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# Cromwell European Real Estate Investment Trust ("CEREIT")

## Unaudited Financial Statements Announcement for the Second Quarter ("2Q 2019") and Half Year ("1H 2019") Ended 30 June 2019

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DBS Bank Ltd., Goldman Sachs (Singapore) Pte. and UBS AG, Singapore Branch are the Joint Issue Managers to the initial public offering of CEREIT (the "Offering"). DBS Bank Ltd., Goldman Sachs (Singapore) Pte. and UBS AG, Singapore Branch are the Joint Global Coordinators to the Offering. DBS Bank Ltd., Goldman Sachs (Singapore) Pte., UBS AG, Singapore Branch, Daiwa Capital Markets Singapore Limited and CSLA Singapore Pte Ltd are the Joint Bookrunners and Underwriters to the Offering.

# Introduction

The Cromwell European Real Estate Investment Trust ("CEREIT") was constituted by the Trust Deed dated 28 April 2017 (as amended and restated) 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").

CEREIT is the first Singapore real estate investment trust with a pan-European portfolio and was established with the principal strategy of investing, directly or indirectly, in a diversified portfolio of income-producing real estate assets across Europe used primarily for office and light industrial/ logistics, and retail purposes.

CEREIT's key objectives are to provide Unitholders with regular and stable distributions, and to achieve long-term growth in distributions per unit ("DPU") and net asset value ("NAV") per unit, while maintaining an appropriate capital structure. CEREIT intends to make semi-annual distributions and distribute 100% of its distributable income ("DI") until the end of 2019 and at least 90% of its DI thereafter.

The initial IPO portfolio consisted of 74 properties across Europe. In June 2018, CEREIT acquired an office asset in Italy. In December 2018, CEREIT completed the acquisition of 15 office assets in Italy, the Netherlands and Finland. The subsequent acquisitions of 4 light industrial/ logistics assets in France and 3 office assets in Poland were completed during January to February 2019.

As at 30 June 2019, CEREIT's portfolio of real estate assets consists of 97 properties located in France, Italy, the Netherlands, Germany, Denmark, Finland and Poland with an aggregate lettable area of approximately 1.4 million square metres. The portfolio was revalued as at 30 June 2019 and increased by 2.2%(1) to €1.83 billion with much of the uplift due to new lettings in the Netherlands office portfolio whilst the success of the revised strategy at Parc des Docks meant the valuation has increased significantly since 31 December 2018.

| | No. of properties | Lettable Area (sqm) | Valuation(2) (€'000) | Valuation (%) |
|---|---|---|---|---|
| **Office** | | | | |
| The Netherlands | 7 | 177,891 | 549,550 | 30% |
| Italy | 11 | 129,762 | 307,350 | 17% |
| Finland | 11 | 61,977 | 115,450 | 6% |
| Poland | 3 | 34,362 | 73,240 | 4% |
| **Total** | **32** | **403,992** | **1,045,590** | **57%** |
| **Light Industrial/ Logistics** | | | | |
| The Netherlands | 10 | 82,314 | 77,400 | 4% |
| France | 25 | 370,090 | 358,500 | 20% |
| Germany | 11 | 166,738 | 118,550 | 6% |
| Denmark | 13 | 151,491 | 83,177 | 5% |
| Italy | 1 | 29,638 | 12,550 | 1% |
| **Total** | **60** | **800,271** | **650,177** | **35%** |
| **Other(3)** | | | | |
| Italy | 5 | 176,577 | 138,700 | 8% |
| **Total Portfolio** | **97** | **1,380,840** | **1,834,467** | **100%** |

(1) Compared against carrying value as at 31 March 2019.

(2) Valuation is based on independent valuations conducted by Colliers and Cushman & Wakefield as at 30 June 2019.

(3) Other includes three government-let campuses, one retail asset and one hotel in Italy.

In June 2019, the Manager announced the proposed acquisition of 3 properties in France and 3 properties in Poland for a combined purchase price of €246.9 million to be funded partly by a private placement of units which raised gross proceeds of €150 million in early July 2019 and partially by existing and new debt facilities secured subsequent to period ended 30 June 2019. The acquisition of 3 French properties in Paris and 2 of the Polish properties in Krakow were completed in July 2019 whilst the last Polish asset in Poznan will completed in 3Q 2019.

## CEREIT Results Overviews

**CEREIT achieved distributable income of €44.8 million for 1H 2019. CEREIT remains on track to deliver IPO Forecast Distribution per Unit ("DPU") for FY2019.**

| | Year-on-Year Comparison | | | | | |
|---|---|---|---|---|---|---|
| | **Actual 2Q 2019** | Actual 2Q 2018 | Change % | **Actual 1H 2019** | Actual 1H 2018 | Change % |
| Gross revenue (€'000) | **42,421** | 31,812 | 33.3% | **82,372** | 62,147 | 32.5% |
| Net property income ("NPI") (€'000) | **27,715** | 20,739 | 33.6% | **54,134** | 40,490 | 33.7% |
| Total return for the period attributable to Unitholders (€'000) | **41,390** | 18,700 | >100% | **56,865** | 71,652 | (20.6%) |
| Income available for distribution to Unitholders (€'000) | **22,446** | 17,265 | 30.0% | **44,840** | 33,628 | 33.3% |
| DPU € cents per unit ("cpu")[(1)] | **1.02** | 1.02 | - | **2.04** | 1.98 | 3.0% |

| | Actual vs IPO Forecast [(2)] | | | | | |
|---|---|---|---|---|---|---|
| | **Actual 2Q 2019** | IPO Forecast 2Q 2019 | Change % | **Actual 1H 2019** | IPO Forecast 1H 2019 | Change % |
| Gross revenue (€'000) | **42,421** | 31,576 | 34.3% | **82,372** | 62,623 | 31.5% |
| NPI (€'000) | **27,715** | 20,783 | 33.4% | **54,134** | 41,167 | 31.5% |
| Total return for the period attributable to Unitholders (€'000) | **41,390** | 15,159 | >100% | **56,865** | 30,108 | 88.9% |
| Income available for distribution to Unitholders (€'000) | **22,446** | 17,142 | 30.9% | **44,840** | 34,071 | 31.6% |
| DPU (cpu)[(3)] | **1.02** | 0.98 | 4.1% | **2.04** | 1.95 | 4.6% |

(1) 2Q 2018 & 1H 2018 DPU are restated to reflect the bonus element in the new units issued pursuant to the rights issue in December 2018.
(2) "IPO forecast" refers to the interpolation of this projection for the relevant period.
(3) The IPO Forecast DPU for FY2019 was 4.40 cpu. Taking into account the new units issued in December 2018 (in accordance with paragraph 46 of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"), the adjusted FY2019 IPO Forecast DPU is 4.02 cpu. 2Q 2019 and 1H 2019 IPO Forecast is interpolated from the Adjusted FY2019 IPO Forecast.

**Highlights:**

- CEREIT achieved distributable income of €44.8 million for 1H 2019, an increase of 33.3% over the prior corresponding period ("pcp") and 31.6% above the IPO Forecast. Distribution income for the period from 1 April 2019 to 30 June 2019 ("2Q 2019") of €22.4 million was 30.0% higher than pcp and 30.9% above IPO Forecast
- DPU for 1H 2019 was €2.04 cents, 3.0% above the DPU for the pcp of €1.98 cents and 4.6% above the IPO Forecast of €1.95 cents
- 1H 2019 gross revenue and NPI increased 32.5% and 33.7% respectively from pcp. Gross revenue and NPI were 31.5% higher than the IPO Forecast. The positive results were mainly attributable to contributions from the 23 properties acquired post IPO
- A fair value gain on investment properties of €32.1 million was recorded in 1H 2019 primarily as a result of independent valuations carried out as at 30 June 2019 by Cushman & Wakefield LLP and Colliers International LLP
- Net asset value €1.15 billion as at 30 June 2019, up 2.8% from 31 December 2018
- Interest coverage ratio of 8.7x and aggregate leverage is 35.4%. The all-in interest rate on the asset level debt remains low at 1.34% per annum (excluding the Revolving Credit Facility)
- Portfolio occupancy stood at 91.6% as of 30 June 2019 vs 90.8% at 31 December 2018
- Portfolio weighted average lease expiry ("WALE") of 4.7 years by leased lettable area was in line with 31 December 2018

Portfolio performance by Asset Class and by Country:

| | Year-on-Year Comparison | | | | | |
|---|---|---|---|---|---|---|
| | **Actual 2Q 2019 €'000** | Actual 2Q 2018 €'000 | Change % | **Actual 1H 2019 €'000** | Actual 1H 2018 €'000 | Change % |
| **Gross Revenue** | | | | | | |
| *By Asset Class:* | | | | | | |
| Office | **21,475** | 12,031 | 78.5% | **41,410** | 23,253 | 78.1% |
| Light industrial/ logistics | **17,061** | 16,055 | 6.3% | **33,265** | 31,374 | 6.0% |
| Other | **3,885** | 3,726 | 4.3% | **7,697** | 7,520 | 2.4% |
| **Total** | **42,421** | 31,812 | 33.3% | **82,372** | 62,147 | 32.5% |
| *By Country:* | | | | | | |
| The Netherlands | **13,239** | 9,757 | 35.7% | **24,937** | 18,239 | 36.7% |
| Italy | **9,845** | 8,227 | 19.7% | **19,294** | 16,650 | 15.9% |
| France | **9,751** | 8,807 | 10.7% | **18,794** | 17,405 | 8.0% |
| Germany | **2,746** | 2,598 | 5.7% | **5,362** | 4,924 | 8.9% |
| Denmark | **2,365** | 2,423 | (2.4%) | **4,824** | 4,929 | (2.1%) |
| Finland | **2,880** | - | n.m. | **6,173** | - | n.m. |
| Poland | **1,595** | - | n.m. | **2,988** | - | n.m. |
| **Total** | **42,421** | 31,812 | 33.3% | **82,372** | 62,147 | 32.5% |
| **Net Property Income** | | | | | | |
| *By Asset Class:* | | | | | | |
| Office | **13,907** | 8,003 | 73.8% | **27,346** | 15,859 | 72.4% |
| Light industrial/ logistics | **10,973** | 10,004 | 9.7% | **21,177** | 19,158 | 10.5% |
| Other | **2,835** | 2,732 | 3.8% | **5,611** | 5,473 | 2.5% |
| **Total** | **27,715** | 20,739 | 33.7% | **54,134** | 40,490 | 33.7% |
| *By Country:* | | | | | | |
| The Netherlands | **8,387** | 5,877 | 42.7% | **15,960** | 11,718 | 36.2% |
| Italy | **7,260** | 5,959 | 21.8% | **14,193** | 12,075 | 17.5% |
| France | **6,239** | 5,715 | 9.2% | **12,006** | 10,513 | 14.2% |
| Germany | **1,743** | 1,808 | (3.5%) | **3,302** | 3,382 | (2.3%) |
| Denmark | **1,306** | 1,380 | (5.4%) | **2,680** | 2,802 | (4.4%) |
| Finland | **1,863** | - | n.m. | **3,938** | - | n.m. |
| Poland | **917** | - | n.m. | **2,055** | - | n.m. |
| **Total** | **27,715** | 20,739 | 33.7% | **54,134** | 40,490 | 33.7% |

n.m. – Not meaningful

| | Actual vs IPO Forecast | | | | | |
|---|---|---|---|---|---|---|
| | **Actual 2Q 2019 €'000** | IPO Forecast 2Q 2019 €'000 | Change % | **Actual 1H 2019 €'000** | IPO Forecast 1H 2019 €'000 | Change % |
| **Gross Revenue** | | | | | | |
| *By Asset Class:* | | | | | | |
| Office | **21,475** | 12,338 | 74.1% | **41,410** | 24,642 | 68.0% |
| Light industrial/ logistics | **17,061** | 15,425 | 10.6% | **33,265** | 30,357 | 9.6% |
| Other | **3,885** | 3,813 | 1.9% | **7,697** | 7,624 | 1.0% |
| **Total** | **42,421** | 31,576 | 34.3% | **82,372** | 62,623 | 31.5% |
| *By Country:* | | | | | | |
| The Netherlands | **13,239** | 9,471 | 39.8% | **24,937** | 18,860 | 32.2% |
| Italy | **9,845** | 8,627 | 14.1% | **19,294** | 17,245 | 11.9% |
| France | **9,751** | 8,257 | 18.1% | **18,794** | 16,464 | 14.2% |
| Germany | **2,746** | 2,544 | 7.9% | **5,362** | 4,814 | 11.4% |
| Denmark | **2,365** | 2,677 | (11.7%) | **4,824** | 5,240 | (7.9%) |
| Finland | **2,880** | - | n.m. | **6,173** | - | n.m. |
| Poland | **1,595** | - | n.m. | **2,988** | - | n.m. |
| **Total** | **42,421** | 31,576 | 34.3% | **82,372** | 62,623 | 31.5% |
| **Net Property Income** | | | | | | |
| *By Asset Class:* | | | | | | |
| Office | **13,907** | 8,645 | 60.9% | **27,346** | 17,036 | 60.5% |
| Light industrial/ logistics | **10,973** | 9,340 | 17.5% | **21,177** | 18,535 | 14.3% |
| Other | **2,835** | 2,798 | 1.3% | **5,611** | 5,596 | 0.3% |
| **Total** | **27,715** | 20,783 | 33.4% | **54,134** | 41,167 | 31.5% |
| *By Country:* | | | | | | |
| The Netherlands | **8,387** | 6,499 | 29.1% | **15,960** | 12,735 | 25.3% |
| Italy | **7,260** | 6,310 | 15.1% | **14,193** | 12,616 | 12.5% |
| France | **6,239** | 4,979 | 25.3% | **12,006** | 9,836 | 22.1% |
| Germany | **1,743** | 1,452 | 20.1% | **3,302** | 2,947 | 12.1% |
| Denmark | **1,306** | 1,543 | (15.4%) | **2,680** | 3,033 | (11.6%) |
| Finland | **1,863** | - | n.m. | **3,938** | - | n.m. |
| Poland | **917** | - | n.m. | **2,055** | - | n.m. |
| **Total** | **27,715** | 20,783 | 33.4% | **54,134** | 41,167 | 31.5% |

n.m. – Not meaningful

Review of portfolio performance between 2Q 2019 and 2Q 2018

*Office*

CEREIT's office portfolio comprises 32 office buildings. The Netherlands portfolio (7 assets) contributed 50% of the office portfolio's 2Q 2019 NPI whilst the Italian portfolio (11 assets), located mainly in Italy's two main cities of Milan and Rome, contributed 30%.

Gross revenue and NPI of the office assets for 2Q 2019 was €21.5 million and €13.9 million respectively. This represents an increase in NPI of 73.8% compared to pcp and 61% ahead of IPO Forecast. This is largely driven by the acquisitions in Italy and Finland (completed at the end 4Q 2018); and Poland (completed early 1Q 2019).

On a like for like basis, NPI was €0.4 million higher that pcp driven by a combination of indexation related uplifts but also additional income from the leasing in Italy, most notably Milano Affari. However, NPI was €0.2 million or 3% below IPO Forecast, mainly due to the Netherlands office portfolio where one floor was vacated by a tenant in Haagse Poort, which was leased subsequent to period ended 30 June 2019.

*Light industrial/ logistics*

CEREIT's light industrial/ logistics portfolio comprises 25 properties in France, 13 properties in Denmark, 11 properties in Germany, 10 properties in the Netherlands and 1 property in Italy.

2Q 2019 gross revenue of €17.1 million represents a 6% increase on the €16.1 million reported in 2Q 2018. NPI in 2Q 2019 of €11.0 million is 10% higher than 2Q 2018 of €10.0 million and 17% ahead of IPO Forecast.

On a like for like basis (excluding acquisitions made after the pcp), NPI is €10.4 million, a 4% uplift compared to pcp, a result of the letting successes across a number of the assets, most notably in the Netherlands and French portfolios. The Netherlands, French and German portfolios are 28%, 14% and 20% ahead of NPI IPO Forecasts. However, the NPI for both the French (on a like for like basis) and the German portfolios are broadly in line with the pcp at €5.7 million and €1.7 million respectively.

In the Netherlands, the light industrial/ logistics assets had another strong quarter and contributed a total €1.5 million to NPI for 2Q 2019, this is 67% ahead of 2Q 2018 and 28% ahead of the IPO Forecast for the same period. The most notable contributor was Veemarkt, the large multi-let industrial asset in Amsterdam, where the continued leasing success quarter on quarter continues to deliver a strong NPI performance.

Whilst the Danish portfolio has recently seen a number of leasing successes, this is yet to impact the NPI and as such the portfolio is 5% below pcp, and 15% below IPO Forecast. This was largely a result of the vacancies in Naverland 12 and delayed lease up in some of the other assets during 2H 2018 and 1Q 2019.

*Other*

Other property assets consist of 3 government-let campuses, 1 retail asset and 1 hotel, all located in Italy. All of these assets are 100% let on long-term leases and have performed largely in line with both 2Q 2018 and the IPO Forecast.

<u>Review of portfolio performance between 1H 2019 and 1H 2018</u>

*Office*

Gross revenue for 1H 2019 of €41.1 million was 78% above the pcp of €23.3 million. NPI was 72% higher than pcp at €27.3 million. This was largely contributed by the 23 properties acquired post IPO. 1H 2019 NPI was mainly contributed by the Netherlands office portfolio (48%) and the Italian office portfolio (30%).

On a like for like basis, NPI of €15.9 million was largely in line with pcp but 7% below IPO Forecast. The Italian office portfolio's NPI was 2% above pcp, however this is offset by the lower NPI from the Netherlands portfolio. Netherlands office portfolio was 8% below the IPO Forecast due to some unexpected vacancies whilst the Italian office portfolio was 4% below IPO Forecast.

*Light industrial/ logistics*

For 1H 2019, gross revenue was €33.3 million, representing a 6% uplift over the €31.4 million reported in the pcp. NPI for 1H 2019 was €21.2 million, a 10% uplift over 1H 2018 of €19.2 million. 1H 2019 NPI was contributed by France (57%), Germany (15%), Denmark (13%), the Netherlands (13%) and Italy (2%).

On a like for like basis, NPI for 1H 2019 of €20.2 million was 5% higher than pcp, this was mainly contributed by the Netherlands and France, partially offset by weaker performance from Denmark and Germany. NPI was 9% ahead of IPO Forecast, mainly contributed by France, the Netherlands and Germany portfolios. France, the Netherlands and Germany portfolios were 12%, 21% and 12% respectively above IPO Forecast. Italy was largely in line with IPO Forecast whilst Denmark was 12% below IPO Forecast. Excluding the one-off other income from the French Government for the Parc des docks compensation, NPI was largely in line with the pcp and 4% ahead of IPO Forecast.

*Other*

1H 2019 NPI of €5.6 million was largely in line with pcp and IPO Forecast.

**Financial Position**

| | As at 30-Jun-19 | As at 31-Dec-18 | Change % |
|---|---|---|---|
| Gross asset value ("GAV") (€'000) | **1,942,110** | 1,814,842 | 7.0% |
| Net tangible assets ("NTA") (€'000) | **1,150,399** | 1,118,767 | 2.8% |
| Gross borrowings before unamortised debt issue costs (€'000) | **687,307** | 598,165 | 14.9% |
| Aggregate leverage (%) | **35.4%** | 33.0% | 2.4% |
| Aggregate leverage excluding distribution (%)[1] | **36.2%** | 33.6% | 2.6% |
| Net Gearing (%)[2] | **33.5%** | 30.8% | 2.7% |
| Units issued ('000) | **2,200,778** | 2,181,978 | 0.9% |
| NAV per unit (cpu) | **52.3** | 51.3 | 1.9% |
| Adjusted NAV per unit (excluding distributable income) (cpu) | **50.2** | 49.7 | 1.1% |

[1] As per Prospectus CEREIT committed to distribute 100% of its distributable income at least until the end of the calendar year 2019. Aggregate leverage excluding distribution is calculated by deducting the distributable income not yet distributed at period end from GAV.

[2] Net Gearing is calculated as aggregate leverage less cash over total assets less cash.

Gross asset value at 30 June 2019 increased by 7.0% from 31 December 2018 mainly due to the completion of acquisitions of 4 French assets and 3 Polish assets and fair value gain. The acquisitions were partly funded from the proceeds of a rights issue in December 2018 and also partly funded from new debt facilities.

Aggregate leverage at 30 June 2019 increased slightly to 35.4% after the completion of the acquisitions mentioned above.

As at 30 June 2019, net asset value per unit increased to €52.3 cents from €51.3 cents at 31 December 2018.

# 1 Unaudited Results for the Second Quarter and Half Year ended 30 June 2019

The Directors of Cromwell EREIT Management Pte. Ltd., as Manager of CEREIT, present the unaudited results of CEREIT for the Financial Period.

### 1A(i) Consolidated Statement of Total Return

| | Note | **Actual 2Q 2019 €'000** | Actual 2Q 2018 €'000 | Variance % | **Actual 1H 2019 €'000** | Actual 1H 2018 €'000 | Variance % |
|---|---|---|---|---|---|---|---|
| Gross revenue | (a) | **42,421** | 31,812 | 33.3% | **82,372** | 62,147 | 32.5% |
| Property operating expense | (b) | **(14,706)** | (11,073) | 32.8% | **(28,238)** | (21,657) | 30.4% |
| **Net property income** | | **27,715** | 20,739 | 33.6% | **54,134** | 40,490 | 33.7% |
| Net finance costs | (c) | **(3,946)** | (2,390) | 65.1% | **(7,528)** | (5,247) | 43.5% |
| Manager's fees | (d) | **(1,101)** | (838) | 31.4% | **(2,177)** | (1,651) | 31.9% |
| Trustee fees | | **(72)** | (20) | >100% | **(142)** | (77) | 84.4% |
| Trust expenses | (e) | **(1,473)** | (1,388) | 6.1% | **(2,295)** | (2,342) | (2.0%) |
| **Net income before tax and fair value changes** | | **21,123** | 16,103 | 31.2% | **41,992** | 31,173 | 34.7% |
| Fair value gain – investment properties | (f) | **36,958** | 5,762 | >100% | **32,054** | 54,504 | (41.2%) |
| Fair value gain/(loss) – derivatives financial instruments | | **68** | (6) | n.m. | **(72)** | (241) | (70.1%) |
| **Total return for the period before tax** | | **58,149** | 21,859 | >100% | **73,974** | 85,436 | (13.4%) |
| Income tax expense | (g) | **(16,759)** | (3,159) | >100% | **(17,109)** | (13,784) | 24.1% |
| **Total return for the period attributable to Unitholders** | | **41,390** | 18,700 | >100% | **56,865** | 71,652 | (20.6%) |

### 1A(ii) Distribution Statement

| | Note | **Actual 2Q 2019 €'000** | Actual 2Q 2018 €'000 | Variance % | **Actual 1H 2019 €'000** | Actual 1H 2018 €'000 | Variance % |
|---|---|---|---|---|---|---|---|
| **Total return for the period attributable to Unitholders** | | **41,390** | 18,700 | >100% | **56,865** | 71,652 | (20.6%) |
| Distribution adjustments | (h) | **(18,944)** | (1,435) | n.m. | **(12,025)** | (38,024) | n.m. |
| **Income available for distribution to Unitholders** | | **22,446** | 17,265 | 30.0% | **44,840** | 33,628 | 33.3% |
| **Units in issue at the end of the period ('000)** [(1)] | | **2,200,778** | 1,699,503 | 29.5% | **2,200,778** | 1,699,503 | 29.5% |
| **Actual DPU (cpu)** [(1)] | | **1.02** | 1.02 | 0.0% | **2.04** | 1.98 | 3.0% |

n.m. – Not meaningful

[(1)] 2Q 2018 & 1H 2018 Units in issue and DPU are restated to reflect the bonus element in the new units issued pursuant to the rights issue in December 2018.

**Notes**

*(a) Gross revenue*

Gross revenue includes the following items:

| | **Actual 2Q 2019 €'000** | Actual 2Q 2018 €'000 | Variance % | **Actual 1H 2019 €'000** | Actual 1H 2018 €'000 | Variance % |
|---|---|---|---|---|---|---|
| Gross rental income | **34,194** | 26,195 | 30.5% | **67,384** | 51,931 | 29.8% |
| Service charge income | **7,157** | 5,617 | 27.4% | **13,200** | 10,170 | 29.8% |
| Other property related income [1] | **1,070** | - | n.m. | **1,788** | 46 | >100% |
| **Total gross revenue** | **42,421** | 31,812 | 33.3% | **82,372** | 62,147 | 32.5% |

[1] Other property related income comprises advertising billboards and signage, kiosks and other income attributable to the operation of the properties. For 1H 2019, it also includes one-off other income from the French Government for the loss of potential rental income from Parc des Docks and the vendor of the Polish properties as a result of delay in transferring the properties.

*(b) Property operating expense*

Property operating expense comprises service charge expenses and non-recoverable expenses.

Service charge expenses are generally offset and recoverable by service charge income, and include where applicable, insurance, provision of utilities, land tax, and maintenance and service of common equipment and common areas. Service charge expenses may exceed service charge income due to vacancies within the properties.

Non-recoverable expenses include property insurance, maintenance and repairs, marketing costs, property taxes, leasing costs and property management fees. Leasing costs include payments to third-party brokers and/or the property manager. Property management fees are payable to the property manager. Property management fees are based on 0.67% of deposited property and 40% of the property management fees are paid in units as disclosed in the Prospectus.

Property operating expense includes the following items:

| | **Actual 2Q 2019 €'000** | Actual 2Q 2018 €'000 | Variance % | **Actual 1H 2019 €'000** | Actual 1H 2018 €'000 | Variance % |
|---|---|---|---|---|---|---|
| Service charge expenses and non-recoverable expenses | **11,501** | 8,637 | 33.2% | **21,897** | 16,854 | 29.9% |
| Property management fees | **3,205** | 2,436 | 31.6% | **6,341** | 4,803 | 32.0% |
| **Total property operating expense** | **14,706** | 11,073 | 32.8% | **28,238** | 21,657 | 30.4% |

*(c) Net finance costs*

Net finance costs include the following:

| | **Actual 2Q 2019 €'000** | Actual 2Q 2018 €'000 | Variance % | **Actual 1H 2019 €'000** | Actual 1H 2018 €'000 | Variance % |
|---|---|---|---|---|---|---|
| Interest expense | **3,017** | 1,747 | 72.7% | **5,686** | 4,004 | 42.0% |
| Amortisation of debt issuance costs | **935** | 650 | 43.9% | **1,854** | 1,256 | ,47.6% |
| Interest income | **(6)** | (7) | (14.3%) | **(12)** | (13) | (7.7%) |
| **Net finance costs** | **3,946** | 2,390 | 65.1% | **7,528** | 5,247 | 43.5% |

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*(d) Manager's fees*

Pursuant to the Trust Deed, the Manager is entitled to a base fee of 0.23% per annum of the deposited property and a performance fee of 25.0% of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the performance fee in each financial year) multiplied by the weighted average number of units in issue for such financial year.

For FY2019, the performance fee is calculated based on the difference between DPU for the 12-month period ended 31 December 2018.

100% of base and performance fees payable to the Manager are paid in CEREIT units at least to the end of the 2019 financial year as disclosed in the Prospectus.

| | **Actual 2Q 2019 €'000** | Actual 2Q 2018 €'000 | Variance % | **Actual 1H 2019 €'000** | Actual 1H 2018 €'000 | Variance % |
|---|---|---|---|---|---|---|
| Manager's base fees | **1,101** | 838 | 31.4% | **2,177** | 1,651 | 31.9% |
| Manager's performance fees [1] | **-** | - | n.m. | **-** | - | n.m. |
| **Total manager's fees** | **1,101** | 838 | 31.4% | **2,177** | 1,651 | 31.9% |

[1] Performance fees are calculated annually and accrued for, if applicable, in the full year result of each financial year.

n.m. – Not meaningful

*(e) Trust expenses*

Trust expenses include recurring trust expenses such as annual listing fees, valuation fees, legal fees, registry and depository charges, corporate secretarial, accounting, audit and tax adviser's fees, postage, printing and stationery costs, costs associated with the preparation of annual reports, investor communications costs and other miscellaneous expenses.

*(f) Fair value gain – investment properties*

The fair value gain on investment properties for 1H 2019 and 1H 2018 relates to recognition of fair value change in properties based on independent valuation conducted as at 30 June 2019 and 31 March 2018 respectively, partially offset by the fair value loss generated by expensing the acquisition costs incurred in relation to the assets acquired during the periods which are carried at net purchase cost.

The respective movements on each portfolio by country are disclosed in note (c) of 1B(i) on page 13.

*(g) Income tax expense*

Income tax expense includes the following:

| | **Actual 2Q 2019 €'000** | Actual 2Q 2018 €'000 | Variance % | **Actual 1H 2019 €'000** | Actual 1H 2018 €'000 | Variance % |
|---|---|---|---|---|---|---|
| Current tax expense | **1,557** | 948 | 64.2% | **2,726** | 1,808 | 50.8% |
| Deferred tax expense | **15,202** | 2,211 | >100% | **14,383** | 11,976 | 20.1% |
| **Total income tax expense** | **16,759** | 3,159 | >100% | **17,109** | 13,784 | 24.1% |

Deferred tax expense relates to the tax provision made in respect of the fair value gain on investment properties in 1H 2019 and 1H 2018.

*(h) Distribution adjustments*

Included in distribution adjustments were the following items:

| | **Actual 2Q 2019 €'000** | Actual 2Q 2018 €'000 | Variance % | **Actual 1H 2019 €'000** | Actual 1H 2018 €'000 | Variance % |
|---|---|---|---|---|---|---|
| Straight-line rent adjustments and leasing fees | **(637)** | (413) | 54.2% | **(1,202)** | (671) | 79.1% |
| Trustee Fees | **72** | 20 | >100% | **142** | 77 | 84.4% |
| Manager base fees paid in CEREIT units | **1,101** | 838 | 31.4% | **2,177** | 1,651 | 31.9% |
| Property Manager fees paid in CEREIT units | **1,281** | 974 | 31.5% | **2,536** | 1,921 | 32.0% |
| Amortisation of debt issuance costs | **935** | 650 | 43.8% | **1,854** | 1,256 | 47.6% |
| Fair value adjustments – investment properties(1) | **(36,958)** | (5,762) | >100% | **(32,054)** | (54,504) | (41.2%) |
| Fair value adjustments – derivative financial instruments | **(68)** | 6 | n.m. | **72** | 241 | (70.1%) |
| Net foreign exchange loss/(gain) | **128** | (2) | n.m. | **67** | (14) | n.m. |
| Deferred tax expense(1) | **15,202** | 2,211 | >100% | **14,383** | 11,976 | 20.1% |
| Tax loss utilised | **-** | 43 | (100%) | **-** | 43 | (100.0%) |
| **Total distribution adjustments** | **(18,944)** | (1,435) | n.m. | **(12,025)** | (38,024) | n.m. |

(1) Please refer to note (f) and (g) above for explanation of these variances

n.m. – Not meaningful

*(i) Distribution to Unitholders*

CEREIT's distribution policy is to distribute 100% of CEREIT's annual distributable income for the period from the Listing Date to the end of the 2019 financial year. Thereafter, CEREIT will distribute at least 90% of its annual distributable income for each financial year. The actual level of distribution will be determined at the Manager's discretion.

## 1B(i) Consolidated Balance Sheets

| | Note | Group | | | Trust | | |
|---|---|---|---|---|---|---|---|
| | | **As at 30-Jun 2019 €'000** | As at 31-Dec 2018 €'000 | Increase/ (Decrease) % | **As at 30-Jun 2019 €'000** | As at 31-Dec 2018 €'000 | Increase/ (Decrease) % |
| **Current assets** | | | | | | | |
| Cash and cash equivalents | | **56,510** | 57,755 | (2.2%) | **4,212** | 15,732 | (73.2%) |
| Receivables | (a) | **34,751** | 49,719 | (30.1%) | **30,316** | 42,795 | (29.2%) |
| Current tax assets | | **695** | 227 | >100% | **-** | - | - |
| **Total current assets** | (b) | **91,956** | 107,701 | (14.6%) | **34,528** | 58,527 | (41.0%) |
| **Non-current assets** | | | | | | | |
| Investment properties | (c) | **1,832,675** | 1,690,224 | 8.4% | **-** | - | - |
| Investments in subsidiaries | | **-** | - | - | **1,124,789** | 1,078,007 | 4.3% |
| Receivables | | **1,475** | 688 | >100% | **-** | - | - |
| Derivative financial instruments | | **1** | 5 | (80.0%) | **-** | - | - |
| Deferred tax assets | (d) | **16,003** | 16,224 | (1.4%) | **-** | - | - |
| **Total non-current assets** | | **1,850,154** | 1,707,141 | 8.4% | **1,124,789** | 1,078,007 | 4.3% |
| **Total assets** | | **1,942,110** | 1,814,842 | 7.0% | **1,159,317** | 1,136,534 | 2.0% |
| **Current liabilities** | | | | | | | |
| Borrowings | (e) | **61,436** | - | n.m. | **61,436** | - | n.m. |
| Payables | (f) | **29,808** | 43,557 | (31.6%) | **81,030** | 77,200 | 5.0% |
| Current tax liabilities | | **2,504** | 2,113 | 18.5% | **-** | - | - |
| Derivative financial instruments | (g) | **187** | 271 | (31.0%) | **-** | - | - |
| Other current liabilities | (h) | **34,503** | 30,899 | 11.7% | **-** | - | - |
| **Total current liabilities** | (b) | **128,438** | 76,840 | 67.1% | **142,466** | 77,200 | 84.5% |
| **Non-current liabilities** | | | | | | | |
| Payables | | **348** | 742 | (53.1%) | **-** | - | - |
| Borrowings | (e) | **620,306** | 591,733 | 4.8% | **-** | 21,519 | (100.0%) |
| Derivative financial instruments | (g) | **208** | - | n.m. | **-** | - | - |
| Deferred tax liabilities | (d) | **37,225** | 21,531 | 72.9% | **-** | - | - |
| Other non-current liabilities | | **5,186** | 5,229 | (0.8%) | **-** | - | - |
| **Total non-current liabilities** | | **663,273** | 619,235 | 7.1% | **-** | 21,519 | (100.0%) |
| **Total liabilities** | | **791,711** | 696,075 | 13.7% | **142,466** | 98,719 | 44.3% |
| **Net assets attributable to Unitholders** | | **1,150,399** | 1,118,767 | 2.8% | **1,016,851** | 1,037,815 | (2.0%) |
| Represented by: **Unitholders' funds** | | **1,150,399** | 1,118,767 | 2.8% | **1,016,851** | 1,037,815 | (2.0%) |

n.m. – Not meaningful

**Notes**

*(a) Receivables*

The decrease was mainly due to deposits applied to the French & Polish acquisitions.

(b) Current liabilities exceeded current assets mostly due to the reclassification to current borrowings of debt drawn under the revolving credit facility ("RCF") as the expiry date of the facility is January 2020. The Manager is in advanced negotiations to secure new facilities with longer tenures to refinance the RCF and other facilities due to expire in November 2020. Accordingly, the Manager believes that CEREIT is able to meet its obligations as and when they fall due in the next twelve months.

*(c) Investment properties*

Investment properties are stated at their fair value based on independent valuations performed by either Cushman & Wakefield LLP or Colliers International LLP as at 30 June 2019. The carrying amount of CEREIT's investment properties as at 30 June 2019 and movements during the financial period were as follows:

| | France €'000 | Italy €'000 | The Netherlands €'000 | Germany €'000 | Denmark €'000 | Finland €'000 | Poland €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|---|
| **Independent valuation dated 30-Jun-2019** | 358,500 | 458,600 | 626,950 | 118,550 | 83,177 | 115,450 | 73,240 | 1,834,467 |
| *Adjustments to carrying amount:* | | | | | | | | |
| Finance lease liability[(1)] | | | | | | | | 4,660 |
| Unspent vendor funded capital expenditure[(2)] | | | | | | | | (5,688) |
| Other | | | | | | | | (764) |
| Total adjustments | | | | | | | | (1,792) |
| **Carrying amount at 30-Jun-19** | | | | | | | | **1,832,675** |

| *Movements during the period:* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31-Dec-2018** | **321,240** | **456,596** | **607,046** | **112,500** | **79,722** | **113,120** | **-** | **1,690,224** |
| Acquisition price | 28,200 | - | - | - | - | - | 71,850 | 100,050 |
| Acquisition costs | 1,042 | 85 | 1,003 | - | - | 1,022 | 1,762 | 4,914 |
| *Capital expenditure:* | | | | | | | | |
| Lifecycle | 1,283 | 21 | 4,317 | 128 | 22 | 68 | 28 | 5,867 |
| Lease incentives, lease costs and rent straight-lining | 259 | (22) | (1,275) | (103) | 619 | 62 | - | (460) |
| Net gain from fair value adjustments | 6,221 | 1,599 | 17,099 | 5,199 | 1,158 | 1,178 | (400) | 32,054 |
| Others | - | - | - | - | 26 | - | - | 26 |
| **Balance at 30-Jun-2019** | **358,245** | **458,279** | **628,190** | **117,724** | **81,547** | **115,450** | **73,240** | **1,832,675** |

(1) In accordance with International Financial Reporting Standards (IFRS), future ground rent payments for leasehold properties are accounted for as finance lease liability with an equal increase of the investment property carrying amount.
(2) As disclosed in the Prospectus, the vendors of CEREIT's investment property portfolio have provided funding for any budgeted capital expenditure that was budgeted in the 2017 year and had not been incurred at IPO.

*(d) Deferred tax assets/ liabilities*

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent it is probable that future taxable amounts will be available to utilise those temporary differences and losses. In December 2018, deferred tax assets were recognised on losses that can be offset the increase in deferred tax liabilities arising from gains in valuation.

The increase in deferred tax liabilities were mainly due to the recognition of fair value gains following the independent valuation of CEREIT's portfolio as at 30 June 2019.

*(e) Borrowings*

Current borrowings as at 30 June 2019 pertains to Revolving Credit Facility due in January 2020.

The increase in total borrowings was due to borrowings undertaken to fund the acquisitions and additional RCF drawn down for working capital requirements.

*(f) Payables*

The decrease was mainly attributable to settlement of expenses accrued in December 2018, such as Real Estate Transfer Tax (RETT), manager's fees, property manager fee, rights issue costs and professional fees.

*(g) Derivative financial instruments*

Derivative financial instruments relate to interest rate swap and cap contracts entered into by CEREIT to fix interest on floating rate borrowings. As at 30 June 2019, 85.9% (31 Dec 2018: 71.2%) of CEREIT's total (drawn) gross borrowings were hedged by using interest rate hedging instruments. The weighted average hedge strike rate of 0.17% (31 December 2018: 0.05%) / capped at a weighted average of 0.70% (31 December 2018: 0.84%) and floating weighted average of -0.18% (31 December 2018: -0.17%).

At 30 June 2019, the notional principal amounts and period of expiry of CEREIT's hedging instruments (including swap and cap contracts and fixed rate loans) were as follows:

| **Hedging and Fixed Loan Expiry Profile** | **As at 30-Jun 2019 €'000** | As at 31-Dec 2018 €'000 |
|---|---|---|
| Less than 1 year | **359,608** | 246,222 |
| 1 – 2 years | **-** | 50,000 |
| 2 – 3 years | **148,480** | 47,373 |
| 3 – 4 years | **-** | - |
| 4 years and longer | **82,375** | 82,375 |
| | **590,463** | 425,970 |

*(h) Other current liabilities*

Other current liabilities mostly comprise advance rental, tenant security deposits and other liabilities. The increase was mainly attributable to higher advance rental in June 2019.

## 1B(ii) Aggregate Amount of Borrowings and Debt Securities

| | As at 30-Jun 2019 €'000 | As at 31-Dec 2018 €'000 |
|---|---|---|
| *Current* | | |
| Unsecured | **61,825** | - |
| Less: Unamortised debt issuance costs | **(389)** | - |
| Total current borrowings | **61,436** | - |
| *Non-current* | | |
| Secured | **625,482** | 575,340 |
| Unsecured | **-** | 22,825 |
| Less: Unamortised debt issuance costs | **(5,176)** | (6,432) |
| Total non-current borrowings | **620,306** | 591,733 |
| | | |
| **Total borrowings** | **681,742** | 591,733 |

*Borrowing details:*

| Facility | Note | Secured | Maturity | 30-Jun-2019 Facility €'000 | 30-Jun-2019 Utilised €'000 | 31-Dec-2018 Facility €'000 | 31-Dec-2018 Utilised €'000 |
|---|---|---|---|---|---|---|---|
| France Light Industrial | (i) | Yes | Nov-20 | **66,000** | **66,000** | 50,000 | 50,000 |
| Denmark Light Industrial | (ii) | Yes | Nov-20 | **26,127** | **26,127** | 26,114 | 26,114 |
| Pan-European Light Industrial | (iii) | Yes | Mar-21 | **95,000** | **95,000** | 95,000 | 95,000 |
| Dutch Office 1 | (iv) | Yes | Nov-20 | **57,500** | **57,500** | 57,500 | 57,500 |
| Dutch Office 2 | (v) | Yes | Dec-26 | **82,375** | **82,375** | 82,375 | 82,375 |
| Italy | (vi) | Yes | Nov-20 | **150,000** | **150,000** | 150,000 | 150,000 |
| Finland | (vii) | Yes | Dec-21 | **53,750** | **53,750** | 53,750 | 53,750 |
| Dutch Office 3 & Poland Office | (viii) | Yes | Dec-21 | **94,730** | **94,730** | 60,601 | 60,601 |
| Revolving Credit Facility | (ix) | No | Jan-20 | **100,000** | **61,825** | 100,000 | 22,825 |
| **Total borrowing facilities** | | | | **725,482** | **687,307** | 675,340 | 598,165 |
| Less: Unamortised debt issuance costs | | | | | **(5,565)** | | (6,432) |
| **Balance at period end** | | | | | **681,742** | | 591,733 |

**Property level financing facilities**

All 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.

*(i)* France Light Industrial

The Parc facility is secured over 11 French light industrial properties with an aggregate carrying amount of €138.4 million. Interest is payable quarterly in arrears at variable rates based on the EURIBOR 3 months swap rate floored at zero plus a loan margin. The EURIBOR 3 months is capped at a strike rate of 0.75% per annum.

*(ii)* Denmark Light Industrial

The EHI Denmark facility, which is denominated in Danish Krone is secured over 13 Danish light industrial properties with an aggregate carrying amount of €83.2 million. Interest is payable quarterly in arrears at variable rates based on the CIBOR 3 months swap rate plus a loan margin. The CIBOR 3 months swap rate at 30 June 2019 was -0.32%.

*(iii)* Pan-European Light Industrial

The EHI Residual facility is secured over 31 light industrial properties located in France, the Netherlands and Germany with an aggregate carrying amount of €387.3 million. Interest is payable quarterly in arrears at variable rates based on the EURIBOR 3 months swap rate plus a loan margin. The entire loan notional is hedged by way of floating rate swap and cap – the latter of which at 1.00%.

*(iv)* Dutch Office 1

The CNDP facility is secured over 2 Dutch office properties with an aggregate carrying amount of €184.0 million. Interest is payable quarterly in arrears at variable rates based on the EURIBOR 3 months swap rate plus a loan margin. The EURIBOR 3 months is capped at a strike rate of 0.50% per annum.

*(v)* Dutch Office 2

The CECIF facility is secured over 3 Dutch office properties with an aggregate carrying amount of €230.9 million. Interest is payable quarterly in arrears at a fixed rate of 1.93% p.a.

*(vi) Italy*

The Italian AIF facilities are secured against 14 Italian office and other type properties with an aggregate carrying amount of €405.5 million. Interest is payable quarterly in arrears at variable rates based on the EURIBOR 3 months swap rate plus a loan margin. The Ivrea, Bari and Genoa properties acquired in 2018, are unencumbered and therefore are not subject to any security claims.

*(vii) Finland*

The Falcon Finland facility is secured over 11 Finnish office properties with an aggregate carrying amount of €115.4 million. Interest is payable quarterly in arrears at variable rates based on the EURIBOR 3 months swap rate plus a loan margin. The EURIBOR 3 months swap rate at 30 June 2019 was -0.34% per annum.

*(viii) Dutch Office 3 & Poland Office*

The Falcon Netherlands & Poland facility is secured over 2 Dutch office properties & 3 Polish Office properties with an aggregate carrying amount of €207.9 million. Interest is payable quarterly in arrears at variable rates based on the EURIBOR 3 months swap rate plus a loan margin. The EURIBOR 3 months is capped at a strike rate of 0.75% and 0.50% per annum respectively.

*(ix)* Revolving Credit Facility ("RCF")

The RCF is unsecured and was put in place to provide CEREIT with additional financing flexibility, working capital and support distribution payments in case of timing differences of distributions from European property SPVs.

*All-in Interest Rate*

The all-in interest rate on the asset level debt is 1.34% p.a. (31 Dec 2018: 1.40% p.a.). Including the RCF currently partially drawn down, the average all-in interest rate is 1.52% p.a. (31 December 2018: 1.53% p.a.).

*Loans to subsidiaries*

Loans to subsidiaries relate to shareholder loans between the Trust's and subsidiaries to the Trust. Loans held by the Trust are carried at amortised cost using the effective interest rate method.

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## 1C Consolidated Statement of Cash Flows

| | Actual 2Q 2019 €'000 | Actual 2Q 2018 €'000 | Actual 1H 2019 €'000 | Actual 1H 2018 €'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Total return for the financial period | **41,390** | 18,700 | **56,865** | 71,652 |
| *Adjustments for:* | | | | |
| Amortisation of lease costs and incentives | **(795)** | (765) | **(1,312)** | (1,620) |
| Effect of recognising rental income on a straight-line basis | **333** | (258) | **460** | (516) |
| Net finance costs | **3,946** | 2,390 | **7,528** | 5,247 |
| Manager's fees and property manager's fees paid in CEREIT units | **2,382** | 1,812 | **4,713** | 3,572 |
| Change in fair value of investment properties | **(36,958)** | (5,762) | **(32,054)** | (54,504) |
| Change in fair value of derivative financial instruments | **(68)** | 6 | **72** | 241 |
| Net foreign exchange loss/(gain) | **128** | (3) | **67** | (37) |
| *Changes in operating assets and liabilities:* | | | | |
| (Increase) / decrease in receivables | **(7,175)** | (5,571) | **923** | 6,819 |
| Decrease in payables | **(6,847)** | (7,738) | **(9,623)** | (22,441) |
| Movement in current tax assets and liabilities | **1,557** | 905 | **2,726** | 1,264 |
| Movement in deferred tax assets and liabilities | **15,202** | 2,254 | **14,383** | 12,520 |
| Decrease in other liabilities | **7,598** | 5,390 | **3,407** | 1,026 |
| Cash generated from operations | **20,693** | 11,360 | **48,155** | 23,223 |
| Interest paid | **(2,904)** | (1,747) | **(5,196)** | (4,130) |
| Interest received | **6** | 7 | **12** | 13 |
| Tax paid | **(2,486)** | (280) | **(3,976)** | (499) |
| **Net cash provided by operating activities** | **15,309** | 9,340 | **38,995** | 18,607 |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Payments for acquisitions of subsidiaries, net of cash | **-** | (342) | **(75,094)** | (342) |
| Payments for acquisition of investment properties | **-** | (17,374) | **(6,800)** | (34,211) |
| Payment for deposit in relation to acquisition | **(275)** | | **(275)** | - |
| Payment for transaction costs | **(10)** | - | **(1,789)** | (5,577) |
| Receipt of VAT refund in relation to acquisition | **15,933** | - | **-** | - |
| Payments for capital expenditure on investment properties | **(4,548)** | (1,470) | **(5,867)** | (2,078) |
| **Net cash provided by/(used in) investing activities** | **11,100** | (19,186) | **(89,825)** | (42,208) |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Proceeds from bank borrowings | **-** | 16,700 | **115,062** | 22,969 |
| Repayment of bank borrowings | **(15,933)** | (12,000) | **(25,933)** | (12,000) |
| Payment of equity issue costs | **(20)** | (1,424) | **(3,721)** | (7,615) |
| Payment for debt issuance costs | **(281)** | - | **(1,421)** | (359) |
| Distributions paid to Unitholders | **-** | - | **(34,402)** | - |
| **Net cash (used in)/provided by financing activities** | **(16,234)** | 3,276 | **49,585** | 2,995 |
| | | | | |
| **Net increase/(decrease) in cash and cash equivalents** | **10,175** | (6,570) | **(1,245)** | (20,606) |
| Cash and cash equivalents at beginning of period | **46,335** | 60,119 | **57,755** | 74,155 |
| **Cash and cash equivalents at end of period** | **56,510** | 53,549 | **56,510** | 53,549 |

## 1D(i) Consolidated Statement of Changes in Unitholders' Funds

| Group | 2Q 2019 | | | | 2Q 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Units in issue €'000 | Reserves €'000 | Retained earnings €'000 | Total €'000 | Units in issue €'000 | Reserves €'000 | Retained earnings €'000 | Total €'000 |
| **As beginning of the period** | 1,076,641 | 112 | 29,227 | **1,105,980** | 846,268 | 113 | 32,987 | **879,368** |
| *Operations* | | | | | | | | |
| Total return for the period | - | - | 41,390 | **41,390** | - | - | 18,700 | **18,700** |
| **Net increase in Unitholders' funds resulting from operations** | - | - | 41,390 | **41,390** | - | - | 18,700 | **18,700** |
| *Transactions with Unitholders in their capacity as Unitholders* | | | | | | | | |
| Issue of units - base management fees | 1,077 | - | - | **1,077** | - | - | - | **-** |
| Issue of units - property management fees | 1,254 | - | - | **1,254** | - | - | - | **-** |
| Issue of units - acquisition fees | 718 | - | - | **718** | - | - | - | **-** |
| Issue expenses | (20) | - | - | **(20)** | (168) | - | - | **(168)** |
| **Net increase/(decrease) in Unitholders' funds resulting from transactions with Unitholders** | 3,029 | - | - | **3,029** | (168) | - | - | **(168)** |
| | | | | | | | | |
| **At end of the period** | **1,079,670** | **112** | **70,617** | **1,150,399** | 846,100 | 113 | 51,687 | **897,900** |

| Trust | 2Q 2019 | | | | 2Q 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Units in issue €'000 | Reserves €'000 | Retained earnings €'000 | Total €'000 | Units in issue €'000 | Reserves €'000 | Retained earnings €'000 | Total €'000 |
| **As beginning of the period** | 1,076,641 | 116 | (60,454) | **1,016,303** | 846,268 | 116 | (493) | **845,891** |
| *Operations* | | | | | | | | |
| Total return for the period | - | - | (2,481) | **(2,481)** | - | - | (996) | **(996)** |
| **Net increase in Unitholders' funds resulting from operations** | - | - | (2,481) | **(2,481)** | - | - | (996) | **(996)** |
| *Transactions with Unitholders in their capacity as Unitholders* | | | | | | | | |
| Issue of units - base management fees | 1,077 | - | - | **1,077** | - | - | - | **-** |
| Issue of units - property management fees | 1,254 | - | - | **1,254** | - | - | - | **-** |
| Issue of units - acquisition fees | 718 | - | - | **718** | - | - | - | **-** |
| Issue expenses | (20) | - | - | **(20)** | (168) | - | - | **(168)** |
| **Net increase/(decrease) in Unitholders' funds resulting from transactions with Unitholders** | 3,029 | - | - | **3,029** | (168) | - | - | **(168)** |
| | | | | | | | | |
| **At end of the period** | **1,079,670** | **116** | **(62,935)** | **1,016,851** | 846,100 | 116 | (1,489) | **844,727** |

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| Group | 1H 2019 Units in issue €'000 | 1H 2019 Reserves €'000 | 1H 2019 Retained earnings €'000 | 1H 2019 Total €'000 | 1H 2018 Units in issue €'000 | 1H 2018 Reserves €'000 | 1H 2018 Retained earnings €'000 | 1H 2018 Total €'000 |
|---|---|---|---|---|---|---|---|---|
| **As beginning of the period** | 1,070,501 | 112 | 48,154 | **1,118,767** | 846,268 | 116 | (19,965) | **826,419** |
| *Operations* | | | | | | | | |
| Total return for the period | - | - | 56,865 | **56,865** | - | - | 71,652 | **71,652** |
| **Net increase in Unitholders' funds resulting from operations** | - | - | 56,865 | **56,865** | - | - | 71,652 | **71,652** |
| *Transactions with Unitholders in their capacity as Unitholders* | | | | | | | | |
| Issue of units - IPO, net of issue cost | - | - | - | **-** | - | (3) | - | **(3)** |
| Issue of units - base management fees | 2,801 | - | - | **2,801** | - | - | - | **-** |
| Issue of units - property management fees | 3,263 | - | - | **3,263** | - | - | - | **-** |
| Issue of units - acquisition fees | 3,125 | - | - | **3,125** | - | - | - | **-** |
| Issue expenses | (20) | | | **(20)** | (168) | - | - | **(168)** |
| Distributions paid | - | - | (34,402) | **(34,402)** | - | - | - | **-** |
| **Net increase/(decrease) in Unitholders' funds resulting from transactions with Unitholders** | 9,169 | - | (34,402) | **(25,233)** | (168) | (3) | - | **(171)** |
| | | | | | | | | |
| **At end of the period** | **1,079,670** | **112** | **70,617** | **1,150,399** | 846,100 | 113 | 51,687 | **897,900** |

| Trust | 1H 2019 Units in issue €'000 | 1H 2019 Reserves €'000 | 1H 2019 Retained earnings €'000 | 1H 2019 Total €'000 | 1H 2018 Units in issue €'000 | 1H 2018 Reserves €'000 | 1H 2018 Retained earnings €'000 | 1H 2018 Total €'000 |
|---|---|---|---|---|---|---|---|---|
| **As beginning of the period** | 1,070,501 | 116 | (32,802) | **1,037,815** | 846,268 | 116 | (137) | **846,247** |
| *Operations* | | | | | | | | |
| Total return for the period | - | - | 4,269 | **4,269** | - | - | (1,352) | **(1,352)** |
| **Net increase in Unitholders' funds resulting from operations** | - | - | 4,269 | **4,269** | - | - | (1,352) | **(1,352)** |
| *Transactions with Unitholders in their capacity as Unitholders* | | | | | | | | |
| Issue of units - base management fees | 2,801 | - | - | **2,801** | - | - | - | **-** |
| Issue of units - property management fees | 3,263 | - | - | **3,263** | - | - | - | **-** |
| Issue of units - acquisition fees | 3,125 | - | - | **3,125** | - | - | - | **-** |
| Issue expenses | (20) | - | - | **(20)** | (168) | - | - | **(168)** |
| Distributions paid | - | - | (34,402) | **(34,402)** | - | - | - | **-** |
| **Net increase/(decrease) in Unitholders' funds resulting from transactions with Unitholders** | 9,169 | - | (34,402) | **(25,233)** | (168) | - | - | **(168)** |
| | | | | | | | | |
| **At end of the period** | **1,079,670** | **116** | **(62,935)** | **1,016,851** | 846,100 | 116 | (1,489) | **844,727** |

### 1D(ii) Details of Changes in Units

| | Group and Trust | | Group and Trust | |
|---|---|---|---|---|
| | 2Q 2019 '000 | 2Q 2018 '000 | 1H 2019 '000 | 1H 2018 '000 |
| **Units in issue at the beginning of the period** | **2,194,613** | 1,573,990 | **2,181,978** | 1,573,990 |
| **New units issued:** | | | | |
| - As payment of base management fees | **2,181** | - | **5,784** | - |
| - As payment of property management fees | **2,541** | - | **6,740** | - |
| - As payment of acquisition fees | **1,443** | **-** | **6,276** | **-** |
| **Total units in issue at the end of the period** | **2,200,778** | 1,573,990 | **2,200,778** | 1,573,990 |
| **Units to be issued:** | | | | |
| Manager's base fee payable in units | **2,211** | 3,304 | **2,211** | 3,304 |
| Property Manager's management fee payable in units | **2,577** | 3,849 | **2,577** | 3,849 |
| Total issuable units at end of period | **4,788** | 7,153 | **4,788** | 7,153 |
| **Total units issued and to be issued at the end of the period** | **2,205,566** | 1,581,143 | **2,205,566** | 1,581,143 |

### 1D(iii) Total Number of Issued Units

CEREIT did not hold any treasury units as at 30 June 2019.

| | As at 30-Jun 2019 '000 | As at 31-Dec 2018 '000 |
|---|---|---|
| **Total units in issue** | **2,200,778** | 2,181,978 |

### 1D(iv) Sales, Transfers, Cancellation and/or Use of Treasury Units

Not applicable.

### 1D(v) Sales, Transfers and/or Disposal of Subsidiary Holdings

Not applicable.

### 2 Audit

*Whether the figures have been audited or reviewed, and in accordance with which audit standard (e.g. the Singapore Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", or an equivalent standard).*

The figures have not been audited or reviewed by the auditors.

### 3 Auditors' Report

*Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).*

Not applicable.

## 4 Accounting Policies

*Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.*

Except as disclosed in paragraph 5 below, there has been no change to the accounting policies and methods of computation in CEREIT.

## 5 Changes in Accounting Policies

CEREIT has adopted new accounting standards for the financial period beginning on 1 January 2019 as follows:

IFRS 16 Leases

The accounting standard introduces a single accounting model for leases by lessees and effectively does away with the operating lease concept. It requires all operating leases, which are currently not recorded on the balance sheet, to be recognised on the balance sheet together with a right-of-use asset. Subsequently, the lease liability is measured at amortised cost using the effective interest rate method. The right-to-use asset will be measured at cost less accumulated depreciation with depreciation charged on a straight-line basis over the lease term.

There is no significant impact to CEREIT's financial statements due to the adoption of this standard.

## 6 Consolidated Earnings per Unit and Distribution per Unit

| | 2Q 2019 | 2Q 2018 | 1H 2019 | 1H 2018 |
|---|---|---|---|---|
| **Earnings per unit ("EPU")** | | | | |
| Weighted average number of units ('000) [1] [2] | **2,200,830** | 1,685,404 | **2,198,124** | 1,701,750 |
| Total return for the period attributable to Unitholders (€'000) | **41,390** | 18,700 | **56,865** | 71,652 |
| EPU (basic and diluted) (cents) [2] | **1.88** | 1.11 | **2.59** | 4.21 |

[1] The weighted average number of units was based on the number of units in issue at 30 June 2019 and units issuable to the Manager and Property Manager.

[2] 2Q 2018 & 1H 2018 weighted average number of units and EPU are restated to reflect the bonus element in the new units issued pursuant to the rights issue in December 2018.

| | 2Q 2019 | 2Q 2018 | 1H 2019 | 1H 2018 |
|---|---|---|---|---|
| **Distribution per unit ("DPU")** | | | | |
| Total units issued entitled to distribution ('000)[3] | **2,200,778** | 1,699,503 | **2,200,778** | 1,699,503 |
| Income available for distribution to Unitholders (€'000) | **22,446** | 17,265 | **44,840** | 33,628 |
| DPU (cents) [3] [4] | **1.02** | 1.02 | **2.04** | 1.98 |

[3] 2Q 2018 & 1H 2019 Units in issue & DPU are restated to reflect the bonus element in the new units issued pursuant to the rights issue in December 2018.

[4] DPU was calculated based on the number of units in issue entitled to distributions as at the end of the respective period.

## 7 Net Asset Value ("NAV")

| | Group<br>As at<br>30-Jun-19 | Trust<br>As at<br>30-Jun-19 | Group<br>As at<br>31-Dec-18 | Trust<br>As at<br>31-Dec-18 |
|---|---|---|---|---|
| NAV(1) at the end of the period (€'000) | **1,150,399** | **1,016,851** | 1,118,767 | 1,037,815 |
| Number of Units in issue at the end of the period ('000) | **2,200,778** | **2,200,778** | 2,181,978 | 2,181,978 |
| NAV per unit (cpu) | **52.3** | **46.2** | 51.3 | 47.6 |
| Adjusted NAV per unit (excluding distributable income) (cpu) | **50.2** | **44.2** | 49.7 | 46.0 |

1) NAV equals net tangible assets ("NTA") as there are no intangible assets carried by CEREIT.

## 8 Review of Performance

Review of performance between 2Q 2019 and 2Q 2018

CEREIT's gross revenue for 2Q 2019 of €42.4 million was 33.3% above 2Q 2018 of €31.8 million. NPI increased by 33.6% to €27.7 million from €20.7 million in 2Q 2018. The positive results were mainly attributed to contributions from the 23 properties acquired post IPO. Please refer to the Results Overview at the beginning of this report for a detailed country by country discussion.

Net finance costs of €3.9 million was €1.6 million higher than 2Q 2018 largely due to higher borrowings drawn down to fund the acquisitions and additional RCF drawn down for working capital requirements.

Manager's fees for 2Q 2019 of €1.1 million increased by €0.3 million or 31.4% from the pcp. The increase was mainly due to higher deposited property value from the acquisitions mentioned above, and the valuation gains on CEREIT's portfolio.

Trust expenses increased by 6.1% from €1.4 million in 2Q 2018 to €1.5 million in 2Q 2019 mainly due to enlarged portfolio.

Fair value gain on investment properties for 2Q 2019 was higher mainly due to no valuation was conducted in 2Q 2018.

Income tax expense of €16.8 million was €13.6 million higher than 2Q 2018 of €3.2 million, mainly due to higher deferred tax expense resulted from the valuation gain recognised and higher current tax expense which was in line with higher profits.

As a result of the above, income available for distribution to Unitholders for 2Q 2019 increased by 30.0% to €22.4 million from €17.3 million in 2Q 2018. Distribution per unit ("DPU") for 2Q 2019 was steady at €1.02 cents.

Review of performance between 1H 2019 and 1H 2018

Gross revenue for 1H 2019 of €82.4 million was 32.5% above the pcp of €62.1 million. NPI was 33.7% higher at €54.1 million. The positive results were mainly attributable to contributions from the 23 properties acquired post IPO. Please refer to the Results Overview at the beginning of this report for a detailed country by country discussion.

Net finance costs was 43.5% higher at €7.5 million mainly due to higher borrowings drawn down to fund the acquisitions and additional RCF drawn down for working capital requirements.

Manager's fees for 1H 2019 increased by €0.5 million as compared to 1H 2019. The increase was mainly due to higher deposited property value from the acquisitions mentioned above, and the valuation gains on CEREIT's portfolio.

Trust expenses for 1H 2019 of €2.3 million were in line with 1H 2018 despite the enlarged portfolio.

CEREIT recorded fair value gain of €32.1 million in 1H 2019 as compared to €54.5 million in 1H 2018.

Income tax expense of €17.1 million for 1H 2019 was €3.3 million higher than that of 1H 2018 largely due to higher deferred tax expense and higher current tax expense which was line with the increase in profits.

As a result of the above, CEREIT's income available for distribution to Unitholders for 1H 2019 of €44.8 million increased by 33.3% from €33.6 million in 1H 2018. Distribution per unit ("DPU") for 1H 2019 of €2.04 cents was 3.0% higher than 1H 2018 of €1.98 cents.

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## 9 Variance between Actual and Forecast/Projection

| | **Actual 2Q 2019 €'000** | IPO Forecast 2Q 2019 €'000 | Variance % | **Actual 1H 2019 €'000** | IPO Forecast 1H 2019 €'000 | Variance % |
|---|---|---|---|---|---|---|
| Gross revenue | **42,421** | 31,576 | 34.3% | **82,372** | 62,623 | 31.5 % |
| Property operating expense | **(14,706)** | (10,793) | 36.3% | **(28,238)** | (21,456) | 31.6% |
| **Net property income** | **27,715** | 20,783 | 33.4% | **54,134** | 41,167 | 31.5% |
| Net finance costs | **(3,946)** | (2,546) | 55.0% | **(7,528)** | (4,989) | 50.9% |
| Manager's fees | **(1,101)** | (936) | 17.6% | **(2,177)** | (1,870) | 16.4% |
| Trustee fees | **(72)** | (52) | 38.5% | **(142)** | (104) | 36.5% |
| Trust expenses | **(1,473)** | (577) | >100% | **(2,295)** | (1,153) | 99.0% |
| **Net income before tax and fair value changes** | **21,123** | 16,672 | 26.7% | **41,992** | 33,051 | 27.1% |
| Fair value gain – investment properties | **36,958** | - | n.m. | **32,054** | - | n.m. |
| Fair value gain/(loss) – derivatives financial instruments | **68** | - | n.m. | **(72)** | - | n.m. |
| **Total return for the period before tax** | **58,149** | 16,672 | >100% | **73,974** | 33,051 | >100% |
| Income tax expense | **(16,759)** | (1,513) | >100% | **(17,109)** | (2,943) | >100% |
| **Total return for the period attributable to Unitholders** | **41,390** | 15,159 | >100% | **56,865** | 30,108 | 88.9% |

| | **Actual 2Q 2019 €'000** | IPO Forecast 2Q 2019 €'000 | Variance % | **Actual 1H 2019 €'000** | IPO Forecast 1H 2019 €'000 | Variance % |
|---|---|---|---|---|---|---|
| **Total return for the period attributable to Unitholders** | **41,390** | 15,159 | >100% | **56,865** | 30,108 | 88.9% |
| Distribution adjustments | **(18,944)** | 1,983 | n.m. | **(12,025)** | 3,963 | n.m. |
| **Income available for distribution to Unitholders** | **22,446** | 17,142 | 30.9% | **44,840** | 34,071 | 31.6% |
| **Units in issue at the end of the period[(1)] ('000)** | **2,200,778** | 1,747,820 | 25.9% | **2,200,778** | 1,747,820 | 25.9% |
| **Actual DPU (cpu)** [(1)] | **1.02** | 0.98 | 4.1% | **2.04** | 1.95 | 4.6% |

(1) The IPO Forecast DPU for FY2019 was 4.40 cpu. Taking into account the new units issued in December 2018 (in accordance with paragraph 46 of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"), the adjusted FY2019 DPU is 4.02 cpu. 2Q 2019 and 1H 2019 IPO Forecast is interpolated from the Adjusted FY2019 IPO Forecast.

n.m. – Not meaningful

*Discussion*

NPI of €54.1 million for 1H 2019 was €12.9 million or 31.5% above IPO Forecast of €41.2 million. This was mainly attributed to the contributions from 23 properties acquired post IPO. For a detailed country by country discussion please refer to the Result Overview at the beginning of this report.

Net finance costs of €7.5 million was €2.5 million higher than the IPO Forecast largely due to higher borrowings drawn down to fund the acquisitions of 23 new assets which were not included in IPO portfolio and additional RCF drawn down for working capital requirements.

Trust expenses were higher than the IPO Forecast mainly as a result of enlarged portfolio and higher professional fees.

Manager's fees, which are calculated based on the value of deposited property, were 16.3% higher than IPO Forecast and projection mainly due to new acquisitions mentioned above.

Fair value adjustments could not be projected at IPO date.

Income tax expense was €17.1 million higher than IPO Forecast mainly due to provision of deferred tax liability on the fair value gain recognised.

Due to the above, income available for distribution to unitholders and DPU were 31.6% and 4.6% respectively ahead of IPO Forecast.

## 10 Outlook and Prospects

*A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.*

***European Economy Commentary***

- Eurozone GDP economic growth forecasts for 2019 have been nudged down to 1.2% and while Europe's economy is slowing, data indicates a divergence between robust activity in services with services PMI data indicating a solid performance and a struggling manufacturing sector which remains stuck in a rut.
- 1Q saw solid 0.4% expansion but initial indications are that Eurozone growth slowed in 2Q to around 0.3%. Strong domestic demand continues to underpin economic activity with household spending picking up, boosted by a falling unemployment rate and wages growing at the fastest rate in a decade. The labour market remains resilient and the unemployment rate is at a decade-low of 7.5%. Private spending grew at a solid pace as households benefited from stronger incomes.
- Persistent external threats and weakness in the industrial sector will cloud the outlook and act as a drag on growth. Political risks are never far away in Europe: the election of a populist government in Italy, the rising possibility of a 'no-deal' Brexit and the Catalan independence crisis in Spain are just a few examples.
- The European Central Bank (ECB) in June at the last policy meeting, changed its forward guidance to indicate that rates would remain at present levels until at least 2H 2020. The ECB has prepared the ground for further quantitative easing (QE) and the expectation is that in October they will announce a resumption of QE at a pace of €30 billion per month.
- Risks to global growth linger from political uncertainty to global trade tensions, tighter monetary policies and a slowdown in China. Trump has ratcheted up tariffs on US$250 billion worth of goods from China to 25% (from 10%) and cracked down on Chinese companies such as Huawei. Fresh tariffs on further US$300 billion of Chinese imports was averted at the G20 in Japan in June. But Beijing announced that 2Q growth has slowed from 6.4% to 6.2%. Ripple effects of the US-China trade war are being felt globally and spiking economic policy uncertainty in 2018 led to an increase in financial market volatility around the world.

***European Real Estate Update***

- Europe's real estate market is in relatively good health at the half way point of 2019 despite a slowing European economy and lower investment volumes across the region
- 2Q 2019 initial European trading volumes reached €59.7 billion, up an encouraging 16% on the albeit traditional quieter 1Q levels of activity
- European real estate capital inflows are still robust (44% of all global inflows in 2Q) but have edged down since the beginning of 2019, with Asian capital being the dominant force

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- The office sector continues to be the most sought-after, securing 43% of 2Q trading volumes, similar to the 42% seen in 1Q. The industrial sector recorded a market share of 10% - a similar level to the last twelve months.
- Yields remain at historic lows across the office and industrial sectors in the majority of locations having stabilised across at the end of 2018
- Gateway European cities and Tier II markets with robust fundamentals continue to attract institutional investors

***The Netherlands - office sector outlook and trends***

- Yields are at historic lows of around 3.25% for prime CBD assets, 4.60% for offices in good quality, well-connected secondary locations and 5.00% - 5.35% for major Tier II cities. Some further compression might occur given the strength of the occupier market and pent up investor demand, but this will be only for the very best product and not wholesale across the market.
- While investor demand is expected to continue, active players are well aware that the already extended cycle is nearing its peak, pricing is high and rental gains will be the key driver of capital values - these are currently provided for by the combination of low vacancy rates, limited land availability and restrictions on new developments, but companies may begin to reassess their accommodation needs and options if rents continue to rise.
- Opportunities will come from either the redevelopment of older office space into alternative uses or indeed the refurbishment of older office space close to transport hubs, taking advantage of improving infrastructure and connectivity the inward investment will provide. This will see increased levels of interest for secondary locations as the tight supply and rental gains in central areas see demand trends shift to secondary areas.
- Amsterdam and Rotterdam are still key target cities, performing well above average take-up levels but, the relative increase in occupier activity is below several secondary cities albeit the latter are coming from a lower base with big deals potentially skewing the data.

***Italy - office sector outlook and trends***

- There is good appetite for core and value-add investors in both Milan and Rome. However, overall inflows of capital to Italian real estate are likely to slow in 2019 as the poor economic outlook continues to unravel and elevated political risks see investors act with heightened caution. Those not familiar with the market are unlikely to venture forth, impacting overall trading volumes in 2019.
- Milan and Rome both suffer from a shortage of good quality stock which amounts to approximately 25% of the current availability. The rest is Grade B and C space which is much harder to let but does offer the potential for under-rented space to be temporarily taken off the market, upgraded and then released back. The majority is located in the Periphery and Hinterland submarkets.
- Despite strong 2Q occupier demand, with the economy expected to tread water in 2019/2020 this will take a toll on demand for office space. The share of flexible operators is likely to increase as corporates look for flexibility in changing their floorspace commitment with speed if need be.
- Grade A buildings released by some landlords who are rebalancing their portfolios and consolidating in a handful of core markets or potentially well positioned refurbishment projects are likely to be the most sought-after assets.

***France - office sector outlook and trends***

- The scarcity of supply and upward pressure on rents, particularly in Paris' CBD where vacancy is low and speculative construction constrained, have slowed decision making and seen some occupiers choose to renegotiate their current leases rather than bear the expense of a move to potentially unsuitable space either on the basis of quality or location.
- This supports the continued rise of flexible/co-working space as occupiers look for options to expand and contract their floorspace requirements with more ease than typically comes with a traditional lease. Having already let 120,000 sqm in 1H 2019 there is more to come with some deals in late stage negotiations. However, the focus is expected to remain on the centre of Paris as operators test the market conditions, appetite and their concepts before looking to expand into either more peripheral suburbs of the capital or indeed key regional cities.
- The French real estate market is benefitting not only from the European Central Bank's accommodating monetary policy but also from geopolitical events, including Brexit and the rise of populist governments, elsewhere in Europe. Furthermore the expected negative impact of the 'gilet jaunes' protests appears now to have eased and is having less of a detrimental effect on investor sentiment with volumes potentially on track to hit a similar level seen in 2018 of between €20 billion - €23 billion.

***Germany - office sector outlook and trends***

- The dynamism currently seen in the occupational market is expected to continue for the remainder of the year with corporates appearing to be willing to ride the slower economic environment over the next 6-9 months and wait for the anticipated pick-up in growth in 2020. Early indications are for take-up to reach circa 3.5 million sqm by the end of 2019.
- Currently 3.9 million sqm of space is under construction but with 60% secured under pre-let agreements, competition for the best space will intensify further and rents at the top end of the market, in particular, are expected to see further, albeit moderate, growth.
- The tight vacancy is hindering higher levels of take-up but there are some opportunities available in off-pitch locations and/or redevelopment projects to reposition older and under-rented office stock. In addition, as the retail sector works through its structural changes the upper floors of larger retail units could offer conversion opportunities to office use.
- Lease extensions will become a larger part of the market as securing new space could take longer than expected. This will give further rise to landlords offering flexible office space as tenants use this as a stop gap to signing longer term leases on their own space.
- City centre locations are key targets despite the historic low yields so some interest will be diverted to secondary locations but may not have enough suitable product to satisfy demand. Circa €20 billion is expected for 2019 as some portfolios on the market trade.

***Finland - office Market Outlook and trends***

- Current occupier demand is relatively healthy and robust employment growth is supporting take-up levels however, a key aspect of future demand for office space in Helsinki will be the success of the city to continue to restructure its economy away from long declining traditional industries and towards higher value-added sectors, such as ICT and expansion of business services.
- Overall vacancy across the Helsinki Metropolitan Area is high but with some structural vacancy evident this presents redevelopment opportunity in the sought-after CBD. The out-of-town submarkets of the capital have seen a number of speculative schemes complete as some demand shifts from the supply-tight CBD to the secondary areas of the city as infrastructure projects make the areas more accessible. The largest ongoing projects in Helsinki are located in the Pasila and Kalasatama areas.
- There is growing demand for these secondary assets as investors are more comfortable with the improving macroeconomic backdrop and an accelerating recovery. Plus, with yields at historic lows in the CBD, yields are higher in the secondary submarkets but it will be the well-connected ones that are more successful.
- As companies demand more flexibility for their workforce, landlords have responded to this through adapting their space and offering new kinds of co-working or flexible space concepts, where occupiers can occupy space and acquire business services for short-term and temporary use with very flexible contracts.

***Poland - office market outlook and trends***

- Robust demand is expected to continue in Warsaw, but interestingly there may be a cooling in rental gains in the capital in 2020 and 2021 in spite of this. 2018 saw the lowest level of completions since 2011 and with a similar amount due in 2019 (circa 235,000 sqm) expected levels of take-up will continue to erode availability.
- However, completion levels in 2020 and 2021 are expected to be in excess of 300,000 sqm per annum – the highest level since 2016, providing occupiers with more choice and the ability therefore, with a more solid footing when negotiating lease terms with landlords. Higher construction costs could, over time, see a decline in deliveries, especially if developers are not able to recognise their costs via rents from occupiers.
- In some more mature (western) markets older stock has been withdrawn and converted into alternative uses, and while this is happening in Warsaw, it is less than 1% of stock and so will do little to prevent a relatively rapid increase in new supply and could result in a vacancy rate that ticks up in 2020-2021.
- While the outlook is generally positive for the Polish office market and low vacancy and good demand are expected to remain unchanged over the next twelve months, an element of caution is expected to surface as investors consider how much further the cycle has to run (particularly so in Warsaw) leading to portfolio diversification and investors increasingly looking at industrial and alternative assets.

***The Netherlands – light industrial / logistics market outlook and trends***

- Supply is declining in key hubs as strong occupier demand erodes availability despite the rising amount of space under construction in the development pipeline. However, it remains to be seen how increasing construction costs potentially tapper the volume of speculative construction going forward.
- Real rental growth has been seen in supply restrained regions however, in some areas rental rises are due to the higher construction costs that developers have needed to take on in order to build and complete schemes. But, as logistics operators are less able to translate increased business activity into higher profit margins, effectively putting a cap on the rents they can afford, developers will increasingly seek pre-let agreements.
- Online and multi-channel retail activity is a growth area for the market in 2019 with grocery and food retailing growing rapidly. This relies on supply-chain efficiency, automation and temperature-controlled-last-mile depots or medium sizes warehouses between major cities.
- As changes in consumer behaviour continue to transform the retail sector, this is having a knock-on impact in the industrial sector. With consumers demanding shorter delivery times and flexibility in how, where and when they can buy goods, companies are needing to readjust and re-engineer their supply chains in order to service this need and which is fuelling demand for industrial space and supporting solid occupier fundamentals.

***France – light industrial / logistics market outlook and trends***

- There is a weight of capital waiting on the side lines looking for opportunity in the French industrial market and is targeting core and core +. It is however, outweighing the availability of product which in turn is compressing prime yields to historic lows.
- There is evidence of renewed developer confidence given the shortage of sought-after large prime assets combined with healthy, record breaking take-up in recent years. However, most schemes are tending to break ground with at least a partial pre-let agreement in place as developers look to confirm that they can cover construction costs which are generally on the rise.
- With yields in the Greater Paris Region seeing relatively rapid compression over the last few years, investors are turning to target cities such as Lille, Lyon and Marseille, which run along the north-south logistics axis and are suffering from a lack of supply following healthy demand levels, where yields are still higher than those in the Greater Paris area.
- Urban logistics schemes offer opportunities as retailers supplement their supply chains in order to satisfy the ever shorter delivery times demanded by consumers. However, the development of this type of product will come up against alternative uses, such as residential, given the proximity to urban centres.

***Germany – light industrial / logistics market outlook and trends***

- The increasingly competitive real estate environment, a slowing economy and impending tax changes appear not to be deterring foreign investors from acquiring German real estate.
- Both domestic and international investors are having to work a lot harder to seek out opportunities due to the levels of interest in German real estate and downward pressure on yields. There are still some rental growth opportunities but investors need to also consider value-add and opportunistic strategies.
- A range of buyers were active in 2019 so far from pension funds to equity funds demonstrating that industrial and logistic assets in particular have shrugged off their once 'unattractive' image becoming a sought-after asset class. Investor demand continues to outweighing the availability of product and with competition for well-located, quality product some more yield compression is likely over the remainder of 2019.
- Weaker economic outlook may dampen take-up volumes, but continued supply constraints around urban areas are likely to put some upward pressure on prime rents but occupiers will continue to look to alternative locations that offer better value and thus keep prime rental growth in check.
- Locations outside the traditional, longer standing logistics hubs are increasingly becoming the focus of attention and offering the potential of more space for development. While development costs are high, rents are generally lower and incentive packages evident.

***Denmark – light industrial / logistics market outlook and trends***

- The lack of new, speculative space and robust demand levels will help to drive on the new construction although schemes continue to typically only break ground for owner-occupiers or pre-lets tied into long leases, and thus limiting any lengthy void periods. Over time this will increase the overall level of stock and potential levels of liquidity in the future.
- This shortage of supply, while exerting upward pressure on rental values is also reflecting that the cost of building new space is higher than the capital value per sqm. So, with vacancy set to stay around the 2.0% mark, the outlook for prime rental values remains positive.
- Target areas are Copenhagen and hubs that are well-connected by infrastructure. However, with a lack of product coming to market some investors and/or developers are looking to more peripheral areas potentially for opportunities to reposition older stock. Neighbouring Nordic investors have been the most active in 2019 so far with a noted retraction from the British and US investors who were active over 2018.
- The industrial and logistics market is expected to witness a substantial uptick in activity, fuelled by demand for urban logistic spaces to accommodate to the shift towards omnichannel retail. Both tenants and landlords need to embrace technology in order to improve and remain competitive.

## 11 Distributions

| | Distribution type | DPU (in Euro cents) | Total distribution €'000 | Book closure date | Payment date |
|---|---|---|---|---|---|
| **2019** | | | | | |
| **1-Jan-19 to 1-Jul-19** | **Capital** | **2.05** | **45,116** | **1-Jul-19** | **31-Jul-19** |
| **Total** | | **2.05** | **45,116** | | |
| 2018 | | | | | |
| 30-Nov-17 to 30-Jun-18 | Capital | 2.53 | 40,062 | 21-Aug-18 | 28-Sep-18 |
| Total | | 2.53 | 40,062 | | |

As announced on 21 June 2019, pursuant to the private placement, unitholders whose securities accounts with The Central Depository (Pte) Limited were credited with Units as at 5.00 p.m. on 1 July 2019 are entitled to CEREIT's distributable income for the period from 1 January 2019 to 1 July 2019 (being the day before the new units were issued pursuant to the private placement). This is made up of €2.04 cpu for the period from 1 January 2019 to 30 June 2019 and €0.01 cpu for 1 July 2019. The next distribution will comprise CEREIT's distributable income for the period from 2 July 2019 to 31 December 2019. Semi-annual distributions will resume thereafter.

Capital distribution represents a return of capital to unitholders for tax return purposes and is therefore not subject to income tax. For unitholders who are liable to tax on profits from sale of CEREIT Units, the amount of capital distribution will be applied to reduce the cost base of their CEREIT Units for tax purposes.

CEREIT's distribution policy is to distribute 100% of CEREIT's annual distributable income for the period from the Listing Date to the end of the 2019 financial year. CEREIT will typically make distributions to Unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of these dates.

## 12 If no distribution has been declared/recommend, a statement to that effect

Not applicable.

## 13 Interested Person Transactions

CEREIT has not obtained a general mandate from Unitholders for interested person transactions.

## 14 Confirmation pursuant to Rule 720(1) of the Listing Manual

The Board of Directors of the Manager hereby confirms that the undertakings from all its directors and executive officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

## 15 Confirmation pursuant to Rule 705(5) of the Listing Manual

The Board of Directors of Cromwell EREIT Management Pte. Ltd. (as manager of Cromwell European Real Estate Investment Trust) (the "Manager") hereby confirms that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Manager which may render the unaudited financial results of Cromwell European Real Estate Investment Trust for the period from 1 January 2019 to 30 June 2019, to be false or misleading, in any material aspect.

On behalf of the Board
Cromwell EREIT Management Pte. Ltd.
As Manager of Cromwell European Real Estate Investment Trust
(Company Registration No: 201702701N)

| | |
|---|---|
| Lim Swe Guan<br>Chairman | Simon Garing<br>Executive Director and Chief Executive Officer |

**Important Notice**

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events.

The value of Units and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Cromwell European REIT and the Manager is not necessarily indicative of the future performance of Cromwell European REIT and the Manager.