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Cromwell European REIT's 1H 2020 Results Demonstrate Portfolio Resilience

- 1H 2020 distribution per unit ("**DPU**") of 1.74 Euro cents based on 100% payout ratio is only 3.4% lower on a like-for-like basis[1] than 1H 2019 DPU
- Stable occupancy of 94.7% recorded with positive rental reversion of 6.4% in 1H 2020
- Strong leasing momentum continued, driven by active asset management
- Resuming investment activity with a focus on logistics assets and data centres
- Clearer outlook for 2H 2020 performance and DPU

	1H 2020	1H 2019	Variance
Gross Revenue (€'000)	93,660	82,372	13.7%
Net Property Income (€'000)	57,721	54,134	6.6%
Income Available for Distribution to Unitholders (€'000)	44,565	44,840	(0.6%)
DPU (Euro cents)	1.74	2.04	(14.7%)
DPU on a Like-for-Like Basis[1] (Euro cents)	1.97	2.04	(3.4)

SINGAPORE – Cromwell EREIT Management Pte. Ltd., the manager (the "**Manager**") of Cromwell European Real Estate Investment Trust ("**Cromwell European REIT**" or "**CEREIT**"), today announced CEREIT's financial results for the first half ended 30 June 2020 ("**1H 2020**").

CEREIT's gross revenue and net property income rose 13.7% and 6.6% year-on-year to €93.7 million and €57.7 million, respectively, largely due to contributions from properties acquired over the course of the past year. Income from the new assets was, however, partially offset by €3.0 million of allowances made for uncollected rents due to the COVID-19 pandemic, as well as lower income from certain assets, such as the UCI cinema-anchored property in Italy and Central Plaza in the Netherlands. Income available for distribution to unitholders amounted to €44.6 million, largely in line with the €44.8 million recorded in the first half of 2019 ("**1H 2019**"). The income available for distribution includes a €2.8 million distribution of realised capital gains from recent divestments.

The Manager maintained a 100% distribution payout ratio, resulting in a 1.74 Euro cents DPU for 1H 2020 to be paid out on 28 September 2020. The 1H 2020 DPU is based on the Manager's base fee and property management fee being paid fully in cash, instead of partially via an issuance of units at deep discount to net asset value ("**NAV**") per unit, demonstrating alignment with unitholders' interests by minimising future DPU and NAV per unit dilution. On a like-for-like basis[1], DPU for 1H 2020 would have been 1.97 Euro cents, 3.4% below the 1H 2019 DPU.

The Manager's Chief Executive Officer, Mr. Simon Garing, commented, "CEREIT's portfolio has demonstrated its resilience amid the second-quarter lockdowns in Europe, benefitting from Cromwell's active asset management and its diversified exposure to close to 800 predominantly office and light industrial / logistics tenant-customers from myriad trade sectors across seven countries. We entered into FY 2020 with 14.5% of leases by headline rent due to expire over the course of the year, but have since reduced this to only 3.3% within half a year while maintaining a close to 95% occupancy rate. Tenant-customers from the retail and hospitality sectors have understandably been more seriously affected; however, following recent successful divestments, these tenant-customers now account for just 3% of CEREIT's headline rent and we have been actively engaging them to re-profile their leases by way of new lease extensions. We continue to closely monitor the situation on the ground and are encouraged that we are seeing signs that business activities are gradually resuming as European countries emerge out of their COVID-19 lockdowns."

Maintaining Robust Occupancy with Positive Rent Reversions despite the COVID-19 Pandemic

Momentum from the healthy leasing activity generated in the first quarter of 2020 continued into the second quarter of 2020 ("**2Q 2020**") despite widespread COVID-19-related lockdowns across Europe. Leasing activity took place across all seven countries in which CEREIT is present, with Cromwell securing large new leases in the Netherlands, France and Finland. In total, 45 new and renewed leases covering 19,123 square metres ("**sq m**") of space were signed in 2Q 2020 with a positive blended rent reversion of +1.3%.

All in all, over the course of 1H 2020, CEREIT secured 81 new and renewed leases spanning 43,484 sq m of space, at a pleasing +6.4% blended rent reversion rate, maintaining occupancy at 94.7%. Only 3.3% of CEREIT's leases by headline rent subject to an expiry or break up to 31 December 2020 remain to be de-risked in 2H 2020.

Tenant-customer requests for rent abatements have recently shown signs of tailing off. Since the outbreak in February, the Manager has agreed to only €405,000 in rent abatements to smaller tenant-customers (compared to €236,000 reported as at end-April), with such tenant-customers in return either agreeing to one- to five-year lease extensions or to the removal of lease breaks. Notably, Starhotels Grand Milan and the UCI cinema-anchored property have re-opened. The proposed new leases for these two assets will likely move to base / turnover rent structures with a further five- to seven-year extension. Claims on CEREIT's virus event insurance policies have been submitted for the loss of rent from the UCI cinema and some smaller retail tenant-customers.

Payments for leases representing 10.2% of yearly gross income have been temporarily re-profiled in 2Q 2020 and CEREIT's WALE[2] profile has been extended from 4.5 years as at 31 March 2020 to 5.1 years as at 30 June 2020, partly due to the above re-negotiations, as well as a number of low-WALE asset sales and high-WALE asset purchases. The cash collection rate since 1 March 2020 stands at ~86% as at 5 August 2020.

Valuations of High-Quality, Diversified Portfolio Remain Resilient

The COVID-19 pandemic has had a negligible impact on CEREIT's property valuations. External valuations as at 30 June 2020 were conducted for 22 properties representing ~50% of CEREIT's portfolio by value at 31 December 2019, with their net valuation falling by only 2.0% or €17.7 million. Most of the decline was attributed to the impact of the pandemic on the hotel and the cinema-anchored asset in Italy. Meanwhile, the other 69 assets were carried at their value as at 31 December 2019, plus capital expenditure incurred in 1H 2020, if any.

On 24 March 2020, the Manager completed two transactions contemporaneously – (i) CEREIT's first portfolio disposal and (ii) CEREIT's first acquisition in Germany since its IPO. The disposal involved the sale of 12 light industrial / logistics assets in the Netherlands, France and Denmark for €65.7 million, achieving an €8.7 million capital gain before tax. The acquisition involved the purchase of three light industrial / logistics assets for €38.0 million at a 6.2% net operating income yield.

Consequently, CEREIT's portfolio comprised 94 properties with a value of €2.06 billion[3] as at 30 June 2020. Following the completion today of its fourth freehold logistics property acquisition in Germany since its IPO, CEREIT now has 95 properties with a total portfolio valuation of €2.08 billion as at 14 August 2020.

NAV per unit decreased by 2.5% year-on-year to 50.3 Euro cents as at 30 June 2020 due to fair value loss recorded.

Robust Pipeline of Strategic Acquisition and Development Opportunities

Investment activity in Europe has lifted after a temporary slowdown amid the onset of the pandemic, and the Manager is resuming investment activity, given the re-emergence of its acquisition pipeline, as well as continuing to explore development opportunities.

The Manager is currently focusing on acquiring attractive assets in Germany and neighbouring markets, increasing CEREIT's exposure to logistics properties, as well as the potential divestment of a number of office assets. Key redevelopment opportunities continue to exist in Paris, Amsterdam, as well as Milan, and could allow the Manager to attract new high-quality tenant-customers and enhance CEREIT's income streams over the long term.

On 13 July 2020, CEREIT entered into a Heads of Term agreement with Cromwell Property Group (the "**Sponsor**") and Stratus Data Centres ("**Stratus**"), a member of the EXS Capital Group, to appoint Stratus as Data Centre Development Manager and to potentially acquire 50% stakes in two data centre projects in London and Frankfurt, subject to various milestones

The Sponsor is also partnering with Stratus to invest in and manage the rollout of a private data centre investment fund across Europe and Asia Pacific. CEREIT has "first look" rights for 50% stakes in the fund's European pipeline, providing it with possible opportunities to leverage the unprecedented demand for data centres to further generate stable income and deliver potential upside.

Balance Sheet in Good Shape

As a result of the Manager's responsible capital management, CEREIT maintains a strong cash position of €158 million as at 30 June 2020. It previously drew down its €150 million revolving credit facility to bolster its cash holdings during the onset of the pandemic but has since repaid half of the facility in June 2020 due to improved financial market conditions. It is also pleasing to note that CEREIT's operating cashflow of €38.3 million in 1H 2020 was only 1.7% below the €39.0 million in 1H 2019.

As at 30 June 2020, CEREIT has a 34.4% net gearing level and its annualised cost of debt remains low at approximately 1.5% while its interest coverage ratio stands at 6.7 times[4], with all key metrics well within loan covenants. CEREIT's total gross debt is 100% hedged and more than 70% of its portfolio is unencumbered, providing the Manager with greater financing flexibility in the future. During 2Q 2020, the Manager also confirmed an extension of a €104.5 million debt facility till 2021, leaving CEREIT with no debt maturing between now and the second half of next year.

The Manager is assessing refinancing options and is well-advanced in its preparations for launching a rated Euro medium-term note ("**EMTN**") issuance in 2H 2020. Its sustained focus on diversifying funding sources is aided by the strong support it receives from 13 global banks, leveraging the Sponsor's extensive capital markets experience and network.

Major Index Inclusions

Since CEREIT's listing in 2017, the Manager has established a well-diversified global investor base comprising institutional investors, property specialist funds, private wealth clients and retail investors. This was facilitated by CEREIT's inclusion in about 50 FTSE[5], MSCI, iEdge and other indices in 1H 2020 alone. Notably, it was included in the FTSE Straits Times Index Series, the FTSE Global Equity Index Series, the MSCI Singapore Investable Market Index, as well as the iEdge SG ESG Leaders Index and iEdge SG ESG Transparency Index.

On the back of its outperformance and the greater institutional unitholder participation, CEREIT's trading liquidity has increased 13-fold since its IPO and is well above the hurdle for entering the EPRA Nareit Developed Asia Index, another major index the Manager is targeting for CEREIT.

Recognised for Excellent Governance and Sustainability Management

CEREIT was recently ranked 7th amongst all Singapore-listed real estate investment trusts and business trusts in the Singapore Governance and Transparency Index 2020, the leading index for assessing the corporate governance practices of Singapore-listed companies and trusts. This bears testament to the Manager's commitment to continue safeguarding CEREIT unitholders' interests and its best practice approach to corporate governance and sustainability, consistent with the values of the Sponsor and with guidance from the board.

Clearer Outlook for 2H 2020 and Beyond

The Eurozone economy faced a steep 15.3% decline in gross domestic product in 2Q 2020 but is expected by Oxford Economics to contract by only 7.8% in 2020, before picking up to register 6.1% growth in 2021. The European Union recently signed a €1.1 trillion rescue relief package agreement, reflecting the bloc's commitment to rebuild the region's economy, causing an 8% rally of the Euro against the Singapore Dollar in the year to date.

In the European office sector, the uncertainty brought on by the COVID-19 pandemic has led to a small rise in vacancy rates across most European office markets. However, the vacancy rates are still around historical lows, with CEREIT's key Paris and Dutch market vacancies well below the average of 6.47%, based on data from CBRE. Nonetheless, occupier demand is expected to be weak over the next 12 months due to the pandemic's impact on corporate profits. Over the medium term, the effect of working from home on a large scale may also have an uncertain impact on the amount of office space that occupiers wish to lease. This may lead to a further increase of vacancy rates, albeit partially offset by the likely scaling back of speculative development.

In the European logistics sector, occupier demand for logistics properties has largely remained strong in 1H 2020, with online retailers and supermarket chains continuing to drive healthy take-up levels. The high level of leasing activity thus far is expected to continue into the second half of the year, which will keep vacancy rates low at the current levels of ~4.1%, according to data from CBRE. As a result, prime rents are forecast to see positive growth over the next two years, supporting development activity, with a number of schemes set to be completed over the next 12 months. The majority of these new spaces are expected to be leased quickly, meaning that a sharp rise in vacancy rates is not expected. Investors have continued to target the sector due to its stability and potential growth compared to other sectors across Europe. The weight of capital from European and global investors is expected to keep prime yields stable over the next 12 months.

Mr. Garing concluded, "CEREIT's steady 1H 2020 performance has proven that our efforts to protect income streams, conserve cash and preserve values have paid off. We will continue building on that success, while also resuming our pan-European acquisition and disposal plans, including a potential transformational entry into the data centre asset class, which would collectively further diversify and make CEREIT's portfolio even more resilient and future-ready. With a clearer macroeconomic outlook and on the back of a stable performance amid a global pandemic, we now have greater visibility on FY2020 performance, reflected in 1H DPU 2020.

ABOUT CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

Cromwell European Real Estate Investment Trust ("**Cromwell European REIT**" or "**CEREIT'**) is a real estate investment trust ("**REIT**") with the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate assets in Europe that are used primarily for office, light industrial / logistics and retail purposes.

CEREIT's portfolio comprises 95 properties with an appraised value of approximately €2,078 million as at the date of this announcement in or close to major gateway cities in the Netherlands, Italy, France, Poland, Germany, Finland and Denmark, with a balanced focus on the office and light industrial / logistics sectors. As at 30 June 2020, CEREIT's portfolio comprised 94 properties with an aggregate lettable area of approximately 1.4 million square metres, around 800 tenant-customers and a WALE [2] profile of approximately 5.1 years.

CEREIT is the first REIT with a diversified pan-European portfolio listed on the Singapore Exchange Limited. CEREIT is managed by Cromwell EREIT Management Pte. Ltd., a wholly-owned subsidiary of CEREIT's sponsor, Cromwell Property Group[6], a real estate investor and manager with operations in 14 countries, listed on the Australian Securities Exchange Ltd.

MEDIA ENQUIRIES

Cromwell EREIT Management

Elena Arabadjieva
Chief Operating Officer & Head of Investor Relations
+65 6817 9589
elena.arabadjieva@cromwell.com.sg

Newgate Communications

Bob Ong
Associate Director
+65 6532 0606
bob.ong@newgatecomms.com.sg

Amira Sadiran
Senior Consultant
+65 6532 0606
amira.sadiran@newgatecomms.com.sg

Cherie Hui
Executive
+65 6532 0606
cherie.hui@newgatecomms.com.sg

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1 This assumes 1H 2020 base management fee and property management fee are paid 100%/40% respectively in units as in 1H 2019 and excludes provision for COVID-19 related doubtful debts of €3.0 million and distribution of divestment gain of €2.8 million as these items are considered one-off

2 "**WALE**" is defined as weighted average lease expiry by headline rent based on the final termination date of the agreement (assuming the tenant-customer does not terminate the lease on any of the permissible break date(s), if applicable. WALE is as at 30 June 2020. The reassessment of the lease structure for the tenant-customer Agenzia del Demanio in Italy had a positive impact of 0.8 years on the portfolio WALE, which would have otherwise been 4.3 years.

3 Based on independent valuations conducted by Colliers and Cushman & Wakefield as at 30 June 2020 of 22 assets representing ~50% of CEREIT's portfolio by value (all 18 assets in Italy, one asset in France (Parc des Docks) and three office assets in the Netherlands). The three German assets acquired on 24 March 2020 and one German asset acquired on 13 August 2020 are carried at purchase price as the most representative valuation. The remaining 69 properties in the portfolio are carried at their valuations as at 31 December 2019 plus any capital expenditure incurred 1H 2020.

4 Calculated in line with the Code on Collective Investment Schemes revised on 16 April 2020.

5 The Financial Times Stock Exchange.

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