



Hektar Real Estate Investment Trust

SECOND QUARTER 2017 FINANCIAL RESULTS PRESENTATION

8 AUGUST 2017

HEKTAR ASSET MANAGEMENT SDN BHD



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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 2017

1 Apr 2017 – 30 Jun 2017

Commentary

- Special Distribution Per Unit: 4.0 sen
- Realised Net Income for the period down 0.6% due to lower revenue and increased cost
- Retail business in Malaysia continues to remain a challenge in 2017, especially in light of the sluggish economy.
- Hektar is expected to complete both its acquisition on 1Segamat and AEI at Landmark Central in September 2017

Operational & Financial Performance (Second Quarter)

- | | |
|---|----------|
| ▪ Portfolio Occupancy: | ~ 94.8% |
| ▪ Rent Reversions: | ~ -7.3% |
| ▪ Net Income per Unit (Realised) | 2.59 sen |
| vs. previous comparable period/quarter ¹ : | -0.6% |
| ▪ Distribution per Unit (DPU) | 4.0 sen |
| vs. previous comparable period ¹ : | n/a |

¹ 2Q16 Realised Net Income per unit: 2.60 sen

² Special distribution was declared this quarter, for the period of 5-months.

Distribution and Yield

2017 Special DPU: **4.0 sen**

DPU Yield³: **6.95%**

³ Based on total declared DPU of 6.30 sen for first 8 months 2017 and closing price of RM1.36 on 30 June 2017.

Distribution Details

Special Distribution declared with the upcoming completion of 1Segamat acquisition and Rights Issue

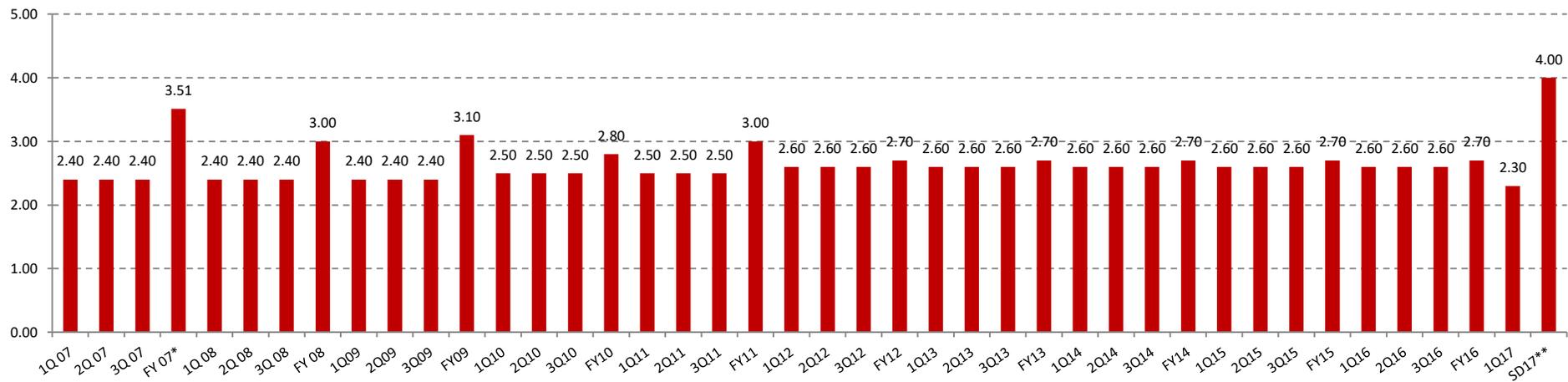
Current Distribution Details Second Quarter 2017

- **Distribution Period:** 1 Apr 2017 – 31 Aug 2017
- **Special DPU:** 4.00 sen
- **Notice of Entitlement:** 8 August 2017
- **Ex-Dividend Date:** 22 August 2017
- **Book Closure Date:** 25 August 2017
- **Payment Date:** 22 September 2017

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



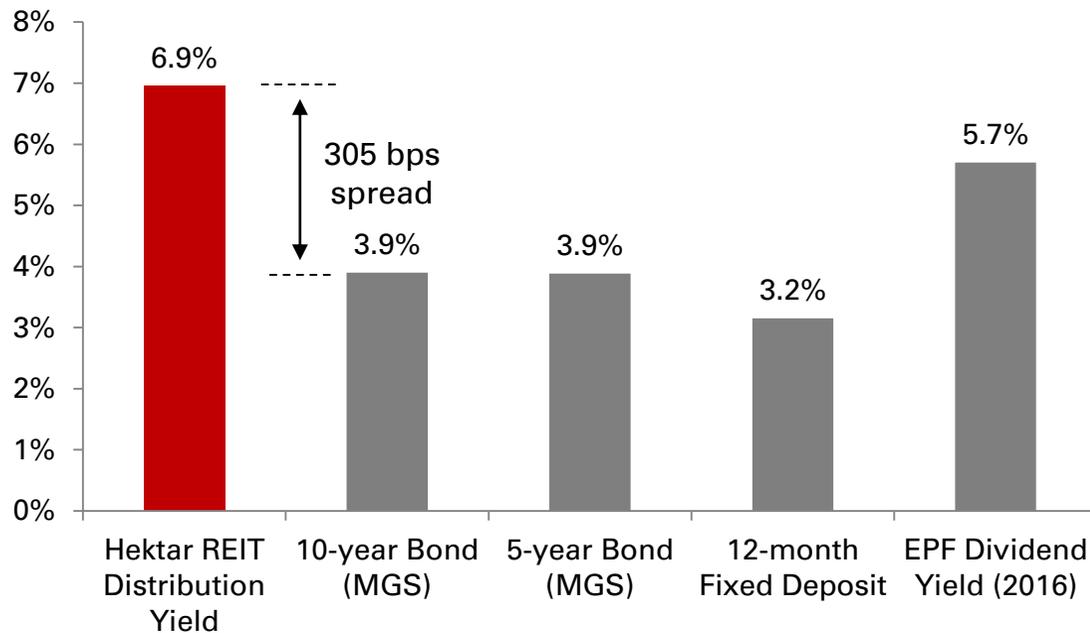
* FY 07 represented a 13 month period from December 2006 to 31 December 2007 ** Declared

Comparative Yields - Malaysia

Hektar REIT Distribution Yield at approximately 6.9%

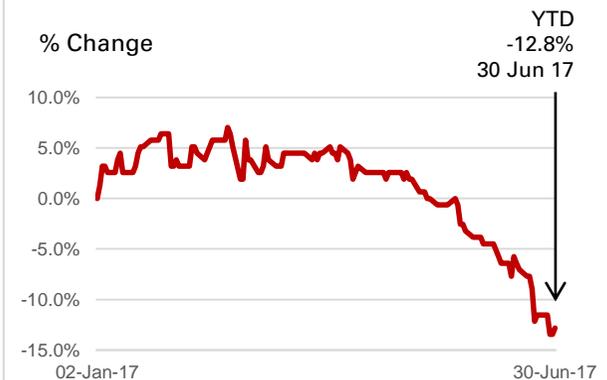
- Traded at a 305 bps spread over MGS 10-year
- Unit Price decreased by 12.8% since beginning of the year

Hektar REIT Comparative Yields



Sources: Bloomberg (30 Jun 2017), EPF (Feb 2017), BNM (4 Aug 2017), RHB (26 Jul 2016). Hektar REIT's yield based on closing price of RM1.36 on 30 Jun 2017 and annualised declared DPU of 6.30 sen for 8M2017.

Hektar REIT Unit Price Change 2Q 2017 (6 months)



Portfolio Performance

- Overall Occupancy at ~94.8% ▶
- Rental Reversions -7.3% for 2Q17 ▶
- Tenancy Expiry Profile ▶
- 42% of Portfolio Tenancy Rental Income Expiries in 2017 ▶

Overall Portfolio Occupancy at ~94.8%

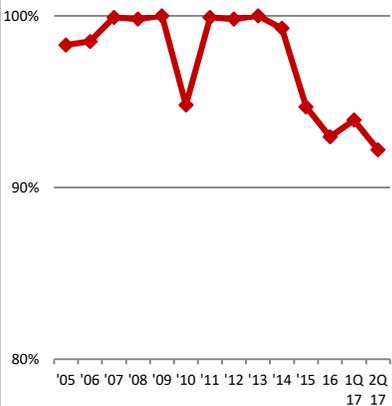
Wetex Parade maintains full occupancy

Hektar REIT Portfolio Occupancy

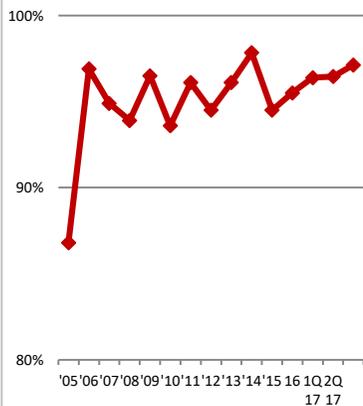
Property	As at 31 Dec 2004	As at 31 Dec 2005	As at 30 Sep 2006	As at 31 Dec 2007	As at 31 Dec 2008	As at 31 Dec 2009	As at 31 Dec 2010	As at 31 Dec 2011	As at 31 Dec 2012	As at 31 Dec 2013	As at 31 Dec 2014	As at 31 Dec 2015	As at 31 Dec 2016	As at 31 Mar 2017	As at 30 Jun 2017
Subang Parade	93.4%	98.3%	98.5%	99.9%	99.8%	100.0%	94.8%	99.9%	99.8%	100.0%	99.3%	94.7%	93.0%	93.9%	92.2%
Mahkota Parade	86.8%	96.9%	94.9%	93.9%	96.5%	93.6%	96.1%	94.5%	96.1%	97.8%	94.5%	95.5%	96.4%	96.5%	97.1%
Wetex Parade					83.1%	90.1%	95.6%	98.6%	97.8%	96.8%	98.3%	98.7%	100.0%	100.0%	100.0%
Central Square Landmark Central									89.8%	82.5%	80.5%	98.0%	96.6%	96.6%	95.5%
Overall*	91.3%	97.6%	96.7%	96.9%	95.8%	95.8%	95.5%	97.5%	96.3%	96.3%	94.3%	96.6%	96.2%	96.4%	94.8%

*Approximate average, weighted by Net Lettable Area.

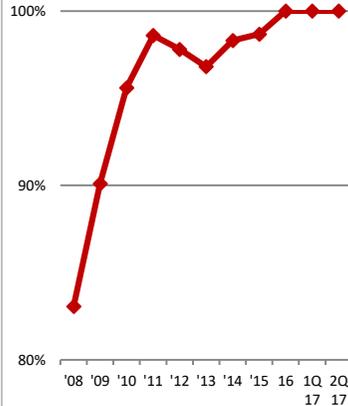
Subang Parade
Occupancy (%)



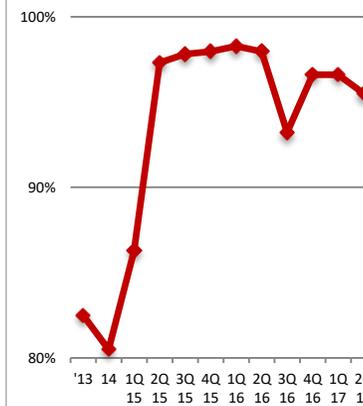
Mahkota Parade
Occupancy (%)



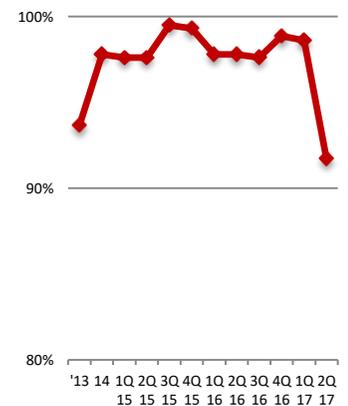
Wetex Parade
Occupancy (%)



Central Square
Occupancy (%)



Landmark Central
Occupancy (%)



Hektar REIT Portfolio – Rental Reversions

Rental Reversions -7% for 2Q 2017

- Positive reversion recorded at Wetex Parade;
- Flattish reversion at Central Square and Landmark Central.

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	9	13,649	3%	-4%	
Mahkota Parade	3	12,421	2%	-21%	
Wetex Parade	3	1,530	1%	2%	
Central Square	10	7,706	2.5%	-0.3%	
Landmark Central	5	3,083	1.1%	-1%	
Total / Average*	30	38,389	2%	-7%	

*Average Weighted by NLA.

NLA = Net Lettable Area

Subang Parade :
1) Lower rent provided to Hazara to take up temporary lot at ex-Blook.
2) Rental reduction request by Garden Healthcare.

Mahkota Parade :
Bringing in new brands : Mee Tarik Warisan Asli

Landmark Central :
Rental temporarily affected by on-going AEI;
Expect to recover post-AEI.

Hektar REIT Rental Reversions: Year-To-Date

1H 2016 (6 months) (Ended 30 June)	No. of New Tenancies / Renewals	NLA (sq ft)	% of Total NLA	Increase / (Decrease) Over Previous Rent Rates	%
Subang Parade	18	30,159	6%	-3%	
Mahkota Parade	16	178,727	34%	-11%	
Wetex Parade	5	2,369	1%	1%	
Central Square	14	10,761	3%	-4%	
Landmark Central	9	5,149	2%	-2%	
Total / Average*	62	227,165	13%	-7%	

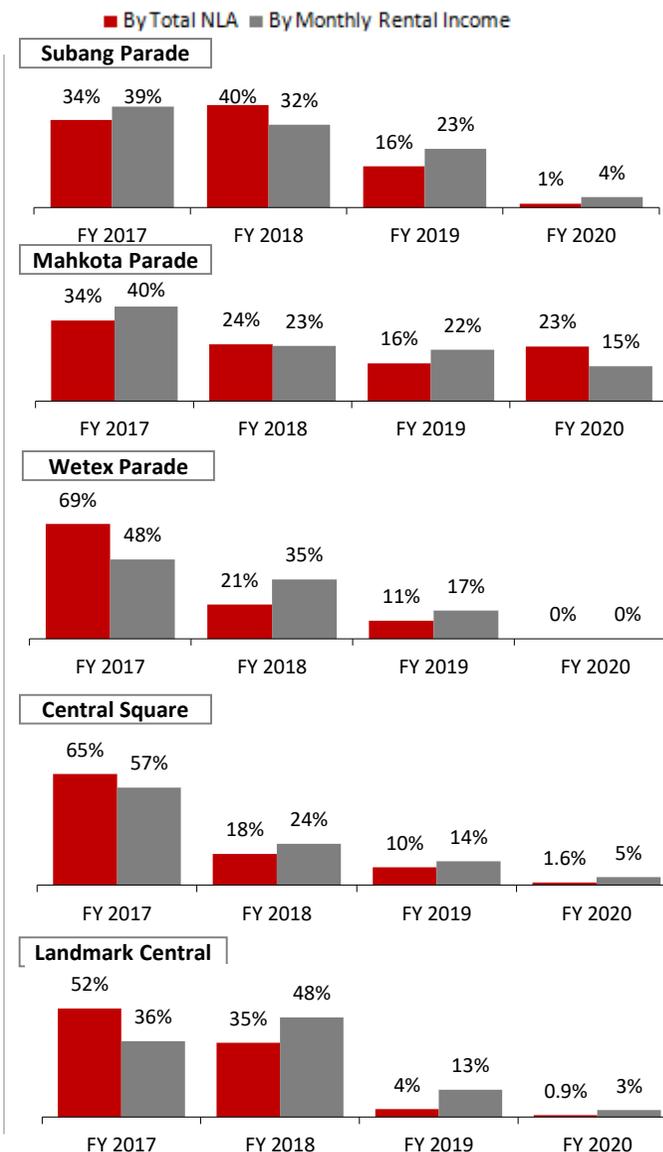
*Average Weighted by NLA.

NLA = Net Lettable Area

Hektar REIT Tenancy Expiry Profile by Property as at 30 June 2017

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*
Subang Parade				
FY 2017	48	172,012	34%	39%
FY 2018	33	201,661	40%	32%
FY 2019	38	80,949	16%	23%
FY 2020	5	7,514	1%	4%
Mahkota Parade				
FY 2017	51	177,213	34%	40%
FY 2018	48	124,935	24%	23%
FY 2019	48	82,986	16%	22%
FY 2020	7	119,911	23%	15%
Wetex Parade				
FY 2017	18	109,426	69%	48%
FY 2018	39	32,645	21%	35%
FY 2019	6	16,985	11%	17%
FY 2020	0	-	0%	0%
Central Square				
FY 2017	25	202,919	65%	57%
FY 2018	23	57,069	18%	24%
FY 2019	13	32,419	10%	14%
FY 2020	7	4,830	1.6%	5%
Landmark Central				
FY 2017	13	144,225	52%	36%
FY 2018	30	98,629	35%	48%
FY 2019	13	10,682	4%	13%
FY 2020	5	2,543	0.9%	3%

*Based on monthly rental income for June 2017. Figures may not round to 100% due to misc. items



Hektar REIT Portfolio – Tenancy Expiry Profile

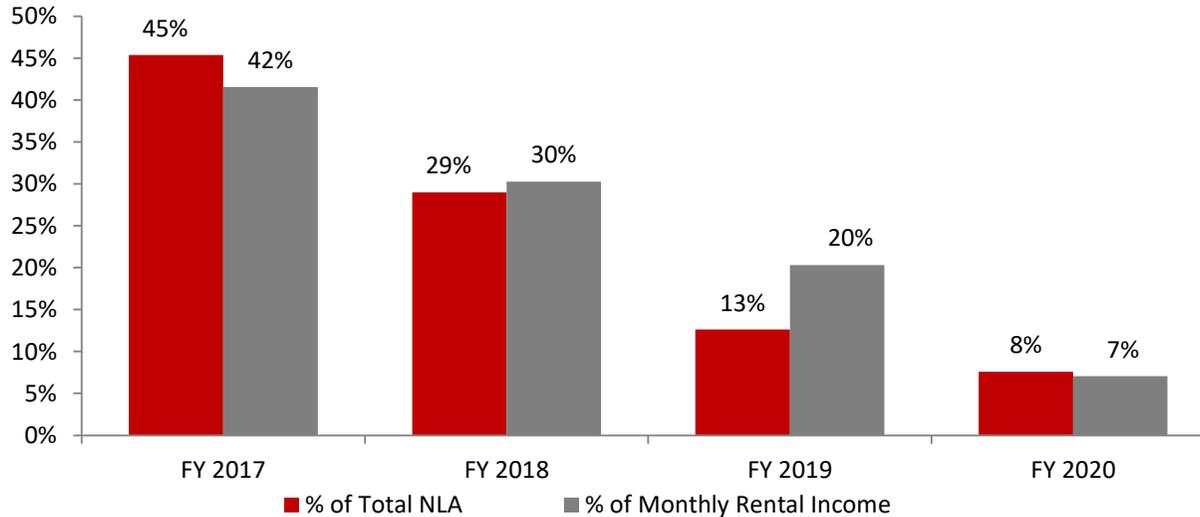
Tenancy Portfolio Expiry Profile 2017 – 2019

- FY2017 - 155 tenancy expiries account for approximately 42% of monthly rental income*

Hektar REIT Tenancy Expiry Profile – Overall Portfolio

As at 30 June 2017

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 2017	155	805,795	45%	42%
FY 2018	173	514,939	29%	30%
FY 2019	118	224,021	13%	20%
FY 2020	24	134,798	8%	7%



*Based on monthly rental income for June 2017. NLA = Net Lettable Area

Financial Results

2Q2017 Gross Revenue down 0.5%; NPI down 4.5% from preceding year ►

2Q2017 Net Income up 0.7% from preceding year ►

Income Statement – Quarter Comparative

2Q2017 Net Income down 10.1% vs corresponding quarter 2Q2016

Income Statement Second Quarter 2017 (Unaudited)	2Q17 (RM '000)	2Q16 (RM '000)	Variance (%)
Revenue	30,787	30,941	- 0.5%
Direct Cost & Property Expenses	(12,746)	(12,051)	+ 5.8%
Net Property Income (NPI)	<u>18,041</u>	<u>18,890</u>	- 4.5%
Interest & Other Income	170	81	+ 109.0%
Total Income	<u>18,211</u>	<u>18,972</u>	- 4.0%
Trust Fees & Expenses	(2,355)	(2,647)	- 11.0%
Interest Expense	(5,486)	(5,896)	- 6.9%
Fair Value Adjustment of Investment Properties			
Fair Value Change on Derivatives	127		
Net Income Before Tax	<u>10,497</u>	<u>10,429</u>	+ .7%
Net Income per Unit (sen)	<u>2.62</u>	<u>2.60</u>	+ 0.7%
- realised	<u>2.59</u>	<u>2.60</u>	- 0.6%

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 2017
(versus previous comparable period)

Income Statement Year-To-Date (Unaudited)	1H17 (RM '000)	1H16 (RM '000)	Variance (%)
Revenue	61,644	62,544	- 1.4%
Direct Cost & Property Expenses	(25,915)	(24,980)	+ 3.7%
Net Property Income (NPI)	35,729	37,565	- 4.9%
Interest & Other Income	219	214	+ 2.3%
Total Income	35,948	37,779	- 4.8%
Trust Fees & Expenses	(5,133)	(5,078)	+ 1.1%
Interest Expense	(11,124)	(11,566)	- 3.8%
Fair Value Adjustment of Investment Properties			
Fair Value Change on Derivatives	427		
Net Income Before Tax	20,118	21,135	- 4.8%
Net Income per Unit (sen)	5.02	5.28	- 4.8%

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.



Balance Sheet

Hektar REIT's Balance Sheet for 2Q 2017

Balance Sheet (Unaudited)	As at 30.06.2017 (RM '000)	As at 31.12.2016 (RM '000)
Non-Current Assets		
Investment Properties	1,092,450	1,092,450
Plant & Equipment	33	
Capital Work in Progress	6,720	162
Fixed Deposit with a licensed bank	665	665
	1,099,868	1,093,277
Current Assets		
Trade Receivables	8,445	5,751
Other Receivables, Deposits, Prepayments	15,598	17,221
Cash and Bank Balances	10,753	14,560
TOTAL ASSETS	1,134,664	1,130,809
Long Term Liabilities		
Tenancy Deposits	10,676	12,280
Borrowings	498,036	493,200
Derivative Financial Instrument	387	814
	509,099	506,294
Current Liabilities		
Trade Payables	1,299	938
Other Payables and Accruals	4,539	5,597
Tenancy Deposits	19,173	17,512
Borrowings	15,000	15,000
TOTAL LIABILITIES	549,110	545,341
NET ASSET VALUE	585,555	585,468
Unitholders' Capital	425,738	425,738
Retained Earnings - realised	43,136	43,476
Retained Earnings - unrealised	116,680	116,254
TOTAL UNITHOLDERS' FUND	585,555	585,468

Unit Price Statistics

As at 30 June 2017

No. of Units Outstanding

400,634,117

Net Asset Value (RM)

1.4616

Unit Price (RM)

1.36

Premium / (Discount) to NAV

(6.9%)

Debt Profile

Debt Profile for 2Q 2017

Debt Information

As at 30 June 2017

- Total Debt: **RM508 million**
- Weighted Cost of Debt: **4.6%**
- Gearing Ratio¹: **45.2%**
- Interest Cover²: **2.81**

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

² Based on 6 months ended 30 June 2017

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 2019
- Pledged: Subang Parade
- Facility Size: RM184 million
- Drawdown: Fully Drawn
- Cost: 4.85%
- Refinancing: December 2019

Tranche 2

- Term: 5 Years, Expiring 2019
- Pledged: Mahkota Parade
- Facility Size: RM150 million
- Drawdown: Fully Drawn
- Cost: 4.12%
- Refinancing: December 2019

Tranche 3

- Term: 5 Years, Expiring 2021
- Pledged: Mahkota Parade
- Facility Size: RM15 million
- Drawdown: Fully Drawn
- Cost: 4.56%
- Renew: January 2017 (Annual Review)

Tranche 4

- Term: 5 Years, Expiring 2019
- Pledged: Wetex Parade
- Facility Size: RM87.1 million
- Drawdown: Fully Drawn
- Cost: 4.62%
- Refinancing: December 2019

Tranche 5

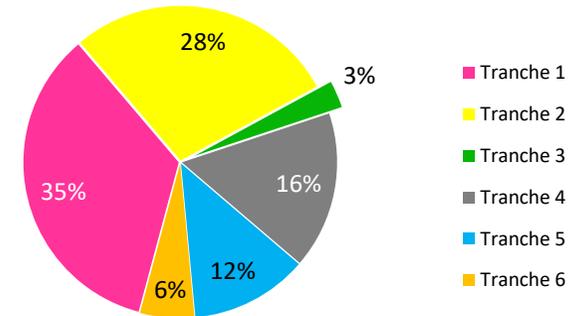
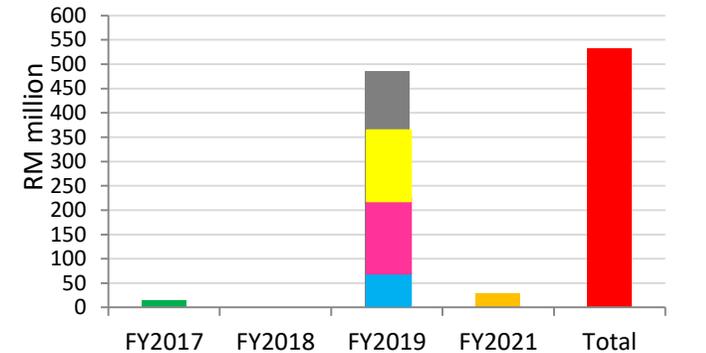
- Term: 5 Years, Expiring 2019
- Pledged: Landmark Central
- Facility Size: RM65 million
- Drawdown: Partially Drawn
- Cost: 4.62%
- Refinancing: April 2019

Tranche 6

- Term: 5 Years, Expiring 2021
- Pledged: Mahkota Parade
- Facility Size: RM30 million
- Drawdown: Partially Drawn
- Cost: 4.70%
- Refinancing: March 2020

Debt Expiry Profile

As at 30 June 2017



“Creating The Places Where People Love To Shop”

Investor Relations
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