

ELITE COMMERCIAL REIT REPORTS 1H 2023 DPU OF 1.94 PENCE¹; DIVESTS VACANT ASSETS ABOVE VALUATION

- **Distribution per Unit (“DPU”) was 1.94 pence¹ in 1H 2023, grew 6.4% quarter-on-quarter**
- **Higher revenue mainly due to rent escalation of about 13.1% for 136 assets following inflation-linked rental uplift effective 1 April 2023**
- **Proposed divestments of Openshaw Jobcentre, Manchester and John Street, Sunderland for £1.1 million, at about 14.4% premium to valuation, with another three vacant assets in advanced stages of divestment**
- **Recycled gross proceeds² largely go towards executing ongoing asset management strategy and reducing gearing**

Summary of Financial Results

	1H 2023	1H 2022	Variance (%)
Revenue (£'000)	19,098 ⁽³⁾	18,474	3.4
Amount generated during the period for distribution to Unitholders (£'000)	9,340	12,244	(23.7)
Distribution per Unit (“DPU”) – pence	1.94 ⁽¹⁾	2.56	(24.2)

SINGAPORE, 7 August 2023 – Elite Commercial REIT Management Pte. Ltd., the manager (the “**Manager**”) of Elite Commercial REIT (“**Elite REIT**” or the “**REIT**”), today announced the REIT’s financial results for the six months ended 30 June 2023 (“**1H 2023**”).

Proposed Divestments 14.4% Above Valuation

The REIT has entered into a sale and purchase agreement for the sale of two of its properties – Openshaw Jobcentre, Manchester and John Street, Sunderland – for an aggregate sale consideration (“**Sale Consideration**”) of £1.1 million. In addition, the divestments⁴ of three other

¹ Based on 100% payout ratio. At 90% payout ratio, the DPU for 1H 2023 is 1.74 pence.

² Total dilapidation settlements received for four assets as at 30 June 2023 and the estimated gross disposal proceeds from Openshaw Jobcentre, Manchester and John Street, Sunderland.

³ Includes £0.4 million of straight-line rent adjustments.

⁴ Subject to ongoing legal documentation.

vacant assets are in advanced stages and the aggregate divestments are estimated to be above book value.

The Sale Consideration represents an approximately 14.4% premium to the properties' valuation as at 31 July 2023. The divestments of these properties are part of the REIT's proactive asset management strategy to maximise value outcomes and minimise holding costs.

A portion of recycled gross proceeds went towards the repayment of loans, which resulted in savings in borrowing costs, as well as the lowering of holding costs of the vacant properties. Consequentially, this improved the gearing ratio and net asset value as at 30 June 2023.

In addition to the divestments, the Manager has finalised the dilapidation settlements for four assets following collaborative negotiations with the REIT's primary occupier. Dilapidation settlement is a unique term in Elite REIT's lease agreements, in which the Manager will negotiate with tenants on a sum to be paid in full for the final release of reinstatement liabilities.

Resilient Financial Performance

1H 2023 revenue grew 3.4% to £19.1 million compared to the previous corresponding period ("**1H 2022**"), lifted by net annualised inflation-linked rent escalation of 13.1% for 136 assets and partially offset by the vacancy of eight assets, effective 1 April 2023.

Amount generated during the period for distribution to Unitholders saw a growth of 5.9% to £4.8 million when compared to the previous quarter ("**1Q 2023**"), driven by lower debt levels, but offset by increased borrowing costs from higher interest rates.

1H 2023 DPU stood at 1.94 pence. At 90% payout ratio, Unitholders can expect to receive 1.74 pence, which translates to an annualised yield of 11.5%⁵. The retention of 10% of distributable income will help to strengthen Elite REIT's financial position and help de-risk the REIT. The record date is on 16 August 2023, and payment is expected to be made on 21 September 2023.

⁵ Based on closing unit price of £0.305 as at 30 June 2023.

Stable NAV

Elite REIT's net asset value (“NAV”) per unit remains stable at £0.51 as at 30 June 2023. The Manager expects borrowing costs for Elite REIT to remain elevated in the next 12 months as the Bank of England (“BoE”) tackles persistent inflation. About 62% of the interest exposure is fixed.

Improved Gearing Ratio

Gearing ratio improved to 46.0%, lower by approximately 60 basis points compared to 31 March 2023, with no refinancing requirement until November 2024. The Manager aims to reduce gearing further through strategic capital recycling as well as asset management strategies to increase the value of the REIT's assets.

Stable Lease Profile and Income Visibility

Elite REIT maintained a high portfolio occupancy rate of 92.1% as at 30 June 2023, with 99.9% of the rent for the three-month period of July 2023 to September 2023 collected in advance and within seven days of the due date. The portfolio's weighted average lease expiry (“WALE”) stood at 4.5 years as at 30 June 2023. A majority of the leases are signed directly with the UK Government⁶, hence providing credit stability and income certainty.

Mr. Joshua Liaw, Chief Executive Officer of the Manager said: “Amidst the current macroeconomic and market uncertainties, Elite REIT has demonstrated resilience in maintaining portfolio stability while providing stable income to Unitholders. The recent rent escalation review contributed positively to the overall financial performance of the REIT.

“The realisation of divestment proceeds at a premium to valuations clearly reflect the intrinsic value of the underlying portfolio of assets that we manage. In addition, the successful dilapidation settlement negotiations add on to the proven track record of our team's investment and asset management efforts and capabilities in delivering a positive outcome for each asset via proactive tenant engagement strategies.”

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⁶ A majority of the leases are signed by the Secretary of State for Levelling Up, Housing and Communities, which is a Crown Body.



ELITE COMMERCIAL REIT

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About Elite Commercial REIT

Listed on Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 6 February 2020, Elite Commercial REIT is the first and only UK-focused REIT listed in Singapore.

The REIT’s portfolio (“**Portfolio**”) comprises 155 predominantly freehold⁷ commercial buildings strategically located and geographically diversified across the UK with an aggregate value of £466.2 million^{8,9}. The Portfolio has a total net internal area of approximately 3.9 million square feet and a total site area of approximately 72 hectares.

The Portfolio offers a stable cash flow with over 99.0% of the gross rental income derived from the AA-credit rated UK Government and a long weighted average lease expiry of 4.5 years¹⁰. The leases are on full repairing and insuring¹¹ (“**FRI**”) basis and the Portfolio is primarily occupied by the Department for Work and Pensions (“**DWP**”), the UK’s largest public service department that is responsible for welfare, pensions and child maintenance. DWP is a uniquely resilient occupier and the Portfolio is part of the crucial public infrastructure through which DWP provides services to the community.

The REIT’s key objectives are to provide Unitholders with regular and stable distributions and to achieve long-term growth in distribution and net asset value per unit, while maintaining an appropriate capital structure through disciplined execution of its key strategies.



For more information, please visit
<https://elitecreit.com/>



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⁷ Of the 155 properties, 150 properties are freehold properties and 5 properties are on long leasehold tenures.

⁸ As at 31 December 2022.

⁹ Portfolio value is the fair value of investment properties, based on independent professional valuations.

¹⁰ As at 30 June 2023.

¹¹ Under a full repairing and insuring lease, commonly known as triple net lease, the responsibility for the repair of the external and internal parts as well as the structure of the property is placed with the tenant for occupied assets.



ELITE COMMERCIAL REIT

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