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EUROPEAN REIT



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# Proposed Acquisition

Portfolio of Eleven Light Industrial / Logistics Assets in  
the Czech Republic and Slovakia

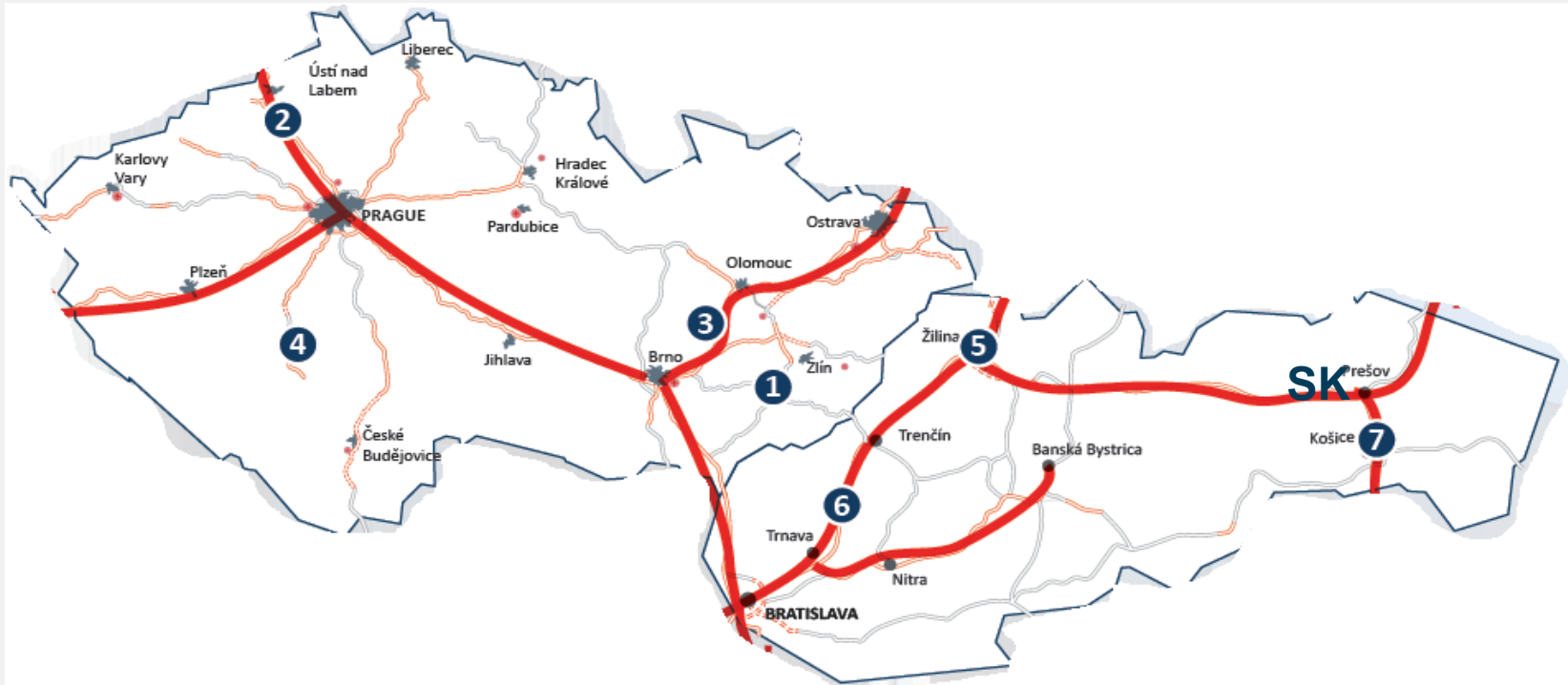
11 December 2020



# Rationale for and Key Benefits of the Acquisition

<p><b>1</b> Consistent with the Manager's investment strategy</p>	<ul style="list-style-type: none"> <li>Higher exposure to logistics, light industrial and in-demand sectors enjoying macro tailwinds at attractive yields</li> <li>Access to two new and attractive Central Europe logistics markets, whilst maintaining core focus on Western Europe</li> </ul>
<p><b>2</b> DPU-accretive acquisitions at attractive yields</p>	<ul style="list-style-type: none"> <li>Purchase price of €113.2 million, 2.1% below the independent valuation of €115.6 million, and on an average net operating income yield of 6.7%<sup>1</sup> across 11 warehouses and light industrial facilities</li> <li>Expected to translate to a DPU accretion of 4.9%<sup>2</sup></li> </ul>
<p><b>3</b> Further diversification of CEREIF's portfolio to Czech Republic and Slovakia</p>	<ul style="list-style-type: none"> <li>Attractive Central European markets with high GDP growth potential and very high or high credit quality</li> <li>Leases are mostly Euro-denominated and linked to Euro-zone consumer price index</li> </ul>
<p><b>4</b> Modern freehold properties on valuable freehold land</p>	<ul style="list-style-type: none"> <li>Located in good micro-locations in established business parks and include ~140,700 sq m of permitted development land</li> <li>Increases the proportion of freehold<sup>3</sup> in CEREIF's portfolio from 91.7% to 92.1%</li> </ul>
<p><b>5</b> Increased resilience from size and diversification</p>	<ul style="list-style-type: none"> <li>Further increases CEREIF's exposure to stable, relatively high-yielding logistics and light industrial sectors from 32.3%<sup>4</sup> to 35.8%</li> <li>Geographical diversification into nine countries, with two new higher-growth countries with higher yields</li> <li>Increases tenant-customer diversification and trade sector diversification with 17 new, mostly international tenant-customers predominantly in logistics sector</li> <li>Reduces concentration risk in the top 10 tenant-customers (32.6%<sup>4</sup> to 31.3% based on headline rent)</li> </ul>
<p><b>6</b> Leveraging the Sponsor's integrated European asset management platform</p>	<ul style="list-style-type: none"> <li>Sponsor's platform capabilities integral in the off-market acquisitions of assets across key European cities with presence in both Czech Republic and Slovakia and more than 10 years of track record in Central Europe</li> <li>Sponsor's on-the-ground asset management team well positioned to actively manage the assets to drive improved operating and financial performance with offices in Prague, Warsaw and now Bratislava</li> </ul>

# Portfolio Location Overview



## Czech Republic Properties

- (1) Uherské Hradiště (Uherské Hradiště Alfa CZ Asset)
- (2) Lovosice (Lovosice Gama CZ Asset and Lovosice Beta CZ Asset)
- (3) Vyškov (Vyškov Delta CZ Asset)
- (4) Písek (Písek Epsilon CZ Asset and Písek Eta CZ Asset)

## Slovakia Properties

- (5) Žilina (Žilina Alfa SK Asset)
- (6) Nove Mesto nad Vahom (Nove Mesto Gama SK, Nove Mesto Delta SK Asset, and Nove Mesto Eta SK Asset)
- (7) Košice (Košice Epsilon SK Asset)

# Overview of the Czech Properties (1)



	Lovosice Beta CZ Asset	Lovosice Gama CZ Asset	Písek Epsilon CZ Asset
<b>Key Information</b>	Industrial warehouses located in Lovosice, which is situated along the D8 motorway that is part of the European E55 route connecting the Swedish Helsingborg with Greek Kalamáta, through Denmark, Germany, Czech Republic, Austria and Italy		A Class A logistics site with direct connection to the city ring road, D4 motorway, main roads to Prague and the regional capitals of České Budějovice and Plzeň
<b>Title</b>	Freehold	Freehold	Freehold
<b>Address</b>	Tovární 1161, Lovosice, 410 02, the Czech Republic	Průmyslová 1190, 410 02 Lovosice, the Czech Republic	Stanislava Maliny 464, 397 01, Písek, the Czech Republic
<b>GLA<sup>1</sup> (sq m)</b>	2,763	17,199	4,235
<b>Type</b>	Light Industrial	Light Industrial	Logistics
<b>WALE<sup>2</sup> (years)</b>	3.8	4.2	10.6
<b>Occupancy<sup>3</sup> (%)</b>	100	99.9	100
<b>Independent Valuation<sup>4</sup> (€ million)</b>	4.1	14.5	4.0
<b>Property Purchase Price<sup>5</sup> (€ million)</b>	3.2	14.1	4.2
<b>Number of Tenant-Customer(s)</b>	1	2	1
<b>Key Tenant-Customer(s)</b>	Fukoku Czech s.r.o.	Fiege s.r.o., CTE Cargo	CSS spedition s.r.o.



# Overview of the Czech Properties (2)



	Písek Eta CZ Asset	Vyškov Delta CZ Asset	Uherské Hradiště Alfa CZ Asset
Key Information	A Class A logistics site with direct connection to the city ring road, D4 motorway, main roads to Prague and the regional capitals of České Budějovice and Plzeň	A industrial warehouse in Vyskov, located in south-eastern part of the Czech Republic. It is located along the D1 highway connected to Brno, the regional capital city (30 km away), and gives easy access to Austria and Slovakia (approximately 60 km)	A modern production plant located in an established industrial park with excellent transport links to Slovakia and South Moravia. The site is located in Uherské Hradiste, a city in the eastern region of the Czech Republic
Title	Freehold	Freehold	Freehold
Address	E49, 397 01, Písek, the Czech Republic	Cukrovarská 494/39, Město, 682 01 Vyškov, the Czech Republic	Jaktáře 1752, 686 01, Uherské Hradiště, the Czech Republic
GLA <sup>1</sup> (sq m)	2,513	11,154	13,222
Type	Logistics	Light Industrial	Light Industrial
WALE <sup>2</sup> (years)	10.8	8.6	10.5
Occupancy <sup>3</sup> (%)	100	100	100
Independent Valuation <sup>4</sup> (€ million)	1.7	11.8	15.3
Property Purchase Price <sup>5</sup> (€ million)	1.7	11.5	16.1
Number of Tenant-Customer(s)	1	1	1
Key Tenant-Customer(s)	CSS spedition s.r.o.	Rompa CZ	FORSCHNER, spol. s.r.o.

# Overview of the Slovakian Properties (1)



	<b>Novo Mesto Gama SK Asset</b>	<b>Novo Mesto Delta SK Asset</b>	<b>Novo Mesto Eta SK Asset</b>
<b>Key Information</b>	All three assets are modern logistics warehouses located in Nové Mesto nad Váhom, about 23 km from the town of Trenčín at the Czech and Slovak border corridor. The city is strategically located by the D1 motorway connecting Bratislava and Zilina, also connecting Slovakia with Hungary and Poland		
<b>Title</b>	Freehold	Freehold	Freehold
<b>Address</b>	NMnV, 916 31 Kočovce, Slovakia	Beckov 645, 916 38, Slovakia	Kočovce 241, 916 31, Slovakia
<b>GLA<sup>1</sup> (sq m)</b>	14,719	17,762	25,065
<b>Type</b>	Logistics	Logistics	Logistics
<b>WALE<sup>2</sup> (years)</b>	1.3	2.5	2.5
<b>Occupancy<sup>3</sup> (%)</b>	100	100	82.7
<b>Independent Valuation<sup>4</sup> (€ million)</b>	10.2	17.2	17.9
<b>Property Purchase Price<sup>5</sup> (€million)</b>	9.6	16.9	16.2
<b>Number of Tenant-Customer(s)</b>	1	2	1
<b>Key Tenant-Customer(s)</b>	Raben Logistics Slovakia S.R.O	FC ecom, s.r.o. and TPL Slovakia, s.r.o.	C & A Mode s.r.o.

# Overview of the Slovakian Properties (2)

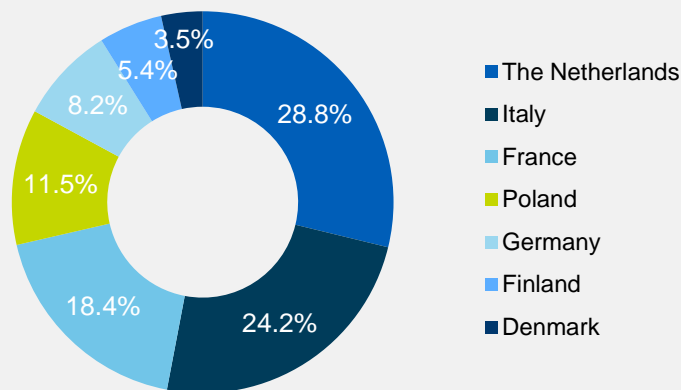


	Žilina Alfa SK Asset	Kosice Epsilon SK Asset
<b>Key Information</b>	A modern production plant located in Žilina, the fourth largest Slovakian city and the main industrial hub of the upper Váh river basin region. The D1 motorway connects Žilina with Bratislava, Vienna and Budapest	Two modern industrial warehouses located in a new industrial zone in Veľká Ida, approximately 18 km to the south-west from the centre of Košice
<b>Title</b>	Freehold	Freehold
<b>Address</b>	Priemyselná 1, 013 02 Nededza, Slovakia	044 55 Veľká Ida, Slovakia
<b>GLA<sup>1</sup> (sq m)</b>	5,044	11,759
<b>Type</b>	Light Industrial	Light Industrial
<b>WALE<sup>2</sup> (years)</b>	1.0	15.3
<b>Occupancy<sup>3</sup> (%)</b>	100	100
<b>Independent Valuation<sup>4</sup> (€ million)</b>	4.6	14.4
<b>Property Purchase Price<sup>5</sup> (€ million)</b>	5.0	14.6
<b>Number of Tenant-Customer(s)</b>	1	1
<b>Key Tenant-Customer(s)</b>	Grupo Antolin Bratislava s.r.o.	Steelcon Slovakia

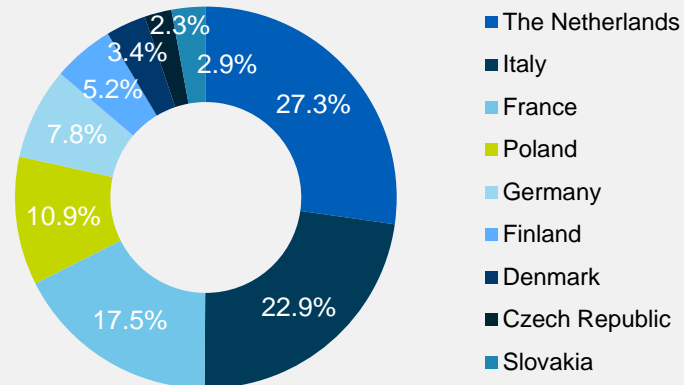
# Portfolio Composition – Before and After

Consistent with CEREIT's strategic objective of increasing its portfolio weighting of light industrial / logistics segment

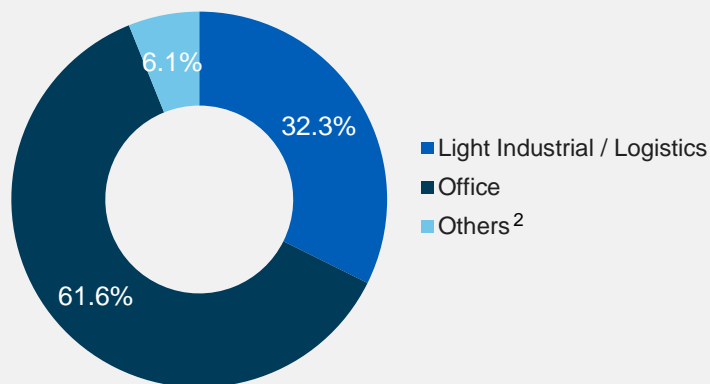
Portfolio<sup>1</sup> Composition by Geography  
(Before This Acquisition)



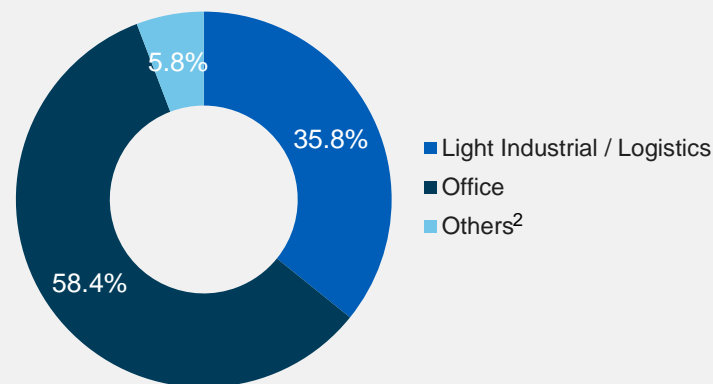
Portfolio<sup>1</sup> Composition by Geography  
(Including This Acquisition)



Portfolio<sup>1</sup> Composition by Sector  
(Before this Acquisition)



Portfolio<sup>1</sup> Composition by Sector  
(Including This Acquisition)

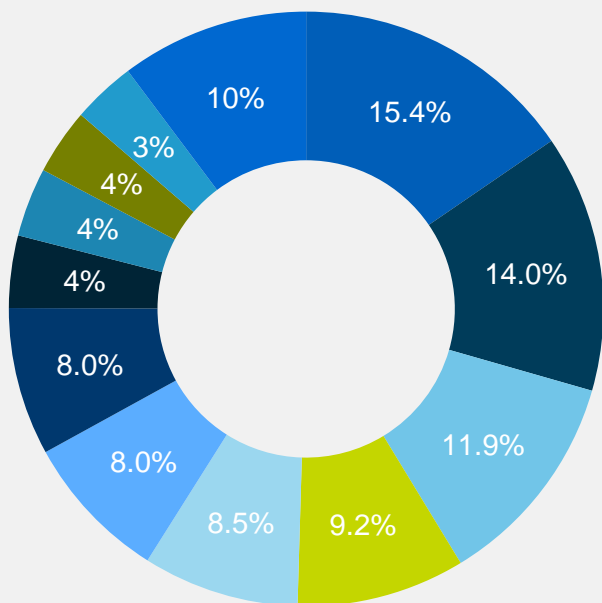




# Portfolio Composition – Before and After

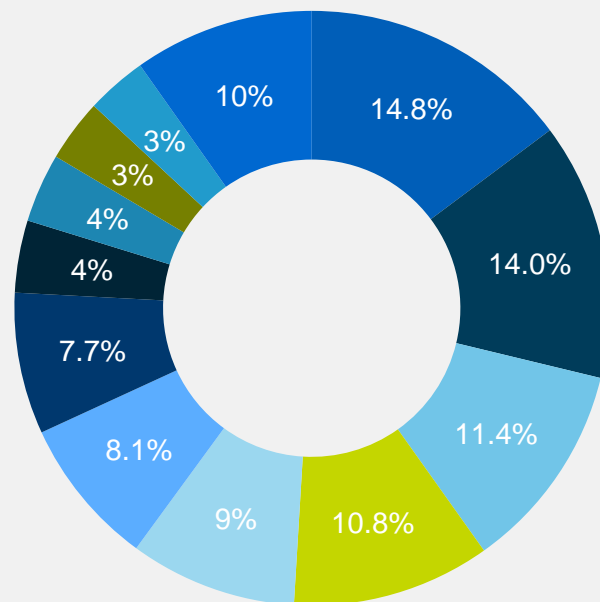
Reduces concentration risk in the top 10 tenant-customers (32.6%<sup>1</sup> to 31.3% based on headline rent)

Tenant-Customers by Trade Sector<sup>1</sup>  
(Before This Acquisition)



- Public Administration
- Wholesale - Retail
- Financial - Insurance
- Manufacturing
- IT - Communication
- Transportation - Storage
- Professional - Scientific
- Entertainment
- Administrative
- Real Estate
- Accommodation
- Others

Tenant-Customers by Trade Sector<sup>1</sup>  
(Including This Acquisition)



- Public Administration
- Wholesale - Retail
- Financial - Insurance
- Manufacturing
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- Entertainment
- Administrative
- Real Estate
- Accommodation
- Others

# Czech Republic

## Light Industrial / Logistics Market Outlook

### Country

- One of the most developed industrial economies in Central Europe, a prosperous market economy that boasts one of the highest GDP growth rates and lowest unemployment levels in the EU (and has done in the last few years).
- The largest part of the country's GDP comes from the service sector (55%). The agricultural sector only contributes 5%. One of the most important aspects of the economy is its integration into the German supply chain. Many German international corporates, especially those in the automotive industry, have their factories and subsidiaries in the Czech Republic.
- The Czech Republic acceded to the EU in 2004 but has yet to join the Eurozone. The flexible koruna helps the Czech Republic weather external shocks and is one of European Union's 11 currencies. The Czech Republic is legally bound to adopt the euro currency in the future. All but two leases in the portfolio, contributing 5.0% of the total rent, are Euro-denominated.
- The closure of borders at the end of March complicated international logistics processes. Overall, real GDP is expected to fall by 6.9% on a year on year basis in 2020, with consumption down by 5.7%. The Czech economy is expected to recover towards the end of 2H 2020 followed by 4.0% growth in 2021.
- The Czech Republic is rated an AA- by Fitch Ratings Inc.

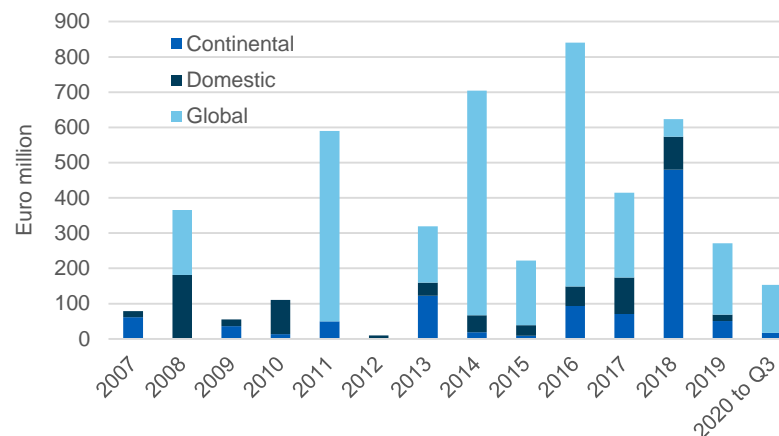
### Economy

Indicator	2019	2020	2021 Outlook (vs 2020)
GDP Growth	2.3%	-6.9%	↗
Industrial Production	-0.4%	-8.8%	↗
Consumer Prices, average	2.8%	3.2%	↘
Population (millions)	10.7	10.7%	↗
Population Growth Rate	0.3%	0.2%	↘
Unemployment Rate	2.8%	3.6%	↗

Annual % change unless specified

- The industrial sector increasingly looks to be the main engine of recovery, boosted by strengthening foreign demand and less affected by the containment measures.
- The labour market has remained resilient with the unemployment rate staying at 3.9% in October. But, it is reliant on support from the furlough scheme and households are saving more as a precautionary measure.

### Industrial Volumes by Capital Source



### Occupational Market

- Leasing activity eased during 3Q 2020, with deals taking longer to execute, with the take-up volume reaching 141,000 sq m across the Czech Republic – 26% below the volume leased in 2Q 2020. The amount leased in the year so far is 35% less than over the same period in 2019, although 2019 was a particularly active year for occupiers.
- Manufacturing companies were responsible for the bulk of demand in the third quarter, accounting for in excess of 40% of the total volume. Distribution companies were also active with a market share of 25%.
- The demand for new, high quality space has led to an increase in pre-letting activity as occupiers look to secure the best space in the most strategic locations. Notably, the largest transaction in 3Q 2020 was a new lease spanning 21,500 sq m in Prologis Park Prague-Užice, signed by an automotive company.
- 43,000 sq m was leased on a short-term basis by logistics companies in order to cope with an increase in demand brought on by COVID-19 and more retail moves online.
- With occupiers targeting prime space in central locations, the vacancy rate in Prague fell in 3Q 2020 to 1.6%, its lowest on record. However outside of Prague, the vacancy rate is higher at around 6.0% with a proportion of older, harder-to-let stock.
- The development pipeline is healthy with 370,000 sq m currently under construction, but 65% of this has already been leased, so a large increase in the vacancy rate is unlikely.

Sources:

Oxford Economics - Czech Republic Economic Forecast 27 November 2020  
 Real Capital Analytics – data as at 28 October 2020  
 Colliers – Market discussion with local research team 21 October 2020  
 CBRE – Czech Republic big box industrial snapshot 3Q 2020

# Slovakia

## Light Industrial / Logistics Market Outlook

### Country

- With a population of 5.4 million, Slovakia has a small, open economy driven mainly by automobile and electronics exports. Slovakia's economy suffered from a slow start in the first years after its separation from the Czech Republic in 1993, due to the country's authoritarian leadership and high levels of corruption, but economic reforms implemented after 1998 have placed Slovakia on a path of strong growth.
- Slovakia joined the EU in 2004 and the euro zone in 2009. The Slovak Republic adopted the Euro after 16 years of using Slovak Koruna. The country's banking sector is sound and predominantly foreign owned. Slovakia has been a regional Foreign Direct Investment champion for several years, attractive due to a relatively low-cost yet skilled labour force, and a favourable geographic location in the heart of Central Europe. Exports and investment have been key drivers of Slovakia's robust growth in recent years. The unemployment rate fell to historical lows (pre-COVID-19), and rising wages fuelled increased consumption, which played a more prominent role in GDP growth.
- The main source of capital investment into Slovakia has traditionally been from international investors, and so far in 2020, investors from Asia (Singapore and China) and Europe (Austria) have been the most active. Western Slovakia continues to be the most attractive area of the country for investors, in particular the wider Bratislava region.
- The real GDP is forecasted to drop by 7.4% in 2020, and improve significantly to 5.3% in 2021. Slovakia is rated at A by Fitch Ratings Inc.

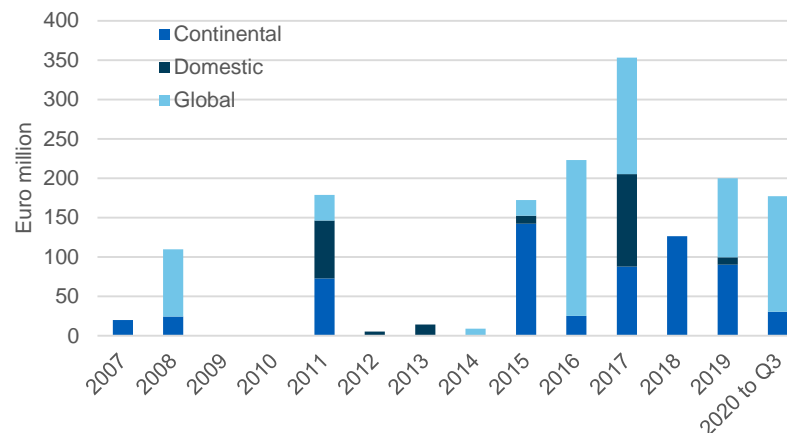
### Economy

Indicator	2019	2020	2021 Outlook (vs 2020)
GDP Growth	2.3%	-5.6%	↗
Industrial Production	0.5%	-9.3%	↗
Consumer Prices, average	2.7%	1.8%	↘
Population (millions)	5.5	5.5	↗
Population Growth Rate	0.1%	0.1%	↘
Unemployment Rate	5.8%	7.2%	↗

Annual % change unless specified

- The resurgence of COVID-19 cases has seen the government re-impose containment measures which will serve to slow growth in 4Q 2020 and weigh on consumption.
- Consumers shift part of their expenditures from services into retail while also building up precautionary savings in the face of more job uncertainty.
- Industrial output recovered to pre-pandemic levels in 3Q 2020, aided by strengthening external demand.

### Industrial Volumes by Capital Source



### Occupational Market

- Total leasing activity in Slovakia during 3Q 2020 reached 66,000 sq m, which represents a 16% decrease from 2Q 2020. This took the total volume for the year so far to 212,000 sq m, which is 14% less than the space taken over the same period in 2019.
- While the early recovery of the automotive sector is evident, the supply chain will likely remain disrupted in the near term, but will stir demand in the medium to longer term as companies look to take on extra inventory.
- Online retailers were the most active in the third quarter and accounted for 38% of total leasing activity. Third party logistics providers were also active, accounting for 36%. E-commerce, pharmaceutical, food, retail and logistics service providers have all benefitted during the pandemic and as a result several extra short-term leases have been agreed in order to keep up with demand.
- The majority of activity continues to take place in Bratislava, with 77% of leases in 3Q 2020 signed there. As a result of this demand, the vacancy rate for Bratislava recorded 7.6% in 3Q 2020, compared to 10.4% outside the capital.
- The development pipeline remains strong and does not appear to be negatively impacted by COVID-19 with few schemes delayed due to the pandemic. There is currently 144,000 sq m under construction, with 50% of this space already leased. The majority of space is due to be delivered in Bratislava.

Sources:

Oxford Economics - Slovak Republic Economic Forecast 30 November 2020  
 Real Capital Analytics – data as at 28 October 2020  
 Colliers – Market discussion with local research team 21 October 2020  
 CBRE – Slovakia industrial market snapshot 3Q 2020

# Disclaimer

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