

Frasers Logistics & Industrial Trust

1QFY19 Results Presentation



24 January 2019



FrieslandCampina Facility, Meppel, the Netherlands

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Performance Overview



1QFY19 Highlights

◆ Earnings and DPU

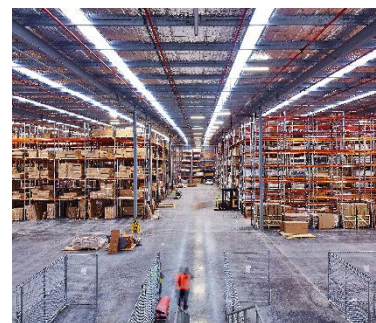
- Adjusted NPI of A\$48.9 million, up 46.5% year-on-year
- 1QFY19 DPU of 1.78 Singapore cents, a 1.1% decrease from 1QFY18⁽¹⁾

1.78
Singapore cents
DPU



◆ Portfolio Management and Acquisition

- Two leases renewed in Australia, with an average reversion of -7.2%
- WALE of 6.71 years and high occupancy of 99.6% maintained
- €25.36 million acquisition of a new and modern logistics property with a long-term, triple-net lease of approximately 15 years in the Netherlands



21,140 sq m
of leasing completed

◆ Capital Management

- Healthy balance sheet with gearing of 35.6% and 79% of borrowings were at fixed rates

35.6%
Aggregate Leverage



1. Due mainly to 83.1% (1QFY18: 78.1%) of management fees being paid in units and a lower hedged exchange rate of A\$1.00:S\$0.9820 (1QFY18: A\$1.00:S\$1.0583)

Financial Review



Financial Performance 1 October 2018 – 31 December 2018

(A\$'000)	1QFY19	1QFY18	Change (%)	Remarks
Revenue	59,524	42,430	40.3	<ul style="list-style-type: none"> 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 <i>which was partially offset by:</i> the effect of the FY2018 Divestments⁽²⁾
Adjusted net property income ⁽¹⁾	48,930	33,391	46.5	
Finance costs	(7,512)	(4,770)	57.5	<ul style="list-style-type: none"> Higher borrowings drawn to finance the various acquisitions in FY2018 and FY2019 and after taking in the proceeds from the FY2018 Divestments
Distributable income to Unitholders	36,698	25,854	41.9	<ul style="list-style-type: none"> Contributions from the various acquisitions; <i>which was partially offset by:</i> Higher finance costs; 83.1% of management fees paid in the form of units (1QFY18: 78.1%); and Higher current income tax arising from higher distributable income
DPU (Australian cents)	1.81	1.70	6.5	<ul style="list-style-type: none"> Lower hedged exchange rate of A\$1.00: S\$0.9820⁽³⁾ (1QFY18: A\$1.00: S\$1.0583); and 33% increase in the number of units in issue at 31 December 2018 compared to 31 December 2017⁽⁴⁾
DPU (Singapore cents)	1.78	1.80	(1.1)	

1. Net property income excluding straight lining adjustments for rental income and after adding back straight lining adjustments for ground leases

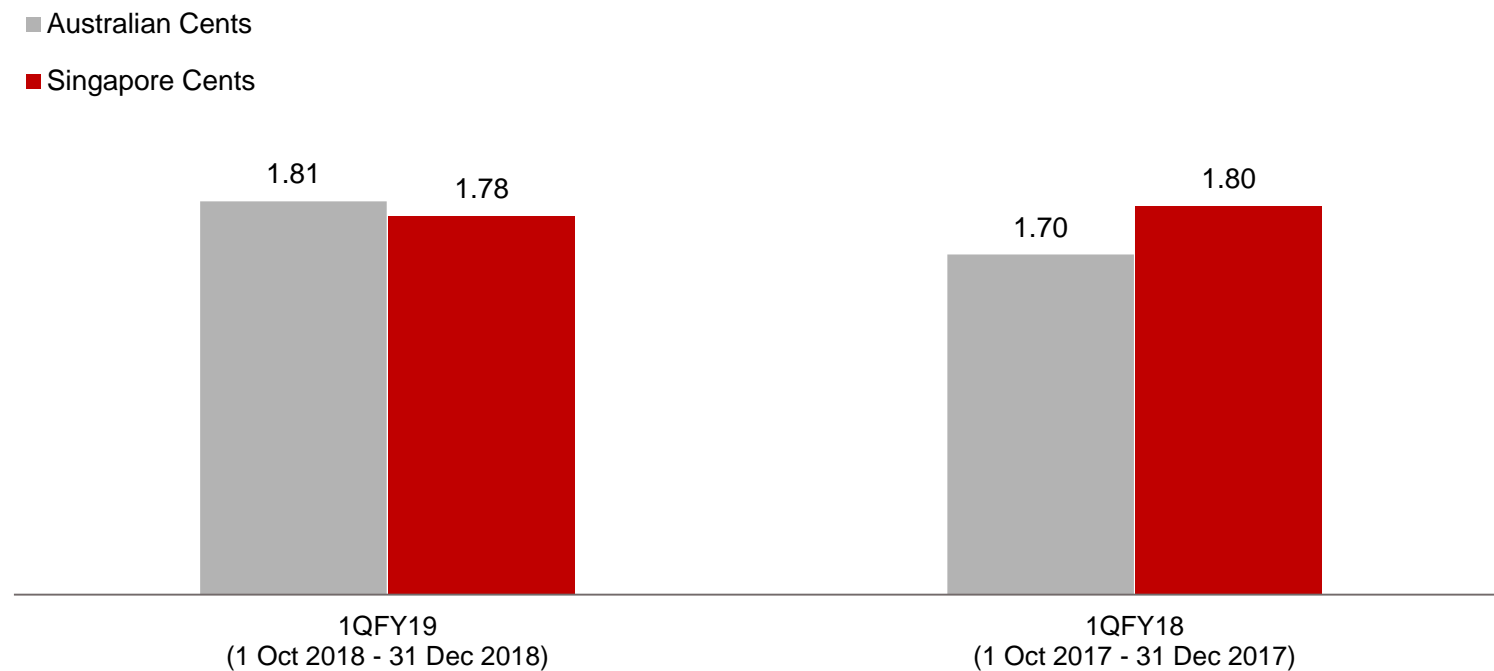
2. Please refer to Page 2 of FLT's Financial Statements Announcement dated 24 January 2019 for details of the capitalised terms

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

4. Due to the issuance of management fee units, placement units and preferential offering for the FY2018 European Acquisition

Distribution

- ◆ The lower DPU of 1.78 Singapore cents by 1.1% as compared to 1.80 Singapore cents for 1QFY18 was due mainly to:
 - Lower hedged exchange rate of A\$1.00:S\$0.9820 (1QFY18: A\$1.00:S\$1.0583); and
 - 83.1% (1QFY18: 78.1%) of management fees being paid in units
- ◆ FLT has paid out 100% of distributable income since IPO



Balance Sheet

- ◆ **The value of investment properties increased 1.8% from A\$2,978 million as at 30 September 2018 to A\$3,031 million as at 31 December 2018, 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)

- ◆ FLT is in a net current liability position as at 31 December 2018. Included in current liabilities is short-term borrowings of A\$170 million term loan due in June 2019. The REIT Manager is in discussion with banks to refinance the loan

Balance Sheet (A\$'000)	As at 31 Dec 18	As at 30 Sep 18
Investment properties	3,031,417	2,978,204
Other non-current assets	446	1,133
Current assets	88,698	115,638
Total assets	3,120,561	3,094,975
Non-current liabilities	963,770	884,774
Current liabilities	226,794	266,947
Total liabilities	1,190,564	1,151,721
Net asset value per Unit (A\$)	0.94⁽¹⁾	0.95⁽²⁾
Net asset value per Unit (S\$)	0.91	0.94

1. Based on an exchange rate of A\$1.00:S\$0.9659 as at 31 December 2018

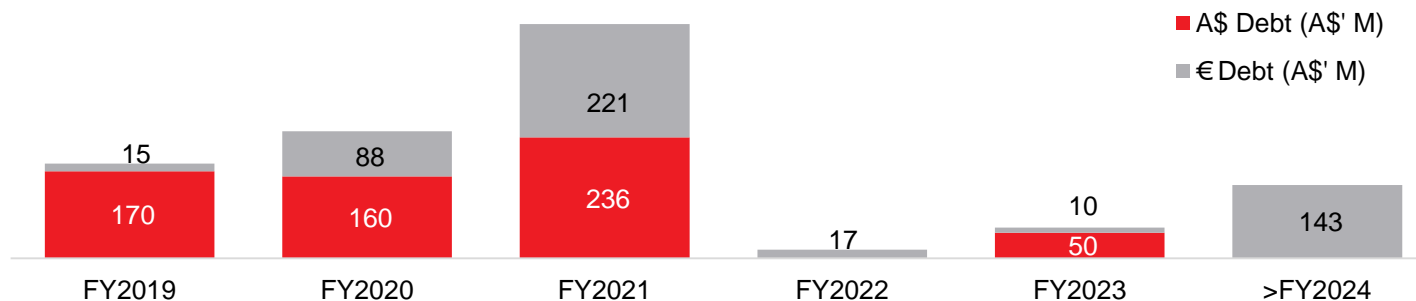
2. Based on an exchange rate of A\$1.00:S\$0.9878 as at 30 September 2018

Debt

As at 31 December 2018

Aggregate Leverage	35.6%
Total Gross Borrowings	A\$1,110 million
Weighted Average Cost of Borrowings ⁽¹⁾	2.4%
Average Weighted Debt Maturity	2.6 years
Interest Rate Exposure Fixed	79%
Interest Coverage Ratio	7.2 times
Debt Headroom	A\$534 million ⁽²⁾

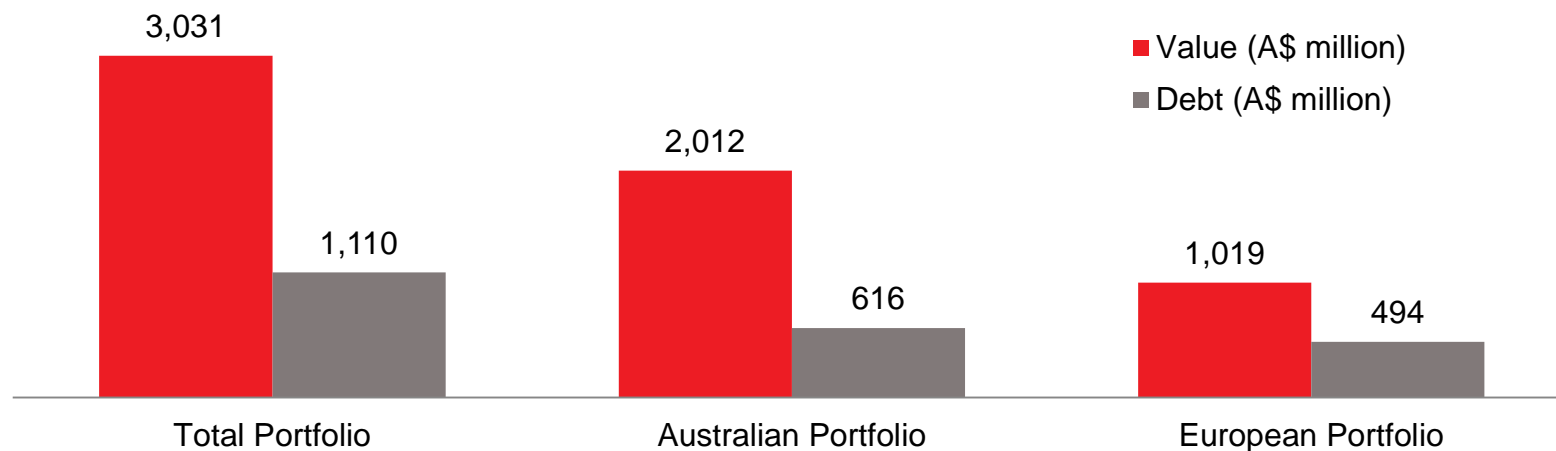
Debt Maturity Profile



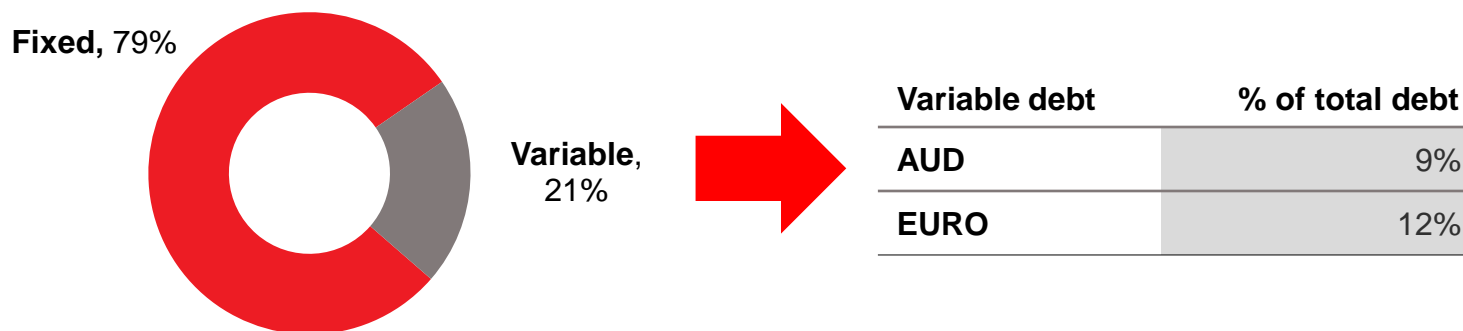
1. Excluding upfront debt related expenses
2. Prior to reaching the 45.0% aggregate regulatory leverage limit

Capital Management

Investment Properties and Debt (As at 31 December 2018)



Interest Risk Management (As at 31 December 2018)



Portfolio Overview



National Tiles & Paccar Facility, Queensland, Australia

Portfolio Metrics

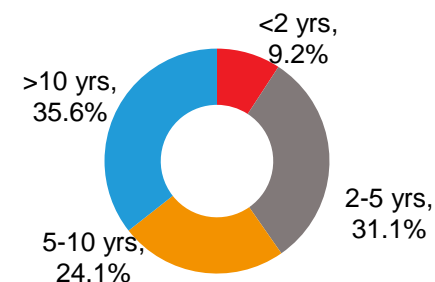
As at 31 December 2018	Australia	Europe	Total
No. of Properties	61	22	83
Portfolio Value (A\$ billion)	2.0	1.0 ⁽¹⁾	3.0
Gross Lettable Area (“GLA”) (sq m)	1,325,887	652,519	1,978,406
Average Property Age by Value	7.36 years	8.10 years	7.61 years
WALE⁽²⁾	6.48 years	7.32 years	6.71 years
Occupancy Rate by GRI	99.4%	100%	99.6%
Average Annual Rental Increment	3.1%	CPI-linked/ Fixed ⁽³⁾	N.A.

1. Based on an exchange rate €1: A\$1.61942 as at 31 December 2018

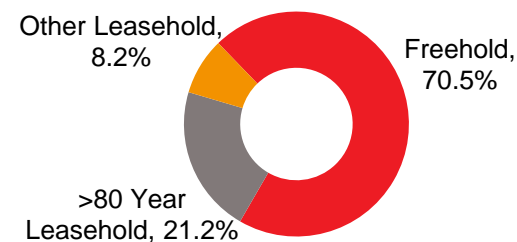
2. “WALE” refers to the weighted average lease expiry based on Gross Rental Income (“GRI”), being the contracted rental income and estimated recoverable outgoings for the month of December 2018. Excludes straight lining rental adjustments

3. 92% of the leases have either CPI-linked indexation or fixed escalations

Portfolio Age by GLA














Land Tenure by Value

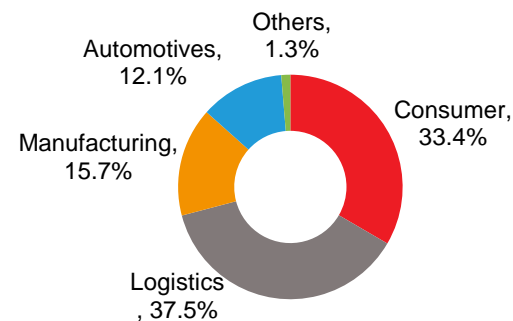


Well-diversified Tenant Base

Top 10 Tenants⁽¹⁾

Tenant		% of GRI	WALE (Years)
Coles		7.0	13.5
BMW		3.6	6.9
CEVA Logistics		3.5	6.4
Schenker		3.2	5.8
Mainfreight		2.9	7.2
Constellium		2.5	8.5
Bakker Logistics		2.4	11.9
DSV Solutions	 	2.3	5.9
Techtronics Industries		2.3	3.6
Inchcape Motors		2.2	3.8

Breakdown of Tenants by Trade⁽¹⁾



Consumer sector tenants



Logistics sector tenants



Automotive sector tenants

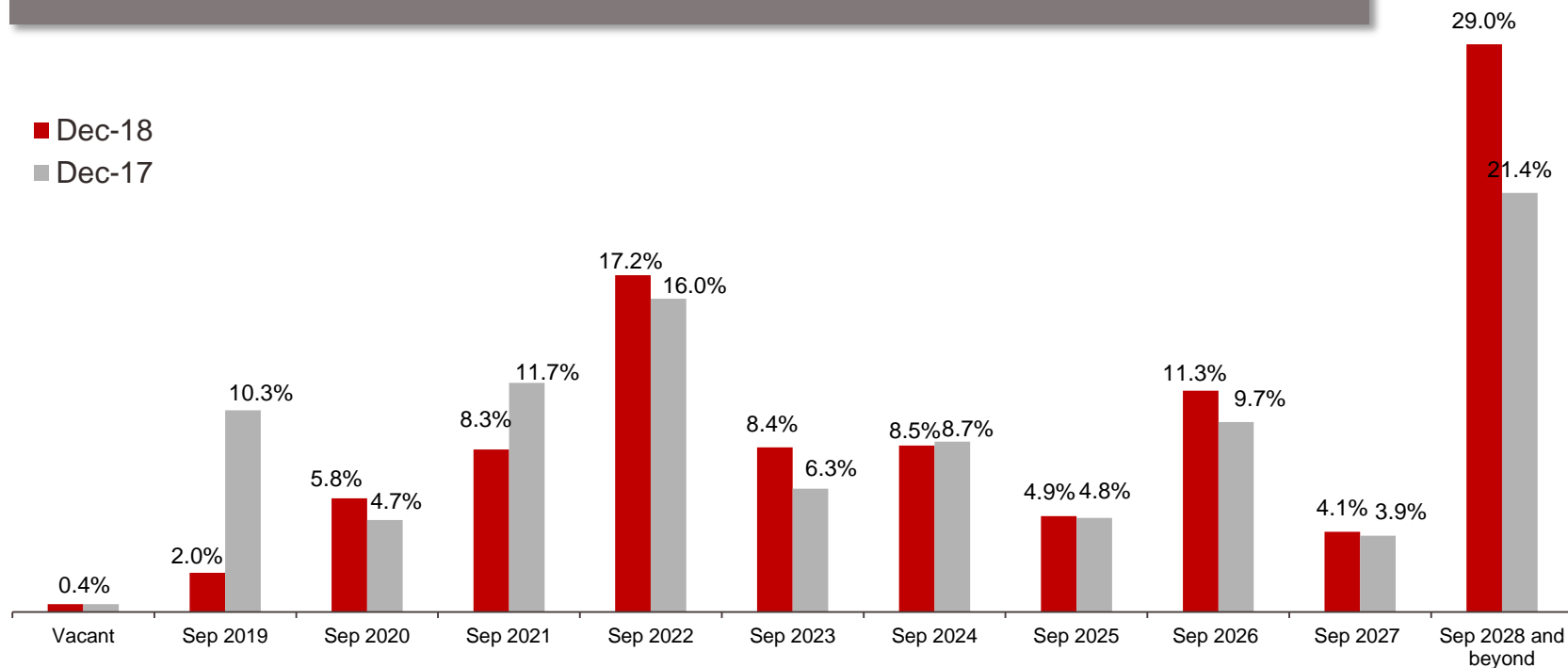


1. Based on GRI, being the contracted rental income and estimated recoverable outgoings for the month of December 2018. Excludes straight lining rental adjustments

Lease Expiry Profile

Well spread-out lease expiry profile⁽¹⁾

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



1. Based on GRI, being the contracted rental income and estimated recoverable outgoings for the month of December 2018. Excludes straight lining rental adjustments

1QFY19 Leasing Update

- ◆ Two leases representing total GLA of 21,140 sq m were renewed in Victoria, Australia
 - 1QFY19 Average Reversion: -7.2%



2-46 Douglas Street, Port Melbourne

- ◆ 3,262 sq m, 5 year lease extension with Siemens Mobility, commencing May 2019
- ◆ New Lease Expiry Date: April 2024
- ◆ Annual Fixed Rental Increase: 3.50%
- ◆ Reversion: -0.1%



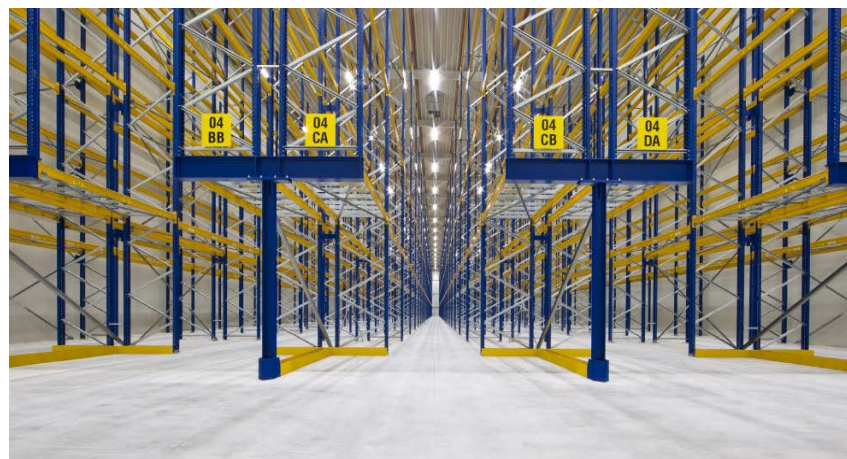
170 Atlantic Drive, Keysborough, Melbourne

- ◆ 17,878 sq m, 3.67 year lease extension with Chrisco Hampers, commencing August 2019
- ◆ New Lease Expiry Date: March 2023
- ◆ Annual Fixed Rental Increase: 3.00%
- ◆ Reversion: -9.4%

Acquisition of Mandeveld 12, Meppel, the Netherlands

Acquisition of a Prime, Freehold Logistics Property in the Netherlands on 31 October 2018

Property Purchase Price	€25.36 million ⁽¹⁾
GLA:	31,013 sq m
Property Description:	Modern logistics property built to BREEAM ⁽²⁾ “Very Good” certification requirements. Completed in May 2018
Occupancy Rate:	100%
WALE:	14.6 years ⁽³⁾
Tenant:	FrieslandCampina, a Dutch multinational dairy company
NPI Yield:	5.4%



1. Negotiated on a willing-buyer and willing-seller basis and supported by independent valuations conducted by CBRE Ltd. and Colliers International Valuation UK LLP as at 1 October 2018 based on 100% interest in the property as set out in the announcement dated 31 October 2018
2. Refers to Building Research Establishment Environmental Assessment Method
3. WALE at acquisition

Outlook and Strategy



Economic Snapshot – Australia

Key Economic Indicators

- ◆ Year-on-year GDP growth of 2.8% in the third quarter of 2018, receding from a high 3.4% recorded in the second quarter, due largely to softening in the construction and housing sectors
- ◆ The outlook for non-mining investment has improved further and business confidence is reported to be high. Increased public infrastructure investment has also supported the economy
- ◆ Population growth of 1.6% for the 12 months ended 30 June 2018, with net overseas migration contributing to 60.6% of the growth. Victoria recorded the highest growth rate of all states at 2.2%

Unemployment Rate

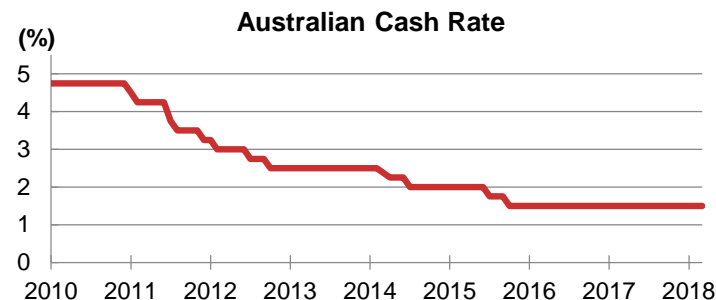
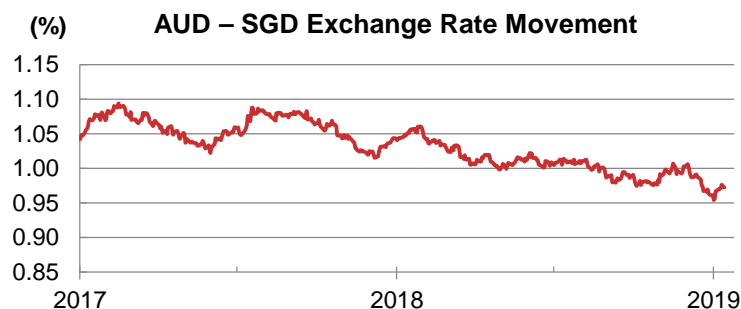
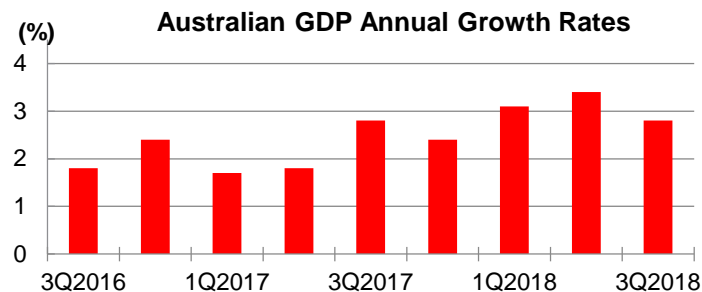
- ◆ Low unemployment rate of 5.0%
- ◆ Wage growth at 2.3% and is expected to pick up gradually as the labour market strengthens

Australian Dollar

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

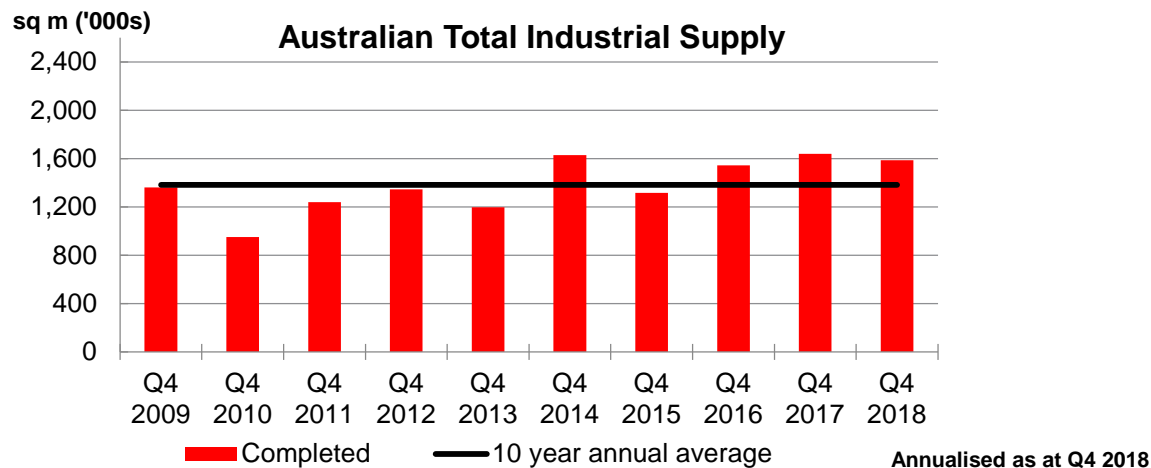
Official Interest Rates

- ◆ The RBA maintained the cash rate at 1.5%
- ◆ Australian government 10 year bond yields are at 2.32% as of 10 January 2019



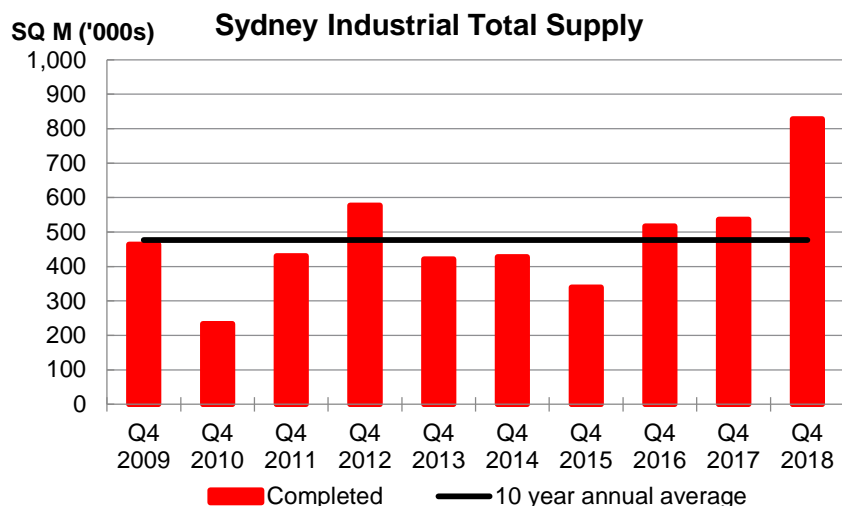
Australian Industrial Market

- ◆ **National take-up levels** have been robust with a total of 2.5 million sq m leased over 2018 (16% above the 10-year average), supported by significant public infrastructure spending. In addition, Australia is on the cusp of an e-commerce boom, evidenced by record growth in the online retail trade sector over the 6 months to September 2018. This is set to further drive demand for industrial space
- ◆ **Australian industrial supply** continued to be above historical benchmarks with more than half of new stock completed in Sydney over the past year. There has been increasing speculative developments in Melbourne and Sydney which reflects confidence in the leasing market. A constrained supply of serviced land is likely to limit the amount of development activity
- ◆ **Land values** have appreciated considerably on the back of the demand-led expansion in development activity amid a shortage of developable land
- ◆ The diminishing availability of assets on the market for sale continued to occur over 2018 with **investor demand** at unprecedented levels. Given limited access to assets, merger and acquisitions (“**M&A**”) and joint venture activity has re-emerged in Australia as seen with recent positions taken in Propertylink and Dexus by offshore larger institutions, being ESR and GIC respectively

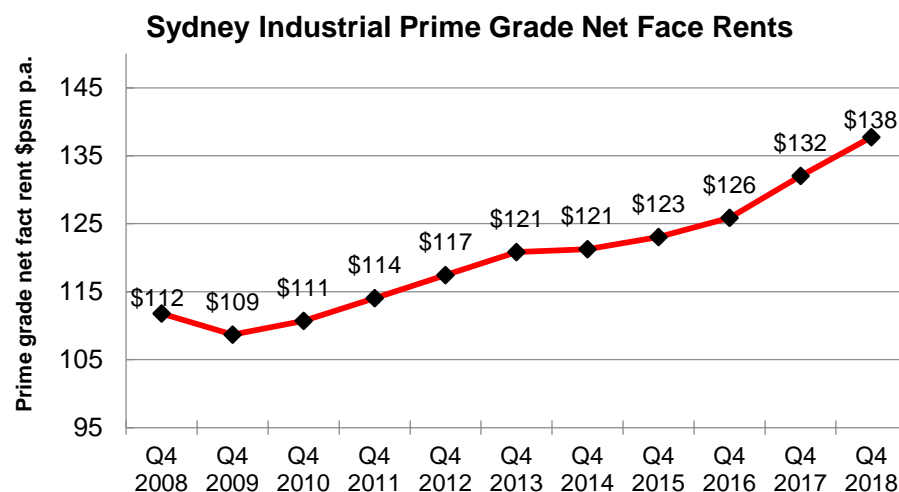


Sydney Industrial Market

- ◆ **Supply:** Supply levels in 2018 have significantly eclipsed the long term average. Approximately 238,500 sqm of new stock was added to the Sydney industrial market with majority of the space being pre-leased. The above-average supply pipeline is expected to continue into 2019 with a further 527,200 sq m due for completion
- ◆ **Demand:** Although total gross take-up eased over 4Q18, year-to-date levels were recorded at 826,780 sq m which continued to be considerably higher than the long term average, with all new supply taken up prior to completion. The strong demand is predominantly evident in Outer West precincts, supported by third party logistics providers (“3PL”) and retailers as consumer preferences shift towards online shopping
- ◆ **Rents:** Following the y-o-y growth of 4.3% across all precincts, prime rents are expected to stabilise over 2019
- ◆ **Vacancy:** The continued low vacancy rates have translated into higher confidence for developers who are committing to speculative developments. Vacancy is expected to remain low due to strong occupier demand and a shortage of developable industrial land supply

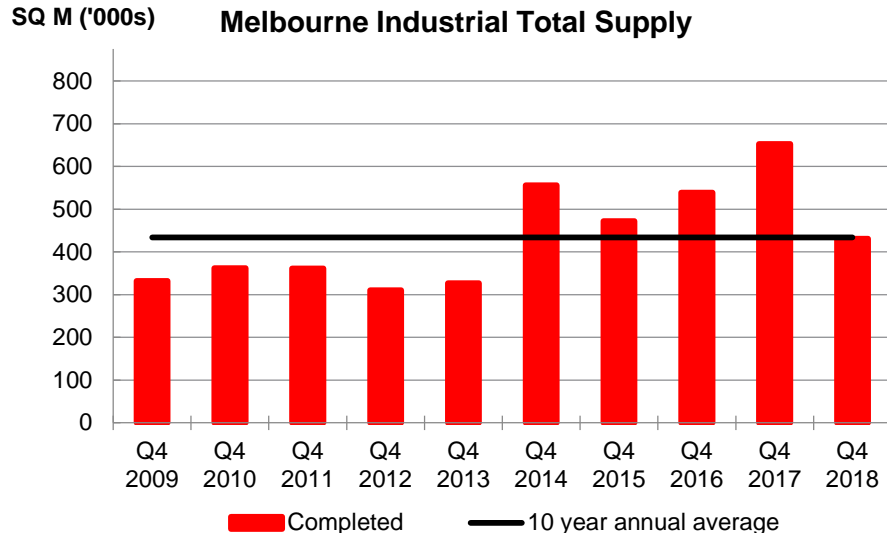


Annualised as at Q4 2018

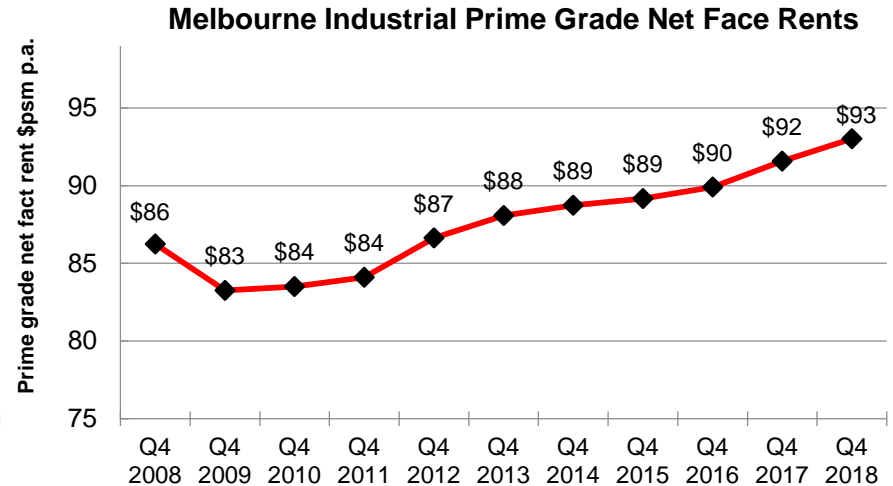


Melbourne Industrial Market

- ◆ **Supply:** Supply levels in Melbourne are generally at parity with the 10-year average. Large developers are activating their land banks and developing speculatively, most notably in the West, to satisfy tenant demand for consolidating from a number of sites into a larger, more affordable accommodation
- ◆ **Demand:** Take-up levels have been steady over the last quarter of 2018 (“4Q18”) and predominantly evident in the West and South East, driven by strong leasing activity in existing buildings
- ◆ **Rents:** Prime face rents have recorded a steady growth over the year across all precincts (except for City Fringe, which was stable) and there has seen an improvement in incentive levels in the South East
- ◆ **Vacancy:** As there have seen good levels of tenant take-up in existing buildings and high levels of pre-lease for new stock, net absorption remains positive and vacancy sits around 2.6% according to Urbis Industrial Vacancy Study



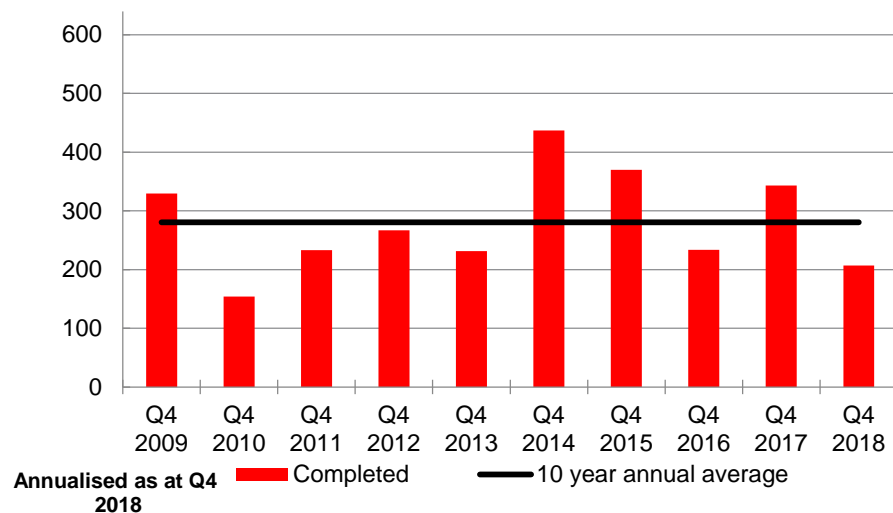
Annualised as at Q4 2018



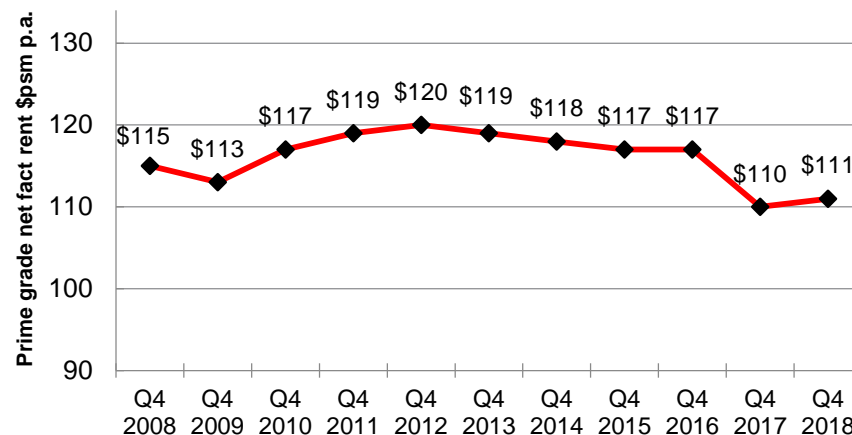
Brisbane Industrial Market

- ◆ **Supply:** New developments in Brisbane remained subdued with 207,000 sq m completed in 2018, well 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 508,100 sq m (13% above the long-term average), predominantly driven by manufacturing, transport & warehousing and retail trade sectors. Occupier demand is expected to further strengthen over 2019, supported by improving economic fundamentals in Queensland
- ◆ **Rents:** The Brisbane market is recovering with vacancy returning to moderate levels. The falling vacancy and increasing land price are yet to translate into solid rental growth. Incentives remain at elevated levels but appear to have peaked (especially in the Southern precinct)
- ◆ **Vacancy:** As result of the improved occupier demand, there has been a sustained improvement in vacancy levels dominated by falling available prime space. However, the letting up periods remain relatively lengthy compared to Sydney and Melbourne

SQ M ('000s) **Brisbane Industrial Total Supply**



Brisbane Industrial Prime Grade Net Face Rents



Sources: Jones Lang LaSalle Real Estate Intelligence Service – Brisbane Industrial Final Data 4Q18; Jones Lang LaSalle Real Estate Intelligence Service – Brisbane Industrial Snapshot 4Q18; Jones Lang LaSalle Real Estate Data Solution – Brisbane Construction Projects from 4Q08 to 4Q18; Urbis – Eastern Seaboard Industrial Vacancy Study Q3 2018; Knight Frank - Brisbane Industrial Vacancy October 2018.

Economic Snapshot – Europe

Germany

- ◆ The German economy grew at an annual growth rate of 1.2% in 3Q18, with softer private consumption and higher imports during the third quarter
- ◆ Low unemployment rate of 3.2% in November 2018

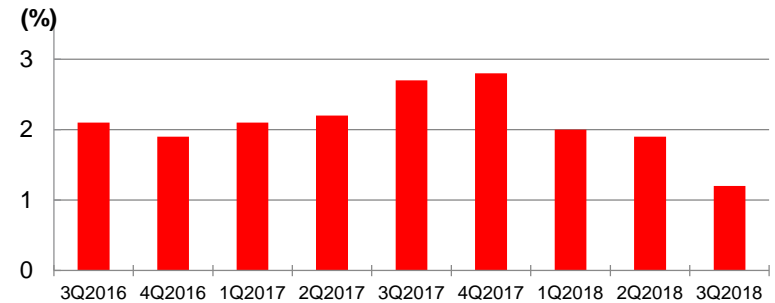
The Netherlands

- ◆ The Dutch economy grew 2.4% year-on-year in 3Q18, marking 18 consecutive quarters of growth
- ◆ Household spending, investment and exports slowed during the quarter, while imports and public expenditure rose faster
- ◆ Unemployment declined further to 3.5% in November 2018, slightly below the level just before the 2008 economic crisis

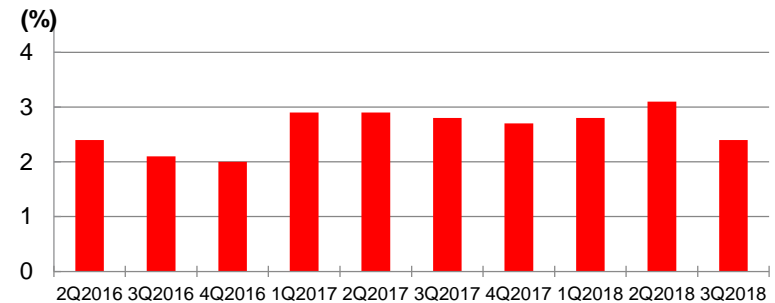
EURIBOR

- ◆ EURIBOR remained negative at 0.37% as at end 2018

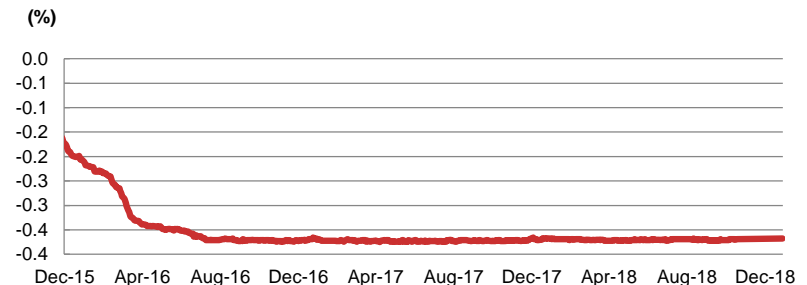
German GDP Annual Growth Rates



Dutch GDP Annual Growth Rates

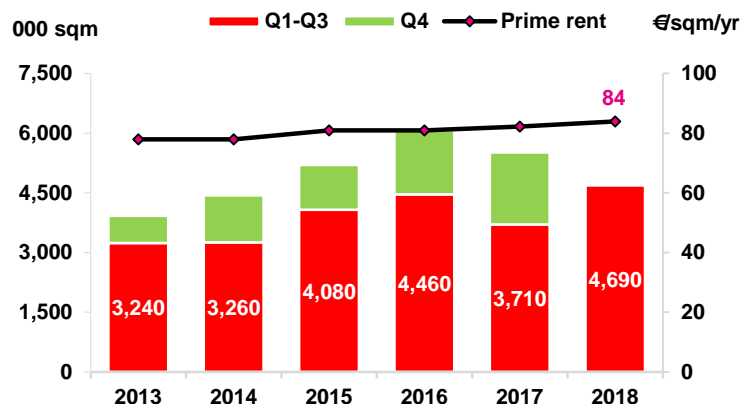


EURIBOR



Germany and the Netherlands Industrial Markets

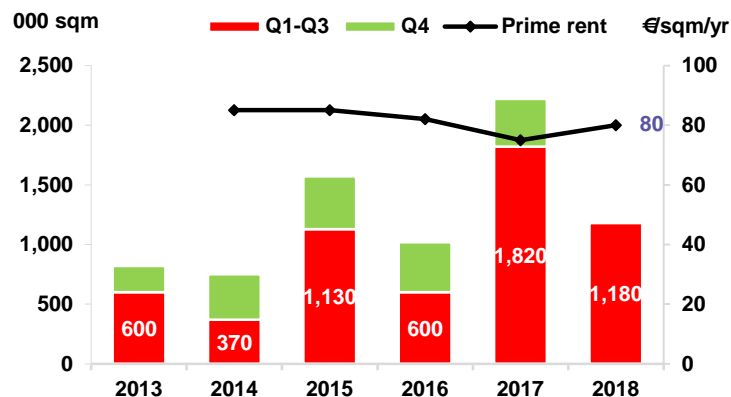
Germany Take-up and Prime Rent (for warehouse >5,000sqm)



Take-up : +26% (9 months - 2018 vs 2017)

- ◆ Take-up activity continues strongly, though new supply for the rental market remained limited and users have turned to build-to-suit solutions
- ◆ Underpinned by positive demand, logistics assets continue to attract more capital than ever
- ◆ Following a strong compression in 2016 and 2017, yields continue to decrease further in Q3 2018 to bottom at 4.20% in the major logistics hubs

The Netherlands Take-up and Prime Rent (for warehouse >5,000sqm)



Take-up : -35% (9 months - 2018 vs 2017)

- ◆ Business confidence has been boosted by improving domestic demand and industrial output
- ◆ All the major occupier markets have recorded strong volumes of transactions in 2018, as prime rents remained competitive
- ◆ Industrial and logistics investment recorded its highest level ever, representing 23% of total commercial real estate investment in the past 12 months
- ◆ Yields have firmed significantly since the beginning of the year to 4.6% in Venlo and 5% in Amsterdam and Rotterdam

Principal Objectives and Strategy



Strategies to support the Principal Objectives

<p>1</p> <p>Active Asset Management</p>	<ul style="list-style-type: none"> ◆ 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
<p>2</p> <p>Selective Development</p>	<ul style="list-style-type: none"> ◆ Undertake development activities of properties complementary to the FLT portfolio ◆ Re-development of existing assets ◆ Sponsor's development pipeline
<p>3</p> <p>Acquisition Growth</p>	<ul style="list-style-type: none"> ◆ Pursue strategic acquisition opportunities of quality industrial properties <ul style="list-style-type: none"> ◆ ROFR⁽²⁾ over 44 properties from FLT's Sponsor ◆ Third-party acquisitions
<p>4</p> <p>Capital & Risk Management</p>	<ul style="list-style-type: none"> ◆ Optimise capital mix and prudent capital management

1. Asset Enhancement Initiative
2. Right of first refusal

**Experience
matters.**



Fraser's Logistics & Industrial Asset Management Pte. Ltd.
438 Alexandra Road | #21-00 | Alexandra Point | Singapore 119958
Tel: +65 6813 0588 | Fax: +65 6813 0578 | Email: ir@fraserslogisticstrust.com
www.fraserslogisticstrust.com