

# SECOND QUARTER 2014 FINANCIAL RESULTS PRESENTATION

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14 AUGUST 2014

HEKTAR ASSET MANAGEMENT SDN BHD



## Disclaimer

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The material that follows is a presentation of general background information about the activities of the Hektar REIT (including Hektar REIT's any other affiliates) as at the date of this Presentation.

The information contained herein is given in summary form solely to provide an understanding of the business of the Hektar REIT and does not purport to be complete. You should conduct your own investigation and analysis of the Hektar REIT and other data contained in this Presentation. It is not intended to be relied upon as advice for investment or invitation to invest in the Hektar REIT or an evaluation of the Hektar REIT. No representation, warranty, express or implied, is made and no reliance should be placed on the accuracy, fairness or completeness of the information contained herein. This presentation may contain forward-looking statements that involves risks and uncertainties. Actual future results may vary materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. You are cautioned not to place undue reliance on these forward-looking statements, which are based on Hektar REIT's current view of future events.

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The past performance of Hektar REIT is not necessarily indicative of the future performance of Hektar REIT.

## About Hektar

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Hektar Real Estate Investment Trust (Hektar REIT) is Malaysia's first retail-focused REIT. Hektar REIT's principal objective is to provide its Unitholders with a defensible income distribution and to enhance the long-term value of the fund. Hektar REIT invests in income-producing real estate primarily used for retail purposes.

Hektar REIT's portfolio mainly consists of quality shopping centres situated in Subang Jaya, Bandar Melaka, Muar, Sungai Petani and Kulim. Hektar REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 4 December 2006. The REIT's cornerstone investor is Frasers Centrepoint Trust, part of the Fraser & Neave Group, headquartered in Singapore. Hektar REIT is managed by Hektar Asset Management Sdn. Bhd.

For more information, please refer to the back page of this Presentation for Contact Information.

This Presentation should be read in conjunction with the Quarterly Report Announcement as reported on Bursa Malaysia.

# Financial Summary

## Second Quarter FY 2014

1 April 2014 – 30 June 2014

### Commentary

- 2Q2014 Interim Distribution Per Unit: 2.6 sen
- Seven Years Track Record of Positive Results

### Operational & Financial Performance (Second Quarter)

- Portfolio Occupancy: ~ 94.4%
- Rent Reversions: ~ 6.2%
- Net Income per Unit (Realised) 2.86 sen  
vs. previous comparable period/quarter<sup>1</sup>: +6.1%
- Distribution per Unit (DPU) 2.60 sen  
vs. previous comparable period<sup>1</sup>: maintained

<sup>1</sup> 2Q13 Net Income per unit: 2.70 sen

### Distribution and Yield

2Q14 DPU:	<b>2.6 sen</b>
2Q13 DPU:	<b>2.6 sen</b>
DPU Yield <sup>2</sup> :	<b>6.9%</b>

<sup>2</sup> Based on total annualized declared DPU of 2.60 sen for 2Q14 and closing price of RM1.51 on 30 Jun 2014.

# Distribution Details

## Hektar REIT Annual DPU Positive Growth Since IPO

### Current Distribution Details

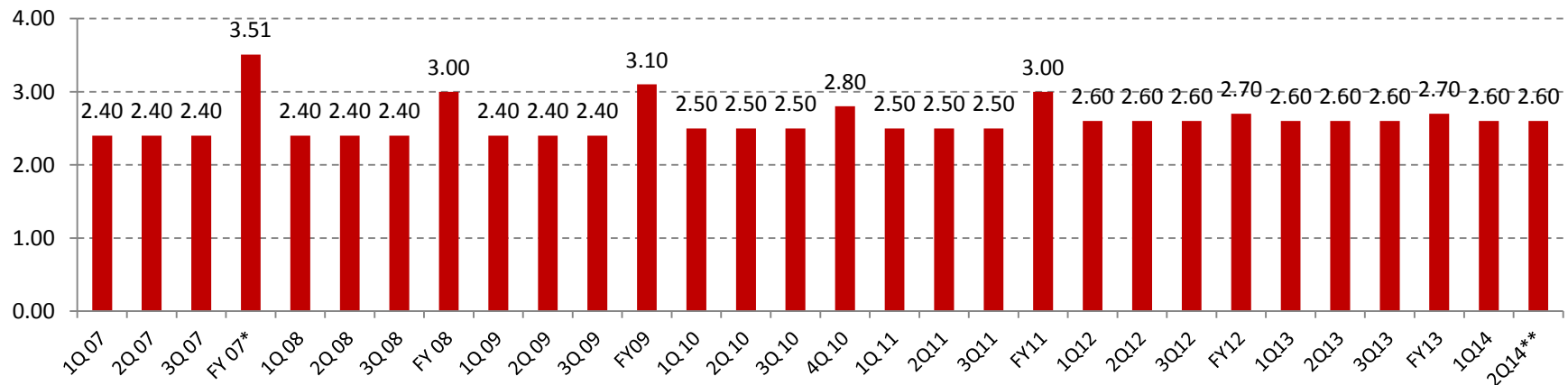
Second Quarter 2014

- Distribution Period: 1 Apr 2014 – 30 Jun 2014
- Quarterly DPU: 2.6 sen
- Notice of Entitlement: 15 August 2014
- Ex-Dividend Date: 27 August 2014
- Book Closure Date: 29 August 2014
- Payment Date: 17 September 2014

### Hektar REIT Distribution Policy

Barring unforeseen circumstances, Hektar REIT will pay distributions equivalent to at least 90% of distributable net income for the financial year 2013. Distributable net income excludes non-cash items such as FRS117 revenue recognition and capital allowances.

### Distribution Track Record



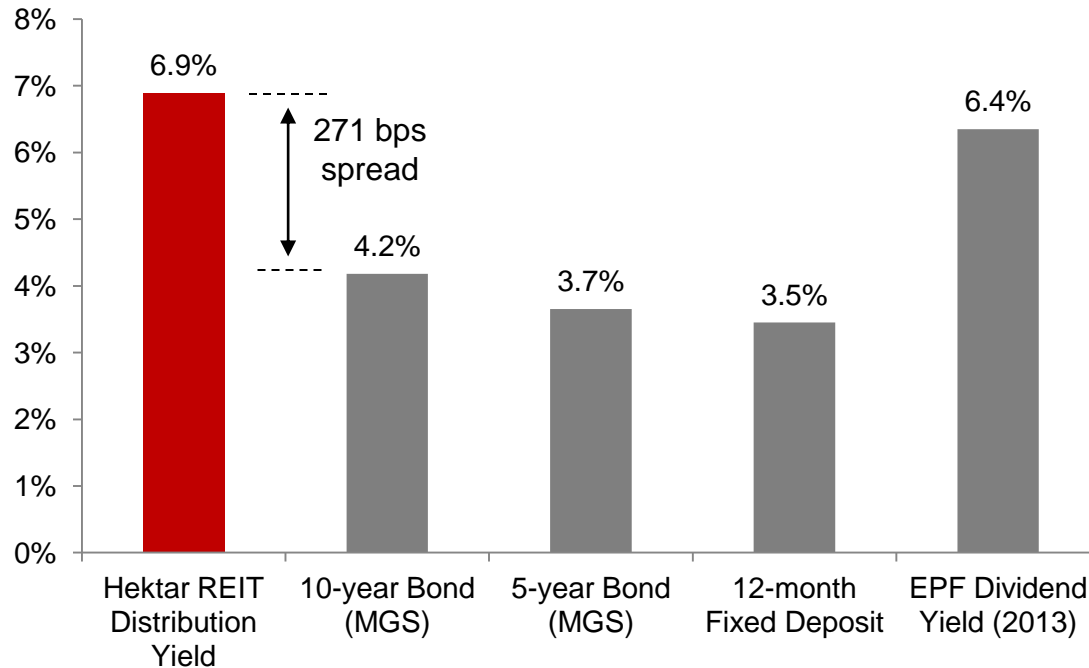
\* FY 07 represented a 13 month period from December 2006 to 31 December 2007 \*\* Declared

# Comparative Yields - Malaysia

## Hektar REIT Distribution Yield at approximately 6.9%

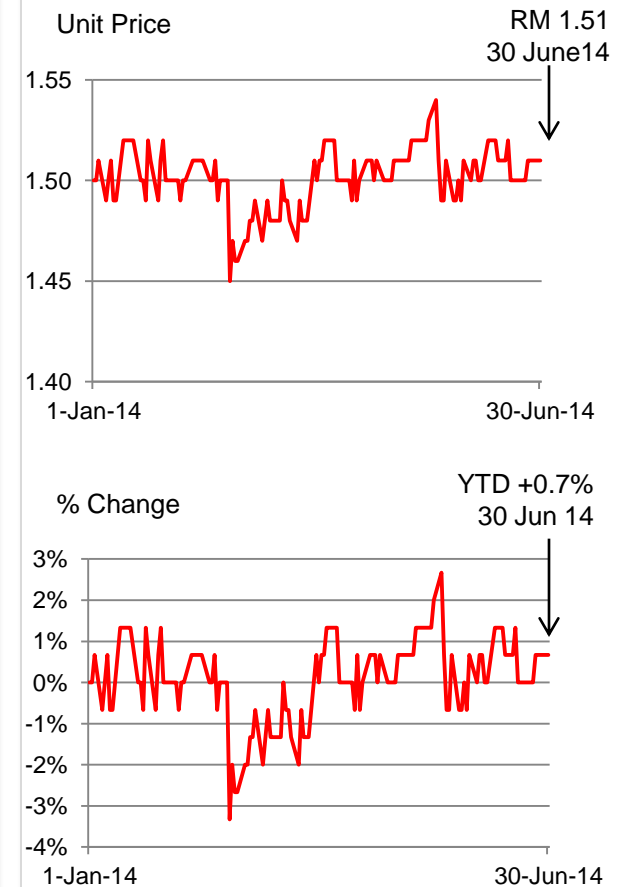
- Traded at a 271 bps spread over MGS 10-year
- Unit Price increased by 0.7% since beginning of the year

### Hektar REIT Comparative Yields



Sources: Bloomberg (30 Jun 2014), EPF (Feb 2014), BNM (31 Jul 2014), RHB (18 Jul 2014).  
 Hektar REIT's yield based on closing price of RM1.51 on 30 June 2014 and Annualised Declared DPU of 10.40 sen.

### Hektar REIT Unit Price Change 2Q2014 (6 months)



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# Portfolio Performance

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- Overall Occupancy at ~94.4% ►
- Rental Reversions +6.2% for 2Q14 ►
- Tenancy Expiry Profile ►
- 33% of Portfolio Tenancy Rental Income Expires in 2015 ►

# Hektar REIT Portfolio - Occupancy

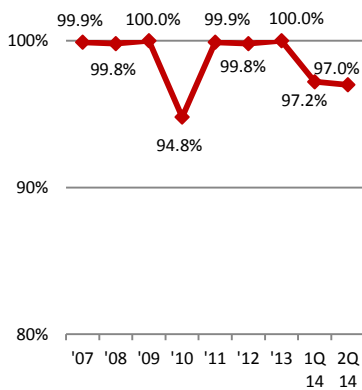
Overall Portfolio Occupancy at ~94.4%

## Hektar REIT Portfolio Occupancy

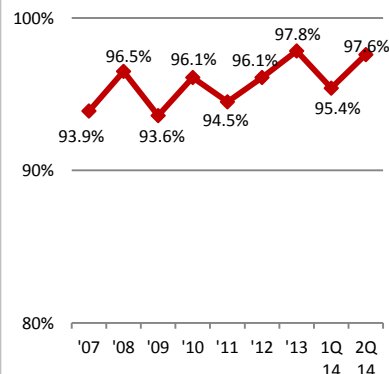
Property	As at 31 Dec 2004	As at 31 Dec 2005	As at 30 Sep 2006	As at 31 Dec 2007	As at 31 Dec 2008	As at 31 Dec 2009	As at 31 Dec 2010	As at 31 Dec 2011	As at 31 Dec 2012	As at 31 Dec 2013	As at 31 Mar 2014	As at 30 Jun 2014
Subang Parade	93.4%	98.3%	98.5%	99.9%	99.8%	100.0%	94.8%	99.9%	99.8%	100.0%	97.2%	97.0%
Mahkota Parade	86.8%	96.9%	94.9%	93.9%	96.5%	93.6%	96.1%	94.5%	96.1%	97.8%	95.4%	97.6%
Wetex Parade					83.1%	90.1%	95.6%	98.6%	97.8%	96.8%	96.3%	95.7%
Central Square									89.8%	82.5%	84.9%	84.2%
Landmark Central									96.9%	93.7%	94.4%	94.7%
Overall*	91.3%	97.6%	96.7%	96.9%	95.8%	95.8%	95.5%	97.5%	96.3%	96.3%	94.0%	94.4%

\*Approximate average, weighted by Net Lettable Area.

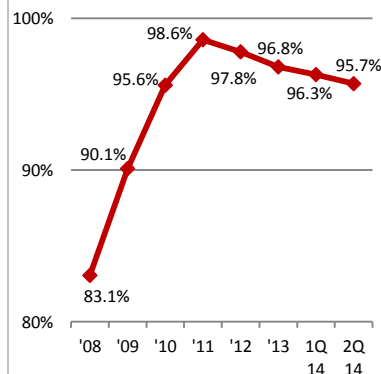
Subang Parade  
Occupancy (%)



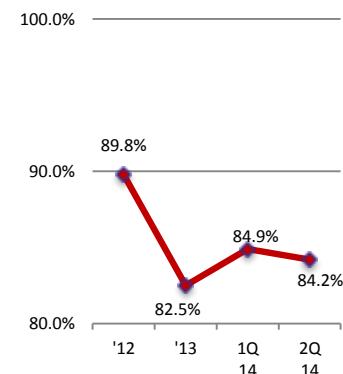
Mahkota Parade  
Occupancy (%)



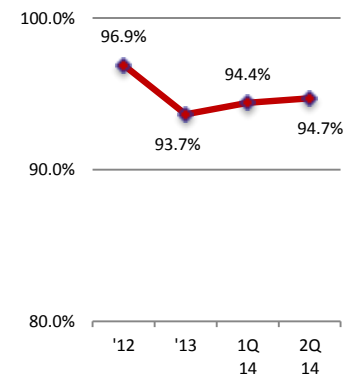
Wetex Parade  
Occupancy (%)



Central Square  
Occupancy (%)



Landmark Central  
Occupancy (%)



## Hektar REIT Portfolio – Rental Reversions

### Rental Reversions +6.2% for 2Q 2014

- Tenant remixing exercise at Kedah Malls with high reversion rates.

#### Hektar REIT Rental Reversions: Quarter

Second Quarter (3 months) (Ended 30 June)	No. of New Tenancies / Renewals	NLA (sq ft)	% of Total NLA	Increase / (Decrease) Over Previous Rent Rates	%
Subang Parade	16	54,609	11%		6.2%
Mahkota Parade	6	12,003	2%		-8.3%
Wetex Parade	5	3,027	2%		-10.0%
Central Square	13	11,976	4.0%		50.7%
Landmark Central	7	5,900	2.1%		19.9%
Total / Average*	47	87,515	5%		6.2%

\*Average Weighted by NLA.

NLA = Net Lettable Area

Negative reversion due to the relocation of 2 tenants, to accommodate Popular's entry in 4F

#### Hektar REIT Rental Reversions: Year-To-Date

1H 2012 (6 months) (Ended 30 June)	No. of New Tenancies / Renewals	NLA (sq ft)	% of Total NLA	Increase / (Decrease) Over Previous Rent Rates	%
Subang Parade	35	96,914	19%		5%
Mahkota Parade	13	166,225	34%		2%
Wetex Parade	6	88,440	57%		7%
Central Square	19	16,445	5%		23%
Landmark Central	11	9,688	3%		24%
Total / Average*	84	377,712	22%		5%

\*Average Weighted by NLA.

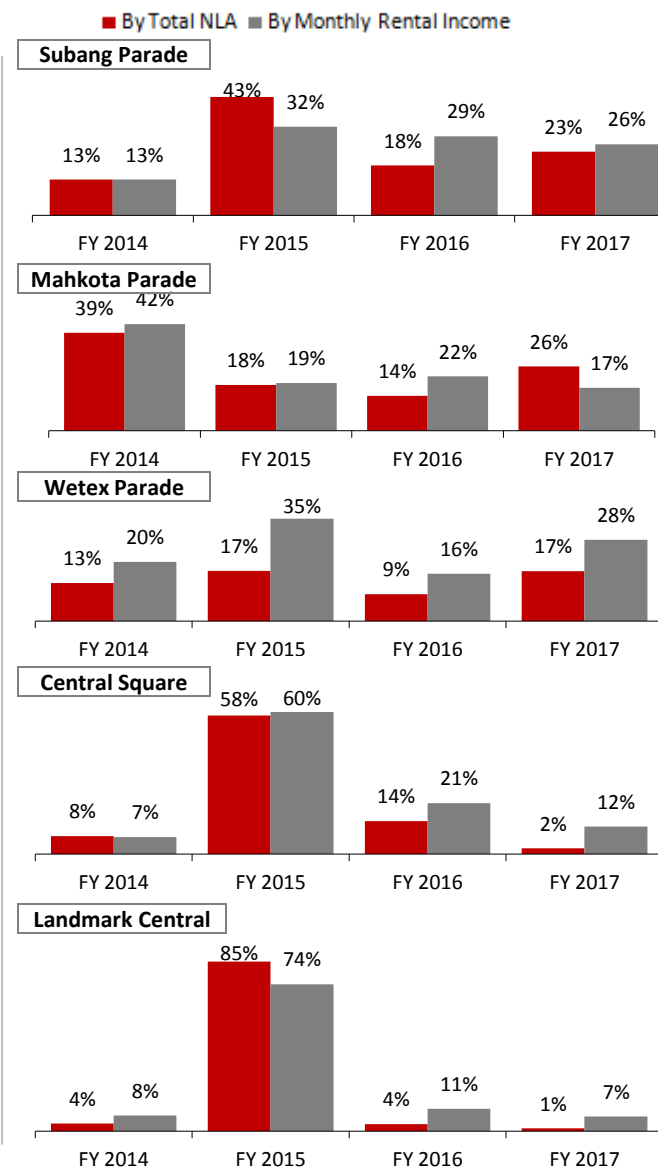
NLA = Net Lettable Area



## Hektar REIT Tenancy Expiry Profile by Property as at 30 June 2014

For Year Ending 31 December	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
<b>Subang Parade</b>				
FY 2014	26	65,613	13%	13%
FY 2015	32	216,803	43%	32%
FY 2016	44	91,412	18%	29%
FY 2017	0	117,027	23%	26%
<b>Mahkota Parade</b>				
FY 2014	39	188,473	39%	42%
FY 2015	27	87,959	18%	19%
FY 2016	34	67,280	14%	22%
FY 2017	10	128,586	26%	17%
<b>Wetex Parade</b>				
FY 2014	15	20,314	13%	20%
FY 2015	38	26,945	17%	35%
FY 2016	18	14,455	9%	16%
FY 2017	3	86,846	17%	28%
<b>Central Square</b>				
FY 2014	14	22,799	8%	7%
FY 2015	15	176,648	58%	60%
FY 2016	11	42,205	14%	21%
FY 2017	13	11,790	2%	12%
<b>Landmark Central</b>				
FY 2014	9	10,647	4%	8%
FY 2015	36	238,852	85%	74%
FY 2016	12	9,974	4%	11%
FY 2017	8	6,932	1%	7%

\*Based on monthly rental income for June 2014. Figures may not round to 100% due to misc. items



# Hektar REIT Portfolio – Tenancy Expiry Profile

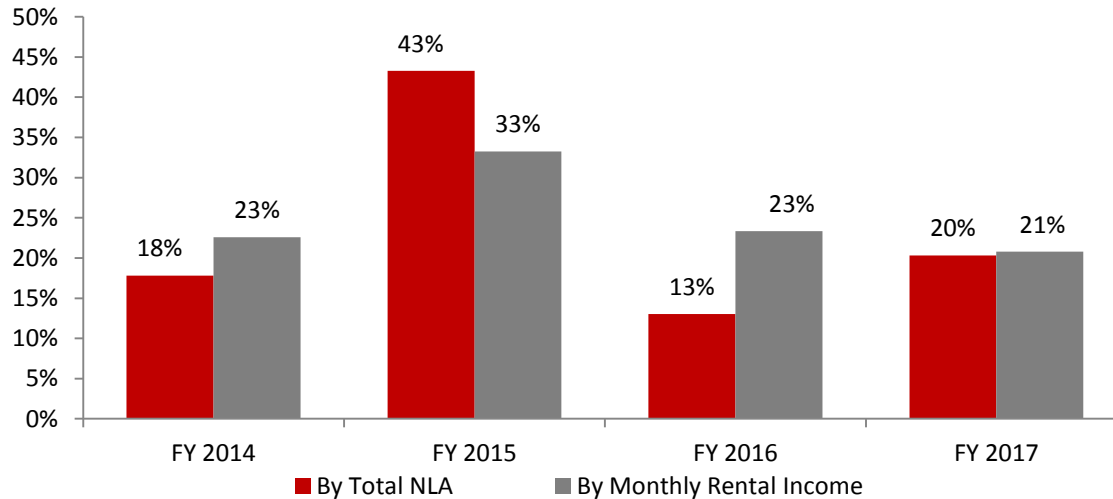
## Tenancy Portfolio Expiry Profile 2014 – 2017

- FY2015 - 148 tenancy expiries account for approximately 33% of monthly rental income\*

### Hektar REIT Tenancy Expiry Profile – Overall Portfolio

As at 30 June 2014

Portfolio For Year Ending 31 December	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
FY 2014	103	307,846	18%	23%
FY 2015	148	747,207	43%	33%
FY 2016	119	225,326	13%	23%
FY 2017	34	351,181	20%	21%



\* Based on monthly rental income for June 2014. NLA = Net Lettable Area

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# Financial Results

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- 2Q2014 Gross Revenue up 1.8%; NPI up 4.2% from preceding year ►
- 2Q2014 Net Income (Realised) up 6.1% from preceding year ►
- Hektar REIT Average Cost of Debt at 4.5% ►

# Income Statement – Quarter Comparative

## 2Q2014 Net Income (Realised) up 4.2% vs corresponding quarter 2Q2013

Income Statement Second Quarter 2014 (Unaudited)	2Q14 (RM '000)	2Q13 (RM '000)	Variance (%)
Revenue	30,194	29,657	+ 1.8%
Direct Cost & Property Expenses	(11,575)	(11,797)	- 1.9%
<b>Net Property Income (NPI)</b>	<b>18,619</b>	<b>17,860</b>	<b>+ 4.2%</b>
Interest & Other Income	62	99	- 36.9%
<b>Total Income</b>	<b>18,681</b>	<b>17,959</b>	<b>+ 4.0%</b>
Trust Fees & Expenses	(2,365)	(2,405)	- 1.7%
Interest Expense	(4,839)	(4,740)	+ 2.1%
Fair Value Adjustment of Investment Properties	—	—	—
<b>Net Income Before Tax</b>	<b>11,477</b>	<b>10,813</b>	<b>+ 6.1%</b>
<b>Net Income per Unit (sen)</b>	<b>2.86</b>	<b>2.70</b>	<b>+ 6.1%</b>
<b>- realised</b>	<b>2.86</b>	<b>2.70</b>	<b>+ 6.1%</b>

Note: With effect from 1 January 2010, revenue is now reported following implementation of FRS 117, which recognises rental income on an averaged basis over the term of tenancy; step-up rent in future periods is averaged and reported proportionately in the present period, while turnover rent is recognised in each accounting period on a receipt basis.



# Income Statement – Year-To-Date Comparative

For Period 1 January – 30 June 2014  
(versus previous comparable period)

Income Statement Year-To-Date (Unaudited)	1H14 (RM '000)	1H13 (RM '000)	Variance (%)
Revenue	60,371	59,735	+ 1.1%
Direct Cost & Property Expenses	(24,149)	(23,501)	+ 2.8%
<b>Net Property Income (NPI)</b>	<u>36,222</u>	<u>36,235</u>	- 0.03%
Interest & Other Income	136	178	- 23.6%
<b>Total Income</b>	<u>36,358</u>	<u>36,413</u>	- 0.15%
Trust Fees & Expenses	(4,820)	(5,096)	- 5.4%
Interest Expense	(9,602)	(9,443)	+ 1.7%
Fair Value Adjustment of Investment Properties			
<b>Net Income Before Tax</b>	<u><u>21,936</u></u>	<u><u>21,873</u></u>	<u><u>+ 0.3%</u></u>
<b>Net Income per Unit (sen)</b>	<u><b>5.48</b></u>	<u><b>5.46</b></u>	<u><b>+ 0.3%</b></u>
<b>- realised</b>	<u><b>5.48</b></u>	<u><b>5.46</b></u>	<u><b>+ 0.3%</b></u>

Note: With effect from 1 January 2010, revenue is now reported following implementation of FRS 117, which recognises rental income on an averaged basis over the term of tenancy; step-up rent in future periods is averaged and reported proportionately in the present period, while turnover rent is recognised in each accounting period on a receipt basis. FRS117 rental income for FY2011 was RM1.12 million (FY2010: RM1.37 million). Barring unforeseen circumstances, Hektar REIT will pay dividends equivalent to at least 90% of distributable net income for the financial year 2010. Distributable net income excludes non-cash items such as FRS117 revenue recognition and capital allowances.

## Hektar REIT's Balance Sheet for 2Q2014

<b>Balance Sheet</b> (Unaudited)	<b>As at 30.6.2014</b> (RM '000)	<b>As at 31.12.2013</b> (RM '000)
<b>Non-Current Assets</b>		
Investment Properties	1,047,280	1,047,280
Capital Work in Progress	14,158	1,740
Fixed Deposit with a licensed bank	4,286	4,227
	<u>1,065,724</u>	<u>1,053,247</u>
<b>Current Assets</b>		
Trade Receivables	2,868	3,077
Other Receivables, Deposits, Prepayments	4,355	5,495
Cash and Bank Balances	20,965	23,284
	<u>28,188</u>	<u>31,856</u>
<b>TOTAL ASSETS</b>	<u>1,093,912</u>	<u>1,085,103</u>
<b>Long Term Liabilities</b>		
Tenancy Deposits	13,939	13,889
Borrowings	444,742	436,100
	<u>458,682</u>	<u>449,989</u>
<b>Current Liabilities</b>		
Trade Payables	1,732	2,657
Other Payables and Accruals	4,489	5,045
Tenancy Deposits	14,943	14,047
Borrowings		
	<u>21,164</u>	<u>21,751</u>
<b>TOTAL LIABILITIES</b>	<u>479,846</u>	<u>471,739</u>
<b>NET ASSET VALUE</b>	<u>614,066</u>	<u>613,364</u>
Unitholders' Capital	425,738	425,738
Retained Earnings - realised	39,878	39,176
Retained Earnings - unrealised	148,450	148,450
	<u>614,066</u>	<u>613,364</u>
<b>TOTAL UNITHOLDERS' FUND</b>	<u>614,066</u>	<u>613,364</u>

<b>Unit Price Statistics</b>
As at 30 June 2014
<b>No. of Units Outstanding</b>
400,634,117
<b>Net Asset Value (RM)</b>
1.5327
<b>Unit Price (RM)</b>
1.51
<b>Premium / (Discount) to NAV</b>
(1.5%)

# Debt Profile

## Debt Profile for 2Q 2014

### Debt Information

As at 30 June 2014

- Total Debt: **RM436 million**
- Weighted Cost of Debt: **4.5%**
- Gearing Ratio<sup>1</sup>: **40.7%**
- Interest Cover<sup>2</sup>: **3.37**

<sup>1</sup> Gearing ratio calculated by total long term liabilities over Gross Asset Value (GAV).

<sup>2</sup> Based on quarter ended 30 June 2014

### Financing Details

Al-Murabahah / OD

Fixed Term Loan, Annual Floating Rate with Partial Hedging

Structure: Cost of Funds + 0.75%

#### Tranche 1

- Term: 5 Years, Expiring **2016**
- Pledged: Subang Parade
- Facility Size: RM184 million
- Drawdown: Fully Drawn
- Cost: 4.85%
- Refinancing: December 2016

#### Tranche 2

- Term: 5 Years, Expiring **2017**
- Pledged: Mahkota Parade
- Facility Size: RM150 million
- Drawdown: Fully Drawn
- Cost: 4.10%
- Refinancing: April 2017

#### Tranche 3

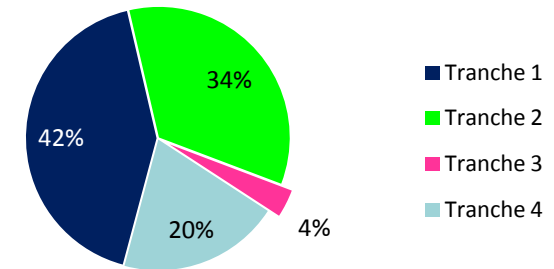
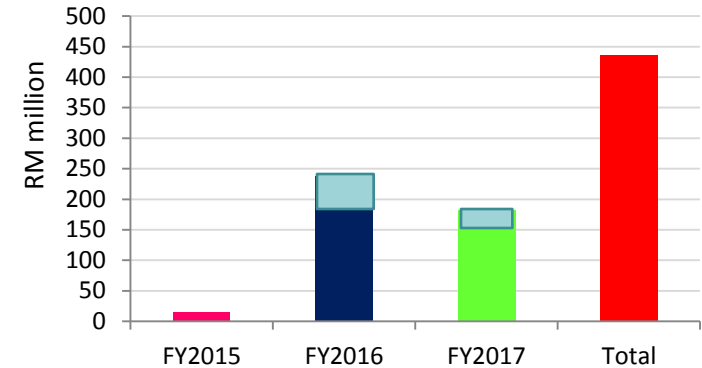
- Term: 5 Years, Expiring **2015**
- Pledged: Subang Parade
- Facility Size: RM15 million
- Drawdown: Fully Drawn
- Cost: 4.10%
- Refinancing: August 2015

#### Tranche 4

- Term: 5 Years, Expiring **2016/17**
- Pledged: Wetex Parade
- Facility Size: RM87.1 million
- Drawdown: Fully Drawn
- Cost: 4.58%
- Refinancing: December 2016 & October 2017

### Debt Expiry Profile

As at 30 June 2014




## *“Creating The Places Where People Love To Shop”*

Investor Relations  
**Hektar Asset Management Sdn Bhd**  
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