



Hektar Real Estate Investment Trust

# SECOND QUARTER 2013 FINANCIAL RESULTS PRESENTATION

---

2 AUGUST 2013

HEKTAR ASSET MANAGEMENT SDN BHD



## Disclaimer

---

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.

Whilst we have used our best endeavour and exercised reasonable diligence in collating information from public domain, we have not independently verified the accuracy of such information.

The Hektar REIT and its affiliates or any of its directors, officers and employees shall not accept any responsibility for any errors or omission in this Presentation and shall not be liable for any loss or other consequence of any reliance upon the whole or any part of the contents of this Presentation thereon.

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

## About Hektar

---

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 2013

1 April 2013 – 30 June 2013

### Commentary

- 2Q2013 Interim Distribution Per Unit: 2.6 sen
- Six Years Track Record of Positive Results

### Operational & Financial Performance (Second Quarter)

- Portfolio Occupancy: ~ 94.2%
- Rent Reversions: ~ 8.9%
- Net Income per Unit (Realised) 2.70 sen  
vs. previous comparable period/quarter<sup>1</sup>: -6.9%
- Distribution per Unit (DPU) 2.60 sen  
vs. previous comparable period<sup>1</sup>: maintained

<sup>1</sup> 2Q12 Net Income per unit: 2.90 sen

### Distribution and Yield

3Q13 DPU:	<b>2.6 sen</b>
2Q12 DPU:	<b>2.6 sen</b>
DPU Yield <sup>2</sup> :	<b>6.6%</b>

<sup>2</sup> Based on total annualized declared DPU of 2.6 sen for 2Q13 and closing price of RM1.57 on 28 June 2013.

# Distribution Details

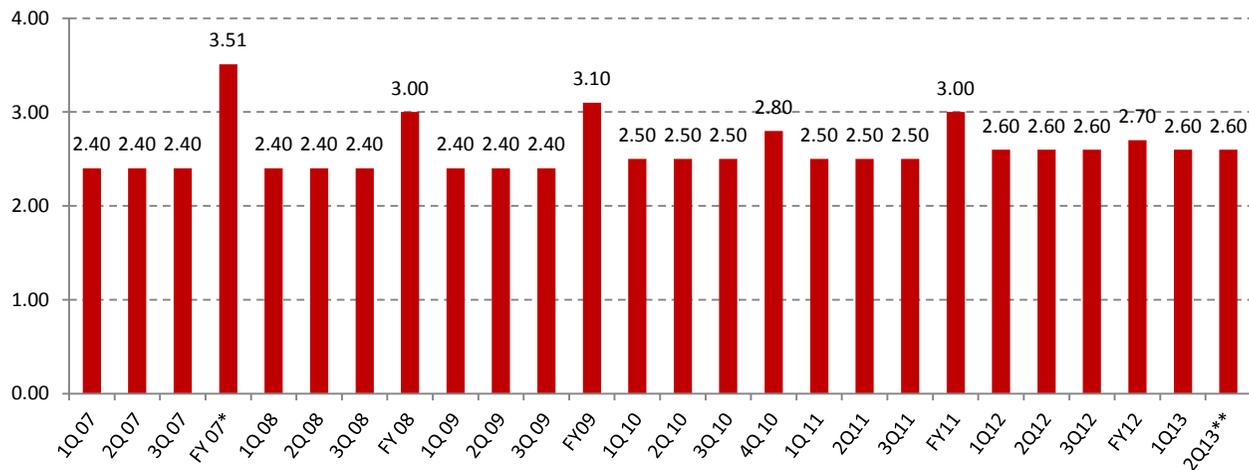
## Hektar REIT Annual DPU Positive Growth Since IPO

### Current Distribution Details

Second Quarter 2013

- Distribution Period: 1 Apr – 30 Jun 2013
- Quarterly DPU: 2.6 sen
- Notice of Entitlement: 2 Aug 2013
- Ex-Dividend Date: 19 Aug 2013
- Book Closure Date: 21 Aug 2013
- Payment Date: 10 Sep 2013

### Distribution Track Record



### Hektar REIT Distribution Policy

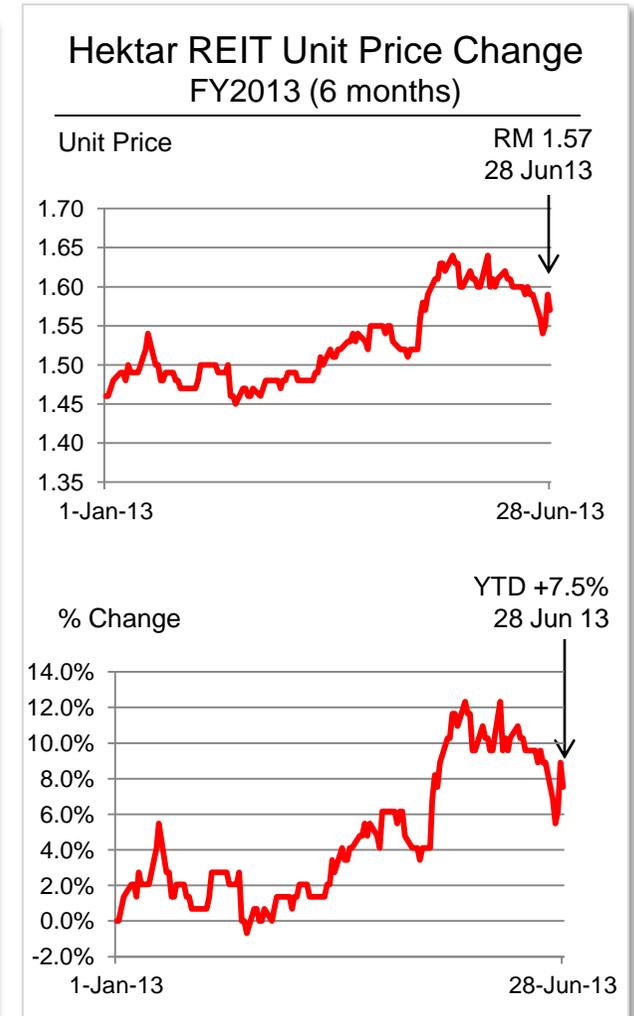
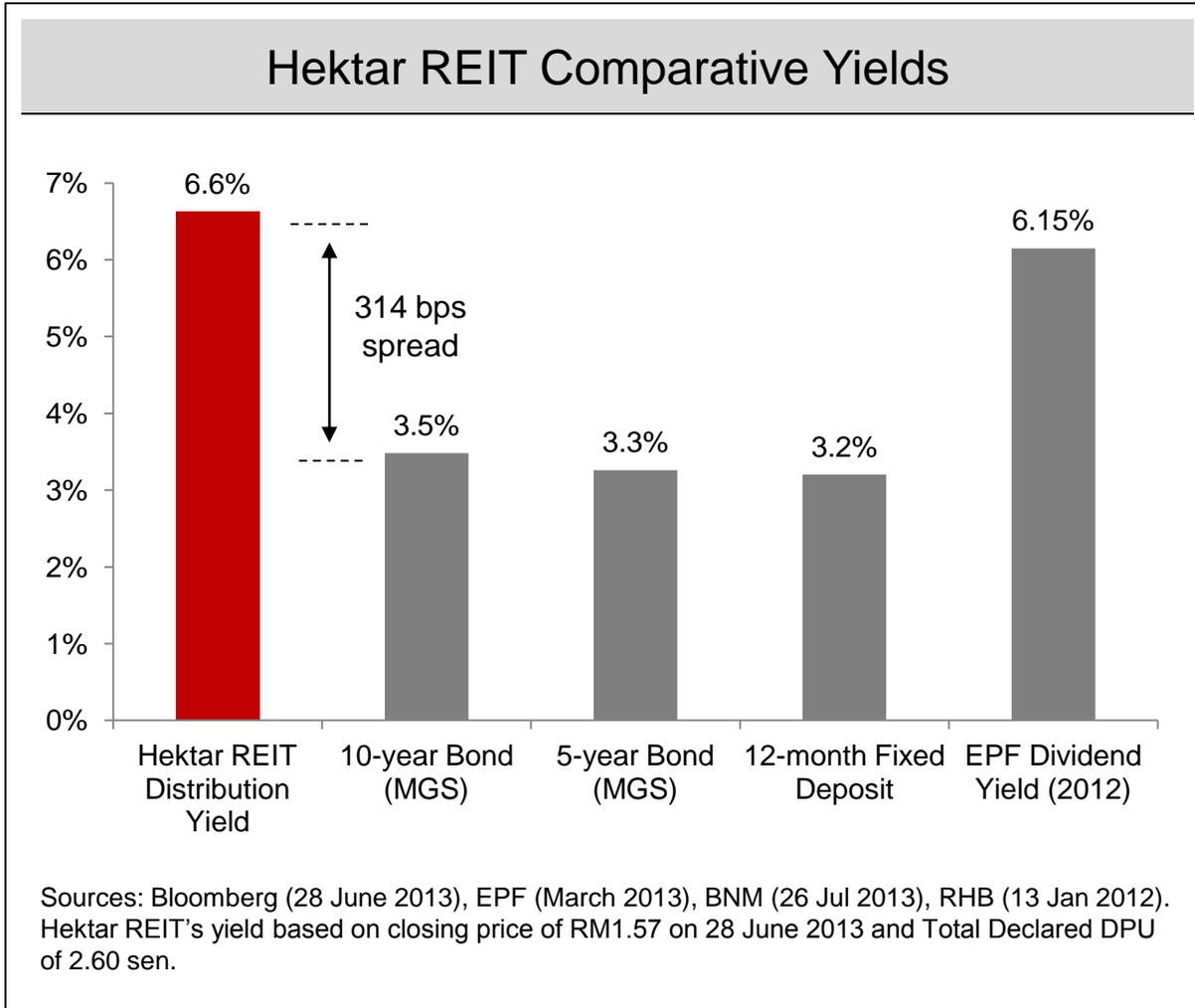
Barring unforeseen circumstances, Hektar REIT will pay distributions equivalent to at least 90% of distributable net income for the financial year 2012. Distributable net income excludes non-cash items such as FRS117 revenue recognition and capital allowances.

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

# Comparative Yields - Malaysia

## Hektar REIT Distribution Yield at approximately 6.6%

- Traded at a 314 bps spread over MGS 10-year
- Unit Price increased by 7.5% since beginning of the year



---

# Portfolio Performance

---

- Overall Occupancy at ~94.2% ►
- Rental Reversions +8.9% for 2Q13 ►
- Tenancy Expiry Profile ►
- 38% of Portfolio Tenancy Rental Income Expires in 2014 ►

# Hektar REIT Portfolio - Occupancy

Central Square prepares itself for the AEI via remixing and rezoning exercises.

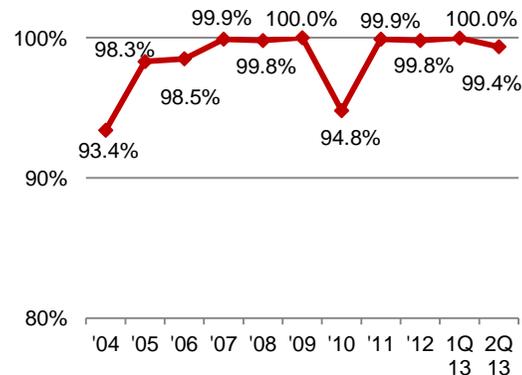
Overall Portfolio Occupancy at ~94.2%

## Hektar REIT Portfolio Occupancy

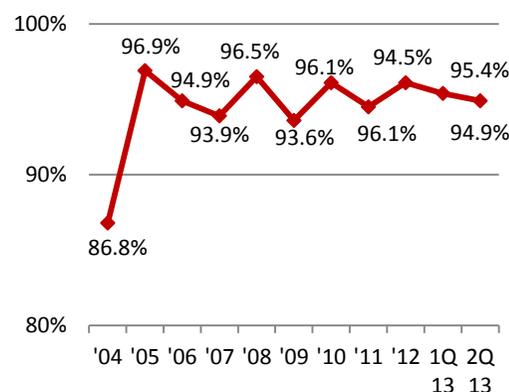
Property	As at 31 Dec 2004	As at 31 Dec 2005	As at 30 Sep 2006	As at 31 Dec 2007	As at 31 Dec 2008	As at 31 Dec 2009	As at 31 Dec 2010	As at 31 Dec 2011	As at 31 Dec 2012	As at 31 Mar 2013	As at 31 Jun 2013
Subang Parade	93.4%	98.3%	98.5%	99.9%	99.8%	100.0%	94.8%	99.9%	99.8%	100.0%	99.4%
Mahkota Parade	86.8%	96.9%	94.9%	93.9%	96.5%	93.6%	96.1%	94.5%	96.1%	95.4%	94.9%
Wetex Parade					83.1%	90.1%	95.6%	98.6%	97.8%	98.0%	97.7%
Central Square									89.8%	85.3%	82.2%
Landmark Central									96.9%	97.3%	95.0%
Overall*	91.3%	97.6%	96.7%	96.9%	95.8%	95.8%	95.5%	97.5%	96.3%	95.5%	94.2%

\*Approximate average, weighted by Net Lettable Area.

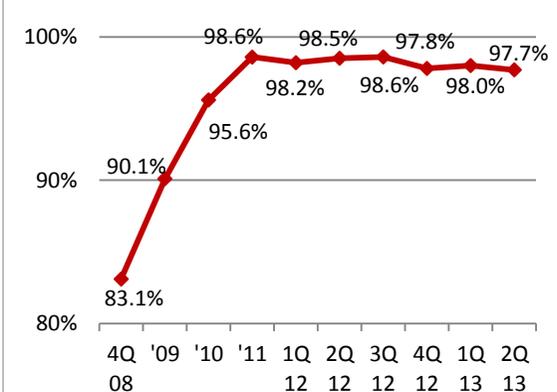
### Subang Parade Occupancy (%)



### Mahkota Parade Occupancy (%)



### Wetex Parade Occupancy (%)



## Hektar REIT Portfolio – Rental Reversions

### Rental Reversions +8% for 1H 2013

- 2Q 13: 19 new tenancies / renewals at 9% reversion rate
- Landmark Central recorded high reversion due to its strong market position

#### 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	8	17,083	3%	9%	9%
Mahkota Parade	3	5,468	1%	4%	4%
Wetex Parade	8	4,894	3%	4%	4%
Central Square	1	792	0.3%	2%	2%
Landmark Central	12	7,358	2.6%	22%	22%
Total / Average*	19	27,445	2%	9%	9%

\*Average Weighted by NLA.

NLA = Net Lettable Area

Strong reversion  
contributed  
mainly by F&B  
tenants

Reversion mainly  
from small lots.

#### 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	22	34,214	7%	12%	12%
Mahkota Parade	11	31,666	7%	0%	0%
Wetex Parade	18	9,117	6%	7%	7%
Central Square	2	1,364	0%	3%	3%
Landmark Central	12	7,358	3%	22%	22%
Total / Average*	65	83719	5%	8%	8%

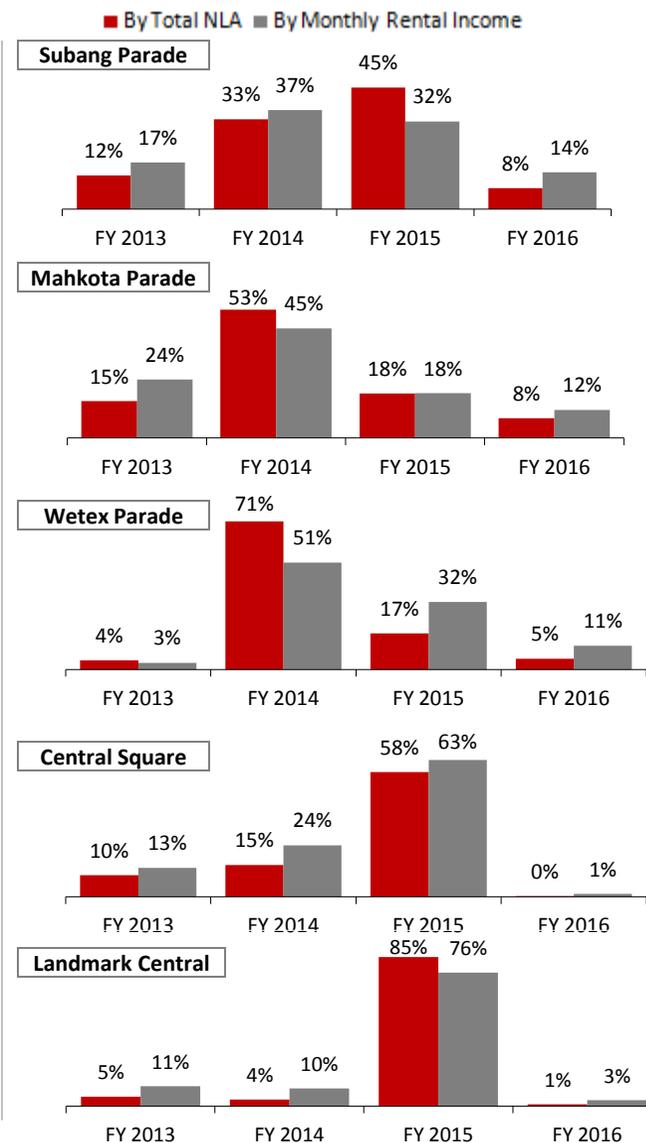
\*Average Weighted by NLA.

NLA = Net Lettable Area

## Hektar REIT Tenancy Expiry Profile by Property as at 30 June 2013

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 2013	25	61,994	12%	17%
FY 2014	56	166,581	33%	37%
FY 2015	28	225,641	45%	32%
FY 2016	22	38,571	8%	14%
<b>Mahkota Parade</b>				
FY 2013	24	73,391	15%	24%
FY 2014	36	256,665	53%	45%
FY 2015	27	88,766	18%	18%
FY 2016	18	39,188	8%	12%
<b>Wetex Parade</b>				
FY 2013	4	6,825	4%	3%
FY 2014	28	109,546	71%	51%
FY 2015	39	26,698	17%	32%
FY 2016	13	7,995	5%	11%
<b>Central Square</b>				
FY 2013	19	30,081	10%	13%
FY 2014	34	44,041	15%	24%
FY 2015	12	173,426	58%	63%
FY 2016	1	792	0%	1%
<b>Landmark Central</b>				
FY 2013	17	15,161	5%	11%
FY 2014	13	10,423	4%	10%
FY 2015	38	238,852	85%	76%
FY 2016	5	3,144	1%	3%

\*Based on monthly rental income for June 2013. Figures may not round to 100% due to misc. items



# Hektar REIT Portfolio – Tenancy Expiry Profile

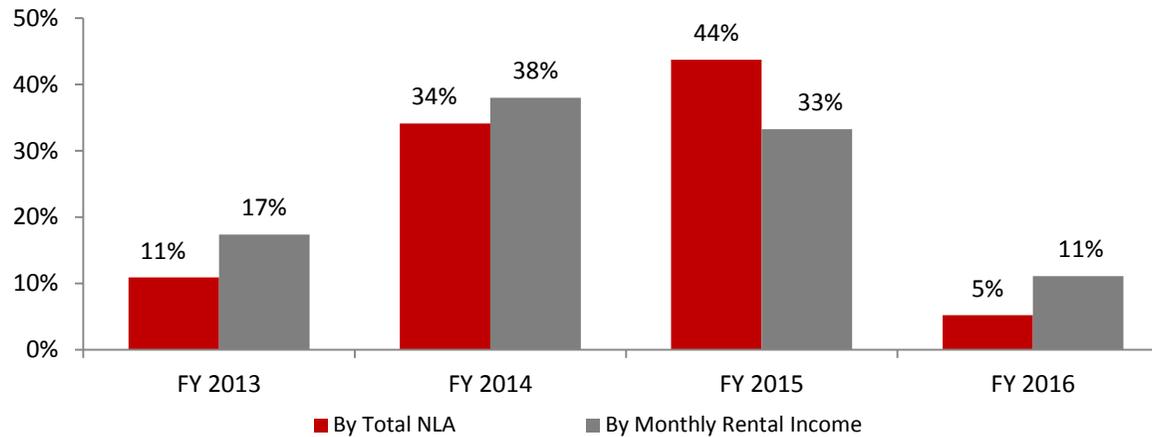
## Tenancy Portfolio Expiry Profile 2013 – 2016

- FY2014 - 167 tenancy expiries account for approximately 38% of monthly rental income\*

### Hektar REIT Tenancy Expiry Profile – Overall Portfolio

As at 30 June 2013

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 2013	89	187,452	11%	17%
FY 2014	167	587,256	34%	38%
FY 2015	144	753,383	44%	33%
FY 2016	59	89,690	5%	11%



\* Based on monthly rental income for June 2013. NLA = Net Lettable Area

---

# Financial Results

---

- Gross Revenue up 22.0% and NPI up 21.3% from preceding year ►
- 2Q2013 Net Income (Realised) up 16.5% from preceding year ►
- Hektar REIT Average Cost of Debt at 4.5% ►

## Income Statement – Quarter Comparative

### 2Q2013 Net Income (Realised) up 16.5% vs corresponding quarter 2Q2012

- Due to contribution from the enlarged portfolio

<b>Income Statement Second Quarter 2013 (Unaudited)</b>	<b>2Q13 (RM '000)</b>	<b>2Q12 (RM '000)</b>	<b>Variance (%)</b>
Revenue	29,657	24,309	+ 22.0%
Direct Cost & Property Expenses	(11,797)	(9,588)	+ 23.0%
<b>Net Property Income (NPI)</b>	<b>17,860</b>	<b>14,720</b>	<b>+ 21.3%</b>
Interest & Other Income	99	138	- 28.2%
<b>Total Income</b>	<b>17,959</b>	<b>14,858</b>	<b>+ 20.9%</b>
Trust Fees & Expenses	(2,405)	(1,925)	+ 25.0%
Interest Expense	(4,740)	(3,656)	+ 29.7%
Fair Value Adjustment of Investment Properties			
<b>Net Income Before Tax</b>	<b>10,813</b>	<b>9,278</b>	<b>+ 16.5%</b>
<b>Net Income per Unit (sen)</b>	<b>2.70</b>	<b>2.90</b>	<b>- 6.9%</b>
<b>- realised</b>	<b>2.70</b>	<b>2.90</b>	<b>- 6.9%</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 2013 (versus previous comparable period)

Income Statement Year-To-Date FY13 (Unaudited)	1H13 (RM '000)	1H12 (RM '000)	Variance (%)
Revenue	59,735	48,764	+ 22.5%
Direct Cost & Property Expenses	<u>(23,501)</u>	<u>(19,106)</u>	<u>+ 23.0%</u>
<b>Net Property Income (NPI)</b>	<u>36,235</u>	<u>29,658</u>	<u>+ 22.2%</u>
Interest & Other Income	<u>178</u>	<u>206</u>	<u>- 13.4%</u>
<b>Total Income</b>	<u>36,413</u>	<u>29,864</u>	<u>+ 21.9%</u>
Trust Fees & Expenses	(5,096)	(3,751)	+ 35.9%
Interest Expense	(9,443)	(7,110)	+ 32.8%
<b>Net Income Before Tax</b>	<u><u>21,873</u></u>	<u><u>19,003</u></u>	<u><u>+ 15.1%</u></u>
<b>Net Income per Unit (sen)</b>	<b>5.46</b>	<b>5.94</b>	<b>- 8.1%</b>
<b>- realised</b>	<u><b>5.46</b></u>	<u><b>5.94</b></u>	<u><b>- 8.1%</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 2Q2013

Balance Sheet (Unaudited)	As at 30.06.2013 (RM '000)	As at 31.12.2012 (RM '000)
<b>Non-Current Assets</b>		
Investment Properties	1,028,970	1,028,970
Capital Work in Progress	3,078	533
Fixed Deposit with a licensed bank	4,129	4,072
	<u>1,036,177</u>	<u>1,033,576</u>
<b>Current Assets</b>		
Trade Receivables	3,052	3,333
Other Receivables, Deposits, Prepayments	1,948	3,231
Cash and Bank Balances	25,077	26,127
	<u>1,066,254</u>	<u>1,066,267</u>
<b>TOTAL ASSETS</b>		
	<u>1,066,254</u>	<u>1,066,267</u>
<b>Current Liabilities</b>		
Trade Payables	1,203	1,319
Other Payables and Accruals	4,246	5,084
Tenancy Deposits	27,400	27,099
Borrowings		150,000
	<u>1,033,404</u>	<u>882,764</u>
Unitholders' Capital	425,738	425,738
Retained Earnings - realised	35,748	35,109
Retained Earnings - unrealised	135,818	135,818
<b>NET ASSET VALUE</b>	<u>597,304</u>	<u>596,664</u>
<b>Long Term Liabilities</b>		
Borrowings	436,100	286,100
	<u>1,033,404</u>	<u>882,764</u>

### Unit Price Statistics

As at 28 June 2013

### No. of Units Outstanding

400,634,117

### Net Asset Value (RM)

1.4909

### Unit Price (RM)

1.57

### Premium / (Discount) to NAV

5.31%

# Debt Profile

## Debt Profile for 2Q 2013

### Debt Information

As at 30 June 2013

- Total Debt: **RM436 million**
- Weighted Cost of Debt: **4.5%**
- Gearing Ratio<sup>1</sup>: **40.9%**
- Interest Cover<sup>2</sup>: **3.28**

<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 2013

### 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 **2013**
- Pledged: Mahkota Parade
- Facility Size: RM150 million
- Drawdown: Fully Drawn
- Cost: 4.36%
- Rate Reset: April 2017

#### Tranche 3

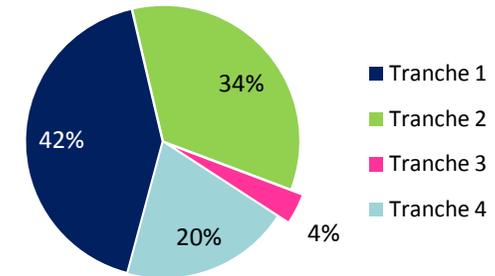
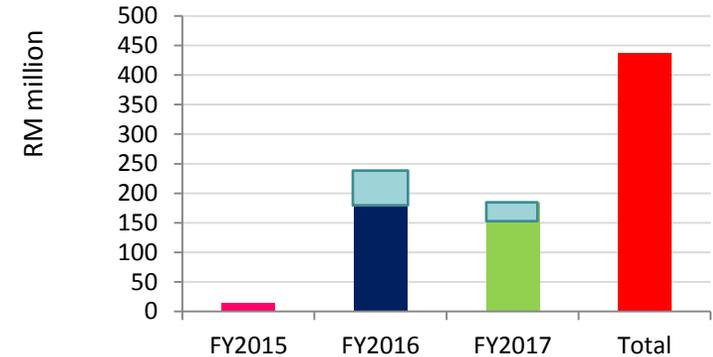
- Term: 5 Years, Expiring **2015**
- Pledged: Subang Parade
- Facility Size: RM15 million
- Drawdown: Fully Drawn
- Cost: 4.10%
- Refinancing: August 2015

#### Tranche 4

- Term: 5 Years, Expiring **2016/17**
- Pledged: Wetex Parade
- Facility Size: RM87.1 million
- Drawdown: Fully Drawn
- Cost: 4.29%
- Refinancing: December 2016 & October 2017

### Debt Expiry Profile

As at 30 June 2013



## Central Square Asset Enhancement Initiative 2013 / 2014



**Hektar REIT will be commencing Asset Enhancement Initiatives (AEI) at Central Square amounting to RM 23 million by 3Q2013.**

## **Key refurbishment areas :-**

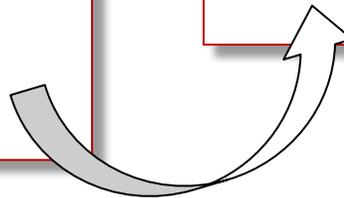
1. Expansion of cinema from 3 screens to 9 screens
2. Conversion of low footfall areas into new retail concepts
3. Upgrading of carpark – improve lighting, drainage, flooring, and also to install ZPS system.
4. Common area :
  - Façade : New façade installed with perforated metal claddings
  - Entrance : An additional entrance will be created for better frontage and access
  - Interior aesthetics : Repainting walls, changing tiles to homogeneous high-reflection tiles, installation of new balustrade and modern pillar designs
  - Amenities : Restoration of toilet with installation of sensor sanitary wares, new mother's room, better secured ATM area, new guest service counter
  - Roofing : To replace existing roof with new steel trussed roof and skylight structure.

## AEI Mechanics :-

- The cost of the AEI will be funded via bank borrowings
- As Hektar only owns 85% of the share unit in Central Square, balance 15% of the common area AEI expenditure shall be reimburse via future sinking funds.
- Expected Return on Investment (ROI) from the AEI → High single digit returns.
- The refurbishment exercise is expected to be completed by 3Q 2014.
- Central Square shall remain open throughout the refurbishment period.

## Rationale for the AEI

- ☑ To improve and re-establish Central Square's position in the market
- ☑ To improve shopper Footfall
- ☑ To increase ability to attract national and international chains
- ☑ Improve retailers' performance
- ☑ To strengthen building condition (Central Square is a 15-year old building)



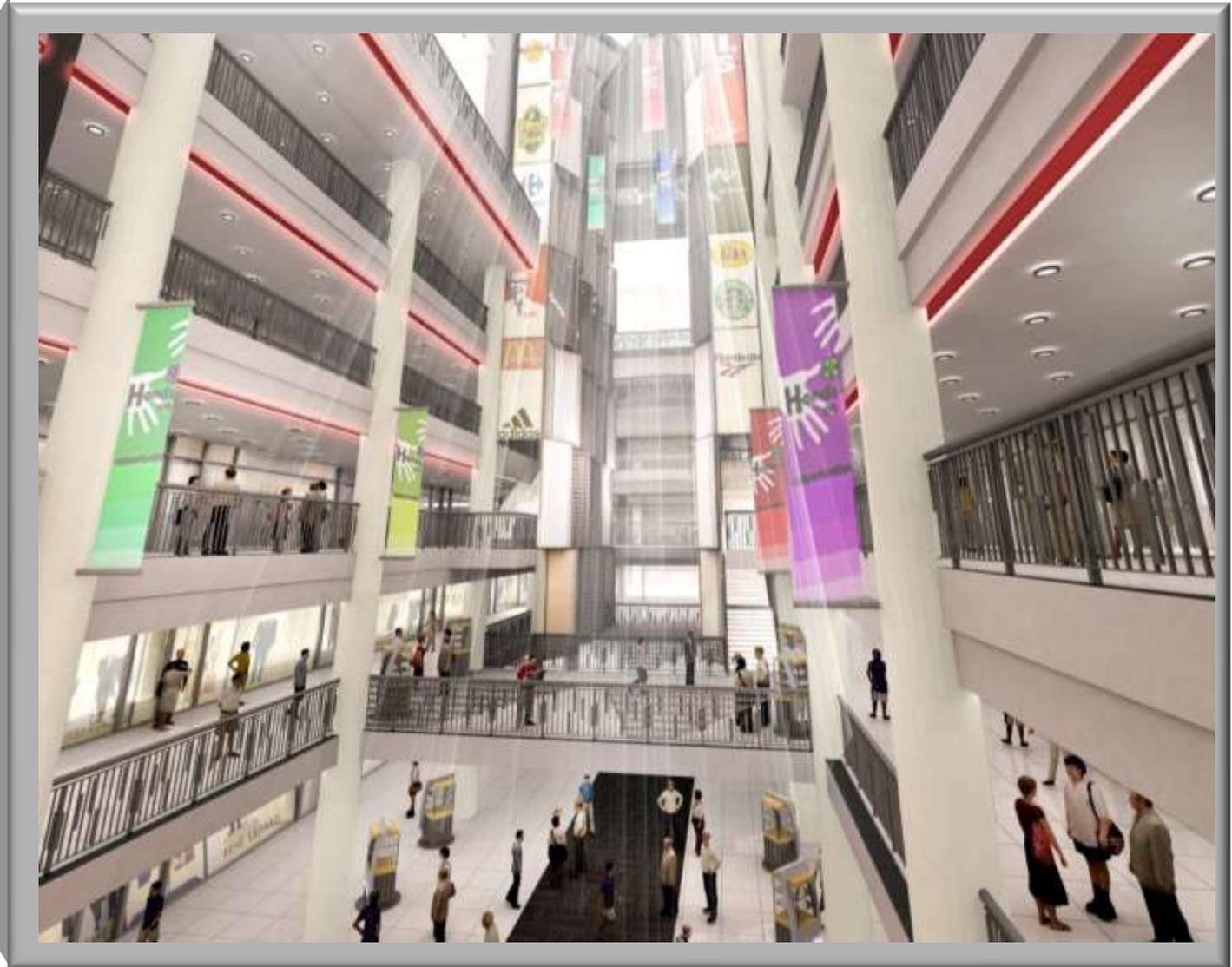


- ▶ Perforated metal claddings
- ▶ Modern façade
- ▶ Organised signage space

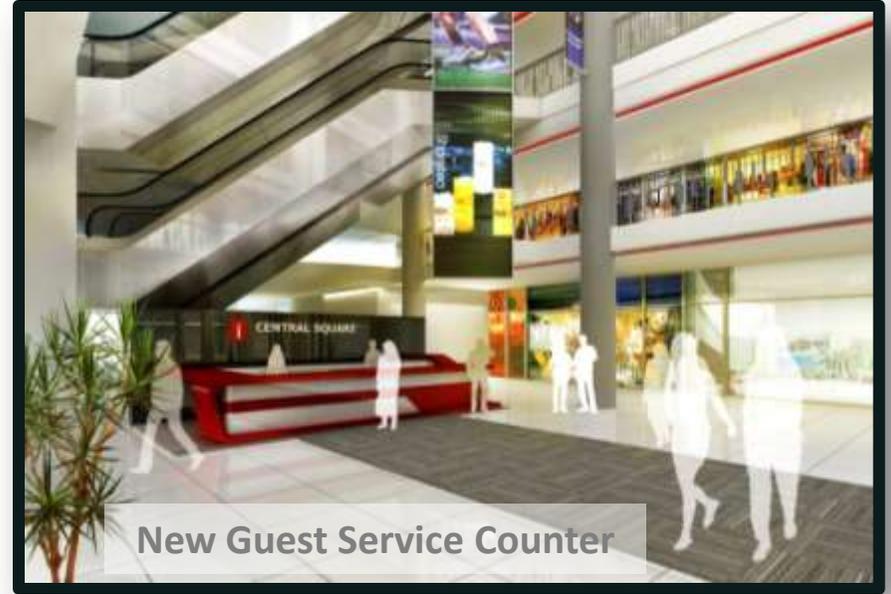
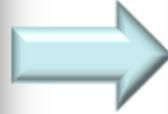


- 
- ▶ Proper drop-off area
  - ▶ Raised driveway for leveled entrance

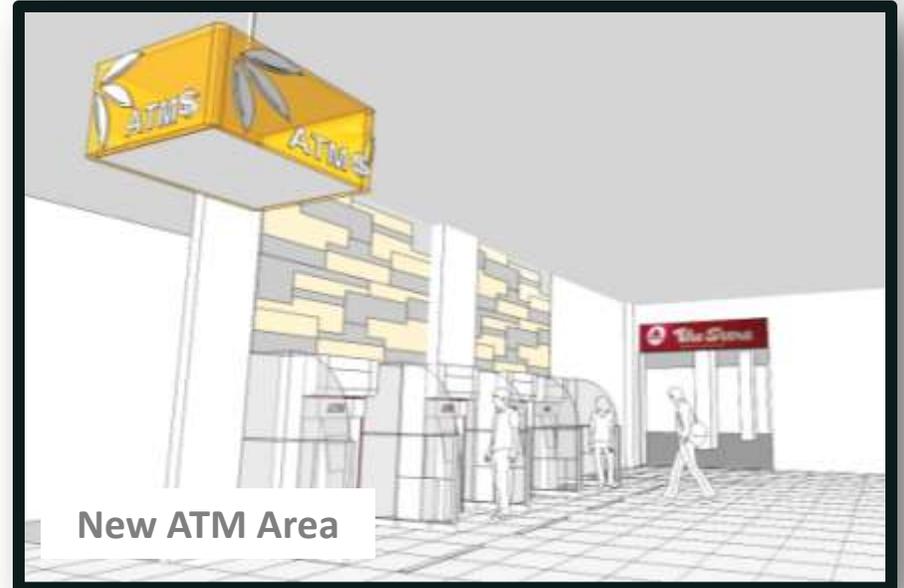
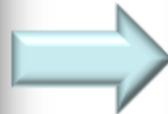
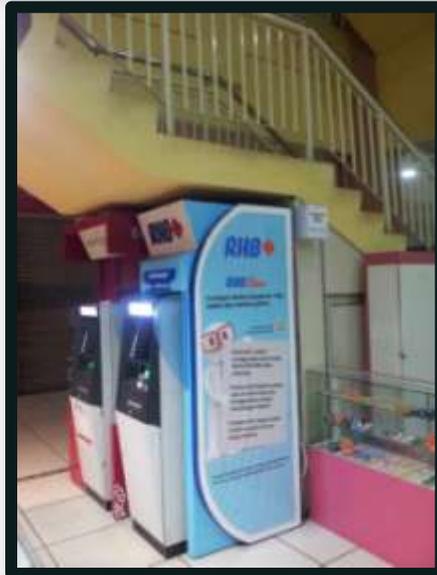
- ▶ Modern balustrate and pillars
- ▶ Clean lines, bright ambience
- ▶ Improved lighting



# Central Square AEI – Guest Service Counter and ATM

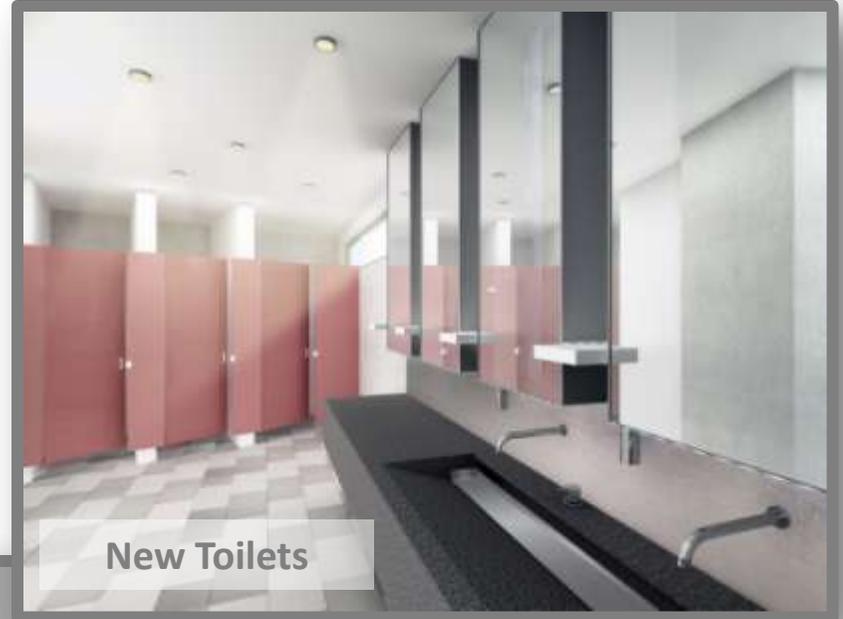


**New Guest Service Counter**



**New ATM Area**

# Central Square AEI – Toilets and New Mother's Room



New Toilets

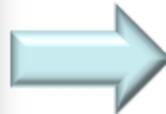
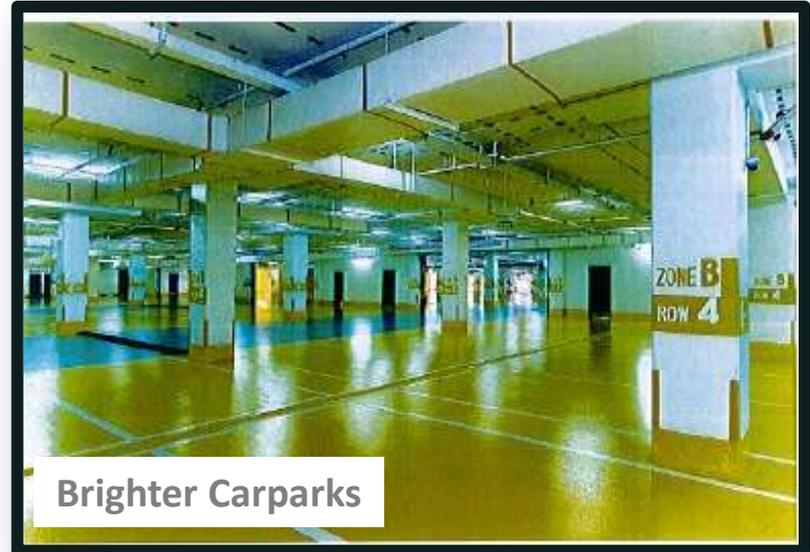
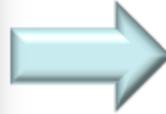


Mother's Room



Mother's Room

# Central Square AEI – Carpark and Ramp



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

Investor Relations  
**Hektar Asset Management Sdn Bhd**  
D1-U3-10, Solaris Dutamas  
No1, Jalan Dutamas 1  
50480 Kuala Lumpur  
MALAYSIA



 Tel: +6 03 6205 5570

 Fax: +6 03 6205 5571

 Web: [www.HektarREIT.com](http://www.HektarREIT.com)

Please visit our website at [www.HektarREIT.com](http://www.HektarREIT.com). The Investor Information section offers current and previous quarterly presentations, annual and interim reports, press releases and announcements in downloadable Portable Document Format (PDF). Please register for our email alerts to receive timely updates.



SUBANG  
PARADE

MAHKOTA  
PARADE

WETEX  
PARADE

CENTRAL  
SQUARE

LANDMARK  
CENTRAL

