Frasers Logistics & Industrial Trust

2QFY19 Results Presentation

26 April 2019
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Contents

- Performance Overview
- Financial Review
- Portfolio Overview
- Outlook and Strategy
2QFY19 Highlights

- **Financial Performance**
  - Higher Adjusted NPI\(^{(1)}\) of A$47.9 million for 2QFY19, up 43.3% from A$33.4 million a year ago
  - 2QFY19 DPU of 1.82 Australian cents, up 7.1% year-on-year ("y-o-y")
  - In SGD terms, 2QFY19 DPU was 1.76 Singapore cents, a decrease of 2.8% y-o-y due to the softening of AUD and EUR against the SGD

- **Capital Management**
  - Healthy balance sheet with gearing of 35.1% and 79% of borrowings at fixed rates as at 31 March 2019

- **Distribution**
  - Declared a distribution of 3.54 Singapore cents for the period from 1 October 2018 to 31 March 2019

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1. Adjusted net property income ("Adjusted NPI") comprises the actual net property income excluding straight lining adjustments for rental income and after adding back straight lining adjustments for ground leases
2QFY19 Highlights

♦ Trading Performance
  – Included in the FTSE EPRA/NAREIT Developed Index (ENGL:IND) since 19 March 2019
  – Unit price up approximately 7.3%\(^{(1)}\) with higher daily average volume

♦ Portfolio Management and AEI\(^{(2)}\)
  – 24,938 sq m of leasing in Australia, including a 10-year lease extension and AEI opportunity for 468 Boundary Road, Derrimut, Victoria
  – AEI involves acquisition of an adjacent 12,320 sq m freehold site

♦ Divestment
  – Announced on 29 March 2019 the divestment of 63-79 South Park Drive, Dandenong South, Victoria, Australia for A$17.25 million (13.1% premium to book value of A$15.25 million)\(^{(3)}\)

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1. Period from 28 February 2019 (being the inclusion announcement date) to 26 April 2019
2. Asset Enhancement Initiative
3. Based on the valuation by CIVAS (VIC) Pty Limited ("Colliers") as at 30 September 2018
## Distribution Details

<table>
<thead>
<tr>
<th>Distribution Details</th>
<th>Timetable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution Period</td>
<td>1 October 2018 – 31 March 2019</td>
</tr>
<tr>
<td>Distribution Per Unit (DPU)</td>
<td>3.54 Singapore cents(^{(1)})</td>
</tr>
<tr>
<td>Ex-date</td>
<td>6 May 2019</td>
</tr>
<tr>
<td>Books Closure Date</td>
<td>7 May 2019</td>
</tr>
<tr>
<td>Distribution Payment Date</td>
<td>26 June 2019</td>
</tr>
</tbody>
</table>

1. Unitholders will have the option to elect to receive the distribution in A$. The conversion rate will be announced later.
# Financial Performance
Quarter ended 31 March 2019

<table>
<thead>
<tr>
<th>(A$’000)</th>
<th>2QFY19</th>
<th>2QFY18</th>
<th>Change (%)</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>59,666</td>
<td>43,575</td>
<td>36.9</td>
<td>- Contributions from the FY2018 European Acquisition, FY2018 Australian Acquisition, and the FY2019 Dutch Acquisition(^2); \textit{which was partially offset by:} &lt;br&gt;• The effect of the FY2018 Divestments(^2)</td>
</tr>
<tr>
<td>Adjusted net property income(^1)</td>
<td>47,866</td>
<td>33,414</td>
<td>43.3</td>
<td>- Higher borrowings drawn to finance the various acquisitions in FY2018 and FY2019 and after taking in the proceeds from the FY2018 Divestments. The weighted average Interest rate excluding upfront related expenses was 2.4% per annum compared to 2.9% per annum for the corresponding quarter.</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(7,239)</td>
<td>(4,883)</td>
<td>48.2</td>
<td>- Contributions from the various acquisitions; \textit{which was partially offset by:} &lt;br&gt;• Higher finance costs; and &lt;br&gt;• Higher current income tax arising from higher distributable income</td>
</tr>
<tr>
<td>Distributable income to Unitholders</td>
<td>36,909</td>
<td>25,866</td>
<td>42.7</td>
<td>- Lower hedged exchange rate of A$1.00: S$0.9666(^3) (2QFY18: A$1.00: S$1.0647) due to weaker AUD and EUR against the SGD &lt;br&gt;• 2QFY19 hedged rate has decreased by 9.2% as compared to 2QFY18</td>
</tr>
<tr>
<td>DPU (Australian cents)</td>
<td>1.82</td>
<td>1.70</td>
<td>7.1</td>
<td></td>
</tr>
<tr>
<td>DPU (Singapore cents)</td>
<td>1.76</td>
<td>1.81</td>
<td>(2.8)</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Net property income excluding straight lining adjustments for rental income and after adding back straight lining adjustments for ground leases

\(^2\) Please refer to Page 2 of FLT’s Financial Statements Announcement dated 26 April 2019 for details of the capitalised terms

\(^3\) A 100 bps increase in the AUD:SGD and EUR:SGD exchange rates relative to their respective distributable income contribution will result in an increase of 0.02 Singapore cents in DPU
## Financial Performance 1 October 2018 – 31 March 2019

<table>
<thead>
<tr>
<th>(A$’000)</th>
<th>1HFY19</th>
<th>1HFY18</th>
<th>Change (%)</th>
<th>Remarks</th>
</tr>
</thead>
</table>
| Revenue                           | 119,190 | 86,005  | 38.6       | • Contributions from the FY2018 European Acquisition, FY2018 Australian Acquisition and the FY2019 Dutch Acquisition\(^{(2)}\); and  
• A$1.2 million early surrender fee received for Lot 63 - 79 South Park Drive, Dandenong South, Victoria  
  which was partially offset by:  
  • The effect of the FY2018 Divestments\(^{(2)}\)                                                                                         |
| Adjusted net property income\(^{(1)}\) | 96,796  | 66,805  | 44.9       |                                                                                                                                                                                                          |
| Finance costs                     | (14,751)| (9,653) | 52.8       | • Higher borrowings drawn to finance the various acquisitions in FY2018 and FY2019 and after taking in the proceeds from the FY2018 Divestments. The weighted average Interest rate excluding upfront related expenses was 2.4% per annum compared to 2.9% per annum for the corresponding period. |
| Distributable income to Unitholders| 73,607  | 51,720  | 42.3       | • Contributions from the various acquisitions;  
  which was partially offset by:  
  • Higher finance costs;  
  • 91.6% of management fees paid in the form of units (1HFY18: 72.8%); and  
  • Higher current income tax arising from higher distributable income                                                                  |
| DPU (Australian cents)            | 3.63    | 3.40    | 6.8        |                                                                                                                                                                                                          |
| DPU (Singapore cents)             | 3.54    | 3.61    | (1.9)      | • Lower hedged exchange rate of A$1.00: S$0.9743\(^{(3)}\) (1HFY18: A$1.00: S$1.0615) due to weaker AUD and EUR against the SGD  
• 1HFY19 hedged exchange rate has decreased by 8.2% as compared to 1HFY18                                                                 |

1. Net property income excluding straight lining adjustments for rental income and after adding back straight lining adjustments for ground leases  
2. Please refer to Page 2 of FLT’s Financial Statements Announcement dated 26 April 2019 for details of the capitalised terms  
3. A 100 bps increase in the AUD-SGD and EUR-SGD exchange rates relative to their respective distributable income contribution will result in an increase of 0.03 Singapore cents in DPU
## Distribution

- FLT manages foreign exchange volatility on its distributable income with hedging instruments and targets to hedge distributions on a rolling six-month basis.

- The lower DPU of 3.54 Singapore cents by 1.9% as compared to 3.61 Singapore cents for 1HFY18, and lower DPU of 1.76 Singapore cents by 2.8% as compared to 1.81 Singapore cents for 2QFY18 was due mainly to:
  - Lower hedged exchange rate of 8.2% for 1HFY19 vs 1HFY18, and 9.2% for 2QFY19 vs 2QFY18.

- FLT has paid out 100% of distributable income since IPO.

### Distribution per Unit

<table>
<thead>
<tr>
<th></th>
<th>Australian Cents</th>
<th>Singapore Cents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1HFY18</td>
<td>3.61</td>
<td>3.40</td>
</tr>
<tr>
<td>2QFY19</td>
<td>3.63</td>
<td>3.40</td>
</tr>
<tr>
<td>1HFY19</td>
<td>3.54</td>
<td>3.61</td>
</tr>
<tr>
<td>2QFY18</td>
<td>3.54</td>
<td>3.61</td>
</tr>
</tbody>
</table>

Australian Cents: 1.82, 1.70, 1.76, 1.81

Singapore Cents: 1.70, 1.81, 1.76, 1.81
The value of investment properties increased 0.8% from A$2,978 million as at 30 September 2018 to A$3,003 million as at 31 March 2019, due mainly to:

- Completion of acquisition of the freehold interest in a prime logistics property in the Netherlands on 31 October 2018. The agreed purchase price for the property was €25.36 million (approximately A$40.56 million);
- Purchase of freehold land adjacent to the CHEP Property for A$0.8 million;

which was partially offset by

- Classification of A$15.3 million for the property at 63-79 South Park Drive, Dandenong South, Victoria, Australia to “Investment Property held for sale” (included within Current assets)

FLT is in a net current liability position as at 31 March 2019. Included in current liabilities is short-term borrowings of A$170 million term loan due in June 2019. The REIT Manager has agreed the refinancing terms for a five-year term loan with its panel of banks and is in an advanced stage of documentation for the facility agreement

<table>
<thead>
<tr>
<th>Balance Sheet (A$’000)</th>
<th>As at 31 Mar 19</th>
<th>As at 30 Sep 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment properties</td>
<td>3,002,650</td>
<td>2,978,204</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>-</td>
<td>1,133</td>
</tr>
<tr>
<td>Current assets</td>
<td>128,364</td>
<td>115,638</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>3,131,014</td>
<td>3,094,975</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>906,313</td>
<td>884,774</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>270,511</td>
<td>266,947</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,176,824</td>
<td>1,151,721</td>
</tr>
<tr>
<td>Net asset value per Unit (A$)</td>
<td>0.95 (1)</td>
<td>0.95 (2)</td>
</tr>
<tr>
<td>Net asset value per Unit (S$)</td>
<td>0.91</td>
<td>0.94</td>
</tr>
</tbody>
</table>

1. Based on an exchange rate of A$1.00:S$0.9602 as at 31 March 2019
2. Based on an exchange rate of A$1.00:S$0.9878 as at 30 September 2018
## Debt

### As at 31 March 2019

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aggregate Leverage</strong></td>
<td>35.1%</td>
</tr>
<tr>
<td><strong>Total Gross Borrowings</strong></td>
<td>A$1,097 million</td>
</tr>
<tr>
<td><strong>Weighted Average Cost of Borrowings(^{(1)})</strong></td>
<td>2.4%</td>
</tr>
<tr>
<td><strong>Average Weighted Debt Maturity</strong></td>
<td>2.4 years</td>
</tr>
<tr>
<td><strong>Interest Rate Exposure Fixed</strong></td>
<td>79%</td>
</tr>
<tr>
<td><strong>Interest Coverage Ratio</strong></td>
<td>7.5 times</td>
</tr>
<tr>
<td><strong>Debt Headroom</strong></td>
<td>A$563 million(^{(2)})</td>
</tr>
</tbody>
</table>

### Debt Maturity Profile

![Debt Maturity Profile Diagram]

Terms for the five-year A$ term loan have been finalised and are in an advanced stage of documentation.

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1. Excluding upfront debt related expenses
2. Prior to reaching the 45.0% aggregate regulatory leverage limit
Capital Management

Investment Properties\(^{(1)}\) and Debt (As at 31 March 2019)

<table>
<thead>
<tr>
<th></th>
<th>Value (A$ million)</th>
<th>Debt (A$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Portfolio</td>
<td>3,018</td>
<td>1,097</td>
</tr>
<tr>
<td>Australian Portfolio</td>
<td>2,017</td>
<td>616</td>
</tr>
<tr>
<td>European Portfolio</td>
<td>1,001</td>
<td>481</td>
</tr>
</tbody>
</table>

Interest Risk Management (As at 31 March 2019)

Fixed, 79%
Variable, 21%

<table>
<thead>
<tr>
<th></th>
<th>Variable debt</th>
<th>% of total debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUD</td>
<td></td>
<td>9%</td>
</tr>
<tr>
<td>EURO</td>
<td></td>
<td>12%</td>
</tr>
</tbody>
</table>

1. Includes Investment Property held for sale
## Portfolio Metrics

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>Europe</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>No. of Properties</strong></td>
<td>60</td>
<td>22</td>
<td>82</td>
</tr>
<tr>
<td><strong>Portfolio Value (A$ billion)</strong></td>
<td>2.0</td>
<td>1.0(1)</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Gross Lettable Area (&quot;GLA&quot;) (sq m)</strong></td>
<td>1,311,924</td>
<td>652,519</td>
<td>1,964,443</td>
</tr>
<tr>
<td><strong>Average Property Age by Value</strong></td>
<td>7.55 years</td>
<td>8.35 years</td>
<td>7.82 years</td>
</tr>
<tr>
<td><strong>WALE(2)</strong></td>
<td>6.43 years</td>
<td>7.08 years</td>
<td>6.61 years</td>
</tr>
<tr>
<td><strong>Occupancy Rate by GRI</strong></td>
<td>99.4%</td>
<td>100%</td>
<td>99.6%</td>
</tr>
<tr>
<td><strong>Average Annual Rental Increment</strong></td>
<td>3.1% CPI-linked/Fixed(3)</td>
<td>N.A.</td>
<td></td>
</tr>
</tbody>
</table>

1. Based on an exchange rate €1: A$1.5905 as at 31 March 2019
2. "WALE" refers to the weighted average lease expiry based on Gross Rental Income ("GRI"), being the contracted rental income and estimated recoverable outgoings for the month of 31 March 2019. Excludes straight line rental adjustments
3. 89.3% of the leases have either CPI-linked indexation or fixed escalations

### Portfolio Age by GLA

- <2 yrs, 8.0%
- 2-5 yrs, 30.3%
- 5-10 yrs, 25.0%
- >10 yrs, 36.7%

### Land Tenure by Value

- Leasehold, >80 Year, 21.5%
- Leasehold, 80-80 Year, 8.3%
- Freehold, 70.2%
Well-diversified Tenant Base

- FLT’s portfolio comprises a high quality and well-diversified tenant base across various industries and sectors
  - Top 10 tenants represents approximately 32.0% of total GRI\(^{(1)}\)

### Top 10 Tenants\(^{(1)}\)

<table>
<thead>
<tr>
<th>#</th>
<th>Tenant</th>
<th>Country</th>
<th>% of GRI</th>
<th>WALE (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coles</td>
<td>Australia</td>
<td>7.0</td>
<td>13.2</td>
</tr>
<tr>
<td>2</td>
<td>BMW</td>
<td>Germany</td>
<td>3.6</td>
<td>6.7</td>
</tr>
<tr>
<td>3</td>
<td>CEVA Logistics</td>
<td>Australia</td>
<td>3.6</td>
<td>6.1</td>
</tr>
<tr>
<td>4</td>
<td>Schenker</td>
<td>Australia</td>
<td>3.2</td>
<td>5.5</td>
</tr>
<tr>
<td>5</td>
<td>Mainfreight</td>
<td>Netherlands</td>
<td>2.9</td>
<td>6.9</td>
</tr>
<tr>
<td>6</td>
<td>Constellium</td>
<td>Germany</td>
<td>2.5</td>
<td>8.3</td>
</tr>
<tr>
<td>7</td>
<td>Bakker Logistics</td>
<td>Netherlands</td>
<td>2.4</td>
<td>11.6</td>
</tr>
<tr>
<td>8</td>
<td>DSV Solutions</td>
<td>Germany &amp; Netherlands</td>
<td>2.3</td>
<td>5.6</td>
</tr>
<tr>
<td>9</td>
<td>Techtronics Industries</td>
<td>Australia</td>
<td>2.3</td>
<td>3.3</td>
</tr>
<tr>
<td>10</td>
<td>Inchcape Motors</td>
<td>Australia</td>
<td>2.2</td>
<td>3.5</td>
</tr>
</tbody>
</table>

### Portfolio Breakdown by GRI\(^{(1)}\)

- Tenants by Trade:
  - Consumer, 33.6%
  - Logistics, 37.9%
  - Temperature Controlled Warehouse, 15.1%
  - Others, 2.0%

- Use of Facility:
  - Logistics/Manufacturing, 4.5%
  - Office/Warehouse, 6.0%
  - Manufacturing, 10.4%
  - Logistics/Warehousing, 62.0%

---

1. Based on GRI, being the contracted rental income and estimated recoverable outgoings for the month of 31 March 2019. Excludes straight lining rental adjustments
Lease Expiry Profile

Well spread-out lease expiry profile(1)

No concentration of lease expiry, providing long-term cash flow stability

<table>
<thead>
<tr>
<th></th>
<th>As at Mar-2019</th>
<th>As at Mar-2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacant</td>
<td>0.4% 0.6%</td>
<td></td>
</tr>
<tr>
<td>Sep 2019</td>
<td>10.2%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Sep 2020</td>
<td>5.9% 5.2%</td>
<td></td>
</tr>
<tr>
<td>Sep 2021</td>
<td>7.4% 9.9%</td>
<td></td>
</tr>
<tr>
<td>Sep 2022</td>
<td>17.3% 16.0%</td>
<td></td>
</tr>
<tr>
<td>Sep 2023</td>
<td>8.5% 6.2%</td>
<td></td>
</tr>
<tr>
<td>Sep 2024</td>
<td>8.5% 8.6%</td>
<td></td>
</tr>
<tr>
<td>Sep 2025</td>
<td>4.9% 4.8%</td>
<td></td>
</tr>
<tr>
<td>Sep 2026</td>
<td>11.4% 9.6%</td>
<td></td>
</tr>
<tr>
<td>Sep 2027</td>
<td>4.2% 3.9%</td>
<td></td>
</tr>
<tr>
<td>Sep 2028 and beyond</td>
<td>30.2% 23.7%</td>
<td></td>
</tr>
</tbody>
</table>

Only one lease expiry remaining for FY2019, representing just 1.3% of portfolio GRI

1. Based on GRI, being the contracted rental income and estimated recoverable outgoings for the month of March 2019. Excludes straight lining rental adjustments
2QFY19 Leasing Update and AEI

- 24,938 sq m of leasing completed in 2QFY19, representing 1.3% of total Portfolio GLA\(^{(1)}\)
  - 2QFY19 Average Reversion: -5.3%

Lease Extension and AEI to 468 Boundary Road, Derrimut, Victoria, Australia (“CHEP Australia”)

10-year lease extension commencing August 2021
- 24,732\(^{(2)}\) sq m plus hardstand expansion of approximately 11,209 sq m\(^{(3)}\)
- New Lease Expiry: 9 August 2031
- Annual Fixed Increase: 2.50%
- Reversion: -4.9%\(^{(4)}\)

The AEI:
- A$0.8 million (exclusive of GST) acquisition of an adjacent 12,320 sq m freehold site (59A Foxley Court, Derrimut) from Frasers Property Australia
- Expansion to existing hardstand area and an upgrade of existing facilities, including an office refurbishment
- **Sustainability Upgrades**: LED lighting replacements as well as the installation of a 250 kilowatt hour solar photovoltaic system
- **Expected return on AEI**: Approximately 8.0%
- **10-year lease extension** by CHEP Australia to August 2031

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1. Includes a 206 sq m, 5-year lease extension to a cafe space located at 115-121 South Centre Road, Melbourne Airport, Victoria, Australia
2. The CHEP Australia GLA refers to the existing lettable area and excludes the planned hardstand expansion
3. Subject to final survey upon practical completion
4. Excludes the additional income generated by the hardstand expansion
Divestment

63-79 South Park Drive, Dandenong South, Victoria, Australia

- Sale Consideration: A$17.25 million
- Book Value: A$15.25 million
- Premium to Book Value: 13.1%
- Completion Date: 1H2019

1. Based on the valuation by Colliers as at 30 September 2018
Commitment To Environment Sustainability

FLT’s outstanding commitment to environmental sustainability has been recognised by both GRESB\(^{(1)}\) and GBCA\(^{(2)}\)

**GRESB Assessment\(^{(1)}\)**
- In 2017, FLT’s first year of participation in the GRESB assessment, the company was awarded Regional Sector Leader (Australia / New Zealand), with a score of 80
- Subsequently in 2018, the company was ranked 1\(^{st}\) globally with an improved score of 91

**FLT’s Green Star-rated Status\(^{(2,3)}\)**
- Performance rated 61.4%
- Design Review 5.4%
- Not rated 33.2%
- Highest Green Star performance-rated portfolio in Australia
- Achieved an overall 4 Star Green Star rating as assessed by the GBCA
- First to achieve 6 Star Green Star ratings for industrial facilities in each of New South Wales, Victoria, and Queensland

**Potential Sustainability Benefits**
- Reduces ongoing occupancy costs
- Attracting new tenants, especially those using sustainability as a criteria
- Assists in retaining tenants at lease expiry
- Decreases building obsolescence
- Minimises vacancy downtime

**Sustainability Initiatives**
- Energy-efficient LED lighting
- Solar PV systems
- Geothermal heating and cooling

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1. Refers to the 2018 Real Estate Assessment by Global Real Estate Sustainability Benchmark (GRESB), the global ESG benchmark for real estate
2. Green Star ratings are awarded by the Green Building Council of Australia (GBCA) which has assessed the Australian properties against nine key performance criteria – energy, water, transport, materials, indoor environment quality management, land use & ecology, emissions and innovation
3. As at 31 December 2018
Outlook and Strategy
Australia – Economic Snapshot

Key Economic Indicators

- **GDP Growth**: 2.3% for the 12-month ended Dec 2018, lower than the preceding 12-month period, with the slower growth due largely to softening in the construction and residential sectors. Public infrastructure investment continues to support the economy.

- **Low Unemployment rate**: 5.0% in March 2019. Wage growth in the 12 months to Nov 2018 was 2.4% and is expected to pick up gradually as the labour market strengthens.

- **Australian Dollar**: In recent months, the Australian dollar has come under pressure, possibly arising from continued financial market volatility and global trade tensions.

- **Official Interest Rates**: Cash rate maintained at 1.5%.

- **Australian government 10-year bond yields**: 1.79% as of 24 April 2019.
Australia – Population Growth and Infrastructure

- Over the medium to long term, the three major Australian cities of Sydney, Melbourne and Brisbane are expected to remain in the top 10 fastest growing major cities in the developed world.

- This means that demand for logistics space will continue to grow in Australia, particularly as Australians become more accustomed to ecommerce as a way to shop for goods.

- Governments across the nation have now accepted that population and freight growth need to be catered for, and Australia now has A$260 billion worth of major transport infrastructure projects under construction or planned across 315 projects, up from A$211 billion across 260 projects only three years ago\(^\text{(1)}\).

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2. Australian Bureau of Statistics. Annual figures are for the period from October to September
Australian Industrial Market

- **National take-up levels** have been robust with a total of approximately 2.5 million sq m leased over the preceding 12 months to March 2019 (15% above the 10-year average), underpinned by an upswing in demand from retail, food and logistics occupiers.

- **Australian industrial supply** is approximately 1.2 million sq m over the previous year to March 2019. There has been increasing speculative developments in Melbourne and Sydney which reflects confidence in the leasing market.

- As national take-up levels have consistently exceeded new completions, **vacancy levels** are at 5 year lows across the three eastern seaboard cities of Sydney, Melbourne and Brisbane.

- **Land values** have appreciated considerably on the back of the demand-led expansion in development activity amid a shortage of developable land.

- **Investor demand** for industrial space has continued to accelerate with further yield compression compared to the first quarter of 2018 ("1Q18").

- **Rental growth** is expected to remain positive as a result of increasing land values, strong projected population growth and the e-commerce boom.

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**Australian Total Industrial Supply**

![Graph showing Australian Total Industrial Supply from Q1 2010 to Q1 2019](image)

**Annualised as at Q1 2019**

- **Completed**
- **10 year annual average**

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Sources: JLL Real Estate Intelligence Service – Industrial Market Snapshot 1Q 2019; Jones Lang LaSalle Real Estate Data Solution – Industrial Occupier Moves from 1Q09 to 1Q19; Knight Frank Research – Australian Capital View Outlook 2019
Sydney Industrial Market

**Supply:** Supply levels have continued to significantly eclipse the long term average with 654,000 sq m new space added to the market over the last 12 months, which accounted for more than half of new completions in Australia. Robust construction activity is underpinned by significant public infrastructure spending. The forward pipeline remains solid over 2019 however, a constrained supply of serviced land is likely to limit the amount of development activity

**Demand:** Annual take-up levels were recorded at 763,000 sq m which continued to surpass new completions. The strong demand for industrial space has spurred increasing speculative developments (predominantly in Outer West precincts) with most new space taken up prior to completion. The strong leasing market has been buoyed by consumer demand combined with growth in last mile logistics

**Rents:** The y-o-y rental growth was 3.5% across all precincts and prime rents in the Outer Central West precinct increased by 4.3% to currently sit at A$122/sq m. The rental uplift is expected to remain strong as tenants are willing to pay a premium to secure new developments of higher quality and specification compared to the existing stock

**Vacancy:** The level of available space remains well below historical average
Melbourne Industrial Market

- **Supply**: Supply levels in Melbourne are below the 10-year average with only 20,200 sq m space completed over the first quarter of 2019 ("1Q19"). Large developers are activating their land banks, most notably in the West, to satisfy tenant demand for consolidating from a number of sites into a larger, more affordable accommodation. New supply in 2019 is expected to be constrained by the lack of development-ready sites (especially in the South East)

- **Demand**: Take-up levels were robust with 200,500 sq m space leased over 1Q19, predominantly driven by pre-commitments in the West and South East. Third party logistics providers ("3PL") have boosted demand for industrial space as consumer preferences shift towards online shopping. The food industry, supported by strong population growth in Victoria, is also driving occupier demand for larger, more automated warehouses (e.g. Coles and Woolworths)

- **Rents**: As strong demand has outpaced supply, prime face rents have recorded a steady y-o-y growth of 2.2% across all precincts (except for City Fringe, which was stable)

- **Vacancy**: Net absorption of industrial space remains positive. According to Knight Frank, vacancy in Melbourne is at its lowest level in 5 years with approximately 671,500 sq m of available space
Brisbane Industrial Market

- **Supply**: New developments in Brisbane remained subdued with only 48,200 sq m completed in 1Q19, 20% below the long-term average. This trend is expected to continue over the near term.

- **Demand**: Net absorption of industrial space has been positive with annual take-up totalling 575,400 sq m (26% above the long-term average), predominantly influenced by logistics operators as omni-channel retailing becomes entrenched in the supply chain. Occupier demand is expected to further strengthen over 2019, supported by improving merchandise exports and population growth in Queensland.

- **Rents**: The Brisbane industrial market is recovering with prime rents returning to pre-2017 levels. The falling vacancy and increasing land price have begun to translate into rental growth in the Northern and Southern precincts.

- **Vacancy**: The improved occupier demand together with modest new stock being added to the market has resulted in vacancy at below-average levels for the first time over the past five years.

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**Brisbane Industrial Total Supply**

- **Completed**
- **10 year annual average**

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**Brisbane Industrial Prime Grade Net Face Rents**

- **Prime grade net fact rent $psm p.a.**

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**Annualised as at Q1 2019**

Sources: Jones Lang LaSalle Real Estate Intelligence Service – Brisbane Industrial Final Data 1Q19; Jones Lang LaSalle Real Estate Intelligence Service – Brisbane Industrial Snapshot 1Q19; Jones Lang LaSalle Real Estate Data Solution – Brisbane Construction Projects from 1Q09 to 1Q19; Knight Frank Research – Brisbane Industrial Market Overview March 2019
Economic Snapshot – Europe

Germany
- The German economy grew 1.5% for 2018, compared to 2.5% a year ago
- Solid domestic fundamentals, supported by a low unemployment rate of 3.1% in February 2019 provides support even as ongoing US-China trade tensions and Brexit continue to have an impact on economic growth

The Netherlands
- The Dutch economy grew 2.7% year-on-year in 2018, with positive contributions from household consumption, capital investments as well as a strong labour market.
- Unemployment rate in the Netherlands on a seasonally adjusted basis decreased to 3.3% in March 2019, from 3.6% in December 2018

EURIBOR
- EURIBOR remained in the negative range as at 31 March 2019

Source: Destatisches Bundesamt (Federal Statistics Office of Germany), CBS (Statistics Netherlands), Bloomberg, Reuters, Economist Intelligence Unit
Take-up: -22% (Q1 2019 vs Q1 2018)

- Take-up in Germany remained high at 1.2 million sq m
- New supply for the rental market remains limited with users continuing to seek build-to-suit solutions
- Investment activity dipped significantly in Q1 mainly due to a lack of available logistics products in the major logistics hubs
- Following a strong compression since 2016, average yields have stabilised at 4.1% in the major distribution hubs

Take-up: +31% (Q1 2019 vs Q1 2018)

- Business confidence has been boosted by domestic demand and industrial output over the past two years
- All major occupier markets have recorded strong volumes of transactions in Q1, with Venlo confirming its strong market position
- Following two outstanding years, industrial and logistics investment has unsurprisingly slowed in Q1 2019
- Yields stabilised at 4.5% in Venlo, while prime rents have largely remained unchanged from the preceding quarter

Source: BNP Paribas Real Estate International Research
Emergence of E-commerce

- E-commerce is a key driver behind the development of the global logistics market, which is boosting demand for Logistics and Industrial properties and encouraging new project developments
- Online retail sales (as percentage of total retail sales) is expected to grow exponentially in the years to come
- Very strong demand growth has cut the availability of large-scale modern warehouse space, producing capacity constraints in several major logistics hubs globally
- Growing customer expectations for same-day and same-hour delivery are forcing an increasing number of courier, express and parcel service providers to seek new centres for last mile city distribution

Online Retail Sales as % of Total Retail Sales (Oct 2017 – Sep 2018)

Source: ABS, Statista, Centre for Retail Research, JLL Research, Singstat
Principal Objectives and Strategy

1. Asset Enhancement Initiative
2. Right of first refusal

Deliver stable and regular distributions to unitholders

Invest globally in logistics and industrial assets

Achieve long-term growth in DPU

Strategies to support the Principal Objectives

1. **Active Asset Management**
   - Proactive leasing: Maintain high occupancy rate, long WALE and well-diversified tenant base
   - Asset Enhancement: Assess and undertake AEIs\(^ (1) \) on the FLT portfolio to unlock further value

2. **Selective Development**
   - Undertake development activities of properties complementary to the FLT portfolio
   - Re-development of existing assets
   - Sponsor’s development pipeline

3. **Acquisition Growth**
   - Pursue strategic acquisition opportunities of quality industrial properties
   - ROFR\(^ (2) \) over 47 properties from FLT’s Sponsor
   - Third-party acquisitions

4. **Capital & Risk Management**
   - Optimise capital mix and prudent capital management

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1. Asset Enhancement Initiative
2. Right of first refusal