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Cromwell European REIT reports resilient FY 2021 results despite ongoing COVID-19 impact

- FY 2021 NPI up 10.9% year-on-year; on a like-for-like basis[1] FY 2021 NPI up 2.3% year-on-year (light industrial / logistics + 3.0%, office +2.1%, other +0.9%)
- FY 2021 DPU of 16.961 Euro cents up 0.5% on a like-for-like basis[2]
- 95.0% portfolio occupancy with positive rent reversions of 5.0% across the portfolio
- Debt to total assets at 36.6% with debt 100% fixed or hedged; no current impact to DPU from rising interest rates
- Aspirational target of achieving Net Zero operational carbon emissions by 2040 set, informing investment and asset management strategy

	2H 2021	2H 2020	Variance	FY 2021	FY 2020	Variance
Gross Revenue (€'000)	101,103	93,312	8.3%	200,122	186,972	7.0%
Net Property Income ("NPI") (€'000)	65,805	59,608	10.4%	130,092	117,329	10.9%
Income Available for Distribution to Unitholders (€'000)	47,459	44,578	6.5%	93,618	89,143	5.0%
Headline Distribution Per Unit ("DPU")[3] (€ cents)	8.459	8.703	(2.8%)	16.961	17.420	(2.6%)
DPU on a Like-for-Like Basis[2] (€ cents)	8.459	8.703	(2.8%)	16.961	16.870	0.5%

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 six months and full year ended 31 December 2021 ("**2H 2021**" and "**FY 2021**", respectively).

The Manager's Chief Executive Officer, Mr. Simon Garing, commented, "As the Manager of CEREIT, we are pleased to report a resilient FY 2021 results and draw particular attention to the +2.3% like-for-like NPI growth. While the headline FY 2021 DPU was slightly lower as compared to FY 2020, the 16.961 Euro cents in FY 2021 was not topped up by any capital distribution and was ahead of last year's FY 2020 DPU on a like-for-like basis[2].

CEREIT maintained a high portfolio occupancy of 95.0%, largely boosted by strong leasing in the light industrial / logistics portfolio, which was partially offset by the office portfolio's weaker performance. Overall portfolio rent reversion was recorded at +5.0% for the year, with over 12% of the portfolio leased or renewed in FY 2021 and with 40% of the new leases occurring in the 4th quarter.

In FY 2021 we further demonstrated our ability to deepen CEREIT's portfolio exposure to logistics by investing €212.6 million into the sector at an average NOI[4] yield of 6.3%. CEREIT's strategic pivot to light industrial / logistics has been well-supported by capital markets, with €365 million new issuances of bonds, inaugural perpetual securities and ordinary units in 2021.

CEREIT's outperformance is underpinned by its exposure to Europe which is the world's second most liquid real estate market. I am pleased that the market is recognising this, with CEREIT's units recording 13.5% FY 2021 TSR[5], outperforming the FTSE S-REIT total return index by +8.6% in one year and by +15.5% over the past three years"[6].

FY 2021 Financial Performance

FY 2021 NPI rose +10.9% year-on-year to €130.1 million, mainly due to higher revenue from the new acquisitions in the Czech Republic, Slovakia, the United Kingdom, Italy and the Netherlands, and in addition to the absence of doubtful debt provisions in FY 2021 as compared to FY 2020. 2H 2021 NPI increased 10.4% year-on-year to €65.8 million. FY 2021 NPI increased 2.3% on a like-for-like basis, with light Industrial / logistics sector NPI up 3.0%, office up 2.1% and the 'other' sector up 0.9%.
FY 2021 income available for distribution to unitholders grew 5.0% year-on-year to €93.6 million and 6.5% year-on-year to €47.5 million in 2H 2021.

FY 2021 DPU declined 2.6% to 16.961 Euro cents, from 17.420 Euro cents in FY 2020[7]. However, like-for-like FY 2021 DPU increased 0.5% to 16.961 Euro cents, excluding €2.8 million distribution of realised capital gains (translating into 0.55 Euro cents per unit in the first half of FY 2020). Over the past two years since the start of the COVID-19 pandemic, CEREIT's DPU has only declined marginally by 5.5%, excluding the artificial add-back that benefited DPU in prior years from paying management fees in units. Operating cashflow is higher than 100% of Distributable income of €93.6 million.

2H 2021 DPU of 8.459 Euro cents was largely in line with 1H 2021 and will be paid out on 31 March 2022. As part of CEREIT's distribution reinvestment plan ("**DRP**"), existing unitholders will also have the option of acquiring new units at a preferential price without incurring transaction costs. The DRP price, to be announced on 3 March 2022, will be at a 2% discount to the 10-day volume-weighted average price ending on 2 March 2022, adjusted for the 2H 2021 DPU.

Uplifts in Portfolio Valuation

CEREIT's portfolio registered 2.4% like-for like increase in valuation[8] and strong €56.2 valuation gains in the light industrial / logistics sector. The fair value gains were largely in France, which rose €23.3 million, in Germany, which gained €15.4 million, as well as in Denmark and in the Netherlands, which grew €7.9 million and €6.8 million, respectively, on a mix of location, occupancy increases, asset enhancement initiatives and cap rates compression. CEREIT's prime and core office assets such as De Ruijterkade in Amsterdam and Piazza Affari in Milan were the bright spots with fair value gains even as the office and others portfolio recorded a slight decline of €4.2 million in fair value.

Comparing to the December 2020 valuations on a like-for-like basis[8], CEREIT's portfolio saw a total valuation increase of €52.0 million year on year (before taking into account capital expenditure).

Responsible Capital Management

CEREIT reported a healthy cash position of €59.3 million as at 31 December 2021, with funds used to provide initial funding for acquisitions. Its 36.6% aggregate leverage as at 31 December 2021 remains comfortably within the board-approved range of 35-40%. CEREIT has a high interest coverage ratio of 5.8 times, well in excess of the covenants for its loans and EMTN programme. The total all-in interest rate remains low at about 1.72%.

With 100% fixed or hedged total gross debt and more than 90% of the debt unsecured, CEREIT has a more optimised capital structure, capable of providing greater financing flexibility to support its acquisition activities. All the above-mentioned metrics remain within loan and bond covenants and support CEREIT's recently reaffirmed Fitch Ratings' "BBB- (Stable Outlook)" investment-grade rating.

CEREIT has no major debt expiring until November 2023, with €157 million out of the €180 million debt originally due to expire in 2022 recently extended for another year with no change in interest rate margin. Its €200 million revolving credit facility with a 2024 expiry remains undrawn, providing greater flexibility and additional liquidity.

In November 2021, the Manager issued SGD100 million worth of five-year non-callable perpetual securities. The net proceeds from the issue were used for financing and refinancing CEREIT's acquisitions. To hedge against currency risks, the Manager arranged Singapore's first sustainability-linked cross currency-swap with OCBC Bank, which would allow CEREIT to lock in more favourable SGD to € rates for the duration of the swap with an effective perpetual securities coupon rate of 3.55%.

Continued Portfolio Resilience amid Active Leasing

CEREIT's portfolio occupancy and weighted average lease expiry remained robust year-on-year, standing at 95.0% and 4.6 years respectively as at 31 December 2021, mainly due to strong light industrial / logistics leasing activity in Denmark, Germany and France.

The light industrial / logistics portfolio achieved record occupancy of 95.7% as at 31 December 2021, with positive rent reversion of 3.6%. The office portfolio registered positive rent reversion of 9.4% for FY 2021 (+14.3% in 4Q 2021), mainly due to lease extensions and renewals in the Netherlands. This result is expected to be an outlier as the pandemic-induced office market trends in Europe towards shortening lease durations and continued tenant-customer expectations of flexible leases contributed to a decrease in occupancy to 91.9% as at 31 December 2021, compared to 95.1% as at end-FY 2020.

The Manager signed 223 new and renewed leases in FY 2021, covering 217,529 square metres ("**sq m**") of space or 12.2% of the portfolio by net lettable area, with a positive rent reversion of 5.0% on average. In the fourth quarter of FY 2021 alone, the Manager secured 40% of the new and renewed leases signed for the year, comprising 71,811 sq m of light industrial / logistics space and 15,019 sq m of office space. In addition, the Manager has already de-risked about 52% of lease expiries and breaks up to June 2022.

To minimise tenant-customer concentration risks, the Manager has been proactively diversifying CEREIT's tenancy mix, with CEREIT's top 10 tenant-customers contributing 30.9% of total headline rent as at 31 December 2021, compared to 33.0% in the preceding year. The top tenant-customer of CEREIT, the Italian State Property Office, now contributes 11.7% of total headline rent, down from close to 20.0% at listing.

Strategic Acquisitions

CEREIT has completed ~ €344 million in light industrial / logistics acquisitions at a 6.5% blended NOI yield since the beginning of 2020, out of which €212.6 million were completed in FY 2021 at a blended NOI yield of 6.3%. The recent €58.1 million acquisitions of three light industrial / logistics assets in the UK and the Netherlands completed in December 2021 were sourced off-market at a favourable blended 5.6% NOI yield at 3.9% below independent valuations on average. CEREIT has ~ €100 million advanced pipeline of opportunities in Western Europe (Germany, the Netherlands, Italy and France) and is now much closer to achieving its target of majority portfolio weighting to the fast-growing light industrial / logistics sector.

Commencing Developments

The Manager is progressing on ~€250 million of redevelopment / new developments (excluding the longer dated Parc Des Docks 10 hectares estate in Paris) on the predominately freehold land held by CEREIT to unlock value and provide an accretive high yield on cost. The redevelopment of Via Nervesa 21 in Milan into a 10,000 sqm BREEAM Platinum Grade A office space for an estimated €25 million is currently in the strip-out works phase. When completed towards the end of 2023, the property is expected to provide long-term income accretion and value upside, based on the very strong Milan office market where current Grade A vacancy is only 2.3%[9]. CEREIT's earnings, however, will be impacted during the construction phase due to the lease expiry on 31st December 2021.

In terms of greenfield developments, the Manager is commencing its first such project in FY 2022, for the two-phase development of logistics warehouses on 39,380 sq m plot of land in CEREIT's Nove Mesto ONE Industrial Park I in Slovakia, subject to final regulatory approvals and pre-lease commitments. Construction is expected to commence in mid-2022 for the first phase, involving about 10,695 sq m in warehouse, mezzanine and office space, and early 2023 for the second phase. The Manager is also planning further logistics development projects to complement CEREIT's acquisition strategy for that sector, while some of the older office buildings in Rome and Amsterdam are in planning phase for similar returning projects as 21 Via Nervesa in Milan.

Artist impression visuals courtesy of DEGW Italia

Well-recognised for sustainability leadership

Within four years of listing CEREIT has achieved a number of significant sustainability milestones, including recording several ESG[10] ratings upgrades and winning multiple corporate governance awards (notably the win of SIAS Corporate governance award in the REITs & Business Trusts category). Most recently, the Manager executed Singapore's first sustainability-linked cross-currency swap with OCBC. Cromwell's recent appointment of three additional dedicated asset sustainability executives in Europe and the and implementation of new asset consumption and emissions management system will continue to contribute to the future-proofing of CEREIT's assets.

CEREIT today announced its aspirational target to achieve Net Zero operational carbon emissions by 2040, further guided in its efforts by the Manager's recently established Board-level sustainability committee. The Manager remains dedicated to integrating environmental considerations and processes into various aspects of CEREIT's operations, from portfolio construction to asset management, stakeholder engagement and corporate governance.

Macroeconomic Outlook

In 4Q 2021, the Eurozone growth returned to pre-pandemic levels with 2021 GDP growth recorded at 5.2%. The growth in the Eurozone is forecast by Oxford Economics ("**OE**") to continue in 2022 but downside risks remain, with a slow 1st quarter at only 0.2%. Overall, OE forecasts GDP growth of 3.7% in 2022. Consumer spending is forecast to increase by 5.7% in 2022, making it by far the strongest driver of GDP growth. Capital spending is expected to remain strong, partly driven by the large boost provided by the Next Generation EU €700 billion recovery plan. CPI across the Eurozone reached 5.1% in January, its highest level since the 1990s. The rise in headline inflation was mainly driven by energy inflation which was impacted by a surge in administered energy prices in Italy. OE expects inflation to be close to 5% in 1Q and average 3.9% in 2022, before swiftly falling in 2023 to below 1%. This may see interest rates rise in FY22 before levelling out in 2023.

Market Commentary

In the European logistics sector, the COVID-19 pandemic accelerated the shift to e-commerce, which in turn fuelled occupier demand from related sectors, such as third-party logistics and warehousing companies. The economic recovery and strategies to tackle global supply chain disruptions are adding to the demand of what's already a booming logistics and industrial market. During the second half of 2021 physical retailers, third party logistics (3PLs) and manufacturing companies have intensified requirements for additional logistics space in Europe. In 4Q 2021, average vacancy rates across markets in which CEREIT operated were 3.2%, close to all-time low vacancies and further driving the 2.4% market rent growth in 2021, according to CBRE.

Some retailers are also re-thinking their global supply chains, often designed around low-cost manufacturing hubs in Asia with Central European countries receiving much of the attention due to the potential cost savings.

CEREIT's light Industrial / logistics portfolio is at a record 95.7% record occupancy (up from 85.4% at IPO). In 2022 the Manager is continuing with a focus on active leasing in France and is expecting the last remaining vacancy from anchor tenant-customer departure in Denmark to fill by 1H 2022. CEREIT's assets in five out of eight countries of operations are close to or at 100% occupancy, with remaining vacancies in France and Denmark providing upside growth potential. Majority (~77%) of vacancies coming up in next six months are already de-risked, nearing full occupancy for the sector.

In the European office sector, the average vacancy rate across key cities where CEREIT has operations increased to 9.4% as at the end of 4Q 2021 (from 8.9% for the same period a year before), mainly due to challenging business conditions and new developments completing in markets such as Warsaw. Despite the average increase in availability, office rents in prime locations remained stable, albeit incentive levels vary across cities, as recently reported by CBRE. Some cities, such as Milan and Rotterdam saw no change in office vacancies year-on-year, with Milan Grade-A CBD vacancy at +2.6% (according to CBRE).

While the vacancy rate has risen throughout the pandemic, availability is now expected to tighten throughout 2022. Occupiers' preference is for prime assets in core locations, with greater availability for secondary space in most markets and limited supply in gateway cities.

Prime office rents have been generally resilient throughout the pandemic; however there has been an increase in tenant incentives over the last 18 months in the form of rent-free periods and other packages such as financial help with fit-outs in markets such as Warsaw and the Greater Paris region.

CEREIT's office portfolio has good exposure to the office market in the Netherlands which is seeing demand from recovery due to flight to quality and office core locations, but the Manager expects overall leasing activity to remain muted in CEREIT's office portfolio in France, Poland and Finland.

Looking ahead to 2022

The Manager's focus for FY 2022 continues to leverage CEREIT's strengths, laying the path to long-term strategy execution to emerge stronger in FY 2023.

CEREIT's portfolio income will continue to be underpinned by active asset management, CPI indexation and rent reversions. The Manager plans to continue with divestments of non-core office and other assets in FY 2022 to further improve the risk-return profile of the CEREIT's portfolio. For example, the Manager intends to commence to actively plan for the divestment, release and / or redevelopment of some of the nine properties leased to the Italian government.

The Manager continues the strategic pivot to weight the portfolio to majority light industrial / logistics through a mix of acquisitions, divestments and developments with a view to achieve a majority portfolio weighting in light industrial / logistics assets while maintaining a portfolio of core office assets in gateway cities in Europe, aiming for scale to drive accretions in DPU and net tangible assets over the medium term. The Manager will continue to maintain its current target weighting to Western Europe of at least 85% for CEREIT's portfolio.

Mr. Garing concluded, "We believe that our efforts to rebalance the portfolio will help CEREIT become more robust, resilient and future-ready and be in a better position to seize growth opportunities and navigate challenges in the operating and geopolitical environment in 2022 and beyond. This will be largely driven by pivoting to logistics, actively managing assets, driving organic expansion and achieving sustainability targets. We will continue to adopt an agile approach and regularly review our strategy to ensure that CEREIT delivers on its purpose of long-term growth in DPU and NAV per unit for unitholders."

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ABOUT CROMWELL EUROPEAN REAL ESTATE INVESTMENT TRUST

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

CEREIT's portfolio comprises 113[11] predominantly freehold properties with an appraised value of approximately €2,467 million[12] in or close to major gateway cities in the Netherlands, Italy, France, Poland, Germany, Finland, Denmark, Slovakia, the Czech Republic and the United Kingdom with an aggregate lettable area of approximately 1.8 million sqm and 800+ tenant-customers.

CEREIT is listed on the Singapore Exchange Limited and is managed by Cromwell EREIT Management Pte. Ltd., a wholly-owned subsidiary of CEREIT's sponsor, Cromwell Property Group[13], a real estate investor and global real estate fund manager with operations in 14 countries, listed on the Australian Securities Exchange Ltd.

MEDIA AND INVESTOR ENQUIRIES

Cromwell EREIT Management

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

Regina Firman
Assistant Manager, Investor Relations
+65 6950 7192
regina.firman@cromwell.com.sg

MEDIA ENQUIRIES

SEC Newgate Singapore

Karin Lai
Associate Director
karin.lai@secnewgate.sg

Cherie Hui
Consultant
cherie.hui@secnewgate.sg

1 On a like-for-like basis, as compared to prior corresponding period and excluding acquisitions and disposals completed in FY2020 and FY 2021
2 Excludes the €2.8 million of realised capital gains that were included in distributable income for 1H 2020
3 2H 2020 and FY 2020 DPUs are adjusted for the 5:1 unit consolidation
4 NOI yield is calculated as the annualised Day 1 net operating income pre-asset management fees divided by the purchase price including transaction costs
5 Total shareholder returns
6 Based on data from FactSet and Eikon
7 Restated to reflect the 5-to-1 unit consolidation completed in May 2021
8 Valuation as at 31 Dec 2021 relates to 108 properties and valuation as at 31 Dec 2020 relates to 95 properties. Like-for-like comparison excludes acquisitions in Slovakia and the Czech Republic completed during FY 2021
9 Source: CBRE
10 Environmental, social and governance
11 113 properties include 112 properties as at 31 December 2021 and one recently acquired asset in Italy in February 2022
12 Valuation of 113 properties includes 108 properties with valuation as at 31 December 2021 and five recently acquired properties recorded at purchase price: two in the UK (acquired in August 2021 and December 2021), two in the Netherlands (both acquired in in December 2021) and one in Italy (acquired in February 2022)
13 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)