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PRESENTATION

Operator

Ladies and gentlemen, thank you for holding, and welcome to the Global Logistic Properties Conference Call. (Operator Instructions)

I would now like to turn our call over to Ms. Ambika Goel, Senior Vice President of Capital Markets & Investor Relations. Please go ahead.

Ambika Goel - *Global Logistic Properties Limited - SVP of Capital Markets and IR*

Welcome to GLP's first quarter FY '18 earnings briefing. Thanks, everyone, for joining us today. Our presentation materials and webcast are available on our website.

Today, we will hear from our COO, Steve Schutte, who will provide an overview of our results and the proposed privatization.

Steve will be followed by Heather Xie, our CFO, who will run through our financials; and finally, Ming Mei, our CEO, will touch on our strategy and outlook. We will have a Q&A session following our presentation. Please ask your questions via phone or through our webcast.

The focus of today's briefing is to discuss GLP's first quarter FY '18 results. We understand that you may have questions on the proposed privatization announced last month. However, at this point, there is limited information we can provide beyond what has been publicly disclosed. Steve will touch on the Scheme arrangement, but full details of the Scheme will be contained in the Scheme document, which will be dispatched in due course.

Please note that Ming is on the call today in his capacity as CEO; and thus, will not be able to take questions related to the Offeror consortium. All numbers are expressed in U.S. dollars and area is referenced in square meters, unless otherwise stated. Thank you, and I will now hand it over to Steve.

Stephen K. Schutte - *Global Logistic Properties Limited - COO*

Thank you, Ambika, and good morning, everyone. Thanks for joining us today. We were pleased to report a 27% increase in revenue for the quarter ended June 30, 2017. Earnings for the quarter were 29% lower year-on-year, primarily due to lower revaluations compared to last year, which Heather will touch on more later.

Today, I'll start with an overview of our first quarter highlights, then provide an update on the proposed privatization, and finally, spend a bit more time talking about operations, development and fund management.

For the quarter, GLP continued to execute on its strategy of creating value by providing integrated solutions to grow and serve our logistics ecosystem. The team's focus on this strategy resulted in Group new and renewal leases increasing 35% year-on-year to 3.3 million square meters and same-property net operating income growing by 5.2%.

On the development front, we continued to maintain sound investment discipline and remained on track to meet our full year global development targets of $2.2 billion of development starts and $1.7 billion of development completions.

Finally, our fund management business continues to grow, delivering higher recurring income from fees. And, we have completed the syndication of our third U.S. portfolio following the receipt of regulatory approvals, including CFIUS.

With that overview, next, I want to touch on the proposed privatization of GLP.

Nesta Investment Holdings has proposed acquiring all shares of GLP through a Scheme of Arrangement. This follows the strategic review undertaken by the company and overseen by the four independent directors who constituted the Special Committee.

Nesta is owned by a consortium comprising GLP's CEO Ming Mei, HOPU, Hillhouse Capital, Bank of China Group Investment and Vanke. The Scheme Consideration is SGD 3.38 per share, and shareholders will also be entitled to receive the FY '17 dividend of SGD 0.06 per share, which will be paid out on August 22.

GLP's financial adviser, JPMorgan, has advised that the Scheme Consideration is fair to shareholders from a financial standpoint, which is why the Independent Directors have made a preliminary recommendation to shareholders to vote in favor of the Scheme.

On August 2, we announced that Evercore has been appointed as independent financial adviser to advise the Independent Directors. In due course, the Independent Directors will make a final recommendation to Shareholders in the Scheme Document, after the advice of the IFA is received.

A Scheme Meeting will be called in due course, during which, more than 50% of shareholders present and voting in person or by proxy would need to approve the Scheme. This is the headcount condition, and we strongly encourage all shareholders to send in their votes, as they will be very important to a successful process.

Additionally, the shareholders who vote in favor would need to hold at least 75% in value of all shares voted by the shareholders present in voting. During this process, the Offeror and its concert parties will not be voting, which represents roughly 11% of shares outstanding.

And we do note that GIC, which holds 36.84% of shares outstanding, has provided an irrevocable undertaking to vote in favor of the Scheme, further details of which are set out in the Joint Announcement.

If you have any questions on how the process works or the importance of every vote, please reach out to Ambika and the IR team.

With some of these highlights of where we are today in mind, I want to touch on a few of the key reasons why this Offeror was selected, which you can see on Slide 4.

First, price. The Scheme offers price certainty at significant premiums to historical prices in valuation, whether looking at the last undisturbed share price or at the 1-, 3-, 6- or 12-month volume weighted average price. In fact, at SGD 3.38 per share, the Scheme Consideration is 81% over the 12-month average price and 30% over our March 31 NAV per share.

Second, deal certainty. The Scheme offers a high degree of deal certainty due to the limited conditionality of the bid. Completion of the Scheme, for example, is not conditional on any anti-antitrust approvals or the receipt of any Third Party or Fund Investor consents.

Third, fixed time frame. The Scheme is expected to be completed within a defined time frame, which reduces execution risk. In the end, there is a hard fixed closing date of April 14, 2018, which we very much hope to accelerate.

Now that the IFA has appointed, we are working very hard on meeting the customary closing conditions set out in the Scheme Implementation Agreement, including preparation of the Scheme Document to be dispatched to shareholders.

If shareholders approve the transaction and other deal conditions are satisfied, the transaction must be completed on or before April 14 next year.

So I hope this provides some useful context on the status of the strategic review. And with that, I'd now like to spend some time discussing each piece of our business and what we're seeing on the ground.

And I'll start with operations on Slide 5.

We had good quarter operationally across all our markets, due largely to the efforts of our experienced teams on the ground.

We signed 3.3 million square meters of new and renewal leases in the first quarter, which is up 35% from last year, with approximately 72% of customers renewing their leases with GLP. Rent growth remains healthy, with same profit net operating income up 5.3% and rent growth on renewal leases up 7.7%.

As of June 30, the group's average lease ratio was 90% due to slower leasing of our development projects in China, which I'll touch on shortly.

Globally, we continued to see customer demand from a fast-moving consumer goods, retail, e-commerce and auto part industries, which is a trend we expect to continue this year.

Now taking a closer look at China. GLP's lease ratio was 84% for the quarter, down from 85% last quarter due to slower leasing of our development projects. For the quarter, we had 430,000 square meters of properties entering into the stabilized pool, and, a lower lease ratio for some of the projects drove a lower lease ratio on China overall.

As I mentioned last quarter, demand drivers have not changed. Though there are pockets of oversupply in certain markets, our current leasing pipeline and increasing market share in those markets support our view that the overall China lease ratio should remain stable.

Having said that, activity in our key markets such as Beijing, Shanghai and Shenzhen remains robust, with a 90% lease ratio, and overall customer retention remains stable at 61%, with two-thirds of new leases being driven by repeat customers.

In our Japan and U.S. portfolios, we continued to see solid leasing and rent growth, driven by ongoing strong customer demand and limited supply of modern logistics facilities. Lease ratio has remained high at 99% and 94%, respectively, with same-property net operating income up 1.8% and 2.8%.

In Brazil, our strategy in the current environment has been to focus on customer retention and proactively sign leases ahead of expiration. Our lease ratio was down 1% to 88% for the quarter, which is in line with our expectations and we will continue our strategy of proactively keeping strong customers.

Moving to our development business on Slide 6.

Maintaining sound investment discipline has always been our priority, and we remain focused on exercising strong capital discipline, with development decisions being driven by customer demand. Our development profit margin for the first quarter was 17%.

Now this is down from prior quarters, due largely to a few specific projects which stabilized during the quarter and have not leased up.

As I mentioned earlier, supply in certain submarkets is taking longer than expected to be absorbed, but is limited to a few projects. Demand, however, remains stable, and we continue to be positive on the outlook for China's logistics markets, notwithstanding near-term oversupply and resulting pressure on margins.

And as always, we will continue our strategy of pursuing scarce land resources in key markets through strategic partnerships with SOEs and private sellers.

For the quarter, globally, we started $226 million of developments, which represents 11% of our FY '18 target and completed $252 million of projects or 15% of our target for the year.

This is in line with our expectations, as we typically see lower development activity in the first quarter, which ticks up in the second half of the year. Furthermore, most of our development in Japan in FY '18 is concentrated in the fourth quarter. So all told, we remain on track to meet our global development targets of $2.2 billion of starts and $1.7 billion of completions for FY '18.

Turning to fund management on Slide 7.

Our fund management platform stands at $39 billion and continues to perform well, as we move toward an asset-light model. Specifically, our fee-generating capital base continues to grow steadily, delivering higher recurring income from fees. This quarter, fund fees were $48 million, up 15% year-on-year.

Of that, $34 million came from asset and property management fees and $14 million from development and acquisition fees. And we are happy to report that we have completed the syndication of our third U.S. portfolio, following the receipt of regulatory approvals, including CFIUS.

We expect to grow our fund platform going forward, and we are looking to expand our platform in new and existing markets. Ming will touch more on this later.

Overall, we continue to build GLP into the leading global provider of modern logistics solutions. Despite everything else going on, it has and will remain very much business as usual.

Our success is attributable to a clearly defined strategy, a best-in-class group of individuals executing on that strategy and the discipline to pursue only those opportunities that drive the strategy going forward. These factors, when combined, will create and enhance value for our shareholders.

With that, I'll turn it over to Heather.

Heather Xie - *Global Logistic Properties Limited - CFO*

Thanks, Steve. Please turn to a Slide 9 for the financial highlights. First quarter FY '18 earnings were $144 million, down 29% year-on-year, due to lower evaluations this quarter.

In 1Q FY '17, we had $88 million of revaluation gains, arising from cap rate compression in Japan and China and higher development profit from completion of a development property in Japan that we own 100% of.

Earnings, excluding revaluations, were up 131% year-on-year to $89 million, due to an unrealized foreign exchange gain. Specifically, this quarter, we recognized an FX gain of $25 million compared to an FX loss of $36 million for the same period last year.

As part of our natural hedge policy, we are looking to partially repay RMB intercompany loans with panda bonds proceeds, thereby reducing our FX exposure.

China and Japan continue to contribute the majority of our earnings. Deeper analysis on first quarter country performance can be found on Slides 10 to 13.

Now turn to Slide 14 for our capital management highlights.

Our cash position stood at $1 billion for the quarter, with look-through net debt to assets of 36%.

59% of total debt is fixed, and cost of debt remains low at 2.9%. We continue to naturally hedge foreign exchange exposure by financing operations in local currency and look to issue more RMB-denominated bonds in the near future.

With that, I will now hand the call over to Ming.

Ming Z. Mei - *Global Logistic Properties Limited - CEO & Executive Director*

Well, thank you, Heather, and thank you all for joining the call this morning. Earlier, Steve has touched on the proposed privatization of GLP.

I'd like to emphasize that our strategy remains the same and I will continue to be the CEO. The proposed transaction marks a major milestone in the Strategic Review and in the evolution of GLP. Although there's still a lot of work to be done and a strict process to be followed until completion, the team and I are committed to this journey.

In terms of demand, our business continued to be driven by domestic consumption and the growth of organized retail. From a consumption standpoint, we are passive for long term in all the markets we operate in. We will face some speed bump in the near term with oversupply in some of the second-tier cities in China.

Also, we are looking to expand our fund management platform in new and existing markets. These include establishing a new China income fund, continuing to sell assets into the J-REIT, as well as potentially expanding into Europe. Furthermore, technology is always evolving and new trends and new products are emerging every day.

As technology gets more advanced, price drops and products get better. For example, companies now can install robotics and automations at affordable price in our warehouses. That will change the requirements for our facilities in the future.

Also, it's now easier to capture data as Internet of Things continue to evolve. We have invested in a platform which installs smart gates at warehouses, which allow us to track the location of trucks and the goods being shipped and received at the same time. Using these insights, we're able to help our customer become more efficient by eliminating unnecessary delays.

These trends create new opportunities as well as challenges for our sector. Our team is very focused on addressing and adapting to the new environment. Our goal is to create an ecosystem for the future, preventing our warehouse space becoming a commodity. By leveraging our expertise and resources, we seek to offer integrated solutions to help our customers become more efficient.

In conclusion, it is business as usual for GLP. I want to give a special thank you to our amazing team across the world. The team, which have played an important role in GLP's success thus far and making us a global leader, will continue to execute on our strategy.

Maintaining communication is very important to us. We are committed to providing timely updates to our customers, investment partners and team members. I sincerely appreciate everyone's patience and understanding throughout the process. And with that, I will now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Han Zhang from Churchill Capital.

Han Zhang

This is Han. I just have 2 questions. Number one to Stephen. You mentioned just now that the privatization, you're hoping to accelerate it before the long stop date. Could I ask you to elaborate a bit more on what do you intend to do or what are you doing to accelerate the process? And also, the privatization, we know that it's not subject to antitrust approvals from China, EU or the U.S. But could I ask if you will need to do any filings in Japan for JFTC?

Stephen K. Schutte - *Global Logistic Properties Limited - COO*

Han, thanks. Yes, this is Steve. So first, on the acceleration, obviously, we feel we're very much aligned with everyone, which is to get through the process as quickly as possible, and we set up the outside date of April 14, knowing that we are working very hard to push sooner than that. Some of the things that we're pushing through the process right now, one is, of course, creating or drafting the Scheme Document itself, which is quite voluminous, and we're going through that right now.

Our independent financial adviser, as we've mentioned, is up and running and completing its diligence so it can render its opinion. And then the Scheme Document, for example, has to go to the SGX and the SIC for approval, so we anticipate there will be some back and forth there. So there are a number of things that we can, I think, push or control, if you will. And we're doing that in all haste. And we sincerely hope that we are well before the April 14 outside date. So those are the things that are within our control.

I think as far as the actual approvals that are going to be sought, there may be a number of approvals that the Offeror will decide it has to seek, but that's really going to be up to them. As you know, we've said we'll assist in any way that we can to help with those approvals. But really, taking away any conditionality of approvals in terms of the bid itself really kind of removed our concerns with whatever approvals they were going to seek. So we'll assist them with whatever they want to undertake, but there's really no condition to it in any jurisdiction in any market.

Operator

(Operator Instructions) Our next question comes from Harsh Agarwal from Deutsche Bank.

Harsh Agarwal

I just have one question. I know this is still in the works there's not much clarity on the funding as far as the public is concerned. But you have, in the past, reiterated your commitment to investment-grade ratings. Can I just confirm that the statement today about continuity and operations and strategy, does that imply a commitment to IG ratings, even post the takeover getting completed, please?

Heather Xie - *Global Logistic Properties Limited - CFO*

I think the consortium obviously understand the business. The business needs to have healthy balance sheet to continue to support future growth. Having said that, we cannot really speak on behalf of the consortium.

Ming Z. Mei - *Global Logistic Properties Limited - CEO & Executive Director*

I just want to reemphasize, in line with the statement made by Nesta this morning, is that we expect to continue to grow the business and maintain its current track.

Operator

(Operator Instructions) If there are no further questions, I'll hand the conference back to Ming for any closing comments.

Ming Z. Mei - *Global Logistic Properties Limited - CEO & Executive Director*

Well, I'll just want to thank you for joining today. And in summary, we remain confident on the long-term fundamentals of business, and our strategy remains the same. The team remains focused on executing it. I just want to say thank you for your continued support. Thank you.

Operator

Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you so much for your attendance. You may all disconnect.
