CROMWELL EUROPEAN REIT

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Cromwell European REIT's FY 2022 DPU up +1.3% y-o-y to 17.189 Euro cents; portfolio at record 96.0%[1] occupancy

- FY 2022 net property income ("**NPI**") +5.1% y-o-y to €136.8 million driven by llight industrial / logistics FY 2022 NPI +23.9% y-o-y
- 489,214 sqm or 26% of portfolio NLA re-leased in past 12 months at an average +5.7% rent reversion
- 39.4% aggregate leverage, 6.1x interest coverage ratio[2] and 78% hedged / fixed debt till end-2024

	2H 2022	2H 2021	Variance	FY 2022	FY 2021	Variance
Gross Revenue (€'000)	114,688	101,103	13.4%	222,105	200,122	11.0%
Net Property Income (€'000)	69,445	65,805	5.5%	136,775	130,092	5.1%
Income Available for Distribution to Unitholders (€'000)	47,765	47,459	0.6%	96,667	93,618	3.3%
Distribution Per Unit ("DPU") (€ cents)	8.494	8.459	0.4%	17.189	16.961	1.3%

SINGAPORE – Cromwell EREIT Management Pte. Ltd., the manager (the "**Manager**") of Cromwell European Real Estate Investment Trust ("**Cromwell European REIT**" or "**CEREIT**"), today announced CEREIT's financial results for the second half and financial year ended 31 December 2022 ("**2H 2022**" and "**FY 2022**", respectively).

FY 2022 NPI grew 5.1% y-o-y to €136.8 million, mostly due to the 23.9% y-o-y growth in the light industrial / logistics sector. FY 2022 like-for-like NPI was in line y-o-y, with light industrial / logistics sector 5.4% higher, largely due to market rental growth, indexation and higher occupancy. For the fourth quarter of 2022 ("**4Q 2022**"), NPI was €34.9 million, 7.0% above the fourth quarter of 2021, highlighting continuing growth trends in physical occupancy in European markets.

FY 2022 DPU rose 1.3% y-o-y to 17.189 Euro cents. Unitholders will receive a 2H 2022 distribution of 8.494 Euro cents per unit or the S$ equivalent, with an ex-distribution date of 3 March 2023 and a payment date of 31 March 2023. The 2H 2022 distribution is 100% tax-exempt.

The Manager's Chief Executive Officer, Mr. Simon Garing, commented, "I am pleased to report that CEREIT has once again delivered an excellent set of results for FY 2022, underpinned by higher net property income in the light industrial / logistics sector. DPU growth would have been close to 10% if not for divestments, higher non-recoverable operating expenses, increased effective income tax rates and higher interest costs.

"CEREIT's FY 2022 portfolio occupancy was at a record-high of 96.0%, with strong positive 7.6% rent reversion in 2H 2022. This is an achievement made possible by the resilience of CEREIT's assets, index-linked rental income and the proactive efforts of our capable on-the-ground asset management teams.

"Due to a confluence of macroeconomic risk factors and negative sentiment from the ongoing Russia-Ukraine war, CEREIT's 1-year annualised rolling total shareholder return[3] ("**TSR**") underperformed the market for the most of 2022. Since the beginning of 2023, however, CEREIT's TSR performance has shown encouraging signs of recovery and has been trending upwards, in tandem with improving European outlook."

Healthy demand for high quality assets

CEREIT's portfolio occupancy[1] reached a new high of 96.0% as at 31 December 2022, a 1.0-percentage point increase from the previous year. This was largely driven by near-full occupancies in CEREIT's four core markets – the Netherlands, Italy, France and Germany – that account for about 75% of CEREIT's portfolio value. In addition, as at the end of 2022, the Manager had de-risked about 61% of lease expiries and break options up to June 2023.

CEREIT recorded an overall +5.7% portfolio rent reversion in FY 2022, with 489,214 square metres ("**sqm**") or approximately 26% of the portfolio leased or renewed during the year. The leasing pace in 2H 2022 was stronger as compared to the first half of 2022 ("**1H 2022**"), with approximately 18% of the portfolio leased or renewed during the period at +7.6% rent reversion. Portfolio's weighted average lease expiry ("**WALE**") was 4.6 years as at 31 December 2022, unchanged y-o-y.

The light industrial / logistics portfolio reached a new record-high occupancy of 98.1% at the end of December 2022, up 2.4-percentage points y-o-y. Core CEREIT markets comprising France, Germany and the Netherlands were all near or at full occupancy. In 2H 2022 alone, the asset management team executed 172,311 sqm in new leases and renewals at +8.2% rent reversion rate, representing 60% of the overall light industrial / logistics leasing for the year. Notably, key assets in France (Parc des Docks in Paris), Italy (Via dell'Industria 18 in Vittuone, Milan), Denmark (Islevdalvej 142 in Rødovre) and the Czech Republic (Nove Mesto ONE Industrial Park III in Rakoľuby) achieved significant lease renewals in 4Q 2022.

Leasing activity in CEREIT's office portfolio picked up pace in 2H 2022, with 46,222 sqm (or close to 70% of office space leased during the year) in new leases and renewals signed at a +5.8% rent reversion rate, driven primarily by demand for Grade A offices. Notably, a major oil company will be a new addition to CEREIT's roster of over 800 quality tenant-customers, having signed a 10-year lease for approximately 4,000 sqm at a +36% rent reversion at Haagse Poort in The Netherlands in November 2022 for an August 2023 start date, and a further 2,600 sqm on the same terms in February 2023. Overall, year-end office portfolio occupancy dipped slightly to below 90% (excluding the new leases in Haagse Poort).

Approximately 92% of CEREIT's income is backed by government-linked and MNC tenant-customers, providing income resilience and cash collection, with no material change in debtors.

Resilient portfolio

CEREIT's portfolio had an appraised value of approximately €2.5 billion as at 31 December 2022 – a marginal 1.6% or €39.3 million decline from the previous valuations as at 30 June 2022. CEREIT portfolio's net initial yield of 5.7% has not moved significantly over the past four years and its relatively high spread to interest rates provided some downside protection in FY 2022. Valuers' expectations of estimated rental value growth and rent reversion have offset the cap rate decompression due to rising interest rates in most markets, except in the UK, where valuations were most impacted. As a result, CEREIT portfolio's reversionary yield stood at 6.9% as at 31 December 2022.

Transactions update

In FY 2022, the Manager acquired a total of five light industrial / logistics / life science assets for an aggregate amount of approximately €107 million at a blended net operating income yield ("**NOI**") of 7.4%, 11% below acquisition valuations. In line with the Manager's focus on capital recycling and improving the risk-return quality of CEREIT's portfolio, five divestments were completed in FY 2022, for a total sale consideration of €41 million, at a blended 20% premium to valuation.

All in all, the Manager completed approximately €427 million in acquisitions with an average 6.2% NOI yield over the last three years up to 31 December 2022, continuing the pivot to logistics.

Divestments and developments to enhance the portfolio

The Manager has made good progress on CEREIT's €250 million development and asset enhancement initiatives medium-term pipeline.

Construction work is well-advanced at the €32 million Via Nervesa 21 redevelopment in Milan, Italy. The project will provide 10,000 sqm of 'LEED[4] Platinum' and 'WELL Gold' certified Grade A office space equipped with high-quality amenities and the latest technologies, ready for occupation in the first quarter of 2024. The Manager is pleased to report a pre-leasing commitment by a global media company for 44% of the lettable area a year ahead of completion. Due to the lack of available quality office space in Milan (Grade A vacancy of only 2.6%), the leasing agents are managing multiple enquiries for the remaining space, confirming CEREIT's strategy of rejuvenating well-located older assets in major European cities.

The project for a Grade A platinum office in the Rome's *San Giovanni* district is well-progressed. The €45 million construction project is subject to final building permits (expected during FY 2023), with preliminary strip-out works commencing in March 2023.

The €15 million Lovosice ONE Industrial Park I logistics development in The Czech Republic is also well-progressed. The existing 2,611 sqm building has already been repurposed for logistics use and received operating permits. Czech logistics company, Lorenc Logistic s.r.o. moved into the refurbished building in January 2023. Construction of five new warehouse units spanning a total lettable area of 14,679 sqm is expected to complete in June 2023. Five-year leases for two of the five units have already been signed with a German third-party logistics tenant-customer Fiege and the leasing team is in advanced negotiations for the remaining three units (around 9,000 sqm).

The longer-term Parc des Docks redevelopment in Paris is currently in phase 3 of multi-year planning process and has potential for a significant increase in the total lettable area with the development of a multi-level logistics and light industrial space and other mixed-use and public facilities.

Responsible capital management

CEREIT had ample liquidity of ~€200 million in cash and undrawn revolving credit facility as at 31 December 2022. All financial metrics were well within covenants. Aggregate leverage[5] and net asset value ("**NAV**") per Unit stood at 39.4% and €2.42 respectively as at 31 December 2022, as already reported in the Manager's 31 January 2023 announcement on SGXNET. CEREIT's interest coverage ratio[2] remained high at 6.1x as at 31 December 2022.

The Manager completed the majority of its near-term refinancing during the year. €180 million worth of new unsecured sustainability-linked 4-year loan facility was obtained from OCBC, HSBC, QNB and RHB, with HSBC and OCBC acting as sustainability advisers. A new sustainability-linked facility is in the final stages of documentation with existing lenders to primarily refinance the €50.6 million November 2023 facility. CEREIT has no major debt expiring until November 2024. Weighted average debt expiry stood at 2.9 years as at 31 December 2022. Assuming that the 3-month Euribor increases to 3.00% from 2.13% (as at 31 December 2022), CEREIT's all-in interest rate would only increase marginally from 2.38% to 2.62% due to the high level of 78% of hedged / fixed debt. On 12 October 2022, Fitch Ratings Singapore Pte Ltd reaffirmed CEREIT's "BBB-" investment-grade credit rating with "Stable Outlook".

ESG highlights

Meaningful upgrades in key ESG ratings over the course of 2022 speaks volumes of the Manager's efforts to integrate sustainability into all aspects its business. CEREIT received a double-notch upgrade in MSCI ESG rating from "BBB" in 2021 to "AA" in 2022, placing CEREIT as one of only four Singapore REITs to attain a rating at this level. Earlier in the year, Sustainalytics assigned CEREIT the lowest ESG Risk Rating of 'Negligible Risk' with a score of 8.8 points. In addition to ranking first in its Sustainalytics-selected peer group, CEREIT is also in the top 300 out of 15,000 ranked companies globally and in the top 20 out of over 450 REITs globally.

CEREIT also maintained its 'Green Star' status in the Global Real Estate Sustainability Benchmark ("**GRESB**") assessment for the third consecutive year, scoring 79 points overall. CEREIT's score increased by three points year-on-year and outperformed the Global and European average, placing it 2nd out of 7 of its European Diversified Office / Industrial listed peers.

Macroeconomic outlook

The Eurozone economy has shown remarkable resilience and is likely to avoid a recession with the latest 2023 forecasts being marginally positive. According to Oxford Economics[6], real GDP and CPI growth for the Eurozone is forecast to be 0.4% and 4.9%, respectively. Heightened geopolitical risks such as the ongoing Russia-Ukraine war, global trade and energy prices remain.

Inflation appears to have peaked after falling rapidly in January 2023, driven down by lower energy prices. Low unemployment of under 7% in the Eurozone and labour shortages provide resilience on one hand and ceiling to growth on the other.

Current higher interest costs with 3-month Euribor now 2.6% will likely temper growth, with the market currently implying 3.7% by the end of the year[7].

Real estate fundamentals support portfolio resilience

According to CBRE Research, European logistics vacancy in CEREIT's key markets remains at an all-time low of 2.4%, boosted by strong European occupier market fundamentals and a rapid rise in the demand for e-commerce and onshoring trends.

As the take-up of European office spaces gradually returns to pre-pandemic levels, a bifurcation in the demand between Grade A assets and Grade B / C grade buildings in less favourable locations is set to increase, as seen in CEREIT's five key office markets where average 4Q 2022 Grade A office vacancy was at a low of 3.9%. In terms of office leasing activities, leasing volumes rose for the 7th consecutive quarter. Overall, while the rental values of well-located assets continue to grow positively, vacancy rates remain stable at an average of 8.8% across all grades of office spaces[8].

Looking ahead

Mr. Garing concluded, "The European economy has shown remarkable resilience. Economists have upgraded their Eurozone real GDP growth forecasts. The energy crisis appears to be contained and inflationary pressures are gradually fading. While market fundamentals in logistics and Grade A office sectors in Europe are supportive, continuing rising interest rates could cause further valuation declines.

"CEREIT's income growth will be supported by high occupancy, rising market rents and indexation. Sustainable developments and asset enhancements will further improve the overall quality of the portfolio and provide growth in DPU and NAV over the medium term. Approximately €400 million in non-strategic asset divestments will be staggered over the next two to three years to fund the development programme and offset any potential pressure on LTV. The Manager's rejuvenation strategy and rising interest rates may have a small negative impact on earnings in the short term.

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

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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 €2.5 billion portfolio comprises 110+ predominantly freehold properties 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 two million sqm and 800+ tenant-customers.

CEREIT is listed on the Singapore Exchange Limited and is managed by Cromwell EREIT Management Pte. Ltd., a wholly-owned subsidiary of CEREIT's sponsor, Cromwell Property Group[9], a real estate investor and global real estate fund manager with operations in 14 countries, listed on the Australian Securities Exchange Ltd.

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[1] Occupancy calculation is excluding the hard refurbishment/development projects in Via Nervesa 21 (Italy), Rome Amba Aradam (Italy) and Lovosice ONE (the Czech Republic)
[2] Calculated as net income before tax and fair value changes and finance costs divided by interest expense. ICR calculated per the PFA (including amortised debt establishment in the numerator) is 5.3x. Adjusted ICR calculated per the PFA, which includes distributions on perpetual securities, is 4.9x. Interest Cover as per EMTN prospectus (excluding amortised establishment cost) is 7.0x
[3] For the period on 14 January 2020 to 15 February 2023, inclusive. Total return assuming dividend reinvested on a compounded basis
[4] Leadership in Energy and Environmental Design
[5] Calculated as per the Property Funds Appendix ("PFA"). Leverage Ratio as per the EMTN prospectus is 38.2%, defined as consolidated net borrowings (including capitalised finance leases and excluding cash and cash equivalents) divided by consolidated total assets
[6] Forecast as at January 2023
[7] Source: Thomson Reuters Eikon 22 February 2023
[8] The overall average quarterly office vacancy rate across CEREIT's countries with exposure to offices – France, Italy, The Netherlands, and Poland
[9] 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)