Leadership and Culture	Experience at an executive level in business including the ability to assess the performance of the CEO and senior management
	Non-executive and board committee experience in a publicly listed company in Singapore or Europe
	Understanding, implementing and monitoring of good organisational culture and change management
	Experience in managing human capital and strategic workforce planning
	Remuneration and rewards planning
	Industrial relations, workplace health and safety
Commercial Capability	Deep experience at a Board or executive level with a listed company(s) in the SGX or international equivalent, giving an understanding of any or all of the following:
	Capital raising
	Takeovers
	Continuous disclosure
	Corporate governance
	Commercial law
	Legal and regulatory frameworks
Investment Management/ Funds Management	Experience in the investment management or funds management industry

CORPORATE GOVERNANCE

Skill Area	Skills & Experience
European Commercial Property Market Knowledge	Experience in, and appropriate knowledge of, the European commercial property market:
	Acquisitions and disposals
	Real estate evaluation
	Asset management
	Property management
	Leasing
	Facilities management
Financial Acumen	Understand key financial statements
	Critically assess financial viability performance
	Contribute to financial planning
	Monitor operating and capital expenditure budgets
	Monitor debt levels and funding arrangements
Risk Management and Internal Controls	Experience as a partner in a top tier accounting firm, or as a CFO in a listed company in the SGX-ST, giving a deep understanding of the accounting standards applicable to the Group's financial reports and the Group's financial accountability process generally
	Ability to identify or recognise key risks to the Group across its various operations and understand and monitor enterprise risk management frameworks and risk mitigating solutions
Capital Management	Understand governance frameworks and internal controls
Capital Management	Experience in the banking industry or in a corporate treasury department giving an understanding of the debt market in Singapore, Europe or elsewhere
Sustainability and Environmental	Ability to make a positive contribution to the diversity of the Group's Board, whether because of geographic location, gender, age, etc
	Demonstrate an understanding of workplace health and safety practices
	Understand risks and opportunities relating to climate change
	Former or current role with direct accountability for environment practices including energy, water management, emissions and land management
	Stakeholders engagement on ESG issues
Marketing and positioning expertise capitalising on ESG related opportunities	

Skill Area	Skills & Experience
Digitalisation and Technology	Understand digitalisation and disruption to the industry including cybersecurity risks and threats
	Understand technology and information systems applicable to the real estate industry
Public Policy, Government, Economics	Experience with either Singapore or European government ministries or departments giving a knowledge of agendas, policies and/or processes
	Understand key macro and micro economic indicators and market cycles and their impact on the Group and the environment in which it operates
Tax Regime	Understand Singapore and European tax regime and implications
	Ability to guide the management on managing tax dispute and/or tax audit
	Understanding or experience with tax technology in managing digital tax strategy, covering digital tax effectiveness, digital tax administration, tax technology and tax big data

Principle 3: Chair and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

To maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the roles and responsibilities of the Chair and the CEO are held by separate individuals. The Chair and the CEO are not immediate family members.

The non-executive independent Chair, Mr Lim Swe Guan, is responsible for leading the Board and ensuring that the Board is effective in all aspects of its role. The CEO, Mr Simon Garing, has full executive responsibilities over the business directions and operational decisions of CEREIT and is responsible for implementing CEREIT's strategies and policies and conducting CEREIT's business.

The Chair is responsible for the overall management of the Board and for facilitating the conditions for the overall effectiveness of the Board, Board Committee and individual Directors. The Chair also ensures that the Board and Management work together with integrity and competency. This includes setting the agenda of the Board in consultation with the CEO and promoting constructive engagement among the Directors as well as between the Board and Management on strategy, business operations, enterprise risk and other plans. The Chair plays a significant leadership role by providing clear oversight, direction, advice and guidance to the CEO and Management on strategies.

The separation of the roles of the Chair and the CEO, which is set out in writing, and the resulting clarity of roles provide a healthy professional relationship between the Board and Management and facilitate robust deliberations on the business activities of CEREIT and the exchange of ideas and views to help shape CEREIT's strategic process.

As the Chair is a CEREIT ID and the roles of the Chair and the CEO are held by separate individuals who are not related to each other, no lead independent director has been appointed. There are also adequate measures in place to address situations where the Chair is conflicted as the Directors are required to recuse themselves from deliberations and abstain from voting on any matters that could potentially give rise to conflict. Despite this deviation from Provision 3.3 of the Code, the Manager is of the view that its practice is consistent with the intent of Principle 3 of the Code.

CORPORATE GOVERNANCE

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.

Whilst it is not a regulatory requirement in Singapore for Board members of REIT managers to be subjected to re-election, the Board has a formal process in place to evaluate the effectiveness of the Board and its Board Committees on an annual basis.

The NRC is appointed by the Board from amongst the Directors of the Manager and is composed of three members, all of whom (including the Chair of the NRC) are CEREIT IDs. This exceeds the Code's requirements of having at least a majority of independent directors in the nominating committee. The current members of the NRC are all CEREIT IDs: Mr Christian Delaire, Mr Lim Swe Guan and Mrs Fang Ai Lian. Mr Christian Delaire has been appointed as the Chair of the NRC since CEREIT was listed on SGX-ST.

The role of the NRC is to make recommendations to the Board on all appointment and remuneration matters.

The NRC also reviews and makes recommendations on succession plans for the Board and the KMP. Under its terms of references, the NRC's responsibilities also include:

- (a) reviewing the succession plans for Directors, in particular the appointment and/or replacement of the Chair, the CEO and KMP;
- (b) developing a process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
- (c) reviewing the training and professional development programmes for the Board and its Directors;
- (d) the appointment and re-appointment of Directors (including alternate directors, if applicable), having regard to the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance including, if applicable, as a CEREIT ID;
- (e) ensuring that new Directors are aware of their duties and obligations;
- (f) determining annually, and as and when circumstances require, if a Director is independent;
- (g) deciding if a Director is able to and has been adequately carrying out his duties as a Director of the Manager, taking into consideration the Director's principal commitments; and
- (h) recommending to the Board objective performance criteria for the purpose of evaluating the Board's performance as a whole, and of each Board Committee separately, as well as the contribution by the Chair and each individual Director to the Board, and to implement performance evaluation established by the Board.

In addition, the NRC is committed to diversity and will continue to consider the differences in the skillsets, gender, age, ethnicity and educational background in determining the optimal composition of the Board in its Board renewal process. The Board is reviewed annually against the Board Skills Matrix which identifies areas in which knowledge or skill of the Board is required. This includes, amongst others, strategic thinking, experience and knowledge in European property, understanding of economic indicators, being able to assess financial performance, prior experience in an executive role, and ability to identify key risks.

In the year under review, no alternate directors were appointed. This was in line with the principle that a Director must be able to commit time to the affairs of the Manager. For FY 2022, each Director has committed that he/she was able to commit sufficient time to the affairs of the Manager.

The NRC has adopted the following criteria and process for selecting, appointing and reappointing Directors and for reviewing the performance of Directors:

- (a) The NRC, on an annual basis, carries out a review of the Board composition as well as on each occasion when a Director gives notice of his or her intention to retire or resign. The review includes assessing the collective skills, knowledge and experience of Directors represented on the Board to determine whether the Board, as a whole, has the skills, knowledge and experience required to achieve the Manager's objectives for CEREIT. In carrying out this review, the NRC considers the need for the Board composition to reflect balance in matters such as skills representation, tenure, experience, age spread and diversity (including gender diversity), taking into account benchmarking within the industry as appropriate. The Board has adopted a Board Skills Matrix, which sets out the collective skills and attributes of the Board. The Board regularly reviews and updates its Board Skills Matrix to reflect the strategy and direction of the Manager and CEREIT. Please see refer to pages 163 to 165 of this Annual Report for the current Board Skills Matrix.
- (b) The NRC reviews the suitability of any candidates put forward by any Director for appointment, having regard to the skills required and the skills represented on the Board and whether a candidate's skills, knowledge and experience will complement the existing Board and whether he/she has sufficient time available to commit to his/her responsibilities as a Director, and whether he/she is a fit and proper person for the office in accordance with the Guidelines on Fit and Proper Criteria issued by MAS (which require the candidate to be, among other things, competent, honest, to have integrity and be financially sound).
- (c) External consultants may be engaged from time to time to access a wide base of potential Directors.
- (d) No member of the NRC is involved in any decision of the NRC relating to his own appointment, re-appointment or assessment of independence.
- (e) A newly-appointed Director receives a formal appointment letter which sets out his relevant duties and obligations.
- (f) All Directors undergo an induction programme on appointment to help familiarise them with matters relating to CEREIT's business and the Manager's strategy for CEREIT.
- (g) The performance of the Board, Board Committees and Directors is monitored regularly and formally reviewed annually.
- (h) The NRC proactively addresses any issues identified in the Board performance evaluation.

CORPORATE GOVERNANCE

The adopted process takes into account the requirements in the Code and the Listing Manual that the composition of the Board, including the selection of candidates for new appointments to the Board as part of the Board's renewal process, be determined using the following principles:

- (a) the Board should comprise Directors with a broad range of commercial experience, including expertise in real estate management, the property industry, banking, finance, accounting and risk management fields;
- (b) at least half of the Board should comprise CEREIT IDs; and
- (c) the Chair of the Board should be independent.

The Manager has maintained a majority of CEREIT IDs since its constitution. As more than half of the Board comprises CEREIT IDs, the Manager is not required to subject any election or re-election of Directors to voting by Unitholders. Further pursuant to the terms of the Trust Deed, Unitholders may remove the Manager (and by inference, each Director) by passing a resolution by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

The NRC may look to refresh Board membership progressively and in an orderly manner. Board succession planning is carried out through the annual review of Board composition as well as when an existing Director gives notice of his intention to retire or resign. On the issue of Board renewal, the Manager believes that Board renewal is a necessary and continual process, for good governance and ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of CEREIT's business; renewal or replacement of a Director therefore does not necessarily reflect his performance or contributions to date.

In considering the nomination of any individual for appointment, and in its annual review of each Director's ability to commit time to the affairs of CEREIT, the NRC takes into account, among other things, the attendance record of the Directors at meetings of the Board and Board Committees, the competing time commitments faced by any such individual with multiple board memberships as well as his/her other principal commitments. All Directors attended all meetings in FY 2022.

Provision 4.5 of the Code requires the NRC to decide if a Director is able to and has been adequately carrying out his/her duties as a Director. In view of the responsibilities of a Director, the NRC is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles. However, the NRC has not imposed any limit on the maximum number of directorships and principal commitments for each Director as it has taken the view that, the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors, such as whether he/she is in full-time employment and the nature of his/her other responsibilities. The NRC believes that each Director is best placed to determine and ensure that he/she is able to devote sufficient time and attention to discharge his duties and responsibilities as a Director, bearing in mind his/her other commitments.

All Directors had confirmed that notwithstanding the number of their individual listed company board appointments and other principal commitments held, they were able to devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of CEREIT for the benefit of Unitholders. The CEO, who is also a Director, is fully committed to the day-to-day operations of the Manager. Taking into account also the attendance record of the Directors at meetings of the Board and Board Committees in FY 2022 (set out on page 160 of this Annual Report) and contributions at the Board's deliberations as well as availability outside formal Board and Board Committee meetings, the NRC is of the view that the current commitments of each of its Directors are reasonable and each of the Directors is able to and has been adequately carrying out his/her duties and noted that no Director has a significant number of listed directorships and principal commitments.

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Manager believes that oversight from a strong and effective Board is critical to guiding a business enterprise to achieving success.

The Board strives to ensure that there is an optimal blend of backgrounds, experience and knowledge in business and general management, expertise relevant to CEREIT's business and track record, and that each Director can bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made in the interests of CEREIT.

Whilst board performance is ultimately reflected in the long-term performance of CEREIT, the Board believes that engaging in a regular process of self-assessment and evaluation of board performance in order to identify key strengths and areas for improvement is essential to effective stewardship and to attaining success for CEREIT.

As part of the Manager's commitment towards improving corporate governance, the Board has approved and implemented a process to evaluate the effectiveness of the Board as a whole and the Board Committees on an annual basis. As part of the process, questionnaires were sent to the Directors, and the results were aggregated and reported to the Chair of the NRC. The process for FY 2022 was facilitated by Agile 8 Advisory Pte Ltd ("Agile 8"), the Manager's corporate secretary. Save for Agile 8's appointment as external facilitator to conduct the Board evaluation and as the Manager's corporate secretary, Agile 8 does not have any other connection with the Manager or any of the Directors. The areas of evaluation covered in the survey questionnaire included Board roles and responsibilities, leadership, teamwork, management relations, conduct of meetings, training, ethics/stakeholders, Board strengths, Board Committee effectiveness and Directors' self-evaluation. The results of the survey were deliberated upon by the NRC and the Board, and the necessary follow-up action will be taken with a view to enhancing the effectiveness of the NRC and the Board in the discharge of its duties and responsibilities. The Board was also able to assess the Board Committees through their regular updates to the Board on their activities. The outcome of the evaluation was satisfactory for all the attributes in the evaluation categories with overall agreement that the Board's performance objectives had been met.

In respect of individual Directors, their contributions can take different forms including providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and accessibility to Management outside of the formal environment of Board and/or Board Committee meetings. For FY 2022, the outcome of the self-evaluation of each Director was satisfactory and each Director had contributed positively to the overall effectiveness of the Board.

The Manager also believes that the collective Board performance and the contributions of individual Board members are also reflected in, and evidenced by, the synergistic performance of the Board in discharging its responsibilities as a whole by providing proper guidance, diligent oversight and able leadership, and lending support to Management in steering CEREIT in the appropriate direction, as well as the long-term performance of CEREIT whether under favourable or challenging market conditions.

CORPORATE GOVERNANCE

(B) REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

In Singapore, REITs are regulated passive investment trusts, constituted under a trust deed. The independent trustee contracts with a licensed manager to manage and operate the trust on its behalf. The trust itself does not employ any staff. Hence, the staff's remuneration is not paid by the trust and is an arrangement directly with the Manager. For more details on the structure and the relationship between the Trustee, Manager and Unitholders, please refer to pages 16 and 17 of this Annual Report.

In an external REIT manager structure, the Manager is entitled to charge management and ancillary fees as outlined in the Trust Deed, from which the Manager remunerates the salaries of its Directors and employees and pays its operating costs. Pursuant to the Trust Deed, Unitholder approval via extraordinary resolution is required for any increase in the rate or any change in the structure of the management fee, or any increase in the maximum permitted level of the Manager's acquisition fee or divestment fee. A REIT manager is required to abide by the conditions of its capital markets license, the CIS Code (including the Property Funds Appendix), the SFA and the Listing Manual. These ensure that the Manager acts in the best interests of the Unitholders.

The Board approves the executive compensation framework based on the principle of linking pay to performance of CEREIT. CEREIT's business plans are translated to both quantitative and qualitative performance targets, including sustainable corporate practices and are cascaded throughout the Manager.

Principle 7: Level and Mix of Remuneration

The level and structure of remuneration of the Board and KMP are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

In this instance, the Manager and its Board set the appropriate mix and level of remuneration to reflect the objective of CEREIT – to provide stable and growing DPU and NAV per Unit over the long term with appropriate capital structure. The remuneration policy is designed to encourage the Manager to undertake only appropriate conservative risks to meet its medium-term objectives.

The Manager is not incentivised by an AUM target and no AUM target for CEREIT has been set by the Manager. The Board, the Manager and the Sponsor believe that this addresses the potential for conflicts-of-interest with regards to IPT transactions (otherwise referred to as Related Party Transactions) or transactions being contemplated for the sake of size alone.

The NRC engages an annual independent market survey of both the Director fees and the KMP remuneration levels and the appropriate mix between fixed remuneration, short-term incentives and long-term incentives for the KMP to optimise alignment to the Board approved short, medium and long-term objectives. For 2022, Aon Pte Ltd ("Aon") was engaged as the external independent remuneration consultant.

Aon is a leading global human capital and management consulting firm, providing a complete array of consulting, outsourcing and insurance brokerage services. The consultant is not related to the Manager, its controlling shareholder, its related corporations or any of its Directors, which would affect its independence and objectivity. The NRC rotates its remuneration consultant every two years and will consider rotating the remuneration consultant again in 2024.

Taking into account various factors, the NRC considers setting the benchmark remuneration levels to be competitively positioned for each equivalent function which commensurate with size and scope of each role and experience required and as benchmarked by Aon.

Principle 8: Disclosure on Remuneration

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The Board sets the remuneration policy in line with CEREIT's business strategy and Cromwell Property Group corporate values. The remuneration policy is reviewed by the NRC and necessary changes are recommended to the Board from time to time.

Under its terms of references, the NRC's responsibilities include:

- (a) reviewing and recommending to the Board a general framework of remuneration for the Board and KMP;
- (b) reviewing and recommending to the Board the specific remuneration packages for each Director as well as for KMP; and
- (c) reviewing CEREIT's obligations arising in the event of termination of executive Directors' and KMP's contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The NRC considers all aspects of remuneration (including but not limited to director's fees, salaries, allowances, bonuses, options, unit-based incentives and awards, benefits-in-kind) and aims to be fair and avoid rewarding poor performance based on the key principles of linking pay to performance and adherence to Cromwell Property Group Values. In designing the remuneration structure, the NRC seeks to ensure that the level and mix of remuneration is competitive and relevant in attracting, motivating and retaining employees. The NRC also exercises independent judgement in ensuring that the remuneration structure is aligned with the interests of Unitholders. No member of the Board, however, will be involved in any decision of the Board relating to his/her own remuneration.

The Manager's compensation programme is well-balanced, competitive, performance-based and aligned with the achievement of each employee's short, medium and long-term goals. Such performance-centric remuneration is linked to the achievement of corporate and individual performance targets, in terms of short and long-term quantifiable objectives and to support the ongoing enhancement of Unitholder value. It aims to promote long-term success and sustainable growth of CEREIT. Management are also incentivised through annual bonus awards that are tied to a variety of financial and non-financial measures. While this approach reflects a pay-for-performance culture, it is also designed to attract, motivate and retain employees in their respective field of expertise. This ensures prudent stewardship of CEREIT and drives business growth and strategy while creating long-term Unitholder value. The remuneration system also takes into account the value creation capability of the Directors and KMP.

In determining the remuneration packages for Directors and KMP, the Manager takes into account compensation benchmarks within the industry, as appropriate. It also considers the compensation framework of the Sponsor as a point of reference. The Manager is a subsidiary of the Sponsor which also holds a significant stake in CEREIT. The association with the Sponsor puts the Manager in a better position to attract and retain better qualified management talent; it provides an intangible benefit to the Manager such that it allows its employees to associate themselves with an established corporate group which can offer them the depth and breadth of experience and enhanced career development opportunities. The Board has access to independent remuneration consultants for advice as required. For FY 2022, the Manager engaged an external independent remuneration consultant, Aon, to advise on external compensation benchmarking.

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Non-executive Director Remuneration

The non-executive Directors receive their Directors' fees in accordance with their various levels of contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and the Board Committees. Their remuneration package consists of a basic retainer fee as a Director and additional fees for serving on the Board Committees. A larger fee is accorded to the chair of each Board Committee in view of the greater responsibility, size and scope of the position.

The compensation package is market-benchmarked, taking into account the responsibilities on the part of the Directors in light of the scope and nature of CEREIT's business. All fees are paid for directly by the Manager, not by CEREIT.

The framework for determining Directors' fees is shown in the table below:

	Chairperson	Member
Main Board	S\$120,000	S\$80,000
ARC	S\$40,000	S\$30,000
NRC	S\$30,000	S\$20,000
SC	S\$40,000	S\$20,000

Based on recommendations from Aon, the NRC recommended and the Board approved for Director fees to be unchanged for year ended 31 December 2023.

The Directors' fees for FY 2022 are shown in the table below. The CEO as an Executive Director does not receive any fees for serving as Director, however is remunerated as part of the KMP. All Directors' fees are paid in cash.

It should be noted that the Directors do not receive any additional benefits other than travel expense reimbursement from the Manager.

Director's Fees

Director	Tenure (Years)	Cash Fees	Other Component	Total Pay
Lim Swe Guan	5 Years 5 Months	S\$190,000	-	S\$190,000
Fang Ai Lian	5 Years 5 Months	S\$160,000	-	S\$160,000
Christian Delaire	5 Years 4 Months	S\$160,000	-	S\$160,000
Ooi Eng Peng	1 Year 3 Months	S\$170,000	-	S\$170,000
Simon Garing	4 Years 4 Months	N.A.	N.A.	N.A.

Remuneration for KMP

The Manager has an established and rigorous process for the performance review of all employees, including senior executives. The performance of senior executives and whether they have met their individual key performance indicators is evaluated annually by the CEO, with regular feedback being provided during the performance period. At the time of the reviews, the professional development of the senior executive is also discussed, along with any training which could enhance their performance. Both qualitative and quantitative measures are used in the evaluation.

The individual remuneration-linked key performance indicators for the CEO and other KMP include both quantitative and qualitative targets. Each of the quantitative and qualitative targets carries different weight, with approximately 70% of the key performance indicators based on directly measurable targets and 30% weighting to the CEO and KMP displaying behaviours in line with Cromwell Property Group's culture and values.

These behaviours were observed by the Board and assessed based on peer reviews and an independent employee engagement survey.

In determining the payout quantum for each KMP under the STI plan, the Board also considers, amongst other factors, the overall business performance and individual performance relative to KPIs as well as affordability.

A long-term incentive Performance Unit Plan (PUP) is also offered to the CEO and KMP, with certain vesting criteria, including the achievement of future budgeted DPU and Total Unitholder Returns on the SGX-ST, pending 3 year minimum tenure requirements. The costs and benefits of long-term incentive schemes are carefully evaluated. In normal circumstances, all forms of deferred remuneration vest over a period of three years. Executive Directors and KMP are encouraged to hold their Units beyond the vesting period, subject to associated tax liability or personal circumstances.

No remuneration of Directors and employees of the Manager (in their capacity as Director or employee of the Manager) are (a) paid in the form of shares or interests in the Manager's controlling shareholder or its related companies; or (b) linked (directly or indirectly) to the performance of any entity other than CEREIT. Management and the Board are satisfied that the current arrangement results in a strong alignment of interest with all Unitholders. The Manager has in place policies and procedures to address any conflicts of interests or potential misalignment, which the NRC has oversight from a remuneration perspective.

For the avoidance of doubt, all remuneration paid to Directors and employees is paid for by the Manager and has no financial impact on CEREIT. Any Units awarded to employees are owned by and transferred from the Manager and not from CEREIT.

The framework for Remuneration of KMP

Remuneration for KMP comprises fixed components, variable cash components, Unit-based components and employee benefits:

A. Fixed Components

The fixed components comprise the base salary, fixed allowances and compulsory employer contribution to an employee's Central Provident Fund or other social security system. There was a minimum 3% increase in the fixed remuneration of the CEO and the other KMP in FY 2022.

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B. Variable Cash Components (Short-Term Incentives)

The variable cash component is linked to the achievement of annual performance targets and threshold for each KMP as agreed at the beginning of the financial year with the Board.

Under the framework for the variable cash components, CEREIF's strategy and goals are translated to performance outcomes comprising both quantitative and qualitative targets such as targets relating to DPU and operating earnings; these are cascaded down throughout the organisation, thereby creating alignment across CEREIF.

These measurable targets impact the bonus paid by the Manager and, for FY 2022, include the following:

- (a) meeting and exceeding the DPU as set out in the annual budget;
- (b) meeting and exceeding the FY 2022 operating budget;
- (c) achieving minimum portfolio occupancy;
- (d) successfully refinancing debt facilities which are targeted for the financial year;
- (e) maintaining an investment-grade credit rating and operating well within Board policy range;
- (f) achieving zero compliance breaches with no material internal or external audit observations;
- (g) meeting the annual target GRESB and other ESG related index scores; and
- (h) successfully completing identified key transactions (including asset sales and asset enhancement and development milestones) for the financial year while integrating sustainability risks in investment decisions.

The amount of weight accorded to each qualitative and quantitative target varies depending on the roles and functions of the CEO and KMP. The CEO and KMP largely met or exceeded their key performance indicators in FY 2022. Three factors that impacted on certain targets (both positively and negatively) should be noted:

- (a) FY 2022's DPU was 1.3% ahead of FY 2021, like-for-like NPI (excluding new acquisitions and divestments completed in FY 2021 and FY 2022, rental income from Via Nervesa 21, Milan due to redevelopment, and a one-off write back of doubtful debt provisions that occurred in FY 2021) was flat and occupancy increased 100 bps to 96% and WALE maintained at 4.6 years;
- (b) NAV dropped €0.10 to €2.42 per Unit due mostly to the 1.6% decline in valuations in December 2022, while aggregate LTV remained within the Board policy range of 35-40%; and
- (c) CEREIF's TSR was in the bottom quartile of the SREIT index and provided a negative 36% annual return to 31 December 2022

Generally, the KMP saw substantial reduction in their STI remuneration as a result of the underperformance of CEREIF in FY 2022.

For FY 2023, the KMP will only be eligible for a STI award once 2 gateway tests are passed: at least 95% of budgeted DPU is achieved and the corporate values and behaviours are upheld throughout the year.

C. Performance Unit-Based LTI Components (PUP)

Under the PUP, the Manager grants Unit-based awards with pre-determined performance vesting targets being set over the relevant performance period. The PUP awards represent the right to receive fully paid Units, their equivalent cash value or a combination thereof, free of charge, provided that certain prescribed performance conditions are met over the three-year period. The final number of Units to vest and be released will generally depend on the achievement of the pre-determined targets at the end of the performance period, after passing 2 gateway tests: 1) at all times demonstrating behaviour in line with CEREIT and the Manager's values and Code of Conduct and 2) meeting at least 95% of budgeted DPU. There are the normal market practice for good behaviour leaver, change of control of the Manager and *malus* clawback provisions.

These targets had previously included look back tests on DPU and Total Return metrics on SGX-ST including both Unit price performance and yield. As a result, the 2019 PUPs awarded in March 2020 recently lapsed unvested given the failure to meet the vesting tests relevant to the 3 years (2020-2022).

- i For the 2022 PUPs, there are 2 vesting tests, equally weighted to determine the final allotment of CEREIT units: The first test is based on achieving the average of the 3 year budgeted operating DPU.
 - 50% vesting for 95% gateway achievement of budgeted DPU, up to 100% vesting for 105% achievement of budgeted DPU – pro-rata straight line.
- ii The second test is for the 3 year annualised Absolute Total Unitholder Return (ATUR) to exceed the budget distribution yield, using the FY 2023 DPU budget and opening price at 31 December 2022 to set the minimum ATUR required.
 - The gateway to this threshold is achieving 100% of budget distribution yield and ATUR achievement >P50th percentile of the EPRA Developed Euro Index with 50% vesting at the threshold and up to 100% vesting for up to 150% of the ATUR relative to the budget distribution yield benchmark.
 - If ATUR achievement is below the threshold (0% vesting) but above P50 of the EPRA Developed European Index Total return, up to 50% of this component of the PUP can be vested at the Board's discretion.

The Board has absolute discretion to decide on the final awards, taking into consideration any other relevant circumstances. PUP will be forfeited if an employee ceases employment, subject to Board discretion in the case of "good leavers". The Board has discretion to vest PUPs on change of control and award PUPs payments for part periods on such events. For the avoidance of doubt, there is no financial impact on CEREIT as a result of the PUP as the Units are not new units issued by CEREIT. The PUP Units are transferred either from the Manager's own holdings or its related entities or acquired on market by the Manager.

D. Employee Benefits

The Manager's remuneration package includes benefits such as life and health insurance, complimentary annual physical and mental health checks, parental leave and mandatory retirement contributions according to prevailing local market practices. These benefits extend to all employees of the Manager (including full-time and contracted employees).

The breakdown of the remuneration of the CEO and the KMP in percentage terms, are provided in the KMP's Remuneration Table on page 176 of this Annual Report.

For FY 2022, the Manager does not have any employee who is a substantial shareholder of the Manager, substantial Unitholder, or an immediate family member of a Director, the CEO, any substantial shareholder of the Manager or a substantial Unitholder. Immediate family member refers to the spouse, child, adopted child, step-child, sibling or parent. There was no termination, retirement or post-employment benefits granted to Directors, CEO and any KMP. There were also no special retirement plans, "golden parachute" or special severance packages given to any KMP.

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Key Management Personnel's Remuneration Table for FY 2022

The CEO's annual remuneration in actual amount and other KMP remuneration in bands of S\$250,000, together with a breakdown of their respective remuneration components in percentage terms, are set out in the Remuneration Table below. Exact figures of the other KMP's remuneration have not been provided due to the competitive nature of the Singapore REIT employment market which may be prejudicial to Unitholders' interests. The remuneration is at the Manager's expense and not the Unitholders'. The bands are based on the sum of the fixed remuneration, STI and LTI amounts. The Manager has adopted Aon's assessment of the PUPs, given the uncertainty of vesting amounts or value. The remuneration of the KMP is not borne by CEREIT as it is paid out of the fees that the Manager receives (the quantum and basis of which have been disclosed).

		Base/Fixed Salary	Variable or Performance Related Income	Award of Long-Term Incentive (PUP) - Face Value	Total
CEO's Remuneration S\$1,268,721					
CEO	Mr Simon Garing	49%	27%	24%	100%
Band	S\$750,000 to S\$1,000,000				
CFO	Mr Shane Hagan	58%	12%	30%	100%
Band	S\$500,000 to S\$750,000				
COO/IR	Ms Elena Arabadjieva	62%	21%	17%	100%
HOP	Mr Andreas Hoffmann	60%	20%	20%	100%
Aggregate of the total remuneration for the KMP (including CEO): S\$3,152,000					

Apart from the KMP and other employees of the Manager, the Manager outsources various other services to Cromwell Europe Ltd, the Property Manager. This arrangement is put in place so as to provide flexibility and maximise efficiency in resource management to match the needs of CEREIT from time to time, as well as to leverage on economies of scale and tap on the management talent of an established corporate group which can offer enhanced depth and breadth of experience. However, notwithstanding the outsourcing arrangement, the responsibility for due diligence, oversight and accountability continues to reside with the Board and Management. In this regard, the remuneration of the employees of the Property Manager and Cromwell Property Group, is not included as part of the disclosure of remuneration of KMP in this Report. Further details relating to the Sponsor's KMP and remuneration policies may be found in Cromwell Property Group's annual report.

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board has overall responsibility for the governance of risk and determines the nature and extent of the significant risks which it is willing to take. The ARC assists the Board in carrying out the Board's responsibility of overseeing CEREIT's risk management framework and policies. The ARC oversees Management in the design, implementation and monitoring of risk management and internal controls systems. The ARC also makes recommendations to the Board on the nature and extent of the significant risks, including risk tolerance limits and other associated risk parameters, which the Board is willing to assume in achieving its strategic objectives and value creation.

Risk Management

Responsibility for managing risks lies with the Manager, working within the overall strategy outlined by the Board. The Manager has appointed an experienced and well qualified management team to handle its day-to-day operations.

The Manager has in place an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance, IT and emerging risks such as sanctions-related risks to safeguard Unitholders' interests and CEREIT's assets. CEREIT has implemented a comprehensive ERM framework which enables CEREIT to deal with business opportunities and uncertainties by identifying key risks and enacting the appropriate mitigating plans and actions. The ERM framework provides information for CEREIT's stakeholders to make an informed assessment of CEREIT's risk management and internal control systems. The ERM framework lays out the governing policies, processes and systems to identify, evaluate and manage risks as well as to facilitate the assessment on the adequacy and effectiveness of CEREIT's risk management system.

Independent Review and Internal Controls

Where the external auditors, in their audit of CEREIT's year-end financial statements, raise any significant issues (e.g. significant adjustments) which have a material impact on the financial statements or business and operational updates previously announced by CEREIT, the ARC should bring this to the Board's attention immediately. The ARC should also advise the Board if changes are needed to improve the quality of future financial statements or financial updates.

The internal auditor conduct reviews that involve testing the effectiveness of the material internal controls addressing financial, operational, compliance and IT risks and risk management processes. This includes testing, where practicable, material internal controls in areas managed by external service providers. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the ARC. The adequacy and effectiveness of the measures taken by the Manager in response to the recommendations made by the internal and external auditors are also reviewed by the ARC.

The internal control process of the Manager comprises three lines of defence, with each contributing towards the adequacy and effectiveness of CEREIT and the Manager's system of internal controls and risk management.

As part of the first line of defence, Management is required to ensure good corporate governance through implementation and management of policies and procedures relevant to CEREIT's and the Manager's business scope and environment. Such policies and procedures govern financial, operational, IT and regulatory compliance matters and are reviewed and updated periodically.

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Under the second line of defence, CEREIT and the Manager conduct regular self-assessment on the status of their respective internal controls and risk management via process controls and checklists. Action plans would then be drawn up to remedy identified control gaps. Under CEREIT's ERM framework, significant risk areas are also identified and assessed, with systems, policies and processes put in place to manage and mitigate the identified risks. Regulatory compliance supports and works alongside business management to ensure relevant policies, processes and controls are effectively designed, managed and implemented to ensure compliance risks and controls are effectively managed.

Under the third line of defence, the CEO, CFO, and KMP are required to provide CEREIT and the Manager with written assurances as to the adequacy and effectiveness of their system of internal controls and risk management. The internal and external auditors provide added independent assessments of the overall control environment.

For FY 2022, the Board has received assurance from:

- (a) the CEO and the CFO, that the financial records of CEREIT have been properly maintained and the financial statements give a true and fair view of CEREIT's operations and finances. In addition, the Board has received similar assurance from the external auditor; and
- (b) the CEO and other relevant KMP, that the system of risk management and internal controls in place for CEREIT is adequate and effective to address the financial, operational, compliance and IT risks which the Manager considers relevant and material to the current business environment.

The CEO and the CFO have obtained similar assurances from the relevant respective risk and control owners.

In addition, in FY 2022, the Board has received quarterly certification by Management on the integrity of financial reporting and the Board has provided a negative assurance confirmation to Unitholders as required by the Listing Manual.

Based on the reviews conducted by Management and work performed by both internal and external auditors, as well as the assurance from the CEO and the other relevant KMP, the Board is of the opinion that CEREIT's system of risk management and internal controls is adequate and effective to address the financial, operational, compliance and IT risks which the Manager considers relevant and material to the current business environment as at 31 December 2022. The ARC concurs with the Board in its opinion. No material weaknesses in the systems of risk management and internal controls were identified by the Board and the ARC in the review of FY 2022. CEREIT has maintained proper records of the discussions and decisions of the Board and the ARC.

The Board notes that the system of risk management and internal controls established by the Manager provides reasonable assurance that CEREIT, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

Principle 10: Audit Committee

The Board has an Audit Committee which discharges its duties objectively.

The ARC is appointed by the Board from among the Directors and is composed of three members, all of whom are CEREIT IDs, more than the minimum Code requirement of at least a majority (including the Chair of the ARC) to be CEREIT IDs. The members of the ARC are Mrs Fang Ai Lian, Mr Lim Swe Guan and Mr Christian Delaire, all of whom are independent and non-executive Directors. Mrs Fang Ai Lian is the Chair of the ARC.

The members bring with them invaluable recent and relevant managerial and professional expertise in accounting and related financial management domains; in particular, the Chair of the ARC is a Fellow of the Institute of Singapore Chartered Accountants, among other professional affiliations. None of the ARC members was previously a partner of the incumbent external auditors, Deloitte, within the previous two years nor does any of the ARC members hold any financial interest in Deloitte.

The ARC has explicit authority to investigate any matter within its terms of reference. Management is required to provide the fullest co-operation in providing information and resources, and in implementing or carrying out all requests made by the ARC. The ARC has direct access to the internal and external auditors and full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the internal and external auditors are given unrestricted access to the ARC.

The role of the ARC is to monitor and evaluate the effectiveness of the Manager's internal controls.

The ARC also reviews the quality and reliability of information prepared for inclusion in financial reports and is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The Board and the ARC play a key role in the protection of minority Unitholders, monitoring and managing potential conflicts of interest of Management, Board members and Unitholders.

Under its terms of reference, the ARC's scope of duties and responsibilities includes:

- (a) reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management;
- (b) reviewing the significant financial reporting issues and key areas of management judgements so as to ensure the integrity of the financial statements of CEREIT and any announcements relating to CEREIT's financial performance;
- (c) ensuring that the internal audit function is adequately resourced and has appropriate standing within the Manager;
- (d) reviewing, on an annual basis, the adequacy, effectiveness and independence of the internal audit function in the overall context of CEREIT's internal controls and risk management systems;
- (e) reviewing the assurance from the CEO and the CFO on the financial records and financial statement;
- (f) reviewing the statements included in CEREIT's annual report on CEREIT's internal controls and risk management framework;
- (g) making recommendations to the Board on the proposals to Unitholders on the nomination for the appointment and removal of external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (h) reviewing the nature and extent of non-audit services performed by external auditors;
- (i) reviewing, on an annual basis, the independence and objectivity of the external auditors;
- (j) reviewing the effectiveness, independence, adequacy, scope and results of the external audit and the internal audit function;

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- (k) meeting with external and internal auditors, without the presence of Management, at least on an annual basis;
- (l) assisting the Board to oversee the formulation, updating and maintenance work of adequate and effective risk management framework;
- (m) reviewing the whistle-blowing policy and arrangements put in place by which staff and external parties may, in confidence, raise possible improprieties in matters of financial reporting or other matters, for the independent investigation of such matters and for appropriate follow up actions;
- (n) reviewing at least annually the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and IT controls, and risk management processes;
- (o) reviewing the financial statements and the internal audit report;
- (p) monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to “interested person transactions” and the provisions of the Property Funds Appendix relating to “interested party transactions” (also collectively known as “Related Party Transactions”);
- (q) reviewing transactions constituting Related Party Transactions;
- (r) reviewing, on an annual basis, a report on the asset allocation conflict decisions pursuant to the Cromwell Property Group Allocation Process which governs the allocation of investment opportunities from Cromwell Property Group’s origination pipeline in a fair and equitable manner to all funds established and/or sponsored by Cromwell Property Group;
- (s) deliberating on conflicts of interest situations involving CEREIT, including situations where the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of CEREIT with a Related Party of the Manager and where the Directors, controlling shareholder of the Manager and Associates (as defined in the Listing Manual) are involved in the management of or have shareholding interests in similar or related business as the Manager, and in such situations, the ARC will monitor the investments by these individuals in CEREIT’s competitors, if any, and will make an assessment whether there is any potential conflict of interest;
- (t) reviewing internal and external audit reports at least once a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with;
- (u) monitoring the procedures in place to ensure compliance with applicable legislation, regulations, the Listing Manual and the Property Funds Appendix;
- (v) reviewing and providing their views to the Board on all hedging policies and instruments to be implemented by CEREIT;
- (w) reviewing all hedging policies and procedures to be implemented by CEREIT for the entry into of any hedging transactions (such as foreign exchange hedging and interest rate hedging) and monitoring the implementation of such policy, including reviewing the instruments, processes and practices in accordance with the policy for entering into foreign exchange hedging transactions;
- (x) investigating any matters within the ARC’s terms of reference, whenever it deems necessary; and
- (y) reporting to the Board on material matters, findings and recommendations.

The ARC reviews non-audit services provided by the external auditors, Deloitte. There were no such services provided in FY 2022 (FY 2021: €65,000). The ARC is satisfied that the independence of the external auditors has not been impaired by the provision of those services, where applicable. The aggregate amount of fees paid and payable to the external auditors was €948,000. Audit and audit-related fees included audit fees for all of the countries in which CEREIT has its properties and holding entities.

The external auditors have provided confirmation of their independence to the ARC. Cognisant that the external auditor should be free from any business or other relationships with CEREIT that could materially interfere with its ability to act with integrity and objectivity, the ARC undertook a review of the independence of the external auditor and gave careful consideration to CEREIT's relationships with them during FY 2022. In determining the independence of the external auditor, the ARC reviewed all aspects of CEREIT's relationships with it including the processes, policies and safeguards adopted by CEREIT and the external auditor relating to auditor independence.

There were no non-audit services provided by the external auditors to CEREIT in FY 2022. Nevertheless, the ARC will continue to review and monitor any such fees and ensure that the fees for such non-audit services will not impair or threaten auditor independence. Based on the review, the ARC is of the opinion that the external auditor is, and is perceived to be, independent for the purpose of CEREIT's statutory financial audit.

CEREIT has complied with Rule 712 and Rule 715 read with Rule 716 of the Listing Manual in relation to the appointment of its auditing firms. In particular, the ARC is of the view that Deloitte is a suitable auditing firm having regard to the adequacy of the resources and experience of the auditing firm and the audit partner- in-charge assigned to the audit, the firm's other audit engagements, the size and complexity of CEREIT, and the number and experience of supervisory and professional staff assigned to the audit of CEREIT.

Under Rule 713 of the Listing Manual, CEREIT was not required to rotate its current external audit partner-in-charge in FY 2022 as the partner-in-charge had not been in charge of more than five consecutive annual audits. However, the external audit partner will be rotated in FY 2023 following the completion of five consecutive annual audits.

The ARC meets with the internal and external auditors at least once a year without the presence of Management. In FY 2022, the ARC met with the internal and external auditors, without Management's presence, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors. Where relevant, the ARC makes reference to best practices and guidance for Audit Committees in Singapore including practice directions issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore.

In its review of the financial statements of CEREIT for FY 2022 the ARC had discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The ARC also considered the clarity of key disclosures in the financial statements. The ARC reviewed, among other matters, fair valuation and disclosure of fair value for investment properties, a key audit matter identified by the external auditors for FY 2022.

Changes to the accounting standards and accounting issues which have a direct impact on the financial statements were reported to and discussed with the ARC at its meetings.

The Manager has in place an internal audit function which has been outsourced to KPMG Services Pte. Ltd. which reports directly to the ARC and administratively to the CEO. The ARC is of the view that the internal audit function is independent, effective and adequately resourced. The ARC is satisfied that the internal audit function in the overall context of CEREIT's risk management system is adequate and effective.

CORPORATE GOVERNANCE

KPMG is a reputable accounting and auditing firm staffed by qualified professionals with the relevant qualifications and experience. The audit methodology adopted is guided by the firm's global internal auditing standards and the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the IIA. For FY 2022, the internal audit work carried out by KPMG was in conformance with IIA standards.

The internal auditors plan their internal audit schedules in consultation with, but independently of, Management and their plan is submitted to the ARC for approval at the beginning of each year. The internal auditors report directly to the ARC and have unfettered access to the Manager's documents, records, properties and employees, including access to the ARC, and has appropriate standing within the Manager. Where applicable, the ARC also decides on the appointment, termination and remuneration of the internal auditors.

(C) UNITHOLDER RIGHTS AND ENGAGEMENT

(D) MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 11: Unitholder Rights and Conduct of General Meetings

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Manager treats all Unitholders fairly and equitably. All Unitholders enjoy specific rights under the Trust Deed and the relevant laws and regulations. These rights include, among other things, the right to participate in distributions of income. Unitholders are also entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings (including through appointment of up to two proxies, if they are unable to attend in person or in the case of a corporate Unitholder, through its appointed representative). Unitholders such as nominee companies which provide custodial services for securities are not constrained by the two-proxy limitation and are able to appoint more than two proxies to attend, speak and vote at general meetings of CEREIT.

The Manager supports the principle of encouraging Unitholders' participation and voting at general meetings, notwithstanding the limitations that have been caused by the COVID-19 pandemic. Unitholders were informed of the change from a physical AGM to a meeting held by way of electronic means, together with the relevant rules and voting procedures of such meetings. In line with CEREIT's sustainability strategy, an electronic version of the Annual Report is available on CEREIT's website at www.cromwelleuropeanreit.com.sg (printed copies are available upon request). Notices of the general meetings are publicised appropriately within the requisite notice period on SGXNet, on CEREIT's website and also, as appropriate, advertised in media. Proxy forms are also made available within the requisite notice period on SGXNet and on CEREIT's website. The requisite notice period for a general meeting is adhered to. In 2022, the Notice of AGM was published on 4 April 2022, 22 days in advance of the AGM, giving Unitholders sufficient time to register and submit questions in advance, in view of the restriction in holding physical meetings due to the COVID-19 pandemic.

All Unitholders are given the opportunity to participate effectively in and vote at general meetings. At general meetings, Unitholders are encouraged to communicate their views and discuss with the Board and Management matters affecting CEREIT, again notwithstanding the limitations that have been caused by the COVID-19 pandemic. Every effort is made for representatives of the Trustee, Directors (including the chairs of the Board, ARC respectively), the Manager's senior Management and the external auditors of CEREIT, to be present at general meetings to address any queries from Unitholders, including Unitholders' queries about the conduct of audit and the preparation and content of the auditors' reports. Registered Unitholders were able to observe the AGM proceedings through a live audio-visual webcast or live audio-only stream, or "live" at the AGM via an online chatbox. Both the Chair and the CEO attended the fourth AGM. A record of the Directors' attendance at the general meetings can be found in the records of their attendance of meetings set out on page 160 of this Annual Report.

As a precautionary measure due to the then COVID-19 situation in Singapore, listed companies were encouraged to conduct their general meetings via electronic means. Accordingly, the Manager made virtual meeting arrangements for the AGM.

To safeguard Unitholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, unless the resolutions are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Manager explains the reasons and material implications in the notice of meeting. To ensure transparency in the voting process and better reflect Unitholders' interest, the Manager conducts electronic poll voting for all the resolutions proposed at the general meetings unless such meetings are held virtually where all voting will be by way of proxy. Although live voting was not possible at the fourth AGM, the Manager provided advanced voting by proxy for polling on all resolutions. Voting procedures are explained and vote tabulations are disclosed at the general meetings. An independent scrutineer is also appointed to validate the vote tabulation procedures. DrewCorp Services Pte Ltd was appointed as independent scrutineer for the fourth AGM. Votes cast, for or against and the respective percentages, on each resolution are tallied and displayed 'live' on-screen to Unitholders immediately at the general meetings. The total number of votes cast for or against the resolutions and the respective percentages are also announced on SGXNet after the general meetings.

Provision 11.4 of the Code requires an issuer's Constitution to allow for absentia voting at general meetings of Unitholders. Voting in absentia and by email, which are currently not permitted may only be possible following careful study to ensure that the integrity of information and authentication of the identity of Unitholders through the web are not compromised, and legislative changes are effected to recognise remote voting. The Manager is of the view that despite the deviation from Provision 11.4 of the Code, Unitholders nevertheless have opportunities to communicate their views on matters affecting CEREIT even when they are not in attendance at general meetings. For example, Unitholders may appoint proxies to attend, speak and vote, on their behalf, at general meetings. The Manager is accordingly of the view that its practice is consistent with the intent of Principle 11 of the Code as a whole.

The Company Secretary prepares minutes of general meetings, which include substantial comments or queries raised by Unitholders and the responses from the Chair, Board members and Management. These minutes are posted on CEREIT's website as soon as practicable.

Directors are present whether physically or by video conference or other means for the entire duration of general meetings. At general meetings, Management conducts formal presentation to the Unitholders to update them on CEREIT's performance, position and prospects. Presentation materials are made available on SGXNet and CEREIT's website on the same day of AGM. In the case of physical general meetings, the Chair facilitates constructive communication between Unitholders and the Board, Management, external auditors and other relevant professionals. The Chair also allows specific directors, such as Board Committee chairs, to answer queries on matters related to their roles. Unitholders also have the opportunity to communicate their views and discuss with the Board and Management matters affecting CEREIT before and/or after the general meetings. All Directors are provided with personal CEREIT business cards with their contact information that they can present to Unitholders, should Unitholders wish to follow up directly on specific matters with the respective directors.

During CEREIT's fourth AGM held on 26 April 2022, Unitholders were able to ask "live" questions through an online chatbox at the AGM during the audio-visual webcast or audio-only stream. In addition, the Manager provided several options for submission of questions to the Chair in advance of the AGM. The Board received valuable feedback from the Unitholders during the advance submission. All substantial and relevant questions submitted in advance of the AGM were addressed either prior to or during the AGM. A combined AGM and Annual Report-related Q&A addressing questions which the Manager did not address during the AGM was published on SGXNet and on CEREIT's website prior to the AGM. The Manager published the minutes of the AGM on SGXNet and on CEREIT's website, and the minutes included the responses to the substantial and relevant questions that were addressed during the AGM.

CEREIT has a formalised distribution policy which aims to largely distribute operating income to Unitholders, defined under the Trust Deed as Distributable Income with customary adjustments as allowed under the Trust Deed, while striving for an efficient capital structure.

Through this policy, CEREIT seeks to provide consistent and sustainable distribution payments to its Unitholders.

CORPORATE GOVERNANCE

Although CEREIT's distribution policy is to distribute at least 90% of CEREIT's annual distributable income for each financial year, CEREIT has distributed 100% of its distributable income since IPO. The actual level of distribution will be determined at the Manager's discretion. Unitholders are provided a choice to receive the distribution in either Euro or Singapore Dollars each period. The Manager will endeavour to pay distributions no later than 90 days after the end of each distribution period.

Distributions for FY 2022 were paid according to schedule and represented 100% of Annual Distributable Income. For every distribution declaration made, Unitholders will be notified via an announcement made through SGXNet. The Board resolved to suspend the DRP for FY 2022 given the unit price discount to net asset value.

Principle 12: Engagement with Unitholders

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

For more information, please refer to the [Investor Relations](#) section, commencing on page 50 of this Annual Report and summarised together with Principle 13 as follows.

Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

In the execution of its duties, the Board adopts an inclusive approach and not only considers CEREIT's obligations to its Unitholders but also the interests of its material stakeholders, as part of its overall responsibility to ensure that the best interests of CEREIT are served.

The Board is directly involved in all aspects of formulating and approving the sustainability strategy of CEREIT and receives quarterly updates on the progress that the Manager makes in all stakeholder engagement matters. The material stakeholder groups of CEREIT are clearly defined and specific activities to engage with each group are documented in CEREIT's FY 2021 Sustainability Report which was published in May 2022 and will be updated again for CEREIT's FY 2022 Sustainability Report, to be published by the end of April 2023.

The Manager is committed to provide regular updates on CEREIT's financial results and operating performance and to provide timely information on any material changes that could potentially affect CEREIT's unit price.

The Manager has a dedicated investor relations team that runs a proactive investor outreach programme. CEREIT's investor communications activities are governed by:

- (a) CEREIT's market disclosure protocol, which ensures that CEREIT timely discloses all price-sensitive information to the SGX-ST in accordance with the Listing Manual and that all Unitholders have equal and timely access to material information concerning CEREIT, including its financial position, performance, ownership and governance; and
- (b) the Manager's investor relations policy, which outlines the principles and practices followed by the Manager to ensure regular, effective and fair two-way communication with the investment community.

The Manager provides Unitholders with financial statements within the relevant periods prescribed by the Listing Manual after they are reviewed by the ARC and approved by the Board. Full-year and half-year result announcements include financial statements and supplementary materials such as results presentations and media releases. First and third quarter interim business updates are provided which include presentations, key financial metrics, media releases and other supplementary information in-line with the revised Rule 705(2) of the Listing Manual.

The Manager uploads all announcement materials on SGXNet, on CEREIT's website and further publicises them on CEREIT's LinkedIn site at <https://sg.linkedin.com/company/cromwell-european-reit> as appropriate. Full-year and half-year announcements are also typically accompanied by video messages intended for general audience that are uploaded on CEREIT's website and on CEREIT's LinkedIn site.

Other than financial results announcements, the Manager releases market-relevant general corporate announcements, media releases, investor presentations and annual and sustainability reports on SGX-ST in a timely manner and concurrently makes them available on CEREIT's website, investor relations section. CEREIT's website features company news as well as information on the Manager's strategy, Board and the Management team. Regularly updated information on CEREIT's properties, including property photographs, descriptions and maps is also available on CEREIT's website.

In presenting the financial statements and business updates to Unitholders, the Board aims to provide Unitholders with a balanced, clear and understandable assessment of CEREIT's performance, position and prospects. In order to achieve this, Management provides the Board with management accounts on a regular basis and such explanation and information as any Director may require, to enable the Directors to keep abreast, and make a balanced and informed assessment, of CEREIT's financial performance, position and prospects.

The Manager has made its investor relations policy available on CEREIT's website at https://investor.cromwelleuropeanreit.com.sg/investor_policy.html for greater transparency. Amongst others, the policy also specifically outlines the various modes of communication with Unitholders and the ways in which the Manager solicits the views of the Unitholders. The Manager engages with Unitholders and the investment community to communicate CEREIT's strategic business plans and operating performance, share latest corporate and industry developments as well as to gather their views and feedback on a range of strategic and topical issues. Such interactions allow Management to understand and consider the views and feedback from Unitholders and the investment community before formulating its key strategic decisions. To facilitate further the ability for Unitholders to ask questions and receive responses in a timely manner, the Manager has a dedicated investor relations section on CEREIT's website featuring online enquiry forms, 'Email Alerts' subscription option and a specific investor relations contact with email address so that Unitholders can subscribe for regular updates and direct their enquiries. The investor relations team responds to all credible and substantiated Unitholder enquiries in a timely manner, either via email or a phone call.

More information on the Manager's investor and media relations practices, calendar of activities, specific investor relations contacts and information on the various modes of communication with Unitholders and the available avenues for asking questions and receiving responses can be found in the Investor Relations section on pages 50 to 55 of this Annual Report.

(E) ADDITIONAL INFORMATION

Related Party Transactions

Review Procedures for Related Party Transactions

The Manager has established an internal controls system to ensure that all Related Party Transactions are undertaken on normal commercial terms and are not prejudicial to the interests of CEREIT and its Unitholders. In respect of such transactions, the Manager would have to demonstrate to the ARC that such transactions are undertaken on normal commercial terms and are not prejudicial to the interests of CEREIT and its Unitholders. These measures include obtaining (where practicable) quotations from parties unrelated to the Manager or obtaining two or more valuations from independent professional valuers (in accordance with applicable provisions of the Listing Manual and the Property Funds Appendix), with one of the valuers commissioned independently by the Trustee. The internal controls system also ensures compliance with Chapter 9 of the Listing Manual and the Property Funds Appendix.

CORPORATE GOVERNANCE

The Manager maintains a register to record all Related Party Transactions which are entered into by CEREIT and the bases, including any quotations from unrelated parties and independent valuations, on which they are entered into.

The Manager also incorporates into its internal audit plan a review of the Related Party transactions entered into by CEREIT. The ARC reviews the internal audit reports to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. The Trustee also has the right to review such audit reports and is provided with such to ascertain that the Property Funds Appendix has been complied with.

In particular, the procedures in place include the following:

- (a) transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of CEREIT's net tangible assets will be subject to review by the ARC at regular intervals;
- (b) transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of CEREIT's net tangible assets will be subject to the review and prior approval of the ARC. Such approval shall only be given if the transactions are on normal commercial terms and not prejudicial to the interests of CEREIT and its Unitholders and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
- (c) transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 5.0% of the value of CEREIT's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Furthermore, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

CEREIT will also, in compliance with Rule 905 of the Listing Manual, announce any Related Party Transaction in accordance with the Listing Manual if the value of such transaction, by itself or when aggregated with other Related Party Transactions entered into with the same Related Party during the same financial year, is 3.0% or more of CEREIT's latest audited net tangible assets.

Subject to Rules 905(5) and 906(4) of the Listing Manual, transactions with a value below S\$100,000 are disregarded for the purpose of the announcement and Unitholders' approval requirements under the Listing Manual as set out in the paragraphs above.

Under Rules 905(5) and 906(4) of the Listing Manual, while transactions with a value below S\$100,000 are not normally aggregated under Rules 905(3) and 906(2) of the Listing Manual respectively, the SGX-ST may aggregate transactions with a value below S\$100,000 entered into the same financial year and treat them as if they were one transaction in accordance with Rule 902 of the Listing Manual.

Where matters concerning CEREIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of CEREIT with a Related Party of the Manager (which would include relevant Associates (as defined in the Listing Manual) thereof) or CEREIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted:

- (a) on normal commercial terms;
- (b) are not prejudicial to the interests of CEREIT and its Unitholders; and
- (c) are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question.

The Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a Related Party of the Manager or the Trustee. If the Trustee is to sign any contract with a Related Party of the Manager or the Trustee, the Trustee will review the contract to ensure that it complies with the relevant requirements relating to Related Party Transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to CEREIT.

Exempted Agreements

In the case of external Managers for REITs, Related Party Transactions mostly relate to management fees and property management fees, leasing fees, development management fees and project management fees. These are paid either quarterly or as charged in accordance to the terms disclosed in the IPO prospectus and reported each year in the financial statements.

The fees and charges payable by CEREIT to the Manager under the Trust Deed are considered as Related Party Transactions which are deemed to have been specifically approved by the Unitholders upon their purchase of Units, to the extent that there are no subsequent changes to the rates and/or bases of the fees charged thereunder which will adversely affect CEREIT. Accordingly, they are treated as “exempt” from the related party transaction rules for aggregation and not subject to Rules 905 and 906 of the Listing Manual.

Pursuant to the terms of the Trust Deed, Unitholder approval via extraordinary resolution is required for any increase in the rate or any change in the structure of the Manager's management fee, or any increase in the permitted level of the Manager's acquisition fee or divestment fee. The Management agreement is detailed in CEREIT's IPO prospectus which is available on CEREIT's website, including the initial tenor of 10 years.

All Related Party Transactions are regulated by Chapter 9 of the Listing Manual and the Property Funds Appendix. All Related Party Transactions are undertaken on normal commercial terms and are not prejudicial to the interests of CEREIT and our Unitholders.

Role of the Audit and Risk Committee for Related Party Transactions

The Manager's internal control procedures are intended to ensure that Related Party Transactions are conducted on normal commercial terms and are not prejudicial to the interests of CEREIT and Unitholders.

The Manager maintains a register to record all Related Party Transactions which are entered into by CEREIT and the bases, including any quotations from unrelated parties and independent valuations, on which they are entered into.

On a quarterly basis, Management reports to the ARC the Related Party Transactions entered into by CEREIT. The Related Party Transactions are also reviewed by the internal auditors on a semi-annual basis and all findings (if any) are reported during the ARC meetings.

CORPORATE GOVERNANCE

The internal auditors have confirmed that based on sample testing performed on the Related Party Transactions for FY 2022 and the confirmation received from the Manager, that the Related Party Transactions have been conducted at arms-length and in compliance with the Listing Manual, no exceptions have been noted and they are unaware of any Related Party Transactions that may be prejudicial to the interests of CEREIT.

The Manager also incorporates into its internal audit plan a review of the Related Party Transactions entered into by CEREIT. The ARC reviews the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. The Trustee also has the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with. The review may also include a review of any other such documents or matter as may be deemed necessary by the ARC. If a member of the ARC has an interest in a transaction, he/she is to abstain from participating in the review and approval process in relation to that transaction.

Details of all Related Party Transactions (equal to or exceeding S\$100,000 each in value) entered into by CEREIT in FY 2022 are disclosed on page 280 of this Annual Report. Non-exempted fees and exempted fees represent nil and 1.1% respectively of gross asset value as at 31 December 2022.

Dealing with Conflicts of Interest

The following principles and procedures have been established to deal with potential conflicts of interest which the Manager (including its Directors, executive officers and employees) may encounter in managing CEREIT and were fully adhered in FY 2022:

- (a) the Manager will not manage any other REIT which invests in the same type of properties as CEREIT;
- (b) all executive officers will work exclusively for the Manager and will not hold other executive positions in other entities, save for any wholly-owned subsidiaries of the Manager;
- (c) all resolutions in writing of the Directors in relation to matters concerning CEREIT must be approved by at least a majority of the Directors (excluding any interested Director), including at least one CEREIT ID;
- (d) (i) the Chair of the Board and the CEO are not the same person, (ii) the Chair of the Board and the CEO are not immediate family members, (iii) the Chair of the Board is not part of Management, (iv) the Chair of the Board is an ID, and (v) the Board shall comprise at least half CEREIT IDs;
- (e) in respect of matters in which a Director or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and must exclude such interested Director;
- (f) in respect of matters in which the Sponsor and/or its subsidiaries have an interest, whether direct or indirect, any non-independent directors appointed by the Sponsor and/or its subsidiaries to the Board to represent their interests will abstain from deliberation and voting on such matters. In such matters, the quorum must comprise only CEREIT IDs and must exclude such nominee non-independent Directors of the Sponsor and/or its subsidiaries;
- (g) save as to resolutions relating to the removal of the Manager, the Manager and its associates are prohibited from voting or being counted as part of a quorum for any meeting of the Unitholders convened to approve any matter in which the Manager and/or any of its associates has a material interest and for so long as the Manager is the manager of CEREIT, the controlling shareholders of the Manager and of any of its associates are prohibited from voting or being counted as part of a quorum for any meeting of Unitholders convened to consider a matter in respect of which the relevant controlling shareholders of the Manager and/or of any of its associates have a material interest; and

- (h) if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of CEREIT with a Related Party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of CEREIT, has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors (including the CEREIT IDs) will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of CEREIT with a Related Party of the Manager, and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders. Any decision by the Manager not to take action against a Related Party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such Related Party.

Dealings in Securities

The Manager has devised and adopted a security dealing policy for the Manager's officers and employees which applies the best practice recommendations in the Listing Manual. To this end, the Manager and the Sponsor have issued guidelines to the Directors and employees of the Manager as well as officers and employees of the Sponsor, which set out prohibitions against dealings in CEREIT's and the Sponsor's securities (i) while in possession of non-public price-sensitive information and (ii) during the two weeks immediately preceding, and up to the time of the announcement of, CEREIT's interim business and operational updates, or during the one month immediately preceding, and up to the time of the announcement of, CEREIT's half-year and full-year financial results, property valuations, or financial results and property valuations (whichever is applicable).

Prior to the commencement of each relevant period, an email would be sent out to all Directors and employees of the Manager and the relevant executives of the Sponsor to inform them of the duration of the period.

The Manager will also not deal in CEREIT's Units during the same period.

In addition, all officers and employees, including but not limited to, capital markets services licence appointed representatives of the Manager, are required to make a declaration that the basis on which they have traded in CEREIT securities have not been made on the basis of any non-public price sensitive information in relation to the Units. Employees are required to obtain pre-trading approval from the CEO before any dealing in CEREIT's securities. The CEO shall obtain pre-trading approval from the Chair of the ARC, and the Chair of the ARC obtains approval from the Chair of the Board. All parties abovementioned are required to provide post-trading notification to the Risk and Compliance department of the Manager.

Further to the above, all appointed representatives of the Manager are required to:

- (a) maintain a Register of Interests in listed specified products (the "Register");
- (b) enter into the Register, within seven days after the date that he/she acquires any interest in any listed shares or units, particulars of the listed shares or units in which he/she has an interest and particulars of his/her interests in those listed shares or units;
- (c) retain that entry in easily accessible form for a period of not less than five (5) years after the date on which such entry was first made; and
- (d) submit a copy of the Register to the Risk and Compliance Department of the Manager upon request.

CORPORATE GOVERNANCE

Directors and employees of the Manager as well as certain executives of the Sponsor group are also prohibited from dealing in securities of CEREIT if they are in possession of unpublished price-sensitive information of CEREIT by virtue of their status as Directors and/or employees. As and when appropriate, they would be issued an advisory to refrain from dealing in CEREIT's securities.

Under the policy, Directors and employees of the Manager as well as certain relevant executives of the Sponsor are also discouraged from trading on short-term or speculative considerations. They are also prohibited from using any information with respect to other companies or entities obtained in the course of their employment in connection with securities transactions of such companies or entities.

(F) CODE OF BUSINESS CONDUCT

The Manager adheres to an ethics and code of business conduct, which deals with issues such as confidentiality, conduct and work discipline, corporate gifts and concessionary offers. Clear policies and guidelines on how to handle workplace harassment and grievances are also in place.

The policies and guidelines are published internally and is accessible by all employees of the Manager.

The policies that the Manager has implemented aim to help to detect and prevent occupational fraud in mainly three ways.

First, the Manager offers fair compensation packages, based on practices of pay-for-performance and promotion based on merit to its employees, in line with industry standards.

Second, clearly documented policies and work procedures incorporate internal controls which ensure that adequate checks and balances are in place.

Periodic audits are also conducted to evaluate the efficacy of these internal controls.

Finally, the Manager seeks to build and maintain the right organisational culture through its core values, educating its employees on good business conduct and ethical values.

The Manager conducts compulsory training on subjects such as bullying and sexual and racial harassment. All employees also undertake diversity and subconscious bias awareness training. The Sponsor has established a Diversity, Equity and Inclusion committee, which meets quarterly to organise and implement programmes to encourage awareness.

Bribery and Corruption Prevention Policy

The Manager adopts a strong stance against bribery and corruption. In addition to clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, all employees of the Manager are expected to uphold the Manager's core values and not to engage in any corrupt or unethical practices.

The Manager has adopted the Anti-Bribery and Anti-Corruption Policy which sets out the responsibilities of CEREIT and the Manager and of each employee in observing and upholding the Manager's 'zero tolerance' position against all forms of corruption, bribery and extortion, and provides information and guidance to employees on how to recognise, address, resolve, avoid and prevent instances of corruption, bribery and extortion, including the Manager's stance against facilitation payments and kickbacks, which may arise in the course of their work.

In FY 2022, to the best of its knowledge, the Manager (i) is in full compliance with all relevant modern slavery legislation, (ii) zero significant monetary fines or non-monetary sanctions incurred for non-compliance with environmental laws and regulations, (iii) zero non-compliance with laws and regulations in the social and economic area, (iv) zero fines for non-compliance concerning product and service information labelling and (v) zero incidents of non-compliance concerning health and safety impacts of products and services, (vi) zero incidents of reported corruption, (vii) zero legal actions for anti-competitive behaviour and anti-trust of monopoly practices. The Manager reported no lost days or deaths due to work injuries.

Further details of its ESG review will be released in the Annual Sustainability Report.

In addition to the Anti-Bribery and Anti-Corruption Policy, the Manager has adopted a series of measures to prevent corruption and unethical behaviour. These include:

- (a) outlining the responsibilities of all employees to uphold anti-corruption and anti-bribery principles;
- (b) informing and guiding employees on how to pre-emptively identify and avoid instances of corruption;
- (c) implementing policies such as the Supplier Code of Conduct that outline standards of conduct expected suppliers and agents acting on behalf of the Manager; and
- (d) implementing zero tolerances for breaches and gateway thresholds for STI/LTI incentives requiring complying with the Manager's code of conduct and ethical behaviour standards.

In 2022, all of the Manager's employees received mandatory communication and training on anti-bribery and anti-corruption policies and procedures.

As an entity of the Sponsor, the Manager adopts and adheres to the Sponsor's key policies which aims to establish and reinforce the highest standards of integrity and ethical business practices and all the Manager's employees are expected to adhere and stand guided by these policies.

The Manager's Anti-Bribery and Anti-Corruption Policy extends to its business dealings with associated persons who are third parties that represent or who perform services on behalf of CEREIT and the Manager also known as associated persons.

Where there is a greater level of bribery or corruption risk attached to any particular area of business or when working with an associated person, due diligence checks and processes are in place to adequately address and mitigate the risk(s). This includes ethical standards audit and corruption risk assessment as part of the ERM process.

Modern Slavery Statement

As a part of the Sponsor group, the Manager has adopted the Modern Slavery Statement which is in line with significant global regulatory changes affecting CEREIT, the Manager and the Sponsor's operations such as the U.K. Modern Slavery Act 2015 and Australia Modern Slavery Act 2018 which established additional reporting requirements for large organisations to respond to the risk of modern slavery in their operations and supply chains. The Sponsor has published an Anti-Slavery and Human Trafficking Statement that is publicly available on the Sponsor's website https://www.cromwellpropertygroup.co.uk/data/assets/pdf_file/0026/27458/Anti-Slavery-and-Human-Trafficking-Statement.pdf and covers CEREIT's European property management operations and the Manager's operations.

CORPORATE GOVERNANCE

Supplier Code of Conduct

A Supplier Code of Conduct which sets out CEREIF's and the Manager's expectations of suppliers to comply with relevant laws, including but not limited to those governing consumer protection, environment, social, anti-competition, human rights, modern slavery and health, safety and welfare laws, is also in place.

Service providers assessed to have higher risks in their supply chain in their approach to modern slavery are generally required to sign a Supplier Code of Conduct which includes a modern slavery commitment prior to engagement or renewal.

Whistle-Blowing Policy

A whistle-blowing policy which is published on CEREIF's website at <https://www.cromwelleuropeanreit.com.sg/assets/whistle-blower-policy/whistle-blower-statement> and other procedures are put in place to provide well defined, accessible and trusted channels by which a person or entity, including but not limited to employees, applicants for employment, contract workers, vendors, purchasers, contractors or the general public may make a report either anonymously or otherwise, of suspected fraud, corruption, dishonest practices, acts endangering the health and safety of an individual and concealment of any of the aforementioned or other improprieties in the workplace.

The objectives of the whistle-blowing policy are to encourage the reporting of such matters so that employees or external parties making any reports in good faith will be able to do so with the confidence that they will be treated fairly and be protected from reprisal and to set out the processes for the independent investigation of any reported incidents and appropriate follow up action.

The Manager is committed to maintaining procedures for the confidential submission of reports and protection of the identity of the whistle-blower. Retaliation of any kind for good faith reports on illegal or unethical behaviour is strictly prohibited.

Investigations of such reports will be handled on a confidential basis to the extent permissible under the law and involve persons who need to be involved in order to properly carry out the investigations and will be carried out in a timely manner. In order to facilitate and encourage the reporting of such matters, the whistle-blowing policy, together with the dedicated whistle-blowing communication channels (email and postal address) are available on CEREIF's website and intranet and is easily accessible by all including third parties. To ensure that the whistle-blowing policy can be adopted and understood by all parties, the Manager has translated the key elements of the whistle-blowing policy into working languages of the countries in which it operates in.

The Manager has engaged KPMG to provide an independent platform for employees as well as external parties such as customers, suppliers, contractors and applicants for employment, to raise concerns in good faith about any perceived irregularity or misconduct, without fear of reprisal.

Concerns about illegal, unprofessional, fraudulent or other unethical behaviour may be referred to the independently managed ethics email at CEREITwhistleblower@kpmg.com.sg.

Following a review of the complaint or concern, the Chair of the ARC, where appropriate, will take steps to ensure that matters are appropriately investigated and keep the Board apprised, and if warranted, will request that the Board and Management implement corrective measures.

The whistle-blowing policy and procedures are reviewed by the ARC from time to time to ensure that they remain current.

No whistle-blowing reports were recorded in FY 2022.

Anti-Money Laundering and Countering the Financing of Terrorism Measures

As a holder of a capital markets services licence issued by MAS, the Manager abides by MAS' notices and guidelines on the prevention of money laundering and countering the financing of terrorism. Under these guidelines, the main obligations of the Manager are:

- (a) evaluation of risk;
- (b) customer due diligence;
- (c) suspicious transaction reporting;
- (d) record keeping;
- (e) employee screening and representative screening; and
- (f) training.

The Manager has developed and implemented a policy on the prevention of money laundering and terrorist financing and is alert at all times to suspicious transactions. Where there is a suspicion of money laundering or terrorist financing, the Manager performs due diligence checks on its counterparties in order to ensure that it does not enter into business transactions with terrorist suspects or other high-risk persons or entities. Suspicious transactions are also reported to the Suspicious Transaction Reporting Office of the Commercial Affairs Department.

The Manager routinely screens its counterparties through the World-Check One screening platform, which screens against sanctions lists published by, including, but not limited to, the Financial Action Task Force ("FATF"), the United Nations, Office of Foreign Asset Control ("OFAC") of the United States Department of Treasury, Office of Financial Sanctions Implementation ("OFSI") (UK) and the European Union. This includes the latest sanction lists issued in relation to the recent Russian invasion of Ukraine.

Under this policy, the Manager must retain all relevant records or documents relating to business relations with its customers or transactions entered into for a period of at least five years following the termination of such business relations or the completion of such transactions.

All prospective representatives of the Manager are screened against various lists of terrorist suspects issued by MAS. Periodic training is provided by the Manager to its Directors, employees and representatives to ensure that they are updated and aware of applicable anti-money laundering and terrorist financing regulations, the prevailing techniques and trends in money-laundering and terrorist financing and the measures adopted by the Manager to combat money-laundering and terrorist financing.

ENTERPRISE RISK MANAGEMENT

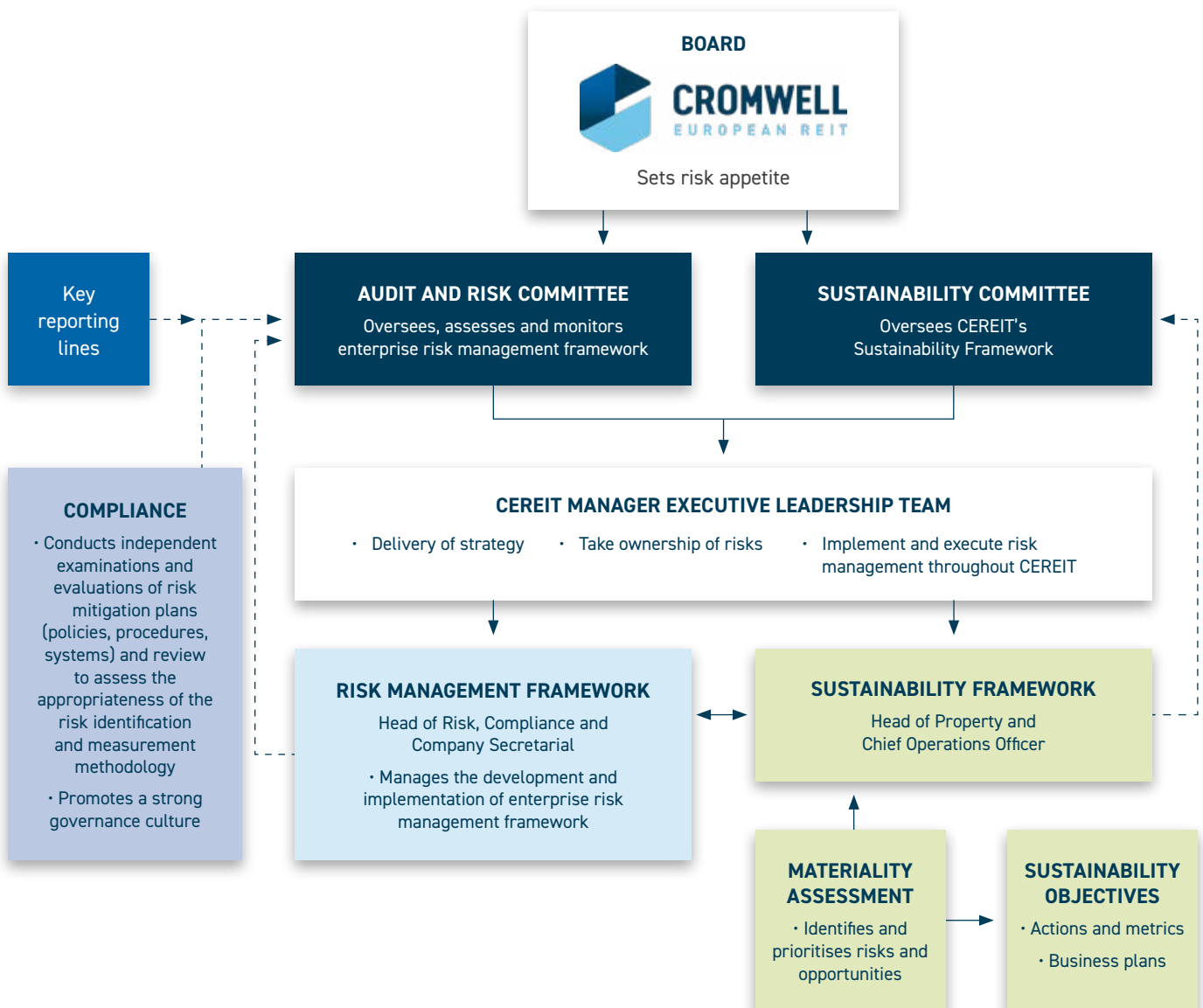
RISK MANAGEMENT

CEREIT and the Manager adopt an ERM framework which sets out the required components for managing risks in an integrated, systematic and consistent manner. The ERM framework and related policies are reviewed annually. A team comprising the CEO and other KMP is responsible for directing and monitoring the development, implementation and practice of ERM across the Manager, Property Manager and CEREIT. CEREIT and the Manager adopt a proactive

approach to risk management, making it an integral part of its business – both strategically and operationally.

This approach stems from the philosophy of seeking sustainable growth opportunities and creating economic value by ensuring only appropriate and well-considered risks are assumed. CEREIT's ERM framework enables CEREIT to continue to respond effectively to the dynamic business environment and shifting business demands to seize new value-added opportunities for stakeholders.

RISK MANAGEMENT FRAMEWORK



STRENGTHENING ENTERPRISE RISK MANAGEMENT

The ERM framework provides a holistic and structured approach towards assessing, monitoring and mitigating risks.

The three-step risk management process comprises (1) risk identification and assessment, (2) formulation of risk mitigation measures and action plans and (3) monitoring and reporting. A robust ERM framework enables CEREIT to manage risks systematically and remain nimble when capitalising on opportunities.

The risk assessment process takes into account both the impact and the likelihood of occurrence and covers the investment, financial, operational, compliance and reputational aspects of CEREIT's business. Tools such as

a risk-rating matrix and a risk register assist the Manager. The Board, supported by the ARC, is responsible for the governance of risk and ensures that the Manager maintains a sound system of risk management and internal controls to safeguard Unitholders' interests and CEREIT's assets.

Sustainability covers a broad range of material issues, many of which have been identified and managed according to CEREIT's ERM framework. In addition, risks and opportunities relating to climate change have been recognised as fundamental to CEREIT and its operations. More details will be provided in CEREIT's FY 2022 Sustainability Report, which will be published in late April 2023. The Board had assessed in FY 2022 and deemed the Manager and CEREIT's risk management system to be adequate and effective in addressing the key risks identified below:

Material risks	Details	Key mitigating actions
ECONOMIC AND FINANCIAL		
Strategic risks	<ul style="list-style-type: none"> Deployment of capital into investments which are loss-making or have sub-optimum returns Inadequate planning to identify suitable divestment opportunities Vulnerability to external factors, including volatility in the global economy, implications of geopolitical developments, intense competition in core markets and disruptive technology 	<ul style="list-style-type: none"> Continue to apply the Manager's well-established process for evaluating investment and divestment decisions where activities are monitored to ensure that they meet CEREIT's strategic intent, investment objectives and returns Applying a 13-risk factor matrix across three broad categories that provides a framework to assess existing properties, proposed investments and potential divestments on its alignment with CEREIT's strategy, financial viability, country specific political and regulatory developments and contractual risk implications Conducting rigorous due diligence reviews on all investment and divestment proposals and, where necessary, engaging third-party consultants with the requisite expertise to assist in the due diligence review Incorporating environmental due diligence into all stages of the investment process with the aim of gaining a more complete understanding of target assets' environmental risks such as assessing the energy consumption, intensity and efficiency of the asset prior to acquisition and minimising environmental and social impact post acquisition (For more information, please refer to CEO Interview, pages 8 to 13 of this Annual Report)
Financial management risks	<ul style="list-style-type: none"> Exposure to financial risks related to liquidity, foreign currency and interest rates Volatility of cash flow negatively impacting CEREIT's ability to meet financial obligations Volatility of foreign currencies and interest rates resulting in realised / unrealised losses 	<ul style="list-style-type: none"> Actively monitoring CEREIT's debt maturity profile, operating cash flows and the availability of funding to ensure that there are sufficient liquid reserves, in the form of cash and banking facilities to meet its capital, refinancing and operating needs Diversifying sources of funds from banks and capital markets, including green financing, to minimise over reliance on a single source of funds for any funding or refinancing requirements Establishing credit limits for tenant-customers and managing exposure to individual entities through regular and thorough monitoring of receivables on an ongoing basis Actively reviewing and maintaining an optimal mix of fixed and floating interest rate borrowings, taking into consideration investments' holding period and nature of the assets

ENTERPRISE RISK MANAGEMENT

Material risks	Details	Key mitigating actions
ENVIRONMENT (aligned with “E” from CEREIF’s ESG framework)		
Sustainability and climate change risks	<ul style="list-style-type: none"> Physical risks such as rising sea levels, violent storms, long intense heat waves, flash floods and fresh-water depletion Transitional risks including increased and more stringent regulations and increased expectations from stakeholders 	<ul style="list-style-type: none"> Established a sustainability committee at Board level to guide CEREIF in determining the material ESG factors and ensure that they are properly monitored and managed Identifying, assessing and managing material sustainability risks as part of the due diligence of the investment process with specific action plans to mitigate and potentially eliminate environmental risks that are identified Aiming to minimise environmental impact by deploying renewable and low-carbon intensive energy where possible and upgrading energy intensive equipment through ongoing asset enhancement initiatives The Manager has completed a climate risk study of selected buildings in CEREIF’s portfolio and has reviewed and enhanced insurance coverage for identified physical climate-related risks, ensuring that the portfolio is insured against climate events
SOCIAL / STAKEHOLDERS - (aligned with “S” from CEREIF’s ESG framework)		
External stakeholder risks	<ul style="list-style-type: none"> Insufficient stakeholder engagement resulting in a lack of understanding of evolving market trends and needs 	<ul style="list-style-type: none"> Regularly communicating with regulators and governing bodies (as appropriate, depending on nature of engagement) Remaining guided by the Code and strive to maintain the highest standards of corporate governance so as to ensure that CEREIF continues to instil stakeholder confidence Providing timely and relevant updates to the market as necessary, especially important in the context of the global COVID-19 outbreak and the ongoing Russian invasion of Ukraine Maintaining proactive investor relations and media outreach plan Participating actively in relevant industry associations Building on existing community partnerships Conducting yearly tenant-customer engagement survey Increasing cleaning rosters and enhanced common area sanitising services due to COVID-19 across the offices of the Manager and across CEREIF’s portfolio
Internal stakeholder risks	<ul style="list-style-type: none"> Inability to manage human capital needs and human resources-related costs appropriately in relation to the business environment High attrition rates and shortage of talent 	<ul style="list-style-type: none"> Fostering conducive work environment and ensuring adequate and fair compensation and benefits Strengthening succession planning Focusing on nurturing and developing employees by investing in continuous learning and development Creating and embracing a diverse and inclusive workplace by acting in a principled, respectful and responsible manner Ensuring that employees’ needs are provided for through frequent face-to-face interactions and yearly engagement surveys Prioritising employee health and safety, particularly with the increased duration spent indoors at work and striving to offer innovative environments that encourage movement and healthy living Keeping a close eye on human resourcing developments in the market and the industry in which CEREIF operates

Material risks	Details	Key mitigating actions
GOVERNANCE (aligned with "G" from CERET's ESG framework)		
Compliance risk <ul style="list-style-type: none"> ● Fraud, bribery and corruption ● Regulatory and compliance ● Government and policies 	<ul style="list-style-type: none"> ● Exposure to events such as political leadership uncertainty, inconsistent public policies and social unrest ● Changes in property-related regulations and other events ● Breaches to laws and regulations may lead to hefty penalties / fines and negative publicity ● Any forms of fraud, bribery and corruption that could be perpetuated by employees, third parties or collusion between employees and third parties 	<ul style="list-style-type: none"> ● Closely monitoring developments in laws and regulations of countries where CERET and the Manager operate and implementing appropriate strategies to mitigate the impact ● Ensuring that overseas operations are managed by experienced on- the-ground managers and teams familiar with local conditions and cultures ● Regularly communicating with regulators and governing bodies (as appropriate, depending on nature of engagement) ● Regularly participating in industry forums ● Maintaining a zero-tolerance approach towards fraud, corruption, bribery and unethical practices in the conduct of its business
Operational risks <ul style="list-style-type: none"> ● Business continuity planning ● Property management ● Cybersecurity and data protection 	<ul style="list-style-type: none"> ● Exposure to sudden and major disaster events such as terrorist attacks, pandemics, fires, prolonged power outages or other major infrastructure or equipment failures could cause business interruption which may significantly disrupt operations at the properties ● Rapid business digitalisation exposes the business to information technology related threats which may result in compromising the confidentiality, integrity and availability of CERET's information assets and/or systems. This may have significant negative impact on customer experience, financials and/or regulatory compliance 	<ul style="list-style-type: none"> ● Ensuring operational resilience with robust BCP that seeks to equip CERET with the capability to respond effectively to business disruptions and to safeguard critical business functions from major risks: <ul style="list-style-type: none"> ○ In FY 2020, the Manager enacted its BCP and transitioned its global workforce to remote work arrangements. These actions, coupled with CERET and the Manager's prior investment in systems, processes and people has ensured there has been no material interruption to the operations of CERET and the Manager's business due to COVID-19 in FY 2022 ● Maintaining processes and procedures that seek to ensure that the buildings operate efficiently and are well-equipped in managing the risk that arises from the operations and management of the buildings in place: <ul style="list-style-type: none"> ○ Properties are closely monitored to identify if potential property enhancements/safety modifications are required ● Operating within the Sponsor's IT infrastructure has allowed the Manager to leverage cybersecurity systems which are maintained as guided by the ISO27001 information security management systems certification, which the Sponsor has attained ● Data handling practices are aligned to relevant data protection regulations ● Disaster recovery plan in place to ensure timely recoverability of business-critical IT systems

SUSTAINABILITY



ASPIRATIONAL TARGET SET:

NET ZERO

OPERATIONAL CARBON EMISSIONS
BY 2040

ASPIRING TO HIGH STANDARDS OF GOVERNANCE AND SUSTAINABILITY

The Manager is committed to acting responsibly and proactively to continuously improve CEREIT's sustainability performance. Putting market-leading ESG practices at the core of its long-term business allows CEREIT to continue to fulfil its main purpose of providing Unitholders with regular and stable distributions and delivering sustainable growth in DPU and NAV per Unit in the long term.

The Manager's sustainability framework is aligned with Cromwell's approach to sustainability. The framework continues to evolve, responding to emerging legislation and new challenges.

To ensure greater accountability, the Board has established a Sustainability Committee, currently chaired by a non-independent non-executive director and comprising all members of the Board. The Sustainability Committee provides strategic oversight and reviews CEREIT's sustainability performance on a quarterly basis.

Each year, the Manager reviews CEREIT's material topics to identify and prioritise the most relevant ESG issues against the evolving landscape. The review considers the impact that each topic has on CEREIT and its stakeholders. The Board's Sustainability Committee endorses the material topics.

The Manager of CEREIT has a separate management-level sustainability committee co-chaired by Head of Property and the COO (both KMP) and comprising dedicated officers of the Manager. The management sustainability committee has been delegated specific responsibilities by the Board to guide the efforts of the Manager in identifying, setting and delivering the objectives and targets associated with material ESG topics.

CEREIT'S ESG FRAMEWORK

ESG Vision	Deliver a resilient future for our investors, tenant-customers, community and planet Manage opportunity and risk by integrating ESG considerations in our decisions Empower our people		
Purpose	Economic: Deliver stable and growing distributions and NAV per Unit in the long term, derived from a portfolio of sustainable assets		
Themes	Environment	Social / Stakeholders	Governance
Commitments	Deliver quality, resilient and rejuvenated portfolio that generates sustainable value and meets stakeholders' expectations	Connect meaningfully and contribute positively to the communities we operate in Create a culture of authenticity and creativity Build capability and diversity Nurture wellbeing	Develop and maintain a culture of continuous improvement, accountability and transparency, ethical conduct and good governance, supported by robust systems and processes
Material topics	<ol style="list-style-type: none"> Quality of assets Climate change - direct impacts Improving energy intensity and reducing carbon footprint New: Waste reduction New: Water management New: Biodiversity 	<ol style="list-style-type: none"> Tenant-customer satisfaction Strong partnerships Talent attraction, retention and career development Diverse and inclusive workforce Keeping people and communities safe 	<ol style="list-style-type: none"> Regulatory compliance Anti-corruption Trust, transparency and governance Cyber-readiness and data governance
Enablers	Technology and innovation	Culture	Partnerships
Values	Accountable	Progressive	Collaborative

CEREIT's fifth annual Sustainability Report will be a direct response to the updated material ESG topics identified throughout the materiality review process. The Manager is preparing the report in compliance with the sustainability reporting requirements set out in SGX-ST Listing Rules 711A and 711B and in accordance to GRI Standards 2021.

In addition, it will also take into consideration key aspects of the requirements set out in MAS' environmental risk management guidelines for asset managers published on 8 December 2020 and the Sustainable Finance Disclosure Regulation (SFDR) introduced in Europe in March 2021 (level I) and in January 2023 (level II).

The FY 2022 Sustainability Report will be published on SGXNet and simultaneously made available exclusively in

electronic form in late April 2023 on CERETIT's corporate website at www.cromwelleuropeanreit.com.sg.

SUSTAINABILITY PERFORMANCE HIGHLIGHTS IN FY 2022




ENVIRONMENT

- 31 green certifications attained as at 31 Dec 2022 (30 BREEAM¹ and one LEED²)
- Ongoing energy-level audits across CERETIT's portfolio to support Net Zero Operating Carbon Target by 2040
- 4-year sustainability loan facility completed with three sustainability-linked KPIs and a notable inclusion of Scope 3 (green lease) target – the first in Singapore



SOCIAL (STAKEHOLDERS)

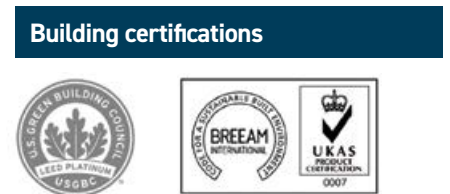
- Record high >170 market engagement meetings (vs. 140 in FY 2021)
- >\$28k raised for community partners from direct contributions and fundraising
- 22.22 training hours per employee in FY 2022 (above set target of 20)
- Female employees 42% overall / 38% in executive and senior management roles



GOVERNANCE

- Maintained clean compliance record, complying with applicable laws and regulations, including SGX-ST, MAS and Lux SE
- Ranked in the Top 10 for three consecutive years in the SGTI and in GIFT governance rankings
- All KMP have specific compensation-linked ESG KPIs

ESG RATINGS, RANKINGS AND AWARDS



- 30 BREEAM² ratings and one LEED³ Platinum Certification

Excellence in corporate governance and transparency

MSCI⁴




MSCI ESG RATINGS AA

CCC B BB BBB A AA AAA

Double-notch upgrade for second year in a row; **One of only 4 S-REITs with "AA" rating**

Sustainalytics



8.8 Negligible Risk

Top in peer group **129th** out of 15,000 companies globally and **19th** out of >450 REITs globally



SBPR BRONZE 2022



IR magazine Award winner South East Asia 2022



NUS Centre of Governance and Sustainability NUS Business School

- Ranked within the **Top 10** for 3 years consecutively at the Singapore Governance & Transparency Index (SGTI)
- Ranked **Top 3** in GIFT 2022 rankings

1 Building Research Establishment Environment Assessment Method
 2 Leadership in Energy and Environmental Design
 3 Global Real Estate Sustainability Benchmark
 4 Disclaimer Statement: CERETIT's use of any MSCI ESG Research LLG or its affiliates ("MSCI") data, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, recommendation, or promotion of CERETIT by MSCI. MSCI services and data are the property of MSCI or its information providers and are provided 'as-is' and without warranty. MSCI names and logos are trademarks or service marks of MSCI

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REPORT OF THE TRUSTEE

YEAR ENDED 31 DECEMBER 2022

Perpetual (Asia) Limited (the "Trustee") is under a duty to take into custody and hold the assets of Cromwell European Real Estate Investment Trust (the "Trust") and its subsidiaries (collectively "CEREIT") in trust for the holders of units ("Unitholders") in the Trust. In accordance with, among other things, the Securities and Futures Act 2001 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes and the Listing Manual (collectively referred to as the "laws and regulations"), the Trustee shall monitor the activities of Cromwell EREIT Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 28 April 2017 (as amended, varied or supplemented from time to time) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed CEREIT during the year covered by these financial statements, set out on pages 207 to 279 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
Perpetual (Asia) Limited

Ms Sin Li Choo
Director

Singapore
Date: 31 March 2023

STATEMENT BY THE MANAGER

YEAR ENDED 31 DECEMBER 2022

In the opinion of the Directors of the Manager, the accompanying financial statements set out on pages 207 to 279, comprising Balance Sheets and Statements of Movements in Unitholders' Funds of Cromwell European Real Estate Investment Trust (the "Trust") and its subsidiaries (collectively referred to as "CEREIT"), Consolidated Statement of Total Return, Consolidated Statement of Comprehensive Income, Consolidated Distribution Statement, Consolidated Statement of Cash Flows, Statement of Portfolio of CEREIT and notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the consolidated balance sheet of CEREIT and the balance sheet of the Trust as at 31 December 2022, and the Consolidated Statement of Total Return, Consolidated Statement of Comprehensive Income, Consolidated Distribution Statement, Consolidated Statement of Movements in Unitholders' Funds, Consolidated Statement of Cash Flows and Statement of Portfolio of CEREIT and the Statement of Movements in Unitholders' Funds of the Trust for the year then ended on that date in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board, the recommendations of *The Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" (Revised 2017)* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that CEREIT and the Trust will be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,
Cromwell EREIT Management Pte. Ltd.

Mr Simon Garing
Director

Singapore
Date: 31 March 2023

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Cromwell European Real Estate Investment Trust ("Trust") and its subsidiaries (collectively referred to as "CEREIT"), which comprise the Consolidated Balance Sheet of CEREIT and the Balance Sheet of the Trust as at 31 December 2022, and the Consolidated Statement of Total Return, Consolidated Statement of Comprehensive Income, Consolidated Distribution Statement, Consolidated Statement of Movements in Unitholders' Funds, Consolidated Statement of Cash Flows and Statement of Portfolio of CEREIT and the Statement of Movements in Unitholders' Funds of the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 207 to 279.

In our opinion, the accompanying consolidated financial statements of CEREIT, and the Balance Sheet and Statement of Movements in Unitholders' Funds of the Trust are properly drawn up in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board and the recommendations of *The Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") (Revised 2017)* issued by the Institute of Singapore Chartered Accountants so as to give a true and fair view of the Consolidated Balance Sheet of CEREIT and the Balance Sheet of the Trust as at 31 December 2022, and of the Consolidated Statement of Total Return, Consolidated Statement of Comprehensive Income, Consolidated Distribution Statement, Consolidated Statement of Movements in Unitholders' Funds, Consolidated Statement of Cash Flows and Statement of Portfolio of CEREIT and the Statement of Movements in Unitholders' Funds of the Trust for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of CEREIT in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

Key Audit Matter

Fair Valuation and Disclosure of Fair Value for Investment Properties

CEREIT owns a portfolio of investment properties as at 31 December 2022, comprising mainly commercial office and light industrial complexes across 10 European countries which includes the Czech Republic, Denmark, Finland, France, Germany, Italy, the Netherlands, Poland, Slovakia and the United Kingdom. The investment properties represent the single largest category of assets with a carrying amount of €2,509 million as at 31 December 2022.

CEREIT has adopted the fair value model under IAS 40 *Investment Property* which requires all the investment properties to be measured at fair value. CEREIT has engaged external independent valuers ("Valuers") to perform the fair value assessment for all of its investment properties except for one property in Denmark acquired in October 2022 whose fair value is assessed to be its purchase price. Given the insignificant period lapsed from the transaction date to the financial year end, the Directors of the Manager considered the transaction price amounting to €15.8 million to approximate to the fair value of the property at the financial year end.

The fair valuation of investment properties is considered to be a matter of significance as the valuation process requires the application of judgement in determining the appropriate valuation methodology to be used, use of subjective assumptions and various unobservable inputs. The fair valuations are sensitive to underlying assumptions applied in deriving the underlying cash flows and capitalisation rates as a small change in these assumptions can result in an increase or decrease in fair valuation of the investment properties.

The valuation techniques, their key inputs and the inter-relationships between the inputs and the valuation have been disclosed in Note 9 (e) to the consolidated financial statements.

How the matter was addressed in the audit

We have assessed CEREIT's process of appointment and determination of the scope of work of the Valuers, as well as their process of reviewing, and accepting the Valuers' investment property valuations.

We have reviewed the qualifications, competence, independence, and the terms of the engagement of the Valuers with CEREIT to determine whether there were any matters which might affect the objectivity of the Valuers or impede their scope of work.

We held discussions with management and the Valuers on the valuation reports, and engaged our valuation specialists to assist in:

- Assessing the valuation methodologies, assumptions and estimates used by the Valuers against general market practice for similar types of properties;
- Comparing valuation assumptions and the underlying cash flows and capitalisation rates to historical rates, and available industry data for comparable markets and properties; and
- Reviewing the integrity of the valuation calculations, valuation inputs, including review of lease schedules, lease agreements and comparison to the inputs made to the projected cash flows.

Based on the audit procedures performed, the fair valuation of the properties are within a reasonable range of our expectations.

We have assessed and validated the adequacy and appropriateness of the related disclosures.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager and Directors of the Manager for the Financial Statements

Cromwell EREIT Management Pte. Ltd. (the "Manager" of CEREIT) is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the recommendations of *The Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" (Revised 2017)* issued by the Institute of Singapore Chartered Accountants, and comply with the relevant provisions of the Trust Deed dated 28 April 2017 (as amended, varied or supplemented from time to time) (collectively, the "Trust Deed"), and the relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing CEREIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate CEREIT or to cease operations, or has no realistic alternative but to do so.

The responsibilities of the Directors of the Manager include overseeing CEREIT's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CEREIT's internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CEREIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CEREIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within CEREIT to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors of the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant requirements of the CIS Code.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Shariq Barmaky.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

Date: 31 March 2023

CONSOLIDATED STATEMENT OF TOTAL RETURN

YEAR ENDED 31 DECEMBER 2022

	Note	CEREIT	
		2022 €'000	2021 €'000
Gross revenue	2	222,105	200,122
Property operating expense		(85,330)	(70,030)
Net property income		136,775	130,092
Government grant income	3	-	248
Net finance costs	10(b)	(24,387)	(21,736)
Manager's fees	4(b)	(6,057)	(5,619)
Trustee fees	4(a)	(298)	(276)
Other trust expenses		(6,011)	(5,033)
Net foreign exchange loss		(1,933)	(330)
Net income before tax and fair value changes	5(a)	98,089	97,346
Gain/(loss) on divestments	18(c)	763	(324)
Fair value (loss)/gain – investment properties	9(b)	(59,483)	27,061
Fair value gain – derivative financial instruments	11	16,331	829
Total return for the year before tax		55,700	124,912
Income tax expense	8(a)	(13,751)	(28,309)
Total return for the year		41,949	96,603
Total return for the year attributable to:			
Unitholders		39,628	96,359
Perpetual securities holders		2,321	244
		41,949	96,603
Earnings per unit			
Basic and diluted earnings attributable to Unitholders per Unit (€ cents)	6	7.050	17.481

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	CEREIT	
	2022 €'000	2021 €'000
Total return for the year, representing total comprehensive income for the year	41,949	96,603
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange differences on translation of foreign operations	(683)	-
Other comprehensive income for the year, net of tax	(683)	-
Total comprehensive income for the year	41,266	96,603
Total comprehensive income for the year attributable to:		
Unitholders	38,945	96,359
Perpetual securities holders	2,321	244
	41,266	96,603

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2022

	Note	CEREIT		Trust	
		2022 €'000	2021 €'000	2022 €'000	2021 €'000
Current assets					
Cash and cash equivalents		35,432	59,258	372	1,176
Receivables	16(a)	16,340	18,491	11,391	12,342
Current tax assets		960	865	-	-
Total current assets		52,732	78,614	11,763	13,518
Non-current assets					
Investment properties	9	2,509,407	2,449,014	-	-
Investments in subsidiaries	15	-	-	1,534,065	1,468,952
Receivables	16(a)	328	663	-	-
Derivative financial instruments	11	19,150	947	8,397	569
Deferred tax assets	8(c)	8,367	5,292	-	-
Total non-current assets		2,537,252	2,455,916	1,542,462	1,469,521
Total assets		2,589,984	2,534,530	1,554,225	1,483,039
Current liabilities					
Borrowings	10	50,630	23,000	-	-
Payables	16(b)	42,385	35,691	181,532	160,845
Current tax liabilities		4,992	3,709	-	1
Other current liabilities	17	31,286	28,783	-	-
Total current liabilities		129,293	91,183	181,532	160,846
Non-current liabilities					
Payables	16(b)	-	-	179,142	89,104
Borrowings	10	964,284	899,729	-	-
Deferred tax liabilities	8(c)	66,538	60,017	-	-
Other non-current liabilities	17	6,948	6,321	-	-
Total non-current liabilities		1,037,770	966,067	179,142	89,104
Total liabilities		1,167,063	1,057,250	360,674	249,950
Net assets		1,422,921	1,477,280	1,193,551	1,233,089
Represented by:					
Unitholders' funds	12	1,358,717	1,413,130	1,129,347	1,168,939
Perpetual securities holders' funds	13	64,204	64,150	64,204	64,150
		1,422,921	1,477,280	1,193,551	1,233,089
Units in issue ('000)	12(a)	562,392	561,045	562,392	561,045
Net asset value attributable to Unitholders per Unit (€)		2.42	2.52	2.01	2.08

CONSOLIDATED DISTRIBUTION STATEMENT

YEAR ENDED 31 DECEMBER 2022

	CEREIT	
	2022	2021
	€'000	€'000
Income available for distribution at 1 January	47,670	44,791
Total return for the year attributable to Unitholders and perpetual securities holders	41,949	96,603
Less: Total return attributable to perpetual securities holders	(2,321)	(244)
Distribution adjustments (Note A)	57,039	(2,741)
Income available for distribution to Unitholders	144,337	138,409
Distributions declared to Unitholders during the year (Note B)	(96,359)	(90,739)
Income available for distribution to Unitholders at 31 December	47,978	47,670
Distribution per Unit ("DPU") (€ cents) for the year	17.189	16.961
Note A – Distribution adjustments		
Trustee fees	298	276
Straight-line rent adjustments and leasing fees	302	(1,889)
Amortisation of debt issuance costs	4,672	3,998
(Gain)/loss on divestments	(763)	324
Fair value adjustments – investment properties	59,483	(27,061)
Fair value adjustments – derivative financial instruments	(16,331)	(829)
Net foreign exchange loss	1,933	330
Deferred tax expense	3,429	22,046
Tax expense/(credit) relating to divestments	1,456	(244)
Distribution of divestment gain	2,050	–
Other adjustments	510	308
	57,039	(2,741)
Note B – Distributions declared to Unitholders during the year		
Distribution of 2.324 Euro cpu from 1 Jul 2020 to 4 Mar 2021	–	59,403
Distribution of 5.602 Euro cpu from 5 Mar 2021 to 30 Jun 2021	–	31,336
Distribution of 8.459 Euro cpu from 1 Jul 2021 to 31 Dec 2021	47,459	–
Distribution of 8.695 Euro cpu from 1 Jan 2022 to 30 Jun 2022	48,900	–
	96,359	90,739

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2022

	Note	CEREIT		Trust	
		2022 €'000	2021 €'000	2022 €'000	2021 €'000
Unitholders' funds					
At 1 January		1,413,130	1,302,152	1,168,939	1,117,699
Operations					
Total return for the year attributable to Unitholders and perpetual securities holders		41,949	96,603	56,087	36,865
Less: Total return for the year attributable to perpetual securities holders		(2,321)	(244)	(2,321)	(244)
Net increase in net assets resulting from operations		39,628	96,359	53,766	36,621
Movement in foreign currency translation reserve	12(d)	(683)	-	-	-
Unitholders' transactions					
Issue of units:					
- Private placement		-	100,000	-	100,000
- Acquisition fees		-	101	-	101
- Distribution reinvestment plan		3,021	7,542	3,021	7,542
Issue expenses		(20)	(2,285)	(20)	(2,285)
Distributions to Unitholders		(96,359)	(90,739)	(96,359)	(90,739)
Net (decrease)/increase in net assets resulting from Unitholders' transactions		(93,358)	14,619	(93,358)	14,619
Unitholders' funds at 31 December		1,358,717	1,413,130	1,129,347	1,168,939
Perpetual securities holders' funds					
At 1 January		64,150	-	64,150	-
Issue of perpetual securities		-	65,136	-	65,136
Issue expenses		61	(1,230)	61	(1,230)
Total return for the year attributable to perpetual securities holders		2,321	244	2,321	244
Distributions paid to perpetual securities holders		(2,328)	-	(2,328)	-
Perpetual securities holders' funds at 31 December		64,204	64,150	64,204	64,150
Total at 31 December		1,422,921	1,477,280	1,193,551	1,233,089

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	CEREIT	
	2022	2021
	€'000	€'000
Cash flows from operating activities		
Total return for the year before tax	55,700	124,912
<i>Adjustments for:</i>		
Amortisation of lease costs and incentives	2,438	573
Straight-line rent adjustments and leasing fees	(1,895)	(1,889)
(Gain)/loss on divestments	(763)	324
Net finance costs	24,387	21,736
Allowance for/(reversal of) credit losses	540	(1,055)
Change in fair value of investment properties	59,483	(27,061)
Change in fair value of derivative financial instruments	(16,331)	(829)
Net foreign exchange loss	1,933	330
Operating cash flows before movements in working capital	125,492	117,041
<i>Changes in operating assets and liabilities:</i>		
(Increase)/decrease receivables	(3,318)	3,934
Decrease in payables	(5,318)	(3,075)
Increase in other liabilities	3,622	2,568
Cash generated from operations	120,478	120,468
Interest paid	(20,112)	(18,525)
Interest received	28	1
Tax paid	(8,048)	(5,077)
Net cash from operating activities	92,346	96,867
Cash flows from investing activities		
Payments for acquisitions of subsidiaries, net of cash	-	(124,913)
Payments for acquisitions of investment properties	(101,196)	(78,040)
Payment of transaction costs for acquisitions of investment properties	(6,267)	(8,453)
Payment of deposits for acquisitions of investment properties	-	(4,184)
Payments for capital expenditure on investment properties	(38,884)	(22,637)
Proceeds from disposal of a subsidiary	15,989	-
Proceeds from disposal of investment properties	24,767	5,800
Payment of transaction costs for divestment of investment properties	(751)	(233)
Net cash used in investing activities	(106,342)	(232,660)
Cash flows from financing activities		
Net proceeds from issuance of CEREIT units	-	100,000
Payment of unit issue costs	(121)	(2,272)
Proceeds from bank borrowings and issue of Euro Medium Term Notes ("EMTN")	329,000	205,623
Repayment of bank borrowings	(236,470)	(130,000)
Payment for transaction costs related to borrowings and EMTN	(4,116)	(2,580)
Proceeds from issuance of perpetual securities	-	65,136
Payment of transaction costs on issuance of perpetual securities	(251)	(918)
Payment to acquire derivative financial instruments	(1,872)	-
Distributions paid to Unitholders	(93,338)	(83,197)
Distributions paid to perpetual securities holders	(2,328)	-
Payment of finance lease	(334)	(334)
Net cash (used in)/from financing activities	(9,830)	151,458
Net (decrease)/increase in cash and cash equivalents	(23,826)	15,665
Cash and cash equivalents at 1 January	59,258	43,593
Cash and cash equivalents at 31 December	35,432	59,258

Refer to note 19 for details of non-cash transactions and a reconciliation of movements in net debt.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF PORTFOLIO

AS AT 31 DECEMBER 2022

Property (by Geography)	Location	Acquisition Date
The Netherlands		
Light Industrial / Logistics		
Veemarkt	Veemarkt 27-75 / 50-76 / 92-114, Amsterdam	30 Nov 2017
Boekweitstraat 1 – 21 & Luzernestraat 2 – 12	Boekweitstraat 1 – 21 & Luzernestraat 2 – 12, Nieuw-Vennep	30 Nov 2017
Rosa Castellanosstraat 4	Rosa Castellanosstraat 4, Tilburg	30 Dec 2021
De Immenhorst 7	De Immenhorst 7, 's-Heerenberg	23 Dec 2021
Capronilaan 22 – 56	Capronilaan 22 – 56, Schiphol-Rijk	30 Nov 2017
Kapoeasweg 4 – 16	Kapoeasweg 4 – 16, Amsterdam	30 Nov 2017
Folkstoneweg 5 – 15	Folkstoneweg 5 – 15, Schiphol	30 Nov 2017
Office		
Haagse Poort	Prinses Beatrixlaan 35 – 37 & Schenkkade 60 – 65, Den Haag	30 Nov 2017
Central Plaza	Plaza 2 – 25 (retail) / Weena 580 – 618 (offices), Rotterdam	19 Jun 2017
Bastion	Willemsplein 2 – 10, 's-Hertogenbosch	28 Dec 2018
Moeder Teresalaan 100 / 200	Moeder Teresalaan 100 / 200, Utrecht	28 Dec 2018
De Ruyterkade 5	De Ruyterkade 5, Amsterdam	19 Jun 2017
Koningskade 30	Koningskade 30, Den Haag	19 Jun 2017
Blaak 40	Blaak 40, Rotterdam	30 Nov 2017
Italy		
Light Industrial / Logistics		
Centro Logistico Orlando Marconi ⁽²⁾	Via del Lavoro, 63076 Montepandone	23 Dec 2020
Via dell'Industria 18	Via dell'Industria 18, Vittuone	17 Mar 2022
Via Fogliano 1	Via Fogliano 1, Coccaglio, Brescia	15 Feb 2022
Via Fornace	Via Fornace snc, Mira	29 Oct 2021
Strada Provinciale Adelfia	Strada Provinciale Adelfia, Rutigliano	30 Nov 2017
Office		
Piazza Affari 2	Piazza degli Affari 2, Milan	30 Nov 2017
Maxima (former Via dell'Amba Aradam 5)	Via dell'Amba Aradam 5, Rome	30 Nov 2017
Via Pianciani 26	Via Pianciani 26, Rome	30 Nov 2017
Building F7-F11	Viale Milanofiori 1, Assago	30 Nov 2017
Via Nervesa 21	Via Nervesa 21, Milan	30 Nov 2017
Via Camillo Finocchiaro Aprile 1	Via Camillo Finocchiaro Aprile 1, Genova	5 Dec 2018
Cassiopea 1-2-3	Via Paracelso 22-24-26, Milan	28 Nov 2019
Via della Fortezza 8	Via della Fortezza 8, Florence	15 Feb 2018
Nuova ICO	Via Guglielmo Jervis 9, Ivrea	27 Jun 2018
Corso Lungomare Trieste 29	Corso Lungomare Trieste 29, Bari	5 Dec 2018
Corso Annibale Santorre di Santa Rosa 15	Corso Annibale Santorre di Santa Rosa 15, Cuneo	30 Nov 2017
Via Rampa Cavalcavia 16-18	Via Rampa Cavalcavia 16-18, Venice Mestre	30 Nov 2017

n/a – not applicable

(1) Part freehold and part leasehold interest ending 31 July 2088.

(2) A warehouse unit contained within Centro Logistico Orlando Marconi was disposed on 25 January 2022.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF PORTFOLIO

AS AT 31 DECEMBER 2022

Land Tenure	Remaining Term of Leasehold (Years)		Carrying Amount		Percentage of Net Assets	
	2022	2021	2022 €'000	2021 €'000	2022 %	2021 %
Continuing leasehold	Various 16.0-20.0	Various 17.0-21.0	49,700	45,200	3.5	3.1
Freehold	n/a	n/a	11,500	8,880	0.8	0.6
Freehold	n/a	n/a	11,000	11,325	0.8	0.8
Freehold	n/a	n/a	10,200	8,350	0.7	0.6
Freehold	n/a	n/a	9,040	7,510	0.6	0.5
Freehold	n/a	n/a	7,140	5,530	0.5	0.4
Leasehold	16.9	17.9	5,510	4,420	0.4	0.3
Part Freehold, Part Right of Superficies and Part Perpetual leasehold	n/a	n/a	158,000	167,705	11.1	11.3
Freehold/leasehold ⁽¹⁾	65.6	66.6	156,000	165,610	11.0	11.2
Freehold	n/a	n/a	72,900	78,360	5.1	5.3
Perpetual leasehold	n/a	n/a	54,500	59,300	3.8	4.0
Continuing leasehold	65.5	66.5	54,500	58,780	3.8	4.0
Perpetual leasehold	n/a	n/a	20,700	21,570	1.5	1.5
Freehold	n/a	n/a	18,500	20,540	1.3	1.4
Freehold	n/a	n/a	53,100	54,600	3.7	3.7
Freehold	n/a	n/a	31,400	-	2.2	-
Freehold	n/a	n/a	27,200	-	1.9	-
Freehold	n/a	n/a	18,800	21,000	1.3	1.4
Freehold	n/a	n/a	15,600	13,525	1.1	0.9
Freehold	n/a	n/a	99,800	96,900	7.0	6.6
Freehold	n/a	n/a	39,100	46,000	2.7	3.1
Freehold	n/a	n/a	37,000	33,400	2.6	2.3
Freehold	n/a	n/a	28,400	26,700	2.0	1.8
Freehold	n/a	n/a	27,200	23,725	1.9	1.6
Freehold	n/a	n/a	20,900	23,475	1.5	1.6
Freehold	n/a	n/a	16,700	16,550	1.2	1.1
Freehold	n/a	n/a	15,900	16,200	1.1	1.1
Freehold	n/a	n/a	11,800	16,625	0.8	1.1
Freehold	n/a	n/a	10,700	11,300	0.8	0.8
Freehold	n/a	n/a	7,300	7,575	0.5	0.5
Freehold	n/a	n/a	4,610	5,200	0.3	0.4

The accompanying notes form an integral part of the financial statements.

STATEMENT OF PORTFOLIO

AS AT 31 DECEMBER 2022

Property (by Geography)	Location	Acquisition Date
Italy (continued)		
Other		
Viale Europa 95	Viale Europa 95, Bari	30 Nov 2017
Starhotels Grand Milan	Via Varese 23, Saronno	30 Nov 2017
Via Madre Teresa 4	Via Madre Teresa 4, Lissone	30 Nov 2017
Via Salara Vecchia 13	Via Salara Vecchia 13, Pescara	30 Nov 2017
Via Brigata Padova 19	Via Brigata Padova 19, Padova	30 Nov 2017
France		
Light Industrial / Logistics		
Parc des Docks	50 rue Ardoin, Saint Ouen	30 Nov 2017
Parc des Guillaumes	58 rue de Neuilly – 2 rue du Trou Morin, ZAC des Guillaumes, Noisy-le-Sec	30 Nov 2017
Parc du Landy	61 rue du Landy, Aubervilliers	30 Nov 2017
Parc Delizy	32 rue Délizy, Pantin	30 Nov 2017
Parc des Grésillons	167-169 avenue des Grésillons, Gennevilliers	30 Nov 2017
Parc Urbaparc	75-79 rue du Rateau, La Courneuve	30 Nov 2017
Parc Louvresses	46-48 boulevard Dequevauvilliers, Gennevilliers	14 Feb 2019
Parc du Merantais	1-3 rue Georges Guynemer, Magny-Les-Hameaux	30 Nov 2017
Parc Béziers	Rue Charles Nicolle, Villeneuve-lès-Béziers	23 Jan 2019
Parc des Érables	154 allée des Érables, Villepinte	30 Nov 2017
Parc Jean Mermoz	53 rue de Verdun – 81, rue Maurice Berteaux, La Courneuve	30 Nov 2017
Parc Locaparc 2	59-65 rue Edith Cavell, Vitry-sur-Seine	30 Nov 2017
Parc le Prunay	13-41 rue Jean Pierre Timbaud, ZI du Prunay, Sartrouville	30 Nov 2017
Parc de Champs	40 boulevard de Nesles, ZAC le Ru du Nesles, Champs sur Marne	30 Nov 2017
Parc Acticlub	2 rue de la Noue Guimante, ZI de la Courtillière, Saint Thibault des Vignes	30 Nov 2017
Parc Parçay-Meslay	ZI du Papillon, Parçay-Meslay	23 Jan 2019
Parc du Bois du Tambour ⁽³⁾	Route de Nancy, Gondreville	30 Nov 2017
Parc Sully	105 route d'Orléans, Sully-sur-Loire	23 Jan 2019
Office		
Paryseine	3 Allée de la Seine, Ivry-Sur Seine, Paris	17 Jul 2019
Cap Mermoz	38-44 rue Jean Mermoz, Maisons-Laffitte, Paris	17 Jul 2019
Lénine	1 rue de Lénine, 94200 Ivry-Sur Seine, Ivry-Sur Seine, Paris	17 Jul 2019

n/a – not applicable

(3) The property was disposed on 9 September 2022.

STATEMENT OF PORTFOLIO

AS AT 31 DECEMBER 2022

Land Tenure	Remaining Term of Leasehold (Years)		Carrying Amount		Percentage of Net Assets	
	2022	2021	2022 €'000	2021 €'000	2022 %	2021 %
Freehold	n/a	n/a	73,300	74,100	5.2	5.0
Freehold	n/a	n/a	17,100	17,500	1.2	1.2
Freehold	n/a	n/a	15,700	17,100	1.1	1.2
Freehold	n/a	n/a	11,400	11,900	0.8	0.8
Freehold	n/a	n/a	3,960	4,220	0.3	0.3
Freehold	n/a	n/a	157,950	147,300	11.1	10.0
Freehold	n/a	n/a	32,900	29,100	2.3	2.0
Freehold	n/a	n/a	26,550	24,400	1.9	1.7
Freehold	n/a	n/a	24,650	19,900	1.7	1.3
Freehold	n/a	n/a	22,300	25,300	1.6	1.7
Freehold	n/a	n/a	17,625	18,700	1.2	1.3
Leasehold	24.45	25.45	12,550	7,740	0.9	0.5
Freehold	n/a	n/a	11,250	11,100	0.8	0.8
Freehold	n/a	n/a	11,150	12,300	0.8	0.8
Freehold	n/a	n/a	9,430	9,720	0.7	0.7
Freehold	n/a	n/a	9,120	9,240	0.6	0.6
Freehold	n/a	n/a	8,680	8,360	0.6	0.6
Freehold	n/a	n/a	8,490	8,800	0.6	0.6
Freehold	n/a	n/a	6,960	7,020	0.5	0.5
Freehold	n/a	n/a	6,630	6,330	0.5	0.4
Freehold	n/a	n/a	4,920	4,710	0.3	0.3
Freehold	n/a	n/a	-	4,620	-	0.3
Freehold	n/a	n/a	3,490	3,250	0.2	0.2
Freehold	n/a	n/a	31,250	27,600	2.2	1.9
Freehold	n/a	n/a	29,830	35,800	2.1	2.4
Freehold	n/a	n/a	3,230	3,950	0.2	0.3

The accompanying notes form an integral part of the financial statements.

STATEMENT OF PORTFOLIO

AS AT 31 DECEMBER 2022

Property (by Geography)	Location	Acquisition Date
Germany		
Light Industrial / Logistics		
Parsdorfer Weg 10	Parsdorfer Weg 10, Kirchheim	30 Nov 2017
An der Wasserschluft 7	An der Wasserschluft 7, 06526 Sangerhausen	13 Aug 2020
Siemensstraße 11	Siemensstraße 11, Frickenhausen	30 Nov 2017
Göppinger Straße 1 – 3	Göppinger Straße 1 – 3, Pforzheim	24 Mar 2020
Löbstedter Str. 101-109	Löbstedter Str. 101-109, Unstrutweg 1, 4, Ilmstr. 4, 4a, Jena	21 Apr 2022
Gewerbestraße 62	Gewerbestraße 62, Bretten	24 Mar 2020
An der Kreuzlache 8-12	An der Kreuzlache 8-12, Bischofsheim	30 Nov 2017
Hochstraße 150-152	Hochstraße 150-152, Duisburg	30 Nov 2017
Henschelring 4	Henschelring 4, Kirchheim	30 Nov 2017
Frauenstraße 31	Frauenstraße 31, Maisach	30 Nov 2017
Kolumbusstraße 16	Kolumbusstraße 16, Hamburg	30 Nov 2017
Gutenbergstraße 1, Dieselstraße 2	Gutenbergstraße 1, Dieselstraße 2, Königsbach-Stein	24 Mar 2020
Moorfleeter Straße 27, Liebigstraße 67-71	Moorfleeter Straße 27, Liebigstraße 67-71, Hamburg	30 Nov 2017
Dresdner Straße 16, Sachsenring 52	Dresdner Straße 16, Sachsenring 52, Straubing	30 Nov 2017
An der Steinlach 8-10 ⁽⁴⁾	An der Steinlach 8-10, Bischofsheim	30 Nov 2017
Kinzigheimer Weg 114 ⁽⁴⁾	Kinzigheimer Weg 114, Hanau	30 Nov 2017
Poland		
Office		
Business Garden	2, 4, 6, 8 and 10 Kolorowa Street, Poznań	24 Sep 2019
Green Office	80, 80A, 82 and 84 Czerwone Maki Street, Kraków	25 Jul 2019
Riverside Park	Fabryczna 5, Warsaw	14 Feb 2019
Avatar	28 Armii Krajowej Street, Kraków	25 Jul 2019
Grójecka 5	Grójecka 5, Warsaw	14 Feb 2019
Arkońska Business Park	Arkońska 1&2, Gdańsk	14 Feb 2019
Denmark		
Light Industrial / Logistics		
Naverland 7-11	Naverland 7-11, Glostrup	30 Nov 2017
Sognevej 25	Sognevej 25, Brøndby	14 Oct 2022
Priorparken 700	Priorparken 700, Brøndby	30 Nov 2017
Priorparken 800	Priorparken 800, Brøndby	30 Nov 2017
Stamholmen 111	Stamholmen 111, Hvidovre	30 Nov 2017
Herstedvang 2-4	Herstedvang 2-4, Albertslund	30 Nov 2017
Islevdalvej 142	Islevdalvej 142, Rødovre	30 Nov 2017
Naverland 8	Naverland 8, Glostrup	30 Nov 2017
Hørskætten 4-6	Hørskætten 4-6, Tåstrup	30 Nov 2017
Fabriksparken 20	Fabriksparken 20, Glostrup	30 Nov 2017
Naverland 12	Naverland 12, Glostrup	30 Nov 2017
Hørskætten 5	Hørskætten 5, Tåstrup	30 Nov 2017

n/a – not applicable

(4) The properties were disposed on 7 October 2022.

STATEMENT OF PORTFOLIO

AS AT 31 DECEMBER 2022

Land Tenure	Remaining Term of Leasehold (Years)		Carrying Amount		Percentage of Net Assets	
	2022	2021	2022 €'000	2021 €'000	2022 %	2021 %
Freehold	n/a	n/a	38,800	40,300	2.7	2.7
Freehold	n/a	n/a	18,600	19,750	1.3	1.3
Freehold	n/a	n/a	18,200	18,250	1.3	1.2
Freehold	n/a	n/a	17,400	18,250	1.2	1.2
Freehold	n/a	n/a	16,900	-	1.2	-
Freehold	n/a	n/a	16,000	16,825	1.1	1.1
Freehold	n/a	n/a	14,500	14,725	1.0	1.0
Freehold	n/a	n/a	12,900	9,940	0.9	0.7
Freehold	n/a	n/a	11,900	12,125	0.8	0.8
Freehold	n/a	n/a	11,300	12,025	0.8	0.8
Freehold	n/a	n/a	11,300	10,850	0.8	0.7
Freehold	n/a	n/a	10,900	11,575	0.8	0.8
Freehold	n/a	n/a	9,320	9,190	0.7	0.6
Freehold	n/a	n/a	9,230	10,000	0.6	0.7
Freehold	n/a	n/a	-	5,130	-	0.3
Freehold	n/a	n/a	-	3,840	-	0.3
Freehold	n/a	n/a	83,600	85,400	5.9	5.8
Freehold	n/a	n/a	46,900	51,400	3.3	3.5
Freehold	n/a	n/a	27,700	30,600	1.9	2.1
Freehold/ Perpetual usufruct	n/a	n/a	23,050	26,200	1.6	1.8
Freehold	n/a	n/a	18,450	19,900	1.3	1.3
Freehold	n/a	n/a	16,025	18,000	1.1	1.2
Freehold	n/a	n/a	16,470	13,051	1.2	0.9
Freehold	n/a	n/a	15,784	-	1.1	-
Freehold	n/a	n/a	14,923	12,742	1.0	0.9
Freehold	n/a	n/a	13,216	10,995	0.9	0.7
Freehold	n/a	n/a	12,220	7,849	0.9	0.5
Freehold	n/a	n/a	9,142	7,890	0.6	0.5
Freehold	n/a	n/a	9,075	8,310	0.6	0.6
Freehold	n/a	n/a	8,255	7,433	0.6	0.5
Freehold	n/a	n/a	7,247	6,317	0.5	0.4
Freehold	n/a	n/a	6,991	6,331	0.5	0.4
Freehold	n/a	n/a	4,531	3,871	0.3	0.3
Freehold	n/a	n/a	4,504	4,140	0.3	0.3

The accompanying notes form an integral part of the financial statements.

STATEMENT OF PORTFOLIO

AS AT 31 DECEMBER 2022

Property (by Geography)	Location	Acquisition Date
Finland		
Office		
Plaza Vivace	Äyritie 8 C, Vantaa	28 Dec 2018
Plaza Forte	Äyritie 12 C, Vantaa	28 Dec 2018
Myyrmäenraitti 2	Myyrmäenraitti 2, Vantaa	28 Dec 2018
Plaza Allegro	Äyritie 8 B, Vantaa	28 Dec 2018
Mäkitorpantie 3b	Mäkitorpantie 3b, Helsinki	28 Dec 2018
Grandinkulma	Kielotie 7, Vantaa	28 Dec 2018
Pakkalankuja 6	Pakkalankuja 6, Vantaa	28 Dec 2018
Kauppakatu 39	Kauppakatu 39, Kuopio	28 Dec 2018
Pakkalankuja 7	Pakkalankuja 7, Vantaa	28 Dec 2018
Purotie 1	Purotie 1, Helsinki	28 Dec 2018
Opus 1 ⁽⁵⁾	Hitsaajankatu 24, Helsinki	28 Dec 2018
The Czech Republic		
Light Industrial / Logistics		
Lovosice ONE Industrial Park II	Prumyslova 1190, 410 02 Lovosice	11 Mar 2021
Moravia Industrial Park	Jaktare 1752, 686 01 Uherske Hradiste	11 Mar 2021
Lovosice ONE Industrial Park I	Tovami 1162, 410 02 Lovosice	11 Mar 2021
One - Hradec Králové	Vážní 536, 500 03 Hradec Králové	4 Jun 2021
South Moravia Industrial Park	Cukrovarska 494/39, Mesto, 682 01 Vyskov	11 Mar 2021
Pisek Industrial Park I	Stanislava Mlainy 464, 397 01 Pisek	11 Mar 2021
Pisek Industrial Park II	U Hrebince 2564/23, 391 01 Pisek	11 Mar 2021
Slovakia		
Light Industrial / Logistics		
Nove Mesto ONE Industrial Park III	Rakol'uby 242, 916 31 Kocovce	11 Mar 2021
Nove Mesto ONE Industrial Park I	Beckov 645, 916 38 Beckov	11 Mar 2021
Kosice Industrial Park	Vel'ka Ida 785, 044 55 Velká Ida	11 Mar 2021
Nove Mesto ONE Industrial Park II	Kocovce 245, 916 31 Kocovce	11 Mar 2021
Zilina Industrial Park	Priemyselna 1, 013 02 Nededza	11 Mar 2021
United Kingdom		
Light Industrial / Logistics		
Thorn Lighting	DurhamGate, Spennymoor, County Durham DL16 6HL	17 Dec 2021
The Cube	Wincanton Logistics, Aston Land North, Preston Brook, Cheshire WA7 3GE, Runcorn	18 May 2022
Kingsland 21	21 Kingsland Grange, Warrington	3 Aug 2021
Portfolio of investment properties, at fair value		
Other adjustments (note 9(a))		
Investment properties as shown in the balance sheet		
Other assets and liabilities, net		
Net assets		

n/a – not applicable

(5) The property was disposed on 6 July 2022.

STATEMENT OF PORTFOLIO

AS AT 31 DECEMBER 2022

Land Tenure	Remaining Term of Leasehold (Years)		Carrying Amount		Percentage of Net Assets	
	2022	2021	2022 €'000	2021 €'000	2022 %	2021 %
Freehold	n/a	n/a	12,100	11,600	0.9	0.8
Freehold	n/a	n/a	11,500	11,650	0.8	0.8
Freehold	n/a	n/a	10,000	10,475	0.7	0.7
Freehold	n/a	n/a	9,300	9,720	0.7	0.7
Freehold	n/a	n/a	9,100	9,580	0.6	0.6
Freehold	n/a	n/a	8,600	11,650	0.6	0.8
Freehold	n/a	n/a	8,500	9,640	0.6	0.7
Freehold	n/a	n/a	7,700	7,820	0.5	0.5
Freehold	n/a	n/a	5,900	5,550	0.4	0.4
Freehold	n/a	n/a	3,100	3,710	0.2	0.3
Freehold	n/a	n/a	-	15,225	-	1.0
Freehold	n/a	n/a	15,950	14,500	1.1	1.0
Freehold	n/a	n/a	15,500	16,300	1.1	1.1
Freehold	n/a	n/a	13,950	3,270	1.0	0.2
Freehold	n/a	n/a	11,800	10,300	0.8	0.7
Freehold	n/a	n/a	10,750	11,640	0.8	0.8
Freehold	n/a	n/a	4,410	4,340	0.3	0.3
Freehold	n/a	n/a	1,840	1,730	0.1	0.1
Freehold	n/a	n/a	20,060	17,300	1.4	1.2
Freehold	n/a	n/a	18,950	16,845	1.3	1.1
Freehold	n/a	n/a	12,400	14,800	0.9	1.0
Freehold	n/a	n/a	9,400	9,980	0.7	0.7
Freehold	n/a	n/a	5,160	5,510	0.4	0.4
Freehold	n/a	n/a	30,818	38,463	2.2	2.6
Freehold	n/a	n/a	17,240	-	1.2	-
Freehold	n/a	n/a	9,409	11,908	0.7	0.8
			2,503,885	2,442,625	176.0	165.4
			5,522	6,389	0.4	0.4
			2,509,407	2,449,014	176.4	165.8
			(1,086,486)	(971,734)	(76.4)	(65.8)
			1,422,921	1,477,280	100.0	100.0

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

About these Financial Statements

The Cromwell European Real Estate Investment Trust (“Trust”) is a Singapore real estate investment trust constituted pursuant to a trust deed dated 28 April 2017 (date of “Constitution”) (as amended, varied or supplemented from time to time) 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”). The Trust and its subsidiaries are collectively referred to as “CEREIT” in the consolidated financial statements.

Prior to Listing Date, CEREIT was a private Singapore Trust, wholly-owned by Cromwell Property Group. During this period, CEREIT acquired a group of entities that held three Dutch office assets from Cromwell Property Group. The total return from these properties during the period prior to Listing Date does not form part of distributable income to which Unitholders are entitled to.

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) adopted by the International Accounting Standards Board, the recommendations of *The Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (“RAP 7”) (Revised 2017)* issued by the Institute of Singapore Chartered Accountants, the applicable requirements of the Code on Collective Investment Schemes (the “CIS Code”) issued by the Monetary Authority of Singapore (“MAS”) and the provisions of the Trust Deed.

The financial statements are presented in Euro (“€”) and had been rounded to the nearest thousand, unless otherwise stated. All financial information has been prepared in a format designed to provide users of the financial report with a clear understanding of relevant balances and transactions that drive CEREIT’s financial performance and financial position free of immaterial and superfluous information. Accounting policies and, where applicable, the use of significant estimates and judgments are presented in the relating notes to the financial statements and plain English is used in commentary or explanatory sections to improve readability of the financial statements.

The notes have been organised into the following five sections for reduced complexity and ease of navigation:

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

Results

This section of the financial statements provides further information on CEREIT's financial performance, including the performance of each of CEREIT's segments, the earnings per unit calculation, as well as details of CEREIT's revenue, expenses, government grant income, income tax items and CEREIT's semi-annual distributions.

1. OPERATING SEGMENT INFORMATION

Overview

CEREIT's operating segments regularly reviewed by the Chief Operating Decision Maker ("CODM"), being the Chief Executive Officer ("CEO"), are CEREIT's property sub-portfolios by location and asset class as each of these sub-portfolios have different performance characteristics. There is no segment information for CEREIT's business segments as CEREIT's activities wholly relate to property investment.

CEREIT operated in three property classes and ten (2021: ten) countries as at 31 December 2022. The property segments below are reported in a manner consistent with the internal reporting provided to the CODM.

CEREIT's property segments:

<i>Asset class</i>	<i>Country</i>	<i>Details</i>
Light Industrial / Logistics	The Netherlands	CEREIT holds 7 (2021: 7) light industrial / logistics properties across the Netherlands with a combined valuation of €104,090,000 (2021: €91,215,000). These assets are leased to a diverse tenant base and they are predominantly located in the wider Amsterdam area, including the Netherlands main airport, Amsterdam Schiphol.
	Italy	CEREIT completed the acquisition of two freehold, light industrial / logistics properties in the first quarter of FY 2022, bringing the total number of light industrial / logistic assets held in Italy to 5 (2021: 3). The assets have a combined valuation of €146,100,000 (2021: €89,125,000). The two newly acquired properties are located in Vittuone, which is within close proximity to the Milan city centre; and Coccaglio, a well-developed industrial area in the Lombardy region and adjacent to the Brescia and Bergamo international airports.
	France	CEREIT completed the divestment of a light industrial / logistic asset located at Parc du Bois du Tambour, Route de Nancy, Gondreville just prior to year-end in December 2022. After the divestment, CEREIT holds 17 (2021: 18) light industrial / logistics assets across France with a combined valuation of €374,645,000 (2021: €357,890,000). The properties are leased to a diverse tenant base with 200+ separate leases, including larger tenant-customers from the transport and logistics sector. 14 properties are located in the Greater Paris area while the remaining assets are located near larger secondary cities such as Lyon, Nancy and Lille.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

<i>Asset class</i>	<i>Country</i>	<i>Details</i>
	Germany	In April 2022, CEREIT acquired a freehold, light industrial business park located within an established commercial area in Jena, in the second largest city of Thuringia in central Germany. Further to the acquisition, CEREIT also completed the divestment of two non-core light industrial / logistic assets in Bischofsheim and Hanau in October 2022. After the acquisition and divestments, CEREIT's German light industrial / logistics portfolio now comprises of 14 assets (2021: 15) with a combined valuation of €217,250,000 (2021: €212,775,000). The properties are located in several cities in Germany and are leased to a diverse tenant base which include global engineering, technology, automotive, and reusable packaging companies.
	Denmark	CEREIT completed the acquisition of a freehold, light industrial / logistic complex in Brøndby, Copenhagen in October 2022, bringing the total number of light industrial / logistics assets held in Denmark to 12 (2021: 11) properties with a combined valuation of €122,358,000 (2021: €88,929,000). The properties are predominantly located in the Copenhagen area with a diverse tenant base including shipping and logistics, wholesale and retail, and payment technology companies. One of the largest tenant-customers is a global manufacturer of commercial cleaning equipment.
	The Czech Republic	CEREIT holds 7 (2021: 7) light industrial / logistics assets across the Czech Republic with a combined valuation of €74,200,000 (2021: €62,080,000). The properties are located in several established industrial zones across the country, including Lovosice, Pisek, and Hradec Králové.
	Slovakia	CEREIT holds 5 (2021: 5) light industrial/ logistics properties in Slovakia with a combined valuation of €65,970,000 (2021: €64,435,000). The properties are located in established industrial clusters / zones across the country and are leased to a diverse tenant base which include a logistic services company, fashion retailers, and an industrial chimney and steel manufacturer.
	United Kingdom	During the year, CEREIT acquired its third light industrial / logistics asset in the United Kingdom. The asset is situated in a well-established logistics location in Cheshire, close to major cities Liverpool and Manchester and leased to a UK-focused third-party logistics company. Including the new acquisition, CEREIT's UK portfolio now consists of 3 assets (2021: 2) with a combined valuation of €57,467,000 (2021: €50,371,000).
Office	The Netherlands	CEREIT holds 7 (2021: 7) office assets in the Netherlands with a combined valuation of €535,100,000 (2021: €571,865,000) located in predominantly central business districts of the main cities of the Netherlands - Amsterdam, Rotterdam, The Hague, Utrecht and s'Hertogenbosch. Most of the properties are multi-tenanted with a diverse tenant-customer base comprising corporations across insurance, engineering, e-commerce, government and public administration, professional and legal services and other sectors.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

<i>Asset class</i>	<i>Country</i>	<i>Details</i>
	Italy	<p>CEREIT holds 12 (2021: 12) office assets in Italy with a combined valuation of €319,410,000 (2021: €323,650,000). These assets are predominantly located in or close to central business districts and city fringe areas of the main cities of Italy – Milan and Rome as well as secondary cities, including Florence, Venice, Bari and Genova.</p> <p>The properties are a mix of single-tenanted and multi-tenanted buildings with main tenant-customers comprising the Italian government, telecom, professional service, marketing and advertising service corporations.</p>
	France	<p>CEREIT holds 3 (2021: 3) office assets in France with a combined valuation of €64,310,000 (2021: €67,350,000). The assets comprise two predominantly office properties located just six kilometres from Paris' city centre, close to transport nodes, and one office property located in the Greater Paris area. The properties are multi-tenanted with main tenant-customers comprising professional services and global engineering corporations.</p>
	Poland	<p>CEREIT holds 6 (2021: 6) office assets in Poland with a combined valuation of €215,725,000 (2021: €231,500,000). The properties are located in some of the main cities of Poland – Warsaw, Krakow and Poznan, as well as Gdansk which is part of the Tricity – one of the biggest urban areas in Poland. The properties are all multi-tenanted with main tenant-customers comprising multinational corporations across technology, pharmaceutical, media, banking and financial services and other sectors.</p>
	Finland	<p>During the year, CEREIT completed the divestment of an office asset located in Helsinki. CEREIT's Finnish office portfolio now consists of 10 (2021: 11) assets with a combined valuation of €85,800,000 (2021: €106,620,000) predominantly located in well-established office parks in Helsinki. The properties are multi-tenanted with main tenant-customers comprising corporations across energy, healthcare, professional services, retail, construction and manufacturing sectors.</p>
Other	Italy	<p>In addition to its principally office and light industrial / logistics portfolio, CEREIT also holds 5 (2021: 5) assets in Italy in the 'other' asset class with a combined value of €121,460,000 (2021: €124,820,000). These assets include three properties that are leased to the Italian government (predominantly used as training and housing campuses for the Italian police force), a 480-room hotel and a leisure complex with a large cinema.</p>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

(a) Segment results

The table below shows segment results as presented to the CODM. For further commentary on individual segment results refer to the Managers Report section of this Annual Report.

CEREIT 2022	Gross revenue from external customers €'000	Property operating expenditure €'000	Segment Profit / (Loss) €'000
Light Industrial / Logistics			
The Netherlands	6,648	(1,960)	4,688
Italy	12,009	(2,839)	9,170
France	32,467	(12,276)	20,191
Germany	17,285	(5,952)	11,333
Denmark	10,848	(5,198)	5,650
The Czech Republic	4,478	(1,086)	3,392
Slovakia	6,294	(2,062)	4,232
United Kingdom	3,839	(462)	3,377
Total – Light Industrial / Logistics	93,868	(31,835)	62,033
Office			
The Netherlands	44,753	(18,086)	26,667
Italy	22,786	(7,571)	15,215
France	6,128	(3,905)	2,223
Poland	28,194	(14,370)	13,824
Finland	10,514	(5,396)	5,118
Total – Office	112,375	(49,328)	63,047
Other			
Italy	15,862	(4,167)	11,695
Total – Other	15,862	(4,167)	11,695
Total – Segments	222,105	(85,330)	136,775
<i>Unallocated items:</i>			
Net finance costs			(24,387)
Manager's fees			(6,057)
Trustee fees			(298)
Other trust expenses			(6,011)
Net foreign exchange loss			(1,933)
Gain on divestments			763
Fair value loss – investment properties			(59,483)
Fair value gain – derivative financial instruments			16,331
Income tax expense			(13,751)
Total return for the year			41,949

Accounting policy

Segment profit / (loss)

Segment profit / (loss) equals net property income from the property sub-portfolio and does not include government grant income, net finance costs, manager's fees, trustee fees, other trust expenses, net foreign exchange gain/loss, gain/loss on divestments, fair value changes of investment properties and derivative financial instruments and income tax expense.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

CEREIT 2021	Gross revenue from external customers €'000	Property operating expenditure €'000	Segment Profit / (Loss) €'000
Light Industrial / Logistics			
The Netherlands	5,307	(1,920)	3,387
Italy	6,332	(1,772)	4,560
France	30,047	(9,975)	20,072
Germany	16,140	(5,435)	10,705
Denmark	8,999	(3,936)	5,063
The Czech Republic	3,425	(837)	2,588
Slovakia	4,575	(1,212)	3,363
United Kingdom	384	(42)	342
Total – Light Industrial / Logistics	75,209	(25,129)	50,080
Office			
The Netherlands	41,053	(15,346)	25,707
Italy	23,878	(6,742)	17,136
France	8,673	(3,365)	5,308
Poland	25,781	(10,126)	15,655
Finland	11,301	(5,249)	6,052
Total – Office	110,686	(40,828)	69,858
Other			
Italy	14,227	(4,073)	10,154
Total – Other	14,227	(4,073)	10,154
Total – Segments	200,122	(70,030)	130,092
<i>Unallocated items:</i>			
Government grant income			248
Net finance costs			(21,736)
Manager's fees			(5,619)
Trustee fees			(276)
Other trust expenses			(5,033)
Net foreign exchange loss			(330)
Loss on divestments			(324)
Fair value gain – investment properties			27,061
Fair value gain – derivative financial instruments			829
Income tax expense			(28,309)
Total return for the year			96,603

Accounting policy

Segment allocation

Segment revenues, expenses and assets are those presented to the CODM that are directly attributable to the property segment.

Segment revenue include revenues directly derived from CEREIT's properties and include lease revenue, service charge revenue and any other property revenue received from tenants. Segment expenses include expenses directly incurred in operating the properties and include service charge expense, property management fees, non-recoverable expenses and leasing costs.

Segment assets include investment properties. Cash and other current and non-current assets may be held in centralised locations and are not allocated to the property segments. Liabilities are not allocated to segments. CEREIT's borrowings and derivative financial instruments are not reviewed by the CODM on a segment basis as they are centrally managed by CEREIT's treasury function and reviewed by the CODM for CEREIT globally. Other operating liabilities, such as payables are also managed in centralised locations and are not allocated to the property segments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

(b) Segment assets and liabilities

Segment assets

CEREIT 2022	Segment assets: Investment properties €'000	Other Information: Capital expenditure and capitalised interest €'000
Light industrial / Logistics		
The Netherlands	109,612	568
Italy	146,100	1,117
France	374,645	3,665
Germany	217,250	2,776
Denmark	122,358	4,516
The Czech Republic	74,200	9,890
Slovakia	65,970	166
United Kingdom	57,467	-
Total - Light Industrial / Logistics	1,167,602	22,698
Office		
The Netherlands	535,100	6,143
Italy	319,410	8,088
France	64,310	504
Poland	215,725	1,879
Finland	85,800	3,174
Total - Office	1,220,345	19,788
Other		
Italy	121,460	554
Total - Other	121,460	554
Total - Segments	2,509,407	43,040
<i>Reconciliation to total consolidated assets:</i>		
Cash and cash equivalents	35,432	
Receivables - current	16,340	
Current tax assets	960	
Receivables - non-current	328	
Derivative financial instruments	19,150	
Deferred tax assets	8,367	
Consolidated total assets	2,589,984	

Segment liabilities

There are no liabilities allocated to segments.

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YEAR ENDED 31 DECEMBER 2022

Segment assets

CEREIT 2021	Segment assets: Investment properties €'000	Other Information: Capital expenditure €'000
Light industrial / Logistics		
The Netherlands	97,604	698
Italy	89,125	613
France	357,890	1,042
Germany	212,775	3,293
Denmark	88,929	3,195
The Czech Republic	62,080	193
Slovakia	64,435	342
United Kingdom	50,371	-
Total - Light Industrial / Logistics	1,023,209	9,376
Office		
The Netherlands	571,865	5,868
Italy	323,650	1,880
France	67,350	557
Poland	231,500	1,893
Finland	106,620	1,980
Total - Office	1,300,985	12,178
Other		
Italy	124,820	493
Total - Other	124,820	493
Total - Segments	2,449,014	22,047
<i>Reconciliation to total consolidated assets:</i>		
Cash and cash equivalents	59,258	
Receivables - current	18,491	
Current tax assets	865	
Receivables - non-current	663	
Derivative financial instruments	947	
Deferred tax assets	5,292	
Consolidated total assets	2,534,530	

Segment liabilities

There are no liabilities allocated to segments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

(c) Major customers

Major customers of CEREIT that account for more than 10% of CEREIT's revenue are listed below.

Name	Segment	CEREIT			
		2022 Gross revenue €'000	2022 Percentage of total revenue %	2021 Gross revenue €'000	2021 Percentage of total revenue %
Agenzia del Demanio (Italian State Property Office)	Italy-Office/Other	-	-	20,329	10.2

The Trust is domiciled in Singapore. However, all properties are located in Europe and are held by subsidiaries of the Trust also domiciled in Europe. As such, all revenue from external customers is recognised in the European countries as shown in section (a).

In FY 2022, there were no major customers of CEREIT that account for more than 10% of CEREIT's revenue.

2. REVENUE

Overview

This note provides a further breakdown of property revenue for the financial year. CEREIT's revenue consists of rental income from operating leases of CEREIT's investment properties, service charge revenue and other incidental revenue from property ownership such as advertising billboards and signage, kiosks, and early termination indemnity from tenants. This note also provides overview of the accounting policies on how these revenue items are recognised.

Revenue from properties

	CEREIT	
	2022 €'000	2021 €'000
Lease revenue	175,505	162,075
Service charge revenue	43,557	34,762
Other property revenue	3,043	3,285
Total revenue	222,105	200,122

Accounting policy

Lease revenue

Lease income from operating leases, with CEREIT as lessor of investment properties, is recognised on a straight-line basis over the lease term. The respective leased assets, being CEREIT's investment properties, are included in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

Service charge revenue

Service charge revenue are payments from tenants for costs incurred by the landlord to provide services to the tenants, including providing utilities, cleaning, certain maintenance and building management among other operating costs of a property. Service charge revenue is recognised over time as and when the tenant receives and consumes the benefit of the service provided, which is generally simultaneously.

Other property revenue

Other property related revenue is recognised on a straight-line basis over the term of the contract if the contract requires the customer to make fixed payments over time equivalent to a lease. Early termination indemnity is recognised on a straight-line basis over the remaining term of the lease.

3. GOVERNMENT GRANT INCOME

In FY 2021, government grant income pertains to one-off funds received from the Monetary Authority of Singapore under The Global-Asia Bond Grant Scheme which aims to assist companies with an Asian nexus raising capital through Singapore's bond market for the first time.

Accounting policy

Government grant income

Government grants are not recognised until there is reasonable assurance that CEREIT will comply with the conditions attaching to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to CEREIT with no future related costs are recognised in statement of total return in the period in which they become receivable.

4. TRUSTEE, MANAGER'S AND PROPERTY MANAGER'S FEES

Overview

This note provides an overview of the fees charged by the Trustee, the Manager and the Property Manager for the management services they provide to the Unitholders as well as description of how these fees and any other fees that may arise in the future are calculated.

(a) Trustee fees

Pursuant to Clause 15.3 of the Trust Deed, the trustee fees shall not exceed 0.015% per annum of the value of CEREIT's deposited property and subject to a minimum amount of S\$15,000 (approximately €9,500) per month, excluding out-of-pocket expenses and GST, and shall be payable out of the deposited property monthly in arrears.

	CEREIT	
	2022	2021
	€'000	€'000
Total trustee fees	298	276

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

(b) Manager's fees

The Manager is entitled to management fees comprising a base fee and a performance fee as follows:

Base management fee

The Manager's base fee is calculated as 0.23% per annum of the value of CEREIT's deposited property. The management fee is payable quarterly in arrears.

Performance fee

The Manager's performance fee is calculated as 25.0% of the difference in DPU in a year with the DPU in the preceding year (calculated before accounting for the performance fee in each financial year and excluding any realised capital gains paid out in both financial years).

The Manager may, at its election, be paid base and/or performance fees in cash, in CEREIT units or a combination of both.

The following fees were charged during and for the year:

	CEREIT	
	2022	2021
	€'000	€'000
Base management fees paid and payable in cash ⁽¹⁾	6,057	5,619
Performance fee ⁽²⁾	–	–
Total Manager's fees	6,057	5,619

(1) Total base management fees include some employee reimbursements which are netted off against amount payable to the Manager.

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

(c) Property Manager's fees

The property & portfolio management fee is calculated as 0.67% per annum of the value of CEREIT's deposited property. Property & portfolio management fees are shown within property operating expense in the Statement of Total Return.

The property & portfolio management fee is payable quarterly in arrears. The Property Manager may, at its election, be paid its fees in cash, in CEREIT units or a combination of both.

The following fees were charged during and for the year:

	CEREIT	
	2022	2021
	€'000	€'000
Property & portfolio management fees paid and payable in cash	17,643	16,372
Total property & portfolio management fees	17,643	16,372

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

(d) Acquisition, divestment and other fees

Acquisition and divestment fees

Acquisition fees are calculated as 1.0% of the gross acquisition price (or a lower percentage at the discretion of the charging party) of any real estate or any other income producing investment purchased by CEREIT. Divestment fees are calculated as 0.5% of the gross sale price (or lower percentage at the discretion of the charging party) of any real estate or other investment. The fee may be charged by the Manager, the Property Manager or shared between both. Acquisition and divestments fees may, at the election of the charging party, be paid in cash, in CEREIT units or a combination of both. Under the CIS Code, in respect of any acquisition of real estate assets from interested parties, such a fee will be in the form of units issued by CEREIT at prevailing market price(s). Such units may not be sold within one year from the date of their issuance. Acquisition fees are capitalised as acquisition costs in investment properties. Divestment fees are recognised in the Statement of Total Return and presented in gain/loss on divestments.

The following acquisition and divestment fees were charged to CEREIT during the year:

	CEREIT	
	2022	2021
	€'000	€'000
Acquisition fees	1,074	2,127
Divestment fees	205	29
Total acquisition and divestment fees	1,279	2,156

A summary of units issued as payment of acquisition fees is as follows:

For Period	Issue Date	Units	Issue Price €	Total Value €'000
1 Jan 2021 to 31 Dec 2021				
Acquisitions from 1 January 2021 to 31 December 2021	23 July 2021	40,428	2.5044 ¹	101
Total		40,428		101

(1) Issue price was based on the 10-day volume-weighted average price from 25 June to 8 July 2021.

In 2022, there were no units issued as payment of acquisition and divestment fees.

Development management and project management fees

Development management fees are calculated as 3.0% of the total project costs incurred. Where the estimated total project costs are greater than S\$200.0 million, the Trustee and the Manager's independent Directors will first review and approve the quantum of the development management fee, whereupon the Manager may be directed by the independent Directors to reduce the development management fee. Further, in cases where the market pricing for comparable services is, in the Manager's view, materially lower than the development management fee, the independent Directors of the Manager shall have the right to direct a reduction of the development management fee to less than 3.0% of the total project costs. The development management fee may, at the election of the Manager or Property Manager, be paid in the form of cash and/or CEREIT units.

Project management fees are calculated as 5.0% of the construction costs for any refurbishment, retrofitting, addition and alteration or renovation works to the relevant property. The project management fee is payable to the Property Manager in the form of cash and/or CEREIT units (as may be agreed between the Manager and the Property Manager from time to time, and if there is no such agreement, the payment shall be in the form of cash).

Development management and project management fees are capitalised as capital expenditure in investment properties.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

Leasing fees

The Property Manager is entitled to the following leasing fees:

- (a) (in relation to new leases secured by the Property Manager) 5.0% of the net rent receivable (capped at 20% of the average rent receivable);
- (b) (in relation to renewal of leases secured by the Property Manager) 2.5% of the net rent receivable (capped at 10% of the average rent receivable); and
- (c) (in relation to leases in respect of which fees are owed to a third-party agent) 1.0% of the net rent receivable, (capped at 4% of the average rent receivable).

Leasing fees are recognised in the Statement of Total Return over the lease period.

The following fees were charged during the year:

	CEREIT	
	2022	2021
	€'000	€'000
Development management fees	245	–
Project management fees	1,527	1,045
Leasing fees	1,985	1,636
Total other fees	3,757	2,681

All other fees were paid/payable in cash.

5. NET INCOME BEFORE TAX AND FAIR VALUE CHANGES

(a) Items included in arriving at net income before tax and fair value changes

The following items have been included in arriving at net income before tax and fair value changes:

		CEREIT	
	Note	2022	2021
		€'000	€'000
Auditor's fees – Deloitte Singapore		138	126
Auditor's fees – Deloitte overseas offices		810	604
Valuation fees		523	356
Allowance for/(reversal of) credit losses	14(a)	540	(1,055)

Accounting policy

Expenses

Trustee, Manager's and Property Manager's fees, other trust expenses and property-related expenses are recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

(b) Auditor's remuneration

Deloitte & Touche LLP Singapore ("Deloitte") are the independent auditors of CEREIT.

Below is a summary of fees paid/payable for various services to Deloitte and its overseas affiliates during the year:

	CEREIT	
	2022	2021
	€'000	€'000
<i>Audit fees paid/payable to Deloitte and its overseas offices</i>		
Auditing of financial reports – current year audit	873	730
Auditing of financial reports – prior year audit	75	–
Total audit fees paid/payable to Deloitte and its overseas offices	948	730
<i>Non-audit fees paid/payable to Deloitte</i>		
Services rendered in connection with the issuance of perpetual securities	–	65
Total non-audit fees paid/payable to Deloitte	–	65
Total remuneration paid/payable to Deloitte	948	795

In 2021, fees paid for assurance services in connection with the issuance of perpetual securities of €65,000 were considered as directly attributable to issuing new equity instruments and therefore recorded in perpetual securities holders' funds as a deduction against the proceeds from the issuance.

6. EARNINGS PER UNIT

Overview

This note provides information about CEREIT's earnings on a per unit basis. Earnings per unit ("EPU") is a measure that makes it easier for users of CEREIT's financial report to compare CEREIT's performance between different reporting periods. Accounting standards require the disclosure of two EPU measures, basic EPU and diluted EPU. CEREIT does not have dilutive potential units such as options over units. However, the weighted average number of units in issue takes into account any units that are issuable at financial year end, that is units to be issued relating to expenses incurred during the year.

	CEREIT	
	2022	2021
Basic and diluted earnings attributable to Unitholders per Unit (€ cents)	7.050	17.481
Total return for the year attributable to Unitholders (€'000)	39,628	96,359
Weighted average number of units ('000)	562,060	551,233

Diluted earnings per unit is the same as the basic earnings per unit as there are no dilutive instruments in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

7. DISTRIBUTIONS

CEREIT's aim is to provide investors with regular and stable distributions that are growing over time. CEREIT's distribution policy is to distribute at least 90% of its annual distributable income in each financial year but this will be re-affirmed at the Manager's discretion at the time of each distribution announcement. Distributions are paid on a semi-annual basis.

Distributions to Unitholders during the year:

Distribution period	Distribution type	Distribution per Unit (in € cents)	CEREIT and Trust	
			2022 €'000	2021 €'000
<i>Post unit consolidation</i>				
1 January 2022 to 30 June 2022	Capital & Tax Exempt	8.695	48,900	-
1 July 2021 to 31 December 2021	Capital & Tax Exempt	8.459	47,459	-
5 March 2021 to 30 June 2021	Tax Exempt	5.602	-	31,336
<i>Prior to unit consolidation</i>				
1 July 2020 to 4 March 2021	Tax Exempt	2.324	-	59,403
Total distributions			96,359	90,739

Distribution for FY 2022 of 17.189 Euro cpu comprises:

- (i) distribution for the period from 1 January 2022 to 30 June 2022 of 8.695 Euro cpu made up of capital component of 1.529 Euro cpu and tax-exempt component of 7.166 Euro cpu; and
- (ii) distribution for the period from 1 July 2022 to 31 December 2022 of 8.494 Euro cpu made up entirely of tax-exempt component as announced subsequently on 24 February 2023.

Distribution for FY 2021 of 16.961 Euro cpu comprises:

- (i) advanced distribution for the period from 1 January 2021 to 4 March 2021 of 0.580 Euro cpu (or 2.900 Euro cpu adjusted for the 5:1 unit consolidation) made up entirely of tax-exempt component;
- (ii) distribution for the period from 5 March 2021 to 30 June 2021 of 5.602 Euro cpu made up entirely of tax-exempt component; and
- (iii) distribution for the period from 1 July 2021 to 31 December 2021 of 8.459 Euro cpu made up of capital component of 3.825 Euro cpu and tax-exempt component of 4.634 Euro cpu.

On 23 February 2021, the Manager announced the establishment of a distribution reinvestment plan ("DRP"), pursuant to which Unitholders may elect to receive fully paid new units in CEREIT in respect of all of the cash amount of any distribution to which the DRP applies. The DRP may be applied from time to time to any distribution declared by CEREIT as the Manager may determine in its absolute discretion. Participation in the DRP is optional and Unitholders may elect to participate in respect of all of their unitholding. Unless the Manager has determined that the DRP will apply to any particular distribution, the distribution concerned will be paid in cash to Unitholders in the usual manner. The DRP has been applied to CEREIT's distribution for the period from 1 July 2020 to 4 March 2021, from 5 March 2021 to 30 June 2021, and from 1 July 2021 to 31 December 2021.

The DRP was suspended for distributions for the period from 1 January 2022 to 30 June 2022 and 1 July 2022 to 31 December 2022.

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In 2022, total distributions were partly paid by issuing an aggregate of 1,347,564 Units amounting to €3,021,000 pursuant to the DRP.

In 2021, total distributions were partly paid by issuing an aggregate of 8,011,760 Units prior to consolidation and 1,674,381 units post consolidation amounting to €7,542,000 pursuant to the DRP.

8. INCOME TAX

Overview

This note provides detailed information about CEREIF's income tax items and accounting policies. This includes a reconciliation of income tax expense applying the tax rates of each jurisdiction to CEREIF's total return before income tax as shown in the Statement of Total Return as well as an analysis of CEREIF's deferred tax balances.

Accounting standards require the application of the "balance sheet method" to account for CEREIF's income tax. Accounting profit does not always equal taxable income. There are a number of temporary differences between the recognition of accounting expenses and the availability of tax deductions or when revenue is recognised for accounting purpose and tax purposes. These timing differences reverse over time but they are recognised as deferred tax assets and deferred tax liabilities in the balance sheet until they are fully reversed.

Taxation in Singapore

CEREIF has obtained Tax Rulings from the Inland Revenue Authority of Singapore ("IRAS") and Ministry of Finance ("MOF") in respect of the foreign dividend and interest income ("Specified Exempt Income") derived by its wholly-owned Singapore resident subsidiaries from certain of its European property portfolio. Pursuant to these Tax Rulings, the wholly-owned Singapore resident subsidiaries will be exempt from Singapore income tax on the Specified Exempt Income that originates from European properties for which Tax Rulings have been obtained from IRAS and MoF, and provided that the conditions outlined in the Tax Rulings are met.

As such income tax expense mostly relates to income tax levied on CEREIF's European subsidiaries that hold properties and earn income.

(a) Income tax expense

	CEREIF	
	2022	2021
	€'000	€'000
<i>Current income tax expense</i>		
Current year	9,627	4,348
Underprovision in prior years	695	1,915
	10,322	6,263
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	3,429	22,046
	3,429	22,046
Total income tax expense	13,751	28,309
<i>Deferred tax expense</i>		
Increase in deferred tax assets	(3,075)	(1,456)
Increase in deferred tax liabilities	6,504	23,502
Total deferred tax expense	3,429	22,046

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

(b) Numerical reconciliation between income tax expense and total return before tax

	CEREIT	
	2022	2021
	€'000	€'000
Total return before income tax	55,700	124,912
Net (income)/expenses incurred in Singapore not subject to income tax	(5,793)	6,339
Profits subject to income tax in overseas jurisdictions	49,907	131,251
Tax at domestic rates applicable to profits subject to income tax in overseas jurisdictions	8,837	23,866
<i>Tax effect of amounts which are deductible / (non-taxable) in calculating taxable income:</i>		
Other non-deductible expenses - net	3,599	1,892
Underprovision in prior years	695	1,915
Effects of changes in tax rates	620	636
Total income tax expense	13,751	28,309

Corporate income tax rates applicable in overseas jurisdictions

	Note	2022	2021
		%	%
The Netherlands		25.8	25.0
Italy	(i)	0.0	0.0
France		25.0	26.5
Germany		15.8	15.8
Poland		19.0	19.0
Denmark		22.0	22.0
Finland		20.0	20.0
The Czech Republic		19.0	19.0
Slovakia		21.0	21.0
United Kingdom		19.0	19.0
Luxembourg		24.9	24.9
Jersey		0.0	0.0

- (i) The alternative investment funds ("AIFs") that hold CEREIT's Italian properties are exempt from corporate income tax. Instead withholding tax is applied on profit distributions and interest payments to non-resident investors in Italy. CEREIT received confirmation from the Italian and Singaporean tax authorities that distributions from the Italian portfolio are exempt from Italian withholding tax and Singapore tax respectively. CEREIT's AIFs are held by Luxembourg resident companies also wholly-owned by CEREIT.

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YEAR ENDED 31 DECEMBER 2022

(c) Deferred tax

Deferred tax assets

	CEREIT	
	2022	2021
	€'000	€'000
<i>Deferred tax assets are attributable to:</i>		
Unutilised tax losses	8,367	5,292
Deferred tax assets	8,367	5,292
<i>Movements:</i>		
At 1 January	5,292	3,836
Credit to Statement of Total Return	3,075	1,456
At 31 December	8,367	5,292

Deferred tax liabilities

	CEREIT	
	2022	2021
	€'000	€'000
<i>Deferred tax liabilities are attributable to:</i>		
Temporary differences between carrying amounts and tax base of investment properties	66,538	60,017
Deferred tax liabilities	66,538	60,017
<i>Movements:</i>		
At 1 January	60,017	36,627
Charged to Statement of Total Return	6,504	23,502
Exchange differences	2	-
Others	15	(112)
At 31 December	66,538	60,017

Significant estimates – deferred tax liabilities

Total deferred tax liabilities include deferred tax liabilities in relation to investment properties whereby the carrying amount exceeds the tax depreciated value of certain properties which will in future crystallise a capital gains tax upon disposal of the respective property. CEREIT has recognised a deferred tax liability in relation to the future capital gains tax payable at year-end. In accordance with IAS 12 *Income Taxes* deferred tax liabilities (and assets) shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

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YEAR ENDED 31 DECEMBER 2022

Accounting policy

Income tax

CEREIT's income tax expense for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. Deferred tax is not recognised for the recognition of goodwill on business combination and for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

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Operating Assets

This section of the annual financial statements provides further information on CEREIF's operating assets. These are assets that individually contribute to CEREIF's revenue and currently consist of investment properties only, however may in the future include joint ventures or associates and investments in listed and unlisted securities to the extent allowable under the Property Funds Appendix of the Code on Collective Investment Schemes ("CIS Code").

9. INVESTMENT PROPERTIES

Overview

Investment properties are properties (land, building or both) held solely for the purpose of earning rental income and/or for capital appreciation (including properties under development for such purposes). As at 31 December 2022, CEREIF's investment property portfolio comprised 113 (2021: 112) properties in ten (2021: ten) countries of which 70 (2021: 68) properties are predominantly light industrial / logistics use, 38 (2021: 39) properties are predominantly office use with the remaining 5 (2021: 5) properties being of other uses (refer to Statement of Portfolio).

This note provides further details on CEREIF's investment property portfolio, including details of acquisitions and other movements during the year as well as details on the fair value measurement of the properties.

(a) Reconciliation of carrying amount of investment properties

	Independent valuation €'000	Directors' valuation €'000	2022 Total valuation €'000	Right-Of-Use asset €'000	Carrying amount €'000
CEREIT					
The Netherlands	639,190	–	639,190	5,522	644,712
Italy ⁽¹⁾	586,970	–	586,970	–	586,970
France	438,955	–	438,955	–	438,955
Germany	217,250	–	217,250	–	217,250
Poland	215,725	–	215,725	–	215,725
Denmark	106,574	15,784	122,358	–	122,358
Finland	85,800	–	85,800	–	85,800
The Czech Republic ⁽¹⁾	74,200	–	74,200	–	74,200
Slovakia ⁽¹⁾	65,970	–	65,970	–	65,970
United Kingdom	57,467	–	57,467	–	57,467
Total	2,488,101	15,784	2,503,885	5,522	2,509,407

(1) The carrying amount of investment properties includes the following properties under development: Via Nervesa 21, Italy valued at €27.2 million, Lovosice ONE Industrial Park I, Czech Republic valued at €14.0 million, Nove Mesto ONE Industrial Park I, Slovakia valued at €19.0 million and Nove Mesto ONE Industrial Park III, Slovakia valued at €20.1 million. The total contracted value of these developments for the purpose of the 10% development limit under Section 7.1(d) of the Property Funds Appendix is €60.5 million or 2.3% of deposited property.

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YEAR ENDED 31 DECEMBER 2022

	Independent valuation €'000	Directors' valuation €'000	2021 Total valuation €'000	Right-Of-Use asset €'000	Carrying amount €'000
CEREIT					
The Netherlands	643,405	19,675	663,080	6,389	669,469
Italy	537,595	–	537,595	–	537,595
France	425,240	–	425,240	–	425,240
Germany	212,775	–	212,775	–	212,775
Poland	231,500	–	231,500	–	231,500
Denmark	88,929	–	88,929	–	88,929
The Czech Republic	62,080	–	62,080	–	62,080
Finland	106,620	–	106,620	–	106,620
Slovakia	64,435	–	64,435	–	64,435
United Kingdom	–	50,371	50,371	–	50,371
Total	2,372,579	70,046	2,442,625	6,389	2,449,014

(b) Movements in investment properties

	CEREIT	
	2022 €'000	2021 €'000
At 1 January	2,449,014	2,184,529
Acquisition of new properties ⁽¹⁾	107,356	208,649
Acquisition costs	5,752	9,637
Divestment of existing properties	(39,031)	(5,914)
Capital expenditure and capitalised interest ⁽²⁾	43,040	22,047
Lease incentives, lease costs and rent straight-lining	6,085	3,243
Net (loss)/gain from fair value adjustments	(59,483)	27,061
Exchange differences	(2,996)	244
Others	(330)	(482)
At 31 December	2,509,407	2,449,014

(1) FY 2021 includes some purchase price adjustments for the share deals acquisitions

(2) Includes capitalised interest expense of €29,000 (2021: nil)

(c) Investment property acquisitions

During the year ended 31 December 2022, CEREIT acquired investment properties as follows:

- (1) On 15 February 2022, CEREIT acquired a freehold light industrial / logistics property in Brescia, Italy for €24.5 million.
- (2) On 17 March 2022, CEREIT acquired a freehold light industrial / logistics property in Milan, Italy for €26.5 million.
- (3) On 21 April 2022, CEREIT acquired a freehold light industrial business park in Jena, Germany for €17.3 million.
- (4) On 18 May 2022, CEREIT acquired a freehold logistics property in Runcorn, United Kingdom for £20.0 million (€23.2 million equivalent).
- (5) On 14 October 2022, CEREIT acquired a freehold logistics property in Copenhagen, Denmark for DKK 117.4 million (€15.8 million equivalent).

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During the year ended 31 December 2021, CEREIT acquired investment properties as follows:

- (1) On 11 March 2021, CEREIT acquired 11 logistics and light industrial properties in the Czech Republic and Slovakia for €113.2 million.
- (2) On 4 June 2021, CEREIT further acquired a modern freehold logistics asset in the Czech Republic for €10.1 million.
- (3) On 3 August 2021, CEREIT acquired its first freehold logistics asset in the United Kingdom for £10.0 million (€11.7 million equivalent).
- (4) On 29 October 2021, CEREIT acquired a light industrial/ logistics asset in Italy for €19.6 million.
- (5) In December 2021, CEREIT completed the acquisitions of a light industrial/ logistics asset in the United Kingdom and two light industrial/ logistics assets in the Netherlands for £32.3 million (€38.4 million equivalent) and €19.7 million respectively.

(d) Investment property divestment

During the year ended 31 December 2022, CEREIT completed the following divestments:

- (1) On 25 January 2022, CEREIT completed the sale of a warehouse unit contained within the Centro Logistico Orlando Marconi asset in Italy for a consideration of €2.8 million, which was €1.2 million higher than the apportioned value of the asset's independent valuation dated 31 December 2021.
- (2) On 6 July 2022, CEREIT completed the divestment of an office asset in Finland for a consideration of €16.2 million, which was 6.4% above the independent valuation dated 31 December 2021 and 20% premium to its purchase price.
- (3) On 7 October 2022, CEREIT completed the divestment of two non-core logistics assets in Bischofsheim and Hanau, Germany for considerations of €6.0 million and €5.0 million respectively, representing a combined 8% premium above the aggregate independent valuation dated 30 June 2022 and 71% premium above the aggregate purchase price.
- (4) On 9 December 2022, CEREIT completed the divestment of a logistics asset in Gondreville, France for a consideration of €11.0 million, which was 55% above the independent valuation dated 30 June 2022 and 448% above the purchase price of €2.0 million.

During the year ended 31 December 2021, CEREIT completed the disposal of one non-core light industrial / logistics property in France, known as Parc de Popey for a consideration of €5.8 million, which is €2.0 million higher than the IPO purchase price and €1.0 million higher than the most recent valuation of the asset. The capital gain for this transaction was recognised in fair value gain on investment property.

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(e) Fair value measurement

CEREIT's investment properties, with an aggregate carrying amount of €2,509,407,000 (2021: €2,449,014,000), are measured using the fair value model as described in IAS 40 *Investment Property*. Fair value is thereby defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains or losses arising from changes in the fair value of investment property must be included in net profit or loss for the period in which it arises.

As at 31 December 2022, CEREIT's portfolio consists of 113 (2021: 112) properties. 112 (2021: 108) properties in the portfolio were valued by independent valuers and the remaining property in Denmark which was acquired in October 2022 was carried at its purchase price which had been assessed by the Directors of the Manager as the fair value. In 2021, four properties in the Netherlands and the United Kingdom, which were acquired in the second half of 2021, were carried at their purchase prices.

Property valuations

In accordance with the CIS Code, CEREIT's investment properties are valued at least once per financial year by an independent professionally qualified valuer with recognised relevant professional qualification, with valuers rotated at least every two years.

As at 31 December 2022, 112 properties of CEREIT's portfolio of 113 properties were valued by independent valuers. The combined value of the 112 properties of €2,488,101,000 represents 99% of CEREIT's portfolio by valuation. The independent valuations for properties located in France, Poland, Denmark, the Czech Republic and Slovakia were conducted by CBRE Ltd ("CBRE") using the income capitalisation method, and the independent valuations for properties located in the Netherlands, Italy, Germany, Finland and the United Kingdom by Savills Advisory Services Limited ("Savills") using the discounted cash flow and income capitalisation method.

As at 31 December 2021, 108 properties of CEREIT's portfolio of 112 properties were valued by independent valuers. The combined value of the 108 properties of €2,372,579,000 represents 97% of CEREIT's portfolio by valuation. The independent valuations for properties located in the Netherlands*, Italy, Germany and Finland were conducted by CBRE using the income capitalisation method and the properties located in France, Poland, Denmark, Slovakia, and the Czech Republic by Savills using the discounted cash flow method.

* Except for Moeder Teresalaan 100/200 which was valued by Savills.

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Significant unobservable inputs

The following table shows the valuation techniques used in arriving at the fair values of the investment properties, as well as the significant unobservable inputs used.

Valuation Technique	Significant unobservable inputs	2022 Range	2022 Weighted average	2021 Range	2021 Weighted average
<i>Discounted cash flow</i> This valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate and occupancy rate. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.	Net initial yield	-1.7% – 11.0%	5.5%	-13.3% – 12.0%	6.3%
	Net reversionary yield	4.2% – 20.4%	7.1%	5.2% – 16.7%	7.5%
	Discount rate	5.0% – 10.8%	7.4%	5.3% – 12.0%	7.6%
	Exit cap rate	4.0% – 8.8%	6.2%	5.3% – 9%	6.3%
	Occupancy (%)	0% – 100.0%	88.2%	0% – 100.0%	90.8%
<i>Income capitalisation</i> This method involves assessing the total net market income receivable from the property and capitalising this perpetually, using an appropriate, market derived capitalisation rate, to derive a capital value, with allowances for capital expenditure reversions such as lease incentives and required capital works payable in the near future and overs / unders when comparing market rent with passing rent.	Net initial yield	-0.1% – 9.2%	5.9%	-0.9% – 10.3%	5.8%
	Net reversionary yield	0.0% – 12.9%	6.8%	3.5% – 12.5%	6.2%
	Occupancy (%)	16.7% – 100.0%	91.2%	0% – 100.0%	93.7%

All the significant inputs noted above are not observable market data, hence investment property valuations are considered level 3 fair value measurements (refer to fair value hierarchy described in note 14 (d)).

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YEAR ENDED 31 DECEMBER 2022

Sensitivity information

The relationships between the significant unobservable inputs and the fair value of investment properties are as follows:

Inputs	Impact of increase in input on fair value	Impact of decrease in input on fair value
Net initial yield	Decrease	Increase
Reversionary yield	Decrease	Increase
Discount rate	Decrease	Increase
Exit cap rate	Decrease	Increase

Properties carried at acquisition price

At 31 December 2022, a property in Denmark acquired on 14 October 2022 with a carrying amount of €15,784,000 was carried at its purchase price.

At 31 December 2021, two properties in the Netherlands acquired in December 2021 for €19,675,000 and two properties in the United Kingdom acquired in August 2021 and December 2021 for £10,000,000 and £32,300,000 respectively (an aggregate of €50,371,000 equivalent at 31 December 2021) were carried at their purchase prices.

The transaction prices were considered equal to the fair values of the properties as the sale and purchase agreements were entered into on arms-length basis between non-related parties. The purchase prices were paid in cash to the sellers. Given the relatively insignificant period that has lapsed from the transaction dates to the financial period end, the Directors of the Managers considered the transaction prices to approximate the fair values of the properties at financial period end.

(f) Amounts recognised in profit and loss for investment properties

	2022 €'000	CEREIT 2021 €'000
Gross revenue	222,105	200,122
Property operating expense arising from investment properties that generate rental income during the year	(84,901)	(70,030)
Property operating expense arising from investment properties that did not generate rental income during the year	(429)	-
Net property income	136,775	130,092

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

(g) Non-cancellable operating lease receivable from investment property tenants

Investment properties are generally leased on long-term operating leases. Minimum lease receivable under the non-cancellable operating leases of CEREIT's investment properties not recognised in the financial statements are as follows:

	CEREIT	
	2022 €'000	2021 €'000
Within one year	160,507	153,069
One to two years	125,965	116,080
Two to three years	95,085	90,495
Three to four years	75,861	60,699
Four to five years	58,586	48,179
After five years	180,070	141,493
Total non-cancellable operating lease receivable from investment property tenants	696,074	610,015

(h) Assets pledged as security

As at 31 December 2022, a total of 3 (2021: 3) of CEREIT's investment properties with a combined fair value of €231,200,000 (2021: €245,960,000) were pledged as security for CEREIT's senior property level financing facility. Refer to note 10 for further details.

Accounting policies

Investment properties and investment properties under development

Investment properties and investment properties under development are initially measured at cost, including transaction costs and subsequently measured at fair value with any change therein recognised in the total return. Finance costs incurred on investment properties under development are included in the development costs. Certain CEREIT's investment properties acquired through interest in subsidiaries are accounted for as acquisition of assets where concentration test is met, as substantially all of the fair value of the gross assets acquired is concentrated in the investment property acquired in accordance with IFRS 3 *Business Combinations*.

Fair value is based upon active market prices, given the assets' highest and best use, adjusted if necessary, for any difference in the nature, location or condition of the relevant asset. If this information is not available, CEREIT uses the capitalised earnings approach for valuations of its investment properties. The highest and best use of an investment property refers to the use of the investment property by market participants that would maximise the value of that investment property.

The carrying value of the investment property includes components relating to lease incentives and other items relating to the maintenance of, or increases in, lease rentals in future periods.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the total return in the period in which the property is derecognised.

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YEAR ENDED 31 DECEMBER 2022

Right-of-use land leases

CEREIT recognises a right-of-use (“ROU”) land lease representing its right to use the underlying land and a lease liability representing its obligation to make lease payments. ROU for land leases are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease expenses. Subsequently, the lease liability is measured at amortised cost using the effective interest rate method. The ROU asset will be measured at fair value at the date of initial application for leases previously accounted for as operating leases and that will be accounted for as investment property using the fair value model in IAS 40 from date of initial application.

Lease incentives

Lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including up-front cash payments, rent free periods, or a contribution to certain lessee costs such as fit out costs or relocation costs. Lease incentives form part, as a deduction, of total rent receivable from CEREIT’s operating lease contracts. They are recognised as an asset in the balance sheet as a component of the carrying amount of investment property and amortised over the lease period as a reduction of rental income on a straight-line basis over the lease term.

Initial direct leasing costs

Initial direct leasing costs incurred by CEREIT in negotiating and arranging operating leases are recognised as an asset in the balance sheet as a component of the carrying amount of investment property and are amortised as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

Finance and Capital Structure

This section of the annual financial statements provides further information on CEREIF's debt finance and associated costs, and CEREIF's capital.

Capital is defined as the combination of unitholders' equity, reserves, debt and perpetual securities. The Board of Directors of the Manager are responsible for CEREIF's capital management strategy. Capital management is an integral part of CEREIF's risk management framework and seeks to safeguard CEREIF's ability to continue as a going concern while maximising unitholder value through optimising the level and use of capital resources and the mix of debt and equity funding. CEREIF's preferred portfolio gearing range is 35% – 40%.

10. BORROWINGS

Overview

CEREIF borrows funds from financial institutions to partly fund the acquisition of investment properties. A significant proportion of these borrowings are generally fixed either directly or using interest rate swaps/options and/or caps and have a fixed term. This note provides information about CEREIF's debt facilities, including maturity dates, security provided if applicable and facility limits as well as finance costs incurred in relation to these debt facilities.

	CEREIF	
	2022	2021
	€'000	€'000
Current		
Unsecured loans – financial institutions	50,630	23,000
Total current borrowings	50,630	23,000
Non-current		
Secured loans – financial institutions	82,375	82,375
Unsecured loans – financial institutions	386,900	322,000
Unsecured Euro medium term notes	500,000	500,000
Unamortised transaction costs	(4,991)	(4,646)
Total non-current borrowings	964,284	899,729
Total borrowings	1,014,914	922,729

(a) Borrowing details

Facility	Note	Secured	Maturity	2022		2021	
				Facility €'000	Utilised €'000	Facility €'000	Utilised €'000
CEREIF							
Dutch office 2	(a)	Yes	Dec-26	82,375	82,375	82,375	82,375
Term loan 3 year	(b)	No	Nov-23	50,630	50,630	157,000	157,000
Term loan 5 year	(b)	No	Nov-24	165,000	165,000	165,000	165,000
Revolving credit facility	(c)	No	Oct-24	200,000	41,900	200,000	–
Euro medium term notes	(d)	No	Nov-25	500,000	500,000	500,000	500,000
Sustainability-linked 4-year term loan	(e)	No	Nov-26	180,000	180,000	–	–
German Schuldschein	(f)	No	Nov-22	–	–	23,000	23,000
Total				1,178,005	1,019,905	1,127,375	927,375

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Property level financing facilities

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) *Dutch office 2*

The Dutch office 2 facility is secured over 3 (2021: 3) Dutch office properties with an aggregate carrying amount of €231,200,000 (2021: €245,960,000). Interest is payable quarterly in arrears at a fixed rate of 1.93% per annum. The facility is fully drawn at €82.4 million and matures in December 2026.

Unsecured financing facilities

(b) *Term Loan 3 and 5 Years*

In November 2019, CEREIT raised a total of €452.0 million in the form of unsecured term loan and notes. The financing was raised in two tranches:

- i. A 3-year term loan and note amounting to €287.0 million; and
- ii. A second, 5-year tranche in the amount of €165.0 million.

In January 2021, €130.0 million of the 3-year term loans and notes maturing in November 2022 was refinanced using the net proceeds from the €200.0 million tap issuance of the existing senior unsecured notes due 2025.

In December 2021, CEREIT successfully negotiated with its lenders to extend the redemption date of the remaining 3-year term loans and notes by one year to November 2023.

In October 2022, a further €106.4 million of the 3-year loan maturing in November 2023 was refinanced using the net proceeds from the €180.0 million sustainability-linked 4-year term loan facility entered in October 2022. The 5-year loan remains fully drawn.

Both loan tranches are subject to 3 months Euribor plus a margin.

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

RCF provides CEREIT with additional financing flexibility and working capital. As at 31 December 2022, the amount of RCF drawn was €41.9 million (2021: nil), leaving an undrawn commitment of €158.1 million (2021: €200.0 million).

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(d) Euro Medium Term Notes ("EMTN")

On 19 October 2020, a wholly-owned subsidiary of CEREIT, Cromwell EREIT Lux Finco S.a.r.l. ("Lux Finco") established a €1.5 billion Euro Medium Term Note Programme ("EMTN Programme"). Under the EMTN Programme, Lux Finco may, from time to time, issue rated notes denominated in any currency agreed between Lux Finco and the relevant dealer with aggregate principal amounts up to €1.5 billion (or its equivalent in other currencies) outstanding at any time.

On 21 January 2021, Lux Finco priced a €200.0 million tap issue ("the New Notes") of the existing senior unsecured notes due November 2025 at an issue price of 102.410% and a reoffer yield of 1.60%, payable annually in arrears, with a tenor of 5 years. The New Notes were consolidated and formed a single series with the existing €300.0 million 2.125% senior unsecured notes due November 2025 issued on 19 November 2020. Net proceeds from the tap issuance were used to partially refinance the 3-year term loan (€130.0 million) maturing November 2022 and for general working capital purposes.

As at 31 December 2022, Lux Finco had €500.0 million (31 December 2021: €500.0 million) of senior unsecured fixed rate notes issued under the programme at a coupon of 2.125% p.a. and reoffer yield ranging from 1.60% p.a. to 2.161% p.a., payable annually in arrear, maturing in 2025.

(e) Sustainability-linked 4-year term loan

On 14 October 2022, the Trust and Lux Finco entered into a €180.0 million sustainability-linked 4-year term loan facility. The facility includes an accordion feature, providing flexibility to increase the size of the facility to up to €230.0 million. The facility is subject to Euro short-term rate (€STR) plus a margin. The facility has three sustainability-linked key performance indicators that are set and measured on an annual basis over a four-year period. As at 31 December 2022, the facility has been fully utilised.

The proceeds from the facility were mostly used to repay part of the drawn amounts under the 3-year term loans due to expire in November 2023, part of the RCF due to expire in October 2024 and all of the German schuldschein which expired in November 2022.

(f) German schuldschein

The German schuldschein in the amount of €23.0 million which is an unsecured private placement under German governing law was part of the transformational refinancing completed in November 2019. It is subject to 3 months Euribor plus a margin. The loan was fully repaid upon maturity in November 2022.

Guarantees

The Trust has provided corporate guarantees to banks for unsecured borrowings amounting to €937,530,000 (2021: €845,000,000) undertaken by Lux Finco. The Trust does not consider it probable that a claim will be made under these guarantees.

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(b) Net finance costs

	CEREIT	
	2022	2021
	€'000	€'000
Interest expense	19,996	17,739
Amortisation of debt issuance costs	4,672	3,998
Interest income	(281)	(1)
Total net finance costs	24,387	21,736

Interest income mostly relates to proceeds from interest rate cap contracts.

Information about CEREIT's exposure to interest rate changes is provided in note 14(c).

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Under this method, fees, costs, discounts and premiums directly related to the financial liability are spread over their expected life.

Borrowing costs incurred on funds borrowed for the construction of a property are capitalised, forming part of the construction cost of the asset. Capitalisation ceases upon practical completion of the property. Other borrowing costs are expensed.

Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on loans and borrowings, and amortisation of loans and borrowings related costs. Finance costs are recognised in the Statement of Total Return using the effective interest method.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Overview

CEREIT's and the Trust's derivative financial instruments consist of interest rate cap contracts which are used to cap interest on floating rate borrowings and cross currency swaps which are used to hedge the currency risk arising from the Singapore dollar denominated perpetual securities. Derivative financial instruments form an integral part of CEREIT's interest rate and currency risk management. This note provides for further details on CEREIT's interest rate hedging profile, details of expiries of interest rate cap contracts and cross currency swap contracts as well as CEREIT's accounting policy for such contracts.

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	CEREIT		Trust	
	2022 €'000	2021 €'000	2022 €'000	2021 €'000
Non-current assets				
Interest rate cap contracts	10,753	378	–	–
Cross currency swaps	8,397	569	8,397	569
Total derivative financial instruments	19,150	947	8,397	569
Derivative financial instruments as a percentage of net assets	1.35%	0.06%	0.70%	0.05%

In November 2021, in connection with the issue of S\$100.0 million fixed rate perpetual securities comprised in Series 001, the Trust entered into two 5-year cross currency swaps to convert the Singapore dollar proceeds into Euro and the Singapore dollar 5.00% coupon into a fixed rate in Euro of 3.55%.

In August 2022, CEREIT, through its wholly-owned subsidiary, Lux Finco, concurrently terminated the existing interest rate cap contracts with aggregate notional amount of €475.0 million that were due to expire in 2022 and 2023, and entered into a new interest rate cap contract with a notional amount of €210.0 million. The new interest rate cap has a strike rate of 0.6% and termination date of 30 November 2024. The weighted average strike rate on interest rate cap contracts was 0.0% in prior year.

As at 31 December 2022, 77.7% (31 December 2021: 100.0%) of CEREIT's total gross borrowings (including the RCF) are fixed rate or hedged using the interest rate cap contracts.

(a) Financial instruments expiry profile

The notional principal amounts and period of expiry of CEREIT's financial instruments were as follows:

	CEREIT		Trust	
	2022 €'000	2021 €'000	2022 €'000	2021 €'000
Within 1 year	–	475,000	–	–
After one year but within two years	210,000	–	–	–
After two years but within five years	65,136	65,136	65,136	65,136
	275,136	540,136	65,136	65,136

Accounting policy

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at the reporting date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

CEREIT enters into interest rate cap contracts to mitigate the risk of rising interest rate and cross currency swaps to hedge the currency risk arising from the Singapore dollar denominated perpetual securities. The derivatives are entered into with the objective of hedging the risk of adverse interest rate and currency fluctuations. CEREIT has not elected to apply hedge accounting to this arrangement and changes in fair value are recognised immediately in Statement of Total Return.

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YEAR ENDED 31 DECEMBER 2022

12. UNITHOLDERS' FUNDS

Overview

This note provides further details on Unitholders' funds, units issued and issuable by CEREIT as at financial year end, and rights attached to CEREIT units.

CEREIT's and the Trust's contributed equity and units in issue at year-end were as follows:

	CEREIT		Trust	
	2022	2021	2022	2021
Total contributed equity (€'000)	1,349,551	1,346,550	1,349,888	1,346,887
Units in issue ('000)	562,392	561,045	562,392	561,045

(a) Movements in contributed equity

The following reconciliation summarises the movements in contributed equity. Issues of a similar nature have been grouped and the issue price shown is the weighted average. Detailed information on each issue of units is publicly available via the SGXNet and CEREIT's webpage.

	CEREIT and Trust	
	2022	2021
	Number of units '000	Number of units '000
At 1 January	561,045	2,556,081
<i>Units issued during the year prior to unit consolidation</i>		
- Private placement	-	232,558
- As payment of distribution pursuant to DRP	-	8,012
<i>Effect of 5:1 unit consolidation</i>	-	(2,237,321)
<i>Units issued during the year post unit consolidation</i>		
- As payment of acquisition fee	-	40
- As payment of distribution pursuant to DRP	1,347	1,675
At 31 December	562,392	561,045

Refer to note 4 for information on units issued as payment of acquisition fee.

On 31 March 2022, CEREIT and the Trust issued 1,347,564 new units at an issue price of €2.2409 per new unit under the DRP in relation to distribution for period 1 July 2021 to 31 December 2021.

On 17 March 2021, the Manager announced the proposed unit consolidation (the "Proposed Unit Consolidation") which involved the consolidation of every five existing units in CEREIT ("Units") held by Unitholders of CEREIT at a record date ("Existing Units") into one Unit (the "Consolidated Units"). The Proposed Unit Consolidation was approved by the Unitholders at the Extraordinary General Meeting of CEREIT held on 27 April 2021 and the unit consolidation exercise was completed on 7 May 2021. There were in total 559,329,743 Consolidated Units following the Unit Consolidation.

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YEAR ENDED 31 DECEMBER 2022

During the year ended 31 December 2021, CEREIT and the Trust issued units as follows:

Units issued prior to unit consolidation

- (1) On 5 March 2021, 232,558,100 new units at an issue price of €0.430 per unit were issued pursuant to a private placement, amounting to €99,999,983. Unitholders on the register with The Central Depository (Pte) Limited on 4 March 2021 received an advanced distribution on 31 March 2021 of 0.580 Euro cpu for the period from 1 January 2021 to 4 March 2021. Thereafter, the 232,558,100 new units ranked *pari passu* in all respects with the units in issue prior to 5 March 2021, including the entitlements to all future distributions.
- (2) On 31 March 2021, 8,011,760 new units at an issue price of €0.4356 per unit were issued under the DRP in relation to distribution for period 1 July 2020 to 4 March 2021.

Units issued post unit consolidation

- (3) On 23 July 2021, 40,428 new units at an issue price of €2.5044 per new unit were issued to the Manager as payment of acquisition fee in relation to the purchase of a logistics asset from an affiliated company of CEREIT's sponsor, Cromwell Property Group, in the Czech Republic.
- (4) On 27 September 2021, 1,674,381 new units at an issue price of €2.4189 per new unit were issued under the DRP in relation to distribution for period 5 March 2021 to 30 June 2021.

CEREIT did not hold any treasury units as at 31 December 2022 and 31 December 2021.

The Trust's subsidiaries do not hold any units in the Trust as at 31 December 2022 and 31 December 2021.

(b) Units issuable

	CEREIT and Trust	
	2022 '000	2021 '000
Units issuable	–	–
Units in issue	562,392	561,045
Total units issued and issuable	562,392	561,045

(c) Rights and restrictions relating to CEREIT units

The rights and interests of Unitholders are contained in CEREIT's Trust Deed and include the rights to:

- Entitlement to distributions determined in accordance with the Trust Deed;
- Participate in the termination of the Trust by receiving a share of the net proceeds of realisation among the Unitholders pro rata in accordance with the number of units held by the Unitholders and in accordance with the winding up procedures under the Trust Deed;
- Attend all Unitholder meetings with one vote per unit.

A Unitholder has no equitable or proprietary interest in the underlying assets of CEREIT and is not entitled to the transfer to it of any asset (or any part thereof). The Unitholders' liability is limited to the amount paid or payable for any units. The provisions of the Trust Deed provide that no Unitholder will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of the Trust exceed its assets.

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(d) Foreign currency translation reserve

The foreign currency translation reserve relates to foreign exchange differences arising from the translation of the financial statements of foreign entities.

Accounting policy

Units issued of the Trust are classified as equity forming part of Unitholders' funds. Incremental costs directly attributable to the issue of new units are shown in Unitholders' funds as a deduction from the proceeds.

Where any CEREIT entity purchases CEREIT units, for example as the result of a unit buy-back, the consideration paid, including any directly attributable incremental costs is deducted from Unitholders' funds. Unit acquired under a unit buy-back program are cancelled immediately.

13. PERPETUAL SECURITIES

On 5 November 2021, the Manager announced the establishment of a S\$750.0 million Multicurrency Perpetual Securities Programme ("Perpetual Programme"). Under the Perpetual Programme, CEREIT as the Issuer may, subject to compliance with all relevant laws and regulations, from time to time, issue perpetual securities denominated in any currency as agreed between the Issuer and the relevant dealers.

On 24 November 2021, the Trust issued S\$100.0 million fixed rate subordinated perpetual securities comprised in Series 001 under the Perpetual Programme at a distribution rate of 5.00% per annum. The first distribution rate reset falls on 24 November 2026 with subsequent reset falling every five years after the first reset date. At the same time, two 5-year cross currency swaps ("CCS") were entered into to convert the Singapore dollar proceeds into Euro and the Singapore dollar coupon into a fixed rate of 3.55% in Euro. The CCS have a total notional amount of S\$100.0 million with a Euro equivalent of €65,136,000. There are certain green ESG initiatives that could see the Euro coupon reduce slightly on a notional amount of S\$50.0 million of the CCS if certain targets are met.

The perpetual securities have no fixed redemption date and redemption is at the option of the Trust. Distributions under the perpetual securities is payable semi-annually at the discretion of the Trust. Any distribution unpaid will be non-cumulative.

The perpetual securities will constitute direct, unconditional, unsecured and subordinated obligations of the Trust and shall at all time rank *pari passu* and without any preference or priority among themselves and with any Parity Obligations, from time to time outstanding.

The perpetual securities are classified as equity instruments and recorded as equity in the Balance Sheets. The €64,204,000 (2021: €64,150,000) presented on the Balance Sheets represents the carrying value of the €65,136,000 perpetual securities issued, net of issue costs and includes total return attributable to perpetual securities holders from date of issue, net of distributions paid out to perpetual securities holders.

Accounting policy

The perpetual securities do not have a fixed redemption date and distribution payments are optional at the discretion of CEREIT and are non-cumulative. As CEREIT does not have a contractual obligation to repay the principal nor make any distributions, perpetual securities are classified as equity.

Any distributions made are directly debited from equity. Incremental costs directly attributable to the issue of perpetual securities are shown in equity as a deduction against the proceeds from the issue of perpetual securities.

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14. FINANCIAL RISK MANAGEMENT

Overview

CEREIT's activities expose it to a variety of financial risks which include credit risk, liquidity risk and market risk. This note provides information about the Manager's risk management strategy for CEREIT in relation to each of the above financial risks to which CEREIT is exposed to.

The Manager's overall risk management programme focuses on managing these risks and seeks to minimise potential adverse effects on the financial performance of CEREIT. CEREIT uses derivative financial instruments such as interest rate and currency derivatives to hedge certain risk exposures. The Manager seeks to deal only with creditworthy counterparties. Liquidity risk is monitored through the use of future rolling cash flow forecasts.

The Manager's management of treasury activities is centralised and governed by policies approved by the Board of Directors of the Manager who monitor the operating compliance and performance as required. CEREIT has policies for overall risk management as well as policies covering specific areas such as identifying risk exposure, analysing and deciding upon strategies, performance measurement, the segregation of duties and other controls around the treasury and cash management functions.

CEREIT and the Trust hold the following financial instruments:

	Type of financial instrument	CEREIT		Trust	
		2022 €'000	2021 €'000	2022 €'000	2021 €'000
Financial assets					
Cash and cash equivalents	(1)	35,432	59,258	372	1,176
Receivables	(1)	12,051	8,013	11,210	11,993
Derivative financial instruments	(2)	19,150	947	8,397	569
Total financial assets		66,633	68,218	19,979	13,738
Financial liabilities					
Payables	(1)	42,385	35,691	360,674	249,949
Borrowings	(1)	1,019,905	927,375	-	-
Other liabilities -finance lease liabilities	(1)	6,205	6,394	-	-
Total financial liabilities		1,068,495	969,460	360,674	249,949

Type of financial instrument as per IFRS 7 – *Financial Instruments: Disclosures*

- (1) At amortised cost
- (2) At fair value through profit or loss

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Accounting policy

Initial recognition and measurement

Financial assets and financial liabilities are recognised in Balance Sheet when it becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. On initial recognition, financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are recognised net of transaction costs directly attributable to the acquisition of these financial assets or financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the Statement of Total Return.

Financial assets

CEREIT classifies its non-derivative financial assets at amortised cost. The classification depends upon the whether the objective of CEREIT's relevant business model is to hold financial assets in order to collect contractual cash flows (business model test) and whether the contractual terms of the cash flows give rise on specified dates to cash flows that are solely payments of principal and interest (cash flow test).

Financial assets recognised at amortised cost

Trade and other receivables are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest and are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the Statement of Total Return.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held-for-trading, or designated as at fair value through profit or loss, are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

CEREIT derecognises financial liabilities when, and only when, its obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the Statement of Total Return.

When CEREIT exchanges one financial liability for another with substantially different terms with an existing lender, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, CEREIT accounts for the substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new financial liability.

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(a) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations under a financial instrument and result in a financial loss to CEREIT. Credit risk arises from cash and cash equivalents and favourable derivative financial instruments with banks and financial institutions and receivables.

CEREIT manages this risk by:

- establishing credit limits for customers and managing exposure to individual entities;
- monitoring the credit quality of all financial assets in order to identify any potential adverse changes in credit quality;
- derivative counterparties and cash transactions, when utilised, are transacted with high credit quality financial institutions with a minimum rating of BBB-/Baa3;
- regularly monitoring receivables on an ongoing basis; and
- Requiring tenants to pay deposits upon commencement of leases which may be retained if the tenant defaults on rent payments.

Impairment of financial assets

CEREIT financial assets that are subject to the expected credit loss model are trade receivables. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9 *Financial Instruments*, there was no identified impairment loss.

Rent and service charges from tenants are due and payable on invoice date with no credit terms provided mitigating largely any credit risk. Additionally, there are no significant concentrations of credit risk, whether through exposure to individual tenants, specific sectors or industries tenants operate in and/or regions.

For any rent receivables due to late payment of rent, CEREIT applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all rental receivables. To measure expected credit losses CEREIT has established an accounting policy that groups rental receivables based on days past due and applies a percentage of expected non-recoveries for each group of receivables.

Following this, the level of tenant deposits held against possible non-recoveries is reviewed to identify possible credit losses to CEREIT.

The ageing of trade receivables at the reporting date was:

	Current €'000	Within 30 days €'000	31 to 60 days €'000	61 to 90 days €'000	More than 90 days €'000	Total €'000
CEREIT						
2022						
Expected loss rate	0%	1%	3%	1%	75%	
Rental receivables	1,476	2,728	481	738	3,355	8,778
Loss allowance	-	(38)	(14)	(9)	(2,502)	(2,563)
2021						
Expected loss rate	0%	2%	0%	4%	61%	
Rental receivables	353	1,173	685	189	4,050	6,450
Loss allowance	-	(26)	(3)	(8)	(2,459)	(2,496)

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The movements in impairment loss in respect of rental receivables are as follows:

	CEREIT	
	2022	2021
	€'000	€'000
At 1 January	2,496	4,014
Written off	(473)	(463)
Charge for /(reversal of) the year	540	(1,055)
At 31 December	2,563	2,496

The Manager believes that no additional allowance is necessary in respect of the remaining trade receivables as these receivables are mainly due from tenants that have good payment records and sufficient securities in the form of bankers' guarantees and cash security deposits as collaterals.

CEREIT monitors the credit risk of other receivables based on the past due information to assess if there has been any significant increase in credit risk since the initial recognition of the financial assets. The other receivables are measured on 12-month expected credit losses and the expected credit loss is immaterial.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash reserves and undrawn finance facilities to meet the ongoing operational requirements of the business. It is CEREIT's policy to maintain sufficient funds in cash and cash equivalents to meet expected near term operational requirements. The Manager prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow. The Manager monitors the maturity profile of borrowings and puts in place strategies designed to ensure that all maturing borrowings are refinanced in the required timeframes.

As at 31 December 2022, CEREIT had net current liabilities of €76,561,000 (2021: €12,569,000). The net current liabilities position was mainly due to the balance of CEREIT's 3-year term loan facility which is due in November 2023. The financial statements have been prepared on a going concern basis as CEREIT has available various sources of funding including committed undrawn revolving credit facility of €158.1 million which matures in October 2024 which could be used to repay the borrowing. Therefore, the Manager is confident that CEREIT can meet its obligations as and when they fall due.

As at 31 December 2022, the Trust's current liabilities exceed its current assets by €169,769,000 (2021: €147,328,000). As the payables are mostly made up of payables to subsidiaries and with CEREIT's existing financing facilities, the Manager is of the opinion that the Trust will be able to meet its obligations as and when they fall due.

The contractual maturity of CEREIT's and the Trust's financial liabilities at the reporting date are shown in the table below. It shows undiscounted contractual cash flows required to discharge CEREIT's financial liabilities, including interest at current market rates.

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	CEREIT				Trust			
	Within 1 year €'000	Within 2 to 4 years €'000	After 4 years €'000	Total €'000	Within 1 year €'000	Within 2 to 4 years €'000	After 4 years €'000	Total €'000
2022								
Payables	42,385	-	-	42,385	187,420	191,312	-	378,732
Borrowings	79,024	1,020,937	-	1,099,961	-	-	-	-
Other liabilities – finance lease liabilities	367	1,161	6,217	7,745	-	-	-	-
Total financial liabilities	121,776	1,022,098	6,217	1,150,091	187,420	191,312	-	378,732

	CEREIT				Trust			
	Within 1 year €'000	Within 2 to 4 years €'000	After 4 years €'000	Total €'000	Within 1 year €'000	Within 2 to 4 years €'000	After 4 years €'000	Total €'000
2021								
Payables	35,691	-	-	35,691	162,887	93,012	-	255,899
Borrowings	39,954	864,359	83,943	988,256	-	-	-	-
Other liabilities – finance lease liabilities	365	1,154	6,611	8,130	-	-	-	-
Total financial liabilities	76,010	865,513	90,554	1,032,077	162,887	93,012	-	255,899

CEREIT does not face a significant liquidity risk with regard to its lease liabilities.

	CEREIT			
	Minimum lease payable €'000	2022 Present value of minimum lease payments €'000	Minimum lease payable €'000	2021 Present value of minimum lease payments €'000
Amounts payable under lease liabilities:				
Within one year	367	363	365	354
After one year	7,378	5,842	7,765	6,040
	7,745	6,205	8,130	6,394
Less: Future finance charges	(1,540)	n.a.	(1,736)	n.a.
Present value of lease obligations	6,205	6,205	6,394	6,394
Less: Amount due for settlement within 12 months		(363)		(354)
Amount due for settlement after 12 months		5,842		6,040

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(c) Market risk

Market risk is the risk that the fair value or future cash flows of CEREIT's financial instruments fluctuate due to market price changes. CEREIT is exposed to the following market risks:

- Cash flow and fair value interest rate risk; and
- Foreign exchange risk.

Interest rate risk

CEREIT's interest rate risk primarily arises from borrowings. Borrowings issued at variable rates expose CEREIT to cash flow interest rate risk. Borrowings issued at fixed rates expose CEREIT to fair value interest rate risk. CEREIT's hedging arrangements are monitored on an ongoing basis by the Board of Directors of the Manager which determine the appropriate level of hedging of CEREIT's borrowings.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	CEREIT	
	2022	2021
	€'000	€'000
Fixed rate instruments		
Financial liabilities	582,375	582,375
Variable rate instruments		
Financial liabilities	437,530	345,000

CEREIT does not account for any fixed rate financial liabilities at fair value through total return. Therefore, a change in interest rate at the reporting date would not affect the Statement of Total Return.

CEREIT manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. CEREIT's policy is to maintain at least 50% of its borrowings under fixed or hedged rates. As at 31 December 2022, 77.7% (2021: 100%) of CEREIT's interest-bearing instruments were fixed rate borrowing or were hedged by using interest rate cap contracts.

Sensitivity analysis – interest rate risk

If interest rates had been 100 basis points higher / lower, based on CEREIT's borrowings and interest rate cap held at year end with all other variables held constant and assuming all CEREIT's borrowings and interest rate cap moved in correlation with the movement in year end interest rates, net finance costs would have been higher / lower by €2,275,000 (2021: nil).

Foreign exchange risk

CEREIT's foreign exchange risk primarily arises from its operations in non-Euro denominated countries, and inter-company balances that are denominated in currency other than the respective functional currencies of CEREIT entities. These include Denmark where CEREIT owns 12 (2021: 11) light industrial / logistics assets, Poland where CEREIT owns 6 (2021: 6) office assets, the Czech Republic where CEREIT owns 7 (2021: 7) light industrial / logistics assets, United Kingdom where CEREIT owns 3 (2021: 2) light industrial / logistics assets and Singapore where the Trust is domiciled. The currencies giving rise to this risk are Danish Krone ("DKK"), Polish Zloty ("PLN"), Czech Koruna ("CZK"), British Pound Sterling ("GBP"), and Singapore Dollars ("SGD").

NOTES TO THE FINANCIAL STATEMENTS

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CEREIT's exposure to these foreign currency risks at the reporting date, expressed in Euro, was as follows:

	CEREIT				
	EUR €'000	PLN €'000	CZK €'000	GBP €'000	SGD €'000
2022					
Cash and cash equivalents	-	5,044	122	-	162
Receivables	-	1,844	367	-	168
Payables	(82,998)	(5,791)	(734)	(26)	(697)
Net exposure	(82,998)	1,097	(245)	(26)	(367)

	Trust	
	GBP €'000	SGD €'000
2022		
Cash and cash equivalents	-	127
Receivables	-	168
Payables	(26)	(675)
Net exposure	(26)	(380)

	CEREIT				
	DKK €'000	PLN €'000	CZK €'000	GBP €'000	SGD €'000
2021					
Cash and cash equivalents	2,487	4,813	3,568	1,626	109
Receivables	1,608	793	1,363	6	338
Payables	(4,189)	(590)	(3,603)	(1,457)	(358)
Net exposure	(94)	5,016	1,328	175	89

	Trust	
	GBP €'000	SGD €'000
2021		
Cash and cash equivalents	-	69
Receivables	-	338
Payables	(13)	(320)
Net exposure	(13)	87

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Sensitivity analysis – foreign exchange risk

The following table details the sensitivity to a 1% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. If the relevant foreign currency strengthens by 1% against the functional currency of each group entity, total return and Unitholders' funds will increase/ (decrease) by:

	CEREIT		Trust	
	2022 €'000	2021 €'000	2022 €'000	2021 €'000
Euro	(830)	-	-	-
Danish Krone	-	(1)	-	-
Polish Zloty	11	50	-	-
Czech Koruna	(2)	13	-	-
British Pound Sterling	*	2	*	*
Singapore Dollar	(4)	1	(4)	1

* Less than €1,000

The weakening of the foreign currencies to which CEREIT is exposed to by the same percentage would have had the equal but opposite effect on total return and Unitholders' funds.

(d) Fair value measurement of financial instruments

CEREIT uses a number of methods to determine the fair value of its financial instruments as described in IFRS 13 *Fair Value Measurement*. The methods comprise the following:

Level 1:	quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3:	inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below presents financial assets and liabilities measured and carried at fair value at the reporting date:

	Note	CEREIT			Total €'000
		Level 1 €'000	Level 2 €'000	Level 3 €'000	
31 December 2022					
Financial assets at fair value					
Derivative financial instruments	11	-	19,150	-	19,150
31 December 2021					
Financial assets at fair value					
Derivative financial instruments	11	-	947	-	947

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	Note	Level 1 €'000	Level 2 €'000	Trust Level 3 €'000	Total €'000
31 December 2022					
Financial assets at fair value					
Derivative financial instruments	11	–	8,397	–	8,397
31 December 2021					
Financial assets at fair value					
Derivative financial instruments	11	–	569	–	569

There were no transfers between the levels of the fair value hierarchy during the year.

Disclosed fair values

The fair values of derivative financial instruments (Level 2) are disclosed in the balance sheet.

The carrying amounts of cash and cash equivalents, receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of non-current variable interest-bearing borrowings approximate their fair values as they are floating rate instruments that are re-priced to market interest rate on or near the reporting date.

The fair value of finance lease liabilities is calculated based on the present value of future cash outflows, discounted at CEREIT's incremental borrowing rates at the reporting date.

Valuation techniques used to derive Level 2 fair values

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 2 financial assets and financial liabilities held by CEREIT include cross currency swaps contracts and interest rate cap contracts (over-the-counter derivatives). The fair value of these derivatives has been determined using a pricing model based on discounted cash flow analysis which incorporates assumptions supported by observable market data at the reporting date including market expectations of future interest rates and discount rates adjusted for any specific features of the derivatives and counterparty or own credit risk. All counterparties to interest rate derivatives are European financial institutions.

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Liabilities not measured at fair value for which fair value is disclosed

The following table shows an analysis of CEREIF's liabilities not measured at fair value for which fair value is disclosed:

	Fair value determined using quoted bid prices in active market (Level 1) €'000	Fair value determined using significant unobservable inputs (Level 3) €'000	Carrying amount €'000
2022			
Liabilities			
Secured loan	–	80,965	82,375
Unsecured Euro medium term notes	395,880	–	502,599
2021			
Liabilities			
Secured loan	–	83,679	82,375
Unsecured Euro medium term notes	512,630	–	503,499

The fair value of secured loan is calculated based on the present value of future principal and interest cash flows, discounted at market interest rate at the reporting date.

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Group Structure

This section will provide information about the CEREIF group structure including information about controlled entities (subsidiaries), if applicable, business combination information relating to the acquisition of controlled entities.

15. CONTROLLED ENTITIES

Name	Country of registration	Equity holding & ownership interest	
		2022 %	2021 %
Cromwell SG SPV 1 Pte. Ltd. ^(a)	Singapore	100	100
Cromwell SG SPV 2 Pte. Ltd. ^(a)	Singapore	100	100
Cromwell SG SPV 3 Pte. Ltd. ^(a)	Singapore	100	100
Cromwell SG SPV 4 Pte. Ltd. ^(a)	Singapore	100	100
Cromwell SG SPV 5 Pte. Ltd. ^(a)	Singapore	100	100
Cromwell EREIT SG Finco Pte. Ltd. ^(a)	Singapore	100	100
Parc d'Activités 1 Luxembourg ^(b)	Luxembourg	100	100
Cromwell EREIT Lux 2 S.à r.l. ^(b)	Luxembourg	100	100
Cromwell EREIT Lux 3A S.à r.l. ^(b)	Luxembourg	100	100
Cromwell EREIT Lux 3B S.à r.l. ^(b)	Luxembourg	100	100
Cromwell EREIT Lux 4 S.à r.l. ^(b)	Luxembourg	100	100
Cromwell EREIT Lux 5 S.à r.l. ^(b)	Luxembourg	100	100
PA Holdings Luxembourg S.à r.l. ^(b)	Luxembourg	100	100
EHI Luxembourg S.à r.l. ^(b)	Luxembourg	100	100
Cromwell European Cities Income Fund S.C.Sp. ^(b)	Luxembourg	100	100
Cromwell European Cities Income Fund General Partner S.à r.l. ^(b)	Luxembourg	100	100
CECIF Lux Holdco 1 ^(b)	Luxembourg	100	100
CECIF Lux Holdco 2 ^(b)	Luxembourg	100	100
CECIF Lux Bidco 1 ^(b)	Luxembourg	100	100
Arkonska PL Propco S.à r.l. ^(b)	Luxembourg	100	100
Riverside PL Propco S.à r.l. ^(b)	Luxembourg	100	100
Grojecka PL Propco S.à r.l. ^(b)	Luxembourg	100	100
Moeder Teresalaan NL Propco S.à r.l. ^(b)	Luxembourg	100	100
Cromwell EREIT Lux Finco S.à r.l. ^(b)	Luxembourg	100	100
Europe 1 Propco S.à r.l. ^(b)	Luxembourg	100	100
Cromwell Europa 3 HoldCo S.à r.l. ^(b)	Luxembourg	100	100
Cromwell Europa 4 HoldCo S.à r.l. ^(b)	Luxembourg	100	100
Cromwell Europa 6 HoldCo S.à r.l. ^(b)	Luxembourg	100	100
Europe 5 HoldCo S.à r.l. ^(b)	Luxembourg	100	100
Cromwell EREIT Dutch Logistics S.à r.l. ^(b)	Luxembourg	100	100
Allegro.com B.V. ^(b)	The Netherlands	100	100
EHI CV1 UK Limited ^(b)	UK	100	100
EHI CV3 UK Limited ^(b)	UK	100	100
EHIF (Denmark) Limited ^(b)	UK	100	100
EHI Fund Netherlands Limited (previously EHI Fund (Jersey) Limited) ^{(b)(d)}	Jersey	100	100
EHI Fund Germany Limited ^(b)	Jersey	100	100
EHI Fund One CV ^(b)	The Netherlands	100	100

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Name	Country of registration	Equity holding & ownership interest	
		2022 %	2021 %
Euroind Two CV ^(b)	The Netherlands	100	100
Euroind Three CV ^(b)	The Netherlands	100	100
EHI Fund GP (Netherlands) B.V. ^(b)	The Netherlands	100	100
Yova Central Plaza B.V. ^(b)	The Netherlands	100	100
Yova Koningskade B.V. ^(b)	The Netherlands	100	100
Yova Ruyterkade B.V. ^(b)	The Netherlands	100	100
Yova Haagse Poort B.V. ^(b)	The Netherlands	100	100
Yova Blaak B.V. ^(b)	The Netherlands	100	100
Peacock Real Estate B.V. ^(b)	The Netherlands	100	100
EHI Fund Denmark ApS ^(b)	Denmark	100	100
Cromwell EREIT Danish GP ApS ^{(b) (e)}	Denmark	100	–
Cromwell EREIT Danish Properties K/S ^{(b) (e)}	Denmark	100	–
Cambil Spółka z ograniczoną odpowiedzialnością ^(b)	Poland	100	100
Kasteli Spółka z ograniczoną odpowiedzialnością ^(b)	Poland	100	100
Cromwell Europa 1 AIF ^(b)	Italy	100	100
Cromwell Europa 2 AIF ^(b)	Italy	100	100
Centro Lissone S.R.L. ^(b)	Italy	100	100
PA France ^(b)	France	100	100
PA Pantin SAS ^(b)	France	100	100
PA Sartrouville SAS ^(b)	France	100	100
PA Acticlub Saint Thibault ^(b)	France	100	100
PA Aubervilliers SCI ^(b)	France	100	100
PA La Courneuve ^(b)	France	100	100
PA Gennevilliers SCI ^(b)	France	100	100
PA Urbaparc SCI ^(b)	France	100	100
EHI France 1 Champs Sur Marne ^(b)	France	100	100
EHI France 4 Magny Les Hameaux ^(b)	France	100	100
EHI France 5 Saint Ouen ^(b)	France	100	100
EHI France 9 Villepinte ^(b)	France	100	100
EHI France 11 Bar Le Duc ^{(b) (f)}	France	–	100
EHI France 15 Gondreville Nancy ^(b)	France	100	100
EHI France 20 Vitry Sur Seine ^(b)	France	100	100
EHI France 22 Noisy Le Sec ^(b)	France	100	100
Logistics France 1 SAS ^(b)	France	100	100
Parc Logistique SAS ^(c)	France	100	100
SCI Cap Mermoz ^(b)	France	100	100
SCI Confluence Paryseine ^(b)	France	100	100
Myyrinraitti Holdco Oy ^(b)	Finland	100	100
PKK 3 Holdco Oy ^(b)	Finland	100	100
PKK 12 Holdco Oy ^(b)	Finland	100	100
Plaza Forte Holdco Oy ^(b)	Finland	100	100
Artemis Holdco Finland Oy ^(b)	Finland	100	100
Vioto Holdco Oy ^(b)	Finland	100	100
Koy Maki 3 (OREC) ^(b)	Finland	100	100
Koy Kuopio 39 (OREC) ^(b)	Finland	100	100
Liiketalo Myyrinraitti Oy (MREC) ^(b)	Finland	94	94

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

Name	Country of registration	Equity holding & ownership interest	
		2022 %	2021 %
Kiin Oy Pakkalan Kartanonkoski 12 (MREC) ^(b)	Finland	100	100
Kiinteistö Oy Plaza Forte (MREC) ^(b)	Finland	100	100
Kiinteistö Oy Plaza Allegro (MREC) ^(b)	Finland	100	100
Kiinteistö Oy Plaza Vivace (MREC) ^(b)	Finland	100	100
Kiinteistö Oy Opus 1 (MREC) ^{(b) (f)}	Finland	–	100
Yrityspuiston Autopaikat Oy ^(b)	Finland	57	57
Cromwell EREIT Czech Properties s.r.o. ^(b)	Czech Republic	100	100
Kosice Industrial Park SK s.r.o. ^(b)	Slovakia	100	100
Nove Mesto ONE Industrial Park I SK s.r.o. ^(b)	Slovakia	100	100
Nove Mesto ONE Industrial Park II SK s.r.o. ^(b)	Slovakia	100	100
Nove Mesto ONE Industrial Park III SK s.r.o. ^(b)	Slovakia	100	100
Zilina Industrial Park SK s.r.o. ^(b)	Slovakia	100	100

All of CEREIF's subsidiaries are holding entities or entities that hold CEREIF's investment properties.

During the year ended 31 December 2022, the Trust recognised an impairment loss of €33,500,000 (2021: €13,000,000) in respect of its investments in subsidiaries due to lower recoverable amount following the fair value loss on certain investment properties.

Notes:

(a) Audited by Deloitte & Touche LLP, Singapore.

(b) Audited by overseas practices of Deloitte Touche Tohmatsu Limited (2021: overseas practices of Deloitte Touche Tohmatsu Limited).

(c) Audited by Ernst & Young (2021: Ernst & Young).

(d) Previously known as EHI Fund (Jersey) Limited. The company name was changed to EHI Fund Netherlands Limited with effect from 13 October 2022.

(e) Established during FY 2022.

(f) Divested or dissolved during FY 2022.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

Other Items

This section of the annual financial statements provides information about individually significant items to the balance sheet or the statement of total return and items that are required to be disclosed by International Financial Reporting Standards, unrecognised items and the basis of preparation of the annual financial statements.

16. OTHER RECEIVABLES AND PAYABLES

(a) Overview

This note provides further information about material assets and liabilities that are incidental to CEREIT's and the Trust's trading activities, being receivables, loans receivable and payables.

Receivables

	Note	CEREIT		Trust	
		2022 €'000	2021 €'000	2022 €'000	2021 €'000
Current					
Rental receivables		8,778	6,450	-	-
Impairment loss	14(a)	(2,563)	(2,496)	-	-
		6,215	3,954	-	-
Deposit	(i)	64	4,184	-	-
VAT and GST receivables		2,592	4,046	168	338
Other receivables		5,508	3,396	24	24
Loans to subsidiaries	(ii),(iii)	-	-	11,186	11,969
Prepayments		1,961	2,911	13	11
Total receivables - current		16,340	18,491	11,391	12,342
Non-current					
Other receivables		328	663	-	-
Total receivables - non-current		328	663	-	-

(i) As at 31 December 2021, deposits of €1,734,000 and €2,450,000 were paid for the acquisition of properties in Germany and Italy respectively. The acquisition of the Italian property was subsequently completed on 15 February 2022 and the acquisition of the German property was completed on 21 April 2022.

(ii) Loans to subsidiaries are unsecured, interest-free and repayable on demand.

(iii) For the purpose of impairment assessment, loans to subsidiaries are considered to have low credit risk as the timing of payment is controlled by CEREIT, taking into account cash flow management within CEREIT, and there has been no significant increase in the risk of default on the loan since initial recognition. Accordingly, for the purpose of impairment assessment for these loans, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, management has taken into account the financial position of the subsidiaries, adjusted for factors that are specific to the subsidiaries and general economic conditions of the industry in which the subsidiaries operate, in estimating the probability of default of the loans as well as the loss upon default. Management determines the loans to subsidiaries are subject to immaterial credit loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

Accounting policy

Trade and other receivables, including rental and service charge receivables are recognised initially at fair value and subsequently measured at amortised cost, less any expected credit losses. Refer to note 14(a) for further information about CEREIT's impairment policies.

(b) Trade and other payables

	Note	CEREIT		Trust	
		2022 €'000	2021 €'000	2022 €'000	2021 €'000
Current					
Trade payables and accrued expenses		35,643	31,574	2,459	3,813
Vendor funding – lease incentives		6,742	4,117	–	–
Payables to subsidiaries	(i)	–	–	179,073	157,032
Total payable – current		42,385	35,691	181,532	160,845
Non-current					
Payables to subsidiaries	(i)	–	–	179,142	89,104
Total payables – non-current		–	–	179,142	89,104

- (i) Payables to subsidiaries are unsecured, interest-free and repayable on demand, except for certain payables to a subsidiary amounting to €179,142,000 (2021: €89,104,000) which are due 36 to 60 months after the date of agreements and certain payables to subsidiaries amounting to €179,224,000 (2021: €112,022,000) which bore interest rates ranging from 1.37% to 4.13% (2021: 1.36% to 2.23%) per annum.

Accounting policy

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost. These amounts represent liabilities for goods and services provided to CEREIT prior to the end of the year and which are unpaid. The amounts are usually unsecured and paid within 30-60 days of recognition.

Vendor funding – lease incentives

As part of acquisitions of investment properties, the acquisition price of the properties is reduced for unpaid tenant incentives contracted for as at acquisition date. The acquisition price reduction is recorded as payable on the balance sheet. The liability is transferred to profit or loss as and when the respective tenant incentives are paid or taken.

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17. OTHER LIABILITIES

	CEREIT	
	2022	2021
	€'000	€'000
Current		
Tenant security deposits	17,670	16,616
Rent in advance	11,223	9,833
Other liabilities	2,393	2,334
Total other current liabilities	31,286	28,783
Non-current		
Other liabilities	6,948	6,321
Total other non-current liabilities	6,948	6,321

Accounting policy

Tenant security deposits

Tenant security deposits are recognised at the fair value of the amount received within other current liabilities on the balance sheet. The liability is derecognised upon returning the deposit to the tenant at the end of the tenancy or transferred to profit or loss to the extent of rent owed when it has been established that a tenant will default on its rental payment obligations.

Rent in advance

Rent in advance represents rental payments received in advance of due date from tenants. Rent in advance is recognised within other current liabilities on the balance sheet. The liability is transferred to rental income within profit or loss as and when the service of providing lettable space to a tenant is provided.

18. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

During the year ended 31 December 2021, CEREIT completed the following acquisition of subsidiaries:

- (1) On 11 March 2021, CEREIT through its wholly-owned subsidiaries, Cromwell EREIT Czech Properties s.r.o. (previously known as Cromwell Czech 1 HoldCo s.r.o.) and Cromwell Europa 3 HoldCo S.a.r.l. completed the acquisition of 11 properties in the Czech Republic and Slovakia through the acquisition of all the shares of each of the respective companies holding the 11 properties for a purchase consideration of €108.1 million.
- (2) On 7 June 2021, CEREIT completed the acquisition of a logistics asset in the Czech Republic from an affiliated company of CEREIT's sponsor Cromwell Property Group through the acquisition of all the shares of the company that owns the property for a purchase consideration of €10.4 million.
- (3) On 23 December 2021 and 30 December 2021, CEREIT completed the acquisition of two light industrial/logistics assets in the Netherlands for an aggregate purchase consideration of €19.7 million. The asset in Tilburg, the Netherlands was acquired through the acquisition of all the shares of the company that owns the property.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

Acquisition of properties and subsidiaries are complex in nature and can be material to the financial statements. Assessment is required to determine the most appropriate accounting treatment of assets acquired and of potential contractual arrangements relating to the acquisitions. The acquisitions during both FY 2022 and FY 2021 were accounted for as acquisitions of properties based on the assessment by the Manager, after taking into consideration that these acquisitions did not involve acquiring any strategic management function nor the associated processes along with the underlying assets acquired.

(b) Divestment of subsidiary

On 18 May 2022, CEREIF divested Opus 1 located in Finland by way of a sale of shares of the wholly-owned subsidiary, Kiinteistö Oy Opus 1 (MREC) that owns the property for a consideration of €15,989,000. The sale was accounted for as divestment of property based on the assessment by the Manager.

(c) Gain/(loss) on divestments

	CEREIT	
	2022	2021
	€'000	€'000
Gain/(loss) on divestment of investment properties	379	(324)
Gain on divestment of a subsidiary	384	-
Total gain/(loss) on divestments	763	(324)

In FY 2022, gain on divestment of investment properties relates to:

- (1) Gain on divestment of a warehouse unit contained within the Centro Logistico Orlando Marconi asset in Italy completed on 25 January 2022 for a consideration of €2.8 million;
- (2) Transaction costs incurred for the divestment of two light industrial / logistics assets in Germany completed on 7 October 2022. The properties were divested for an aggregate consideration of €11.0 million, which was €4.6 million or 71% above their purchase prices. The capital gain for these transactions had already been recognised in fair value gain on investment properties; and
- (3) Transaction costs incurred for the divestment of a logistic park in France completed on 9 December 2022 for a sale consideration of €11.0 million, which was 55% above the independent valuation dated 30 June 2022 and 448% above the IPO purchase price of €2.0 million. The capital gain for this transaction was recognised in fair value gain on investment properties.

In FY 2021, CEREIF completed the divestment of Parc de Popey located in France for sales consideration of €5.8 million, which was €2.0 million higher than the IPO purchase price and €1.0 million higher than the most recent valuation of the property. Loss on disposal of investment property mostly relates to the transaction costs incurred for the disposal. The capital gain for this transaction was recognised in fair value gain on investment properties.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

19. CASH FLOW INFORMATION

Overview

This note provides further information about non-cash transactions, the cash accounting policy as well as a reconciliation of net debt.

(a) Non-cash transactions

	CEREIT		Trust	
	2022 €'000	2021 €'000	2022 €'000	2021 €'000
Units issued in lieu of acquisition fees	-	101	-	101
Units issued as payment of distribution pursuant to DRP	3,021	7,542	3,021	7,542
Total non-cash transactions	3,021	7,643	3,021	7,643

(b) Net debt reconciliation

Net debt

	CEREIT		Trust	
	2022 €'000	2021 €'000	2022 €'000	2021 €'000
Cash and cash equivalents	35,432	59,258	372	1,176
Gross borrowings – current	(50,630)	(23,000)	-	-
Gross borrowings – non-current	(969,275)	(904,375)	-	-
Net debt	(984,473)	(868,117)	372	1,176

Movements in net debt

CEREIT	Cash and cash equivalents €'000	Borrowings – current €'000	Borrowings – non-current €'000	Net debt €'000
At 1 January 2021	43,593	-	(857,375)	(813,782)
Cash flows*	15,665	(23,000)	(47,000)	(54,335)
Net debt at 31 Dec 2021	59,258	(23,000)	(904,375)	(868,117)
Cash flows	(23,826)	(27,630)	(64,900)	(116,356)
Net debt at 31 Dec 2022	35,432	(50,630)	(969,275)	(984,473)

* In 2021, net cash flows from bank borrowings presented in the consolidated statement of cash flows include premium and accrued interest received from the issue of EMTN totalling €5,623,000 which are included in unamortised debt costs and interest payable.

Accounting policy

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

20. RELATED PARTIES

Overview

Related parties are persons or entities that are related to CEREIT as defined by IAS 24 *Related Party Disclosures*. These include directors and their close family members and any entities they control as well as subsidiaries, the Manager Cromwell EREIT Management Pte. Ltd., the Manager's parent entity Cromwell Corporation Limited ("CCL") and all subsidiaries and associates of CCL. They also include entities which are considered to have significant influence over CCL.

Related parties include all entities that are defined as Interested Persons under the SGX-ST Listing Manual or Interested Parties under the Code of CIS.

This note provides information about transactions with related parties during the year. All of CEREIT's transactions with related parties are on normal commercial terms and conditions and at market rates.

(a) Acquisition of a subsidiary

As disclosed in note 18(a) to the financial statements, on 7 June 2021, CEREIT completed the acquisition of a logistics asset in the Czech Republic from an affiliated company of CEREIT's sponsor Cromwell Property Group through the acquisition of all the shares of the company that owns the property for a purchase consideration of €10,396,000.

(b) Other related party transactions

The Manager and the Property Manager, which are 100% controlled by CCL, and the Trustee received various fees during the year. Details of the fees paid/payable have been disclosed in note 4 to the financial statements.

As at 31 December 2022, a total of €8,960,000 (2021: €7,742,000) remains payable.

21. UNRECOGNISED ITEMS

Overview

Items that have not been recognised on CEREIT's balance sheet include contractual commitments for future expenditure and contingent liabilities if applicable, which are not sufficiently certain to qualify for recognition as a liability on the balance sheet. This note provides details of any such items. Additionally, disclosure is also made of any other material contractual arrangements that may result in future cash outflows.

(a) Capital and development expenditure commitments

Commitments in relation to capital and development expenditure contracted for at reporting date but not recognised as a liability are as follows:

	CEREIT	
	2022 €'000	2021 €'000
Investment properties	56,636	6,462

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YEAR ENDED 31 DECEMBER 2022

(b) Other – certain earn-out agreements in relation to Italian properties

Upon acquisition of certain Italian properties, earn-out agreements have been entered into whereby CEREIT may be required to make further payments to the vendor if certain lease outcomes are achieved in the future. As at 31 December 2022, no such lease outcomes or disposals had occurred and therefore no earnout payment triggered except as mentioned below.

An earn-out event is deemed to have materialised following the silent lease renewals from the tenant-customer in Corso Lungomare Trieste 29 and Viale Europa 95 in Italy on 29 December 2022. However, no earnout payment has been crystallised as at 31 December 2022 as there is a minimum occupation period of 1 year required by the respective tenant-customer before any earn-out payment obligations are triggered.

The maximum amount payable under the earn-out agreements is €15,830,000 (2021: €15,830,000).

22. SUBSEQUENT EVENTS

- (a) On 24 February 2023, the Manager announced a distribution of 8.494 Euro cpu for the period from 1 July 2022 to 31 December 2022 comprising wholly of tax-exempt income component (2021: 8.459 Euro cpu for the period from 1 July 2021 to 31 December 2021 comprising of 4.634 Euro cpu of tax-exempt component and 3.825 Euro cpu of capital component).
- (b) On 8 March 2023, CEREIT through its wholly-owned subsidiary, Lux Finco amended and restated a term loan facility through a rollover of the existing 3-year term loan initially maturing in November 2023, and new lender commitment for an aggregate amount of €70,630,000 (“the Facility”). The Facility includes an accordion feature providing flexibility to increase the size of the Facility to up to €110,000,000 and has a final maturity date of 3.5 years from the date of the first utilisation. €50,630,000 of the existing 3-year term loan due to expire in November 2023 have been extended till October 2026 and the remainder of the Facility will be used to repay part of the drawn amounts under the €200,000,000 RCF due to expire in 2024. The covenants of the Facility are generally similar to the covenants of the €180,000,000 4-year sustainability-linked loan which Lux Finco entered into in October 2022.

23. FINANCIAL RATIOS

	CEREIT	
	2022	2021
	%	%
Ratio of expenses to weighted average net assets⁽¹⁾		
Including performance component of the Manager’s management fees	0.84	0.78
Excluding performance component of the Manager’s management fees	0.84	0.78
Portfolio turnover rate⁽²⁾	2.78	0.42

(1) The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore (“IMAS”). The expenses used in the computation relate to expenses of CEREIT, excluding property expenses, finance expenses, net foreign exchange differences and income tax expense. CEREIT did not pay any performance fee in FY 2022 and FY 2021.

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of CEREIT expressed as percentage of average net asset value in accordance with the formulae stated in the CIS.

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24. BASIS OF PREPARATION AND OTHER ACCOUNTING POLICIES

Overview

This note provides an overview of CEREIT's accounting policies that relate to the preparation of the financial statements as a whole and does not relate to specific items. Accounting policies for specific items in the balance sheet or statement of comprehensive income have been included in the respective note.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board and the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" (Revised 2017)* issued by the Institute of Singapore Chartered Accountants, the relevant provisions of the Trust Deed, and the relevant requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("MAS").

The financial statements have been authorised for issue on 31 March 2023.

Historical cost convention

The financial report is prepared on the historical cost basis except for the following:

- investment properties are measured at fair value;
- derivative financial instruments are measured at fair value.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries as at 31 December 2022 and the results of all subsidiaries for the financial year then ended. Subsidiaries are entities controlled by the Trust. Control exists when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for business combinations by CEREIT. Inter-entity transactions, balances and unrealised gains on transactions between CEREIT entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by CEREIT.

A business for business combination purposes is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

Entities acquired, that do not meet the definition of a business are accounted for as acquisition of an asset or a group of assets. This is generally the case if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets such as investment properties.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Trust. A list of subsidiaries appears in note 15 to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of CEREIF's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Euro, which is the Trust's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when they are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(d) Impairment of assets

At each reporting date, and whenever events or changes in circumstances occur, CEREIF assesses whether there is any indication that any other asset may be impaired. Where an indicator of impairment exists, CEREIF makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

(e) Critical accounting estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical or professional experience and other factors such as expectations about future events. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The areas that involved a higher degree of judgement or complexity and may need material adjustment if estimates and assumptions made in preparation of these financial statements are incorrect are:

Area of estimation	Note
Measurement of deferred tax liabilities	8
Fair value of investment properties	9

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2022

(f) New accounting standards and interpretations

(i) New and amended standards adopted

In the current year, CEREIF has applied the standards, amendments to and interpretations of IFRS Standards issued by the IASB that are effective for annual periods that begin on or after 1 January 2022. The adoption has not had any material impact on CEREIF's financial statements.

(ii) New standards and interpretations not yet adopted

Relevant accounting standards and interpretations that have been issued or amended but are not yet effective and have not been adopted for the year are as follows:

	Application date of Standard	Application date for CEREIF
Amendments to IAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 <i>Disclosure of Accounting Policies</i>	1 January 2023	1 January 2023
Amendments to IAS 8 <i>Definition of Accounting Estimates</i>	1 January 2023	1 January 2023
Amendments to IAS 12 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023	1 January 2023

Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

NOTES TO THE FINANCIAL STATEMENTS

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Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

NOTES TO THE FINANCIAL STATEMENTS

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Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - Right-of-use assets and lease liabilities
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments mentioned above are not expected to have a material impact on CEREIT's financial statements.

ADDITIONAL INFORMATION

INTERESTED PERSON (AS DEFINED IN THE LISTING MANUAL) AND INTERESTED PARTY (AS DEFINED IN THE PROPERTY FUNDS APPENDIX) TRANSACTIONS

Transactions entered into with interested persons/parties during the financial year falling under the Listing Manual of SGX-ST (the "Listing Manual") and the Property Funds Appendix of the CIS are as follows:

Name of interested person / party	Nature of relationship	Aggregate value of all interested person / party transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920) €'000	Aggregate value of all interested person / party transactions conducted under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) €'000
Cromwell Property Group and its related companies	Ultimate controlling shareholder of the Manager and Ultimate controlling Unitholder		
- Acquisition fees		1,074 ⁽¹⁾	-
- Divestment fees		205 ⁽²⁾	-
- Base management fees		6,057	-
- Property & portfolio management fees		17,643	-
- Leasing fees		1,985	-
- Project management fees		1,527	-
- Development management fees		245	-
Perpetual (Asia) Limited and its related companies	CEREIT Trustee		
Trustee fees		298	-

(1) Acquisition fee of 1.0% on the purchase price of investment properties acquired by CEREIT during the financial year.

(2) Divestment fee of 0.5% on the gross sale price of investment property divested by CEREIT during the financial year.

Saved as disclosed above, there were no additional interested person / party transactions (excluding transactions of less than S\$100,000 each) entered into up to and including 31 December 2022 nor any material contracts entered by CEREIT or any of its subsidiaries that involve the interests of the CEO, any Directors or any controlling Unitholder of the Trust.

Please also see the Related Party in Note 20 to the financial statements.

The entry into and the fees payable pursuant to the Trust Deed have been approved by the Unitholders upon purchase of the Units at the initial public offering of CEREIT on the SGX-ST in November 2017 and are therefore not subject to Rules 905 and 906 of the Listing Manual.

STATISTICS OF UNITHOLDINGS

AS AT 15 MARCH 2023

Issued and Fully Paid Units: 562,392,116

Voting rights: 1 vote per Unit. There is only one class of Units in CEREIT.

Market capitalisation is €945 million based on the market closing price of €1.680 on 15 March 2023.

As at 15 March 2023, there are no treasury units held by CEREIT or the Manager.

SUBSTANTIAL UNITHOLDERS AS AT 15 MARCH 2023

Based on the Register of Substantial Unitholders' Unitholdings, the interests of Substantial Unitholders in Units are as follows:

Name of Substantial Unitholders	Direct Interest		Deemed Interest	
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾
Cromwell Property Group ⁽²⁾	–	–	156,303,667	27.79
Cromwell Singapore Holdings Pte. Ltd.	153,886,856	27.36	–	–
CDPT Finance No.2 Pty Ltd. ⁽³⁾	–	–	153,886,856	27.36
Cromwell Property Securities Limited (as Responsible Entity for Cromwell Diversified Property Trust) ⁽³⁾	–	–	153,886,856	27.36
ARA Real Estate Investors XXI Pte. Ltd. ⁽⁴⁾	–	–	156,303,667	27.79
ARA RE Investment Group (Singapore) Pte. Ltd. ⁽⁴⁾	–	–	156,303,667	27.79
ARA Asset Management Limited ⁽⁴⁾	–	–	156,303,667	27.79
ESR Cayman Limited ⁽⁵⁾	–	–	156,303,667	27.79
Mr Gordon Tang and Mrs Celine Tang ⁽⁶⁾	51,094,956	9.09	–	–
Hillsboro Capital, Ltd.	40,757,460	7.25	–	–
Mr Andrew L. Tan ⁽⁷⁾	–	–	44,728,460	7.95
UBS Group AG ⁽⁸⁾	–	–	28,099,463	5.00
UBS AG ⁽⁹⁾	78,950	0.01	28,020,513	4.98

Notes:

- (1) The percentage is based on 562,392,116 Units in issue as at 15 March 2023.
- (2) Cromwell Singapore Holdings Pte. Ltd. ("CSHPL") is a wholly-owned subsidiary of CDPT Finance No. 2 Pty Ltd. ("CDPT2"), which is in turn a wholly-owned subsidiary of Cromwell BT Pty Ltd ("CBT") (as custodian (aka bare trustee) for Cromwell Property Securities Limited ("CPSL") as responsible entity for Cromwell Diversified Property Trust ("CDPT"). CDPT is part of Cromwell Property Group ("CPG") which is a stapled entity comprising Cromwell Corporation Limited ("CCL") and CDPT. Accordingly, CPG is deemed to be interested in CSHPL's interests in the Units. Additionally, Cromwell EREIT Management Pte. Ltd. (the "Manager") which holds 1,854,828 Units, is a wholly-owned subsidiary of CCL. Cromwell CEREIT Holdings Limited ("CCHL") which holds 561,983 Units, is a wholly-owned subsidiary of Cromwell Europe Limited, which is in turn a wholly-owned subsidiary of Cromwell European Holdings Limited, which is in turn a wholly-owned subsidiary of CCL. As such, CPG's deemed interest in 156,303,667 Units also comprises its deemed interest in 1,854,828 Units held by the Manager and 561,983 Units held by CCHL.
- (3) CSHPL is a wholly-owned subsidiary of CDPT2, which is in turn a wholly-owned subsidiary of CBT (as custodian (aka bare trustee) for CPSL as responsible entity for CDPT. CDPT is part of CPG which is a stapled group comprising CCL and CDPT. Accordingly, CDPT2 and CPSL, respectively, are deemed to be interested in CSHPL's interests in the Units.
- (4) ARA Real Estate Investors XXI Pte. Ltd. ("ARA XXI") holds more than 20.0% of interest in CPG and is therefore deemed interested in the units in CEREIT through CPG's own deemed interests. ARA XXI is wholly-owned by ARA RE Investment Group (Singapore) Pte. Ltd. ("ARA RE"), which in turn wholly owned by ARA Asset Management Limited ("AAML"). ARA RE and AAML are therefore deemed interested in ARA XXI's deemed interest in the units of CEREIT.
- (5) ESR Cayman Limited ("ESR") holds 100% of the voting shares of AAML and therefore, ESR is deemed to have an interest in the Units that AAML has a deemed interest in.
- (6) The Units are held by joint account of Mr. Gordon Tang and Mrs. Celine Tang. Mr. Gordon Tang is the spouse of Mrs. Celine Tang.
- (7) Mr. Andrew L. Tan is the beneficial owner of 44,728,460 units held through Hillsboro Capital, Ltd. and Worldwide Property Financing Limited.
- (8) Deemed interests arising by virtue of (a) UBS Group AG having an interest, or (b) Section 7(4) or 7(4A) of the Companies Act in Units over which subsidiaries/affiliates of UBS Group AG have an interest, by reason of the ability to exercise voting discretion and to acquire/dispose of shares.
- (9) Deemed interests arising by virtue of (a) UBS AG having an interest, or (b) Section 7(4) or 7(4A) of the Companies Act in Units over which subsidiaries/affiliates of UBS AG have an interest, by reason of the ability to exercise voting discretion and to acquire/dispose of shares.

STATISTICS OF UNITHOLDINGS

AS AT 15 MARCH 2023

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 99	148	3.37	5,880	0.00
100 – 1,000	1,152	26.20	623,800	0.11
1,001 – 10,000	2,477	56.33	8,876,064	1.58
10,001 – 1,000,000	605	13.76	19,833,892	3.53
1,000,001 AND ABOVE	15	0.34	533,052,480	94.78
TOTAL	4,397	100.00	562,392,116	100.00

TWENTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	156,355,741	27.80
2	CITIBANK NOMINEES SINGAPORE PTE LTD	124,428,385	22.12
3	DBS NOMINEES (PRIVATE) LIMITED	118,795,439	21.12
4	RAFFLES NOMINEES (PTE.) LIMITED	62,616,249	11.13
5	HSBC (SINGAPORE) NOMINEES PTE LTD	23,665,457	4.21
6	DBSN SERVICES PTE. LTD.	20,598,928	3.66
7	ABN AMRO CLEARING BANK N.V.	7,138,388	1.27
8	DB NOMINEES (SINGAPORE) PTE LTD	4,161,216	0.74
9	OCBC SECURITIES PRIVATE LIMITED	4,085,909	0.73
10	PHILLIP SECURITIES PTE LTD	3,079,834	0.55
11	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,034,490	0.36
12	MAYBANK SECURITIES PTE. LTD.	1,698,288	0.30
13	IFAST FINANCIAL PTE. LTD.	1,558,733	0.28
14	BPSS NOMINEES SINGAPORE (PTE.) LTD.	1,538,499	0.27
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,296,924	0.23
16	UOB KAY HIAN PRIVATE LIMITED	950,025	0.17
17	LIEW CHEE KONG	797,938	0.14
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	633,498	0.11
19	LING PING SHEUN ARTHUR	528,876	0.09
20	EUCO INVESTMENTS PTE LTD	400,000	0.07
	TOTAL	536,362,817	95.35

STATISTICS OF UNITHOLDINGS

AS AT 15 MARCH 2023

DIRECTORS' INTERESTS IN UNITS AS AT 21 JANUARY 2023

Based on the Register of Directors' Unitholdings, the interests of the Directors in Units are as follows:

Name of Directors	Direct Interest		Deemed Interest	
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾
Lim Swe Guan	111,000	0.02	-	-
Christian Delaire	-	-	-	-
Fang Ai Lian	-	-	-	-
Simon Garing ⁽²⁾	191,789	0.03	-	-
Ooi Eng Peng	-	-	-	-

Notes:

(1) The percentage is based on 562,392,116 Units in issue as at 21 January 2023.

(2) Excludes Units that may vest under the Manager's PUP.

PUBLIC HOLDINGS AS AT 15 MARCH 2023

Based on the information available, approximately 50.12% of the issued Units in CEREIT is held by the public as at 15 March 2023 and therefore, pursuant to Rules 1207 and 723 of the Listing Manual of the SGX-ST, it is confirmed that at least 10% of the issued Units in CEREIT is held by the public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST has been complied with. For the purposes of SGX-ST Listing Manual, the non-public Unitholdings include substantial Unitholders who own 5% or more, Directors, CEOs, controlling shareholders of the company and its subsidiaries and associates of the above-mentioned.

PERCENTAGE OF ISSUED UNITS HELD BY UNITHOLDERS WITH LESS THAN 10% UNITHOLDINGS AS AT 15 MARCH 2023

Based on the information available, approximately 72.21% of the issued Units in CEREIT is held by Unitholders with less than 10% Unitholdings as at 15 March 2023. The only Unitholder that holds more than 10% of Units (defined as "restricted") is Cromwell Property Group (27.79%). As per definitions used by FTSE Russell for the calculation of "free-float restrictions" for the purpose of various FTSE related indices.

NON-EXHAUSTIVE GLOSSARY

OF TERMS AND FIRST MENTIONS

Terms and First Mentions	Definitions
"1Q 2022"	1 January to 31 March 2022
"2Q 2022"	1 April to 30 June 2022
"3Q 2022"	1 July to 30 September 2022
"4Q 2022"	1 October to 31 December 2022
"1H 2022"	1 January to 30 June 2022
"2H 2022"	1 July to 31 December 2022
"€" or "EUR" or "Euro"	Euro Dollar
"AEI(s)"	Asset enhancement initiative(s)
"Aggregate leverage"	The ratio of a REIT's debt to its total deposited property value, also known as "gearing"
"AIFM"	Alternative investment fund management
"APAC"	Asia Pacific
"ARC"	Audit and risk committee
"ASX"	Australian Securities Exchange
"AUM"	Assets under management
"BCP"	Business continuity planning
"BMS"	Building management system
"Board of Directors" or the "Board"	Board of Directors of the Manager
"BREEAM"	'Building Research Establishment Environmental Assessment Method'
"capex"	Capital expenditure
"CBRE"	CBRE Limited
"CEO"	Chief Executive Officer
"CEREIT ID(s)"	Non-executive independent Directors
"CEREIT's Annual Report" or "Annual Report"	Cromwell European REIT's annual report for financial year ended 31 December 2022
"CFO"	Chief Financial Officer
"CIS Code"	The Code on Collective Investment Schemes
"Code"	Code of Corporate Governance 2018
"Company Secretary"	Company secretary of the Manager
"COO"	Chief Operating Officer
"cpu"	Cents per Unit
"CPI"	Consumer Price Index
"Cromwell European REIT" or "CEREIT"	Cromwell European REIT
"Cromwell", the "Sponsor" or the "Group"	Cromwell Property Group, an ASX-listed stapled security comprising Cromwell Corporation Limited and the Cromwell Diversified Property Trust
"Cromwell Property Group Allocation Process"	The allocation of investment opportunities from Cromwell's origination pipeline in a fair and equitable manner to all funds established and/or sponsored by Cromwell
"Deepki"	data management platform designed to digitalize the management of large property portfolios
"Deloitte"	Deloitte & Touche LLP
"Director(s)"	Director(s) of the Manager
"DPU"	Distribution per Unit
"DRP"	Distribution reinvestment plan
"EGM"	Extraordinary general meeting
"EMTN"	Euro medium-term note
"EPC"	Energy performance certificate

NON-EXHAUSTIVE GLOSSARY

OF TERMS AND FIRST MENTIONS

Terms and First Mentions	Definitions
"EPRA"	European Public Real Estate Association
"EPRA sBPR"	EPRA Sustainability Best Practices Recommendations
"ERM"	Enterprise risk management
"ERV"	Estimated rental value
"ESG"	Environment, social and governance
"Fitch Ratings"	Fitch Ratings Singapore Pte Ltd
"FTSE"	The Financial Times Stock Exchange Group, now known as the FTSE Russell Group
"FY 2020"	1 January 2020 to 31 December 2020
"FY 2021 Annual Report"	Cromwell European REIT's annual report for financial year ended 31 December 2021
"FY 2021"	1 January 2021 to 31 December 2021
"FY 2022"	1 January 2022 to 31 December 2022
"GAV"	Gross asset value
"GDP"	Gross domestic product
"GIFT"	Governance Index For Trusts
"GRESB"	Global Real Estate Sustainability Benchmark
"GRI"	Global Reporting Initiative
"IAS"	International Accounting Standards
"IIA"	Institute of Internal Auditors Singapore
"Interested Party Transaction(s)"	Has the meaning ascribed to it in the Property Funds Appendix
"Interested Person Transaction(s)"	Has the meaning ascribed to it in the SGX-ST Listing Manual
"IPO"	Initial public offering
"IT"	Information technology
"KMP"	Key management personnel of the Manager
"KPI (s)"	Key performance indicators
"KPMG"	KPMG Services Pte. Ltd.
"LEED"	Leadership in Energy and Environmental Design
"Listing Date"	30 November 2017
"Listing Manual"	The Listing Manual of the SGX-ST
"Listing Rules"	Listing rules of the SGX-ST
"Manager" or "Manager of CEREIT"	Cromwell EREIT Management Pte. Ltd.
"Management" or the "management team"	The management team of the Manager
"MAS"	Monetary Authority of Singapore
"MSCI"	MSCI Inc
"NAV"	Net asset value
"NLA"	Net lettable area
"NOI Yield"	NOI yield is calculated as the annualised Day 1 net operating income pre-asset management fees divided by the purchase price including purchase costs
"NPI"	Net property income
"NRC"	Nominating and remuneration committee
"NTA"	Net tangible assets
"p.p."	Percentage points
"pcp"	Prior corresponding period
"Property Funds Appendix"	Appendix 6 of the CIS Code, issued by the MAS in relation to property funds
"Property Manager"	Cromwell Europe Limited

NON-EXHAUSTIVE GLOSSARY

OF TERMS AND FIRST MENTIONS

Terms and First Mentions	Definitions
"PUP"	Performance unit plan
"RCF"	Revolving credit facility
"REIT"	Real estate investment trust
"REITAS"	REIT association of Singapore
"Related Party"	Refers to an "Interested Person" under the Listing Manual and/or as the case may be, an "Interested Party" under the Property Funds Appendix
"Related Party Transaction(s)"	Refers to "Interested Person Transactions" under the Listing Manual and "Interested Party Transactions" under the Property Funds Appendix
"S\$"	Singapore Dollars
"S-REIT(s)"	Singapore real estate investment trust
"S&P"	Standard and Poors
"Savills"	Savills Advisory Services Limited
"SC"	Sustainability Committee
"SFDR"	Sustainable Financial Disclosure Regulation
"SFR"	Securities and Futures (Licensing and Conduct of Business) Regulations
"SGTI"	Singapore Governance and Transparency Index
"SGX-ST"	Singapore Exchange Securities Trading Limited
"SIAS"	Securities Investors Association (Singapore)
"sqm"	Square metres
"Trustee"	Perpetual (Asia) Limited, in its capacity as trustee of CEREIF
"Trust Deed"	The trust deed constituting CEREIF dated 28 April 2017 (as amended, varied or supplemented from time to time)
"UK"	The United Kingdom
"Units"	Units of CEREIF
"Unitholders"	Unitholders of CEREIF
"WADE"	Weighted average term of debt maturity in years
"WALB"	Weighted average lease term to break defined as the weighted average lease term in years to the next permissible tenant-customer lease break date
"WALE"	Weighted average lease term in years, 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)
"WELL"	WELL building standard, issued by International WELL Building Institute
"y-o-y"	Year-on-year

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Lim Swe Guan

Chair and Independent Non-Executive Director

Fang Ai Lian

Independent Non-Executive Director

Christian Delaire

Independent Non-Executive Director

Ooi Eng Peng

Non-Independent and Non-Executive Director

Simon Garing

CEO and Executive Director

AUDIT AND RISK COMMITTEE

Fang Ai Lian

Chair and Independent Non-Executive Director

Lim Swe Guan

Independent Non-Executive Director

Christian Delaire

Independent Non-Executive Director

NOMINATING AND REMUNERATION COMMITTEE

Christian Delaire

Chair and Independent Non-Executive Director

Lim Swe Guan

Independent Non-Executive Director

Fang Ai Lian

Independent Non-Executive Director

SUSTAINABILITY COMMITTEE

Ooi Eng Peng

Chair and Non-Independent Non-Executive Director

Lim Swe Guan

Independent Non-Executive Director

Fang Ai Lian

Independent Non-Executive Director

Christian Delaire

Independent Non-Executive Director

Simon Garing

CEO and Executive Director

MANAGEMENT TEAM

Simon Garing

CEO and Executive Director

Shane Hagan

CFO

Andreas Hoffmann

Head of Property

Elena Arabadjieva

Chief Operating Officer and Head of Investor Relations

Kathleen Tan

Head of Risk, Compliance and Company Secretarial

COMPANY SECRETARY

Yoo Loo Ping

TRUSTEE

Perpetual (Asia) Limited

16 Collyer Quay

#07-01

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MANAGER

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Partner in charge: Shariq Barmaky

(Appointment date: 1 November 2017)

STOCK INFORMATION

SGX ID : CWBU & CWCU

Bloomberg : CERT:SP

Reuters : CROM.SI

ISIN : SG1EA8000000

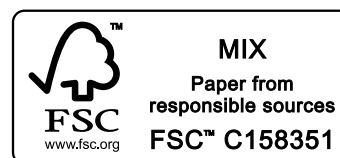
INVESTOR RELATIONS

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ANNUAL REPORT 2022