

# FOURTH QUARTER 2017 FINANCIAL RESULTS PRESENTATION

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12 FEBRUARY 2018  
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 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 Hektar REIT and does not purport to be complete. You should conduct your own investigation and analysis of 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 Hektar REIT or an evaluation of 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, Kulim and Segamat. 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

## 4Q FY 2017

1<sup>st</sup> October 2017 – 31<sup>st</sup> December 2017

### Commentary

- Final dividend per unit (DPU) of 3.30sen
- Realised Net Income for the period grew 13.7%
- Retail business in Malaysia picked up in the last quarter of 2017, especially in light of the sluggish economy; continues to remain challenging due to increased competition from new malls and cautious consumer spending.
- Acquisition of Segamat Central and completion of Kulim Central Asset Enhancement Initiative (AEI) is expected to improve the overall income

### Operational & Financial Performance (Fourth Quarter)

- Portfolio Occupancy: ~ 95%
- Rent Reversions: ~ 1%
- Net Income per Unit (Realised) **2.56 sen**  
vs. previous comparable period/quarter<sup>1</sup>: **0.8%**
- Distribution per Unit (DPU)<sub>2</sub> **3.30sen**  
vs. previous comparable period: **2.70 sen**

<sup>1</sup> 4Q16 Realised Net Income per unit: 2.54 sen

<sup>2</sup> 4Q17 Distribution per Unit includes month of September

### Distribution and Yield

#### Accumulative to date:

Q1	:	<b>2.3 sen</b>
Q2 <sup>3</sup>	:	<b>4.0 sen</b>
Q4 <sup>2</sup>	:	<b>3.3 sen</b>
DPU Yield <sup>4</sup> :		<b>7.4%</b>

<sup>3</sup> Q217 income distribution included the advance income distribution for the period of July and August 2017

<sup>4</sup> Based on total declared DPU of 9.60 sen for FY 2017 and closing price of RM1.30 on 29 Dec 2017.

## Current Distribution Details for FY2017 Fourth Quarter 2017

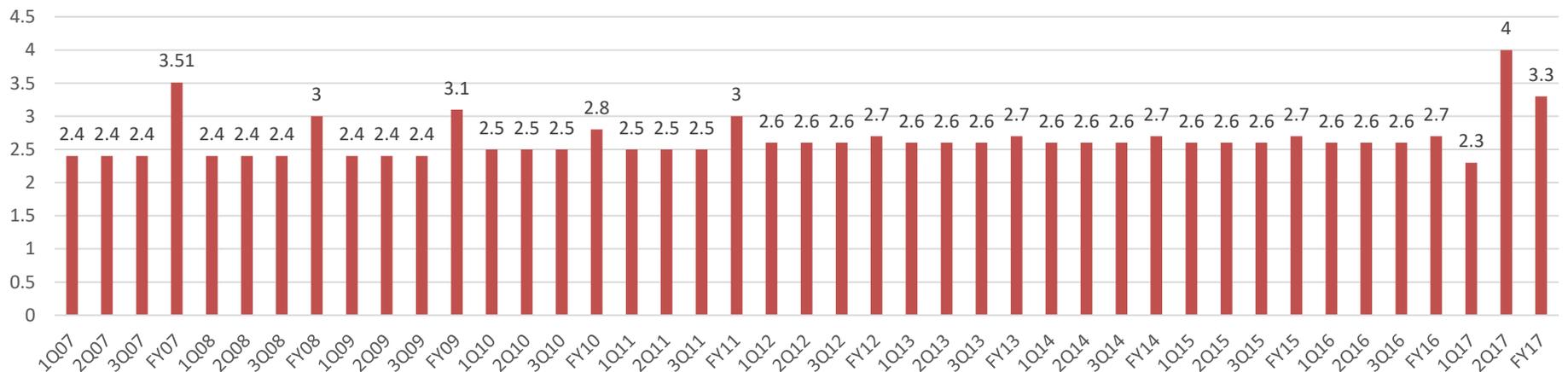
- Distribution Period: 1 September 2017 – 31 Dec 2017
- Quarterly DPU: 3.30 sen\*
- Notice of Entitlement: 12 February 2018
- Ex-Dividend Date: 26 February 2018
- Book Closure Date: 28 February 2018
- Payment Date: 15 March 2018

\* Current distribution includes the distribution for the period of 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. Distributable net income excludes non-cash items such as FRS117 revenue recognition and capital allowances.

## Distribution Track Record



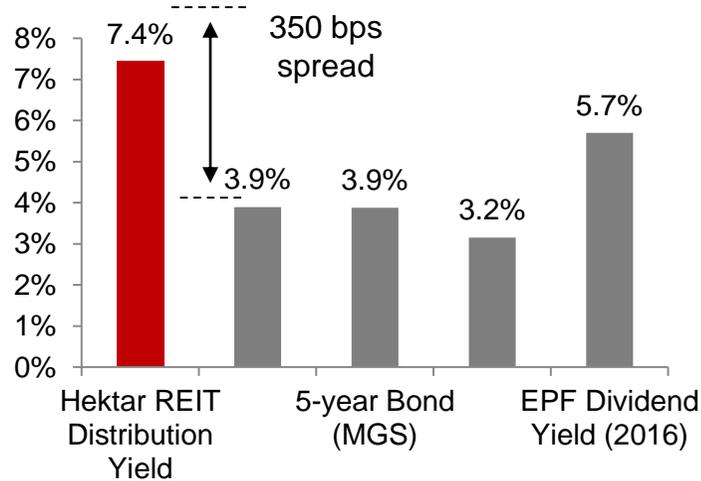
\* FY 07 represented a 13 month period from December 2006 to 31 December 2007

# Comparative Yields - Malaysia

## Hektar REIT Distribution Yield at approximately 7.4%

- Traded at a 350 bps spread over MGS 10-year
- Unit Price decreased by 15% since beginning of the year

### Hektar REIT Comparative Yields



Sources: Bloomberg (29 December 2017), EPF (Feb 2017), BNM (20 November 2017), RHB (26 Jul 2016). Hektar REIT's yield based on closing price of RM1.30 on 29 December 2017 and annualised declared DPU of 9.60 sen for 2017.

### Hektar REIT Unit Price Change in 2017 4Q17 (12months)



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# Portfolio Performance

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- Overall Occupancy at ~95% ▶
- Rental Reversions 1% for 4Q17 ▶
- Tenancy Expiry Profile ▶

# Hektar REIT Portfolio - Occupancy

Overall Portfolio Occupancy at ~95.1%

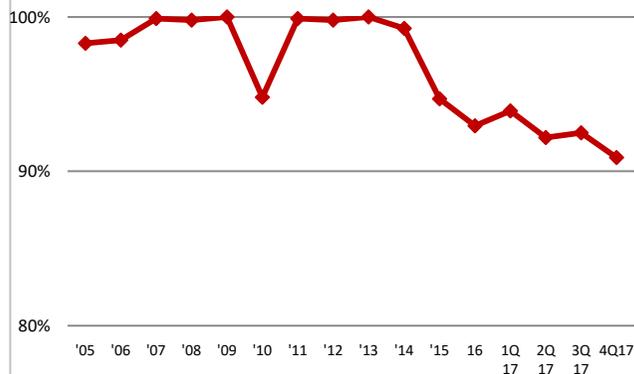
Overall Portfolio Track Record of above 90% since 2004

## Hektar REIT Portfolio Occupancy

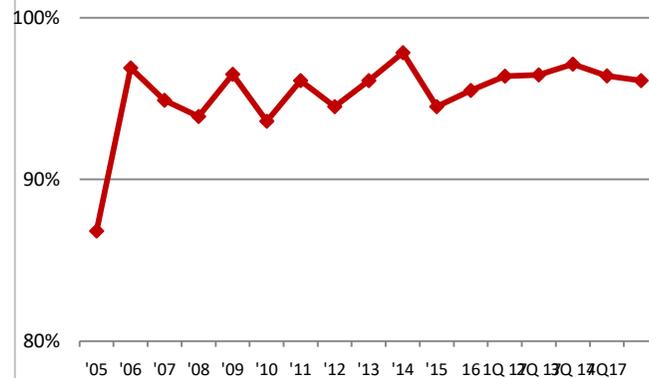
Property	As at 31 Dec 2004	As at 31 Dec 2005	As at 30 Sep 2006	As at 31 Dec 2007	As at 31 Dec 2008	As at 31 Dec 2009	As at 31 Dec 2010	As at 31 Dec 2011	As at 31 Dec 2012	As at 31 Dec 2013	As at 31 Dec 2014	As at 31 Dec 2015	As at 31 Dec 2016	As at 31 Mar 2017	As at 30 Jun 2017	As at 30 Sep 2017	As at 31 Dec 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%	92.5%	90.9%
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%	96.4%	96.1%
Wetex Parade					83.1%	90.1%	95.6%	98.6%	97.8%	96.8%	98.3%	98.7%	100.0%	100.0%	100.0%	100.0%	100.0%
Central Square									89.8%	82.5%	80.5%	98.0%	96.6%	96.6%	95.5%	87.3%	95.3%
Kulim Central									96.9%	93.7%	97.8%	99.3%	98.9%	98.6%	91.7%	94.5%	98.2%
Segamat Central															95.9%	95.3%	94.7%
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%	95.0%	93.9%	95.1%

\* Average weighted by NLA

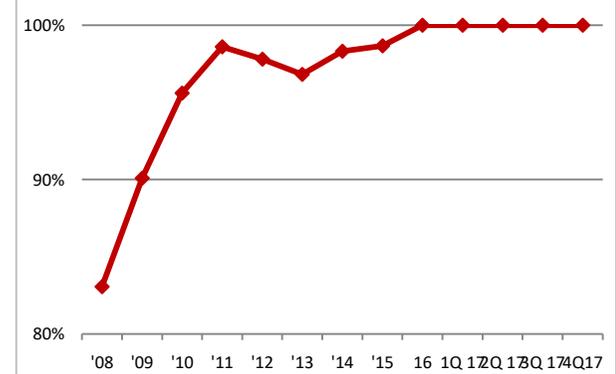
### Subang Parade Occupancy (%)



### Mahkota Parade Occupancy (%)



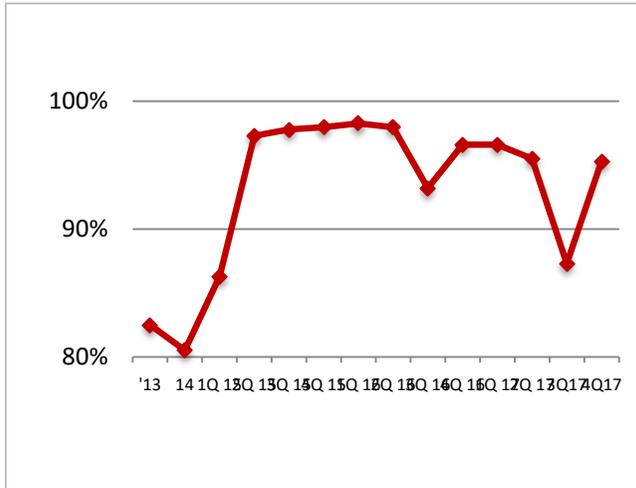
### Wetex Parade Occupancy (%)



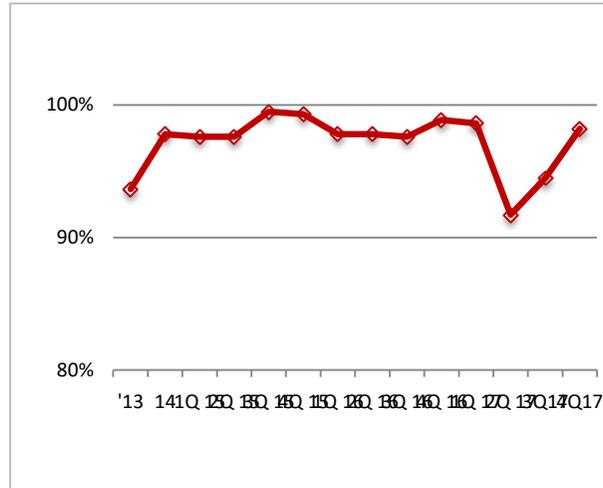
# Hektar REIT Portfolio – Occupancy (Continued)

## Hektar REIT Portfolio Occupancy

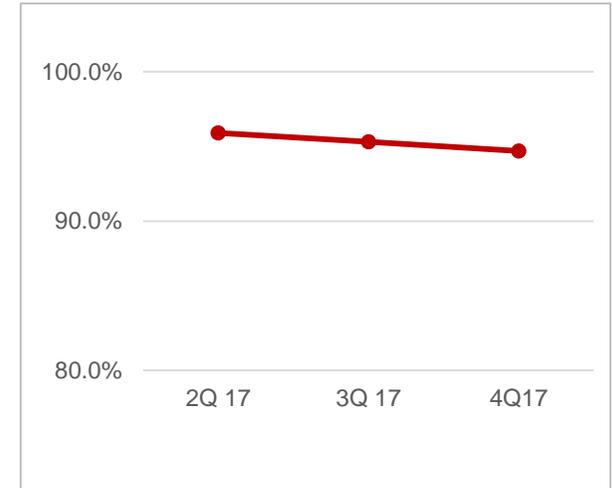
### Central Square Occupancy (%)



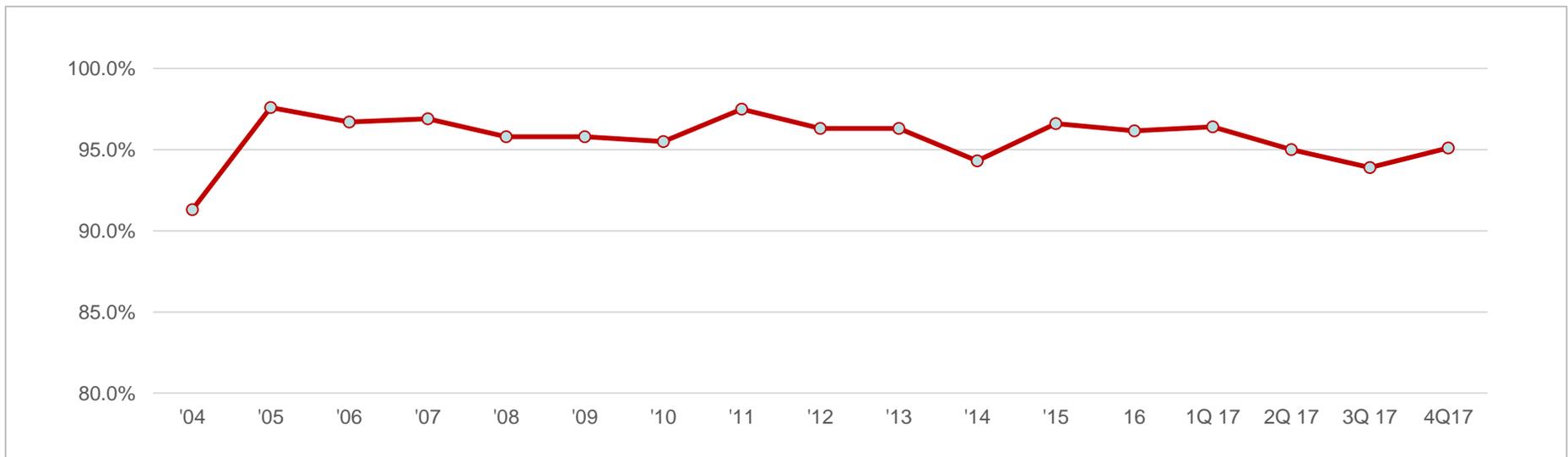
### Kulim Central Occupancy (%)



### Segamat Central Occupancy (%)



### Portfolio Occupancy (%)



# Hektar REIT Portfolio – Rental Reversions

## Rental Reversions 1% for 4Q 2017

- Positive reversion recorded at Mahkota Parade, Wetex Parade, Kulim Central and Segamat Central
- Minor negative reversion at Subang Parade

### Hektar REIT Rental Reversions: Quarter

(3 months) (Ended 31 December)	No. of New Tenancies / Renewals	NLA (sq ft)	% of Total NLA	Increase / (Decrease) Over Previous Rent Rates
Subang Parade	22	89,937	18%	-1%
Mahkota Parade	8	36,830	7%	9%
Wetex Parade	7	6,129	3.9%	1%
Central Square	9	35,373	11%	-19%
Kulim Central	11	22,221	8%	4%
Segamat Central	5	33,398	15.8%	12%
<b>Total / Average*</b>	<b>62</b>	<b>223,888</b>	<b>11%</b>	<b>1%</b>

\*Average Weighted by NLA.

NLA = Net Lettable Area

#### Subang Parade :

- 1) More than half of the tenancies renewed at positive reversion rates of up to 109%, 1 newly converted lot, and 3 renewed a same rate
- 2) One of the negative reversion was due to a new restaurant concept, Burgersmith. This is part of the management's efforts to improve F&B offerings at the mall and to reduce long standing vacancies.

#### Mahkota Parade :

- 1) This quarter saw healthy reversions with new tenants such as Sukiya Japanese restaurant signed up

#### Central Square :

- 1) Tenancies were successfully renewed at the same or slightly higher rates with the exception of Premier Bowling, a new tenant which is replacing the previous bowling centre tenant as part of management strategy to maintain a healthy occupancy rate at the mall. The lot itself is occupying 25,000 sqft.

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

(12 months) (Ended 31 December)	No. of New Tenancies / Renewals	NLA (sq ft)	% of Total NLA	Increase / (Decrease) Over Previous Rent Rates
Subang Parade	47	147,022	29%	-2%
Mahkota Parade	33	222,089	43%	-7%
Wetex Parade	16	17,661	11%	0.3%
Central Square	30	63,308	20%	-10%
Kulim Central	21	29,439	10%	2%
Segamat Central	9	34,460	16%	11%
<b>Total / Average*</b>	<b>156</b>	<b>513,979</b>	<b>26%</b>	<b>-4%</b>

\*Average Weighted by NLA.

NLA = Net Lettable Area

## Hektar REIT Tenancy Expiry Profile by Property as at 31 December 2017

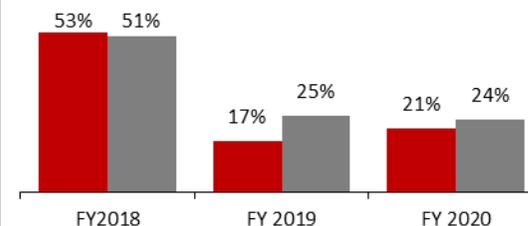
<b>Subang Parade</b>					
For Year Ending 31 Dec 17	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*	
FY 2018	56	269,819	53%	51%	
FY 2019	39	85,898	17%	25%	
FY 2020	27	107,678	21%	24%	

<b>Mahkota Parade</b>					
For Year Ending 31 Dec 17	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*	
FY 2018	57	268,751	52%	54%	
FY 2019	38	84,525	16%	24%	
FY 2020	16	144,188	28%	23%	

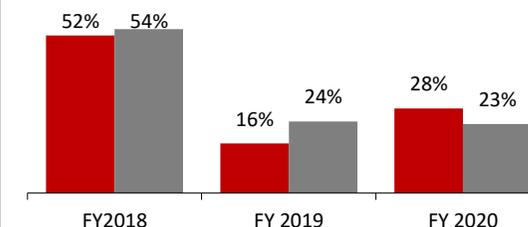
<b>Wetex Parade</b>					
For Year Ending 31 Dec 17	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*	
FY 2018	43	124,438	78%	68%	
FY 2019	24	21,008	13%	21%	
FY 2020	9	13,610	9%	12%	

■ By Total NLA ■ By Monthly Rental Income

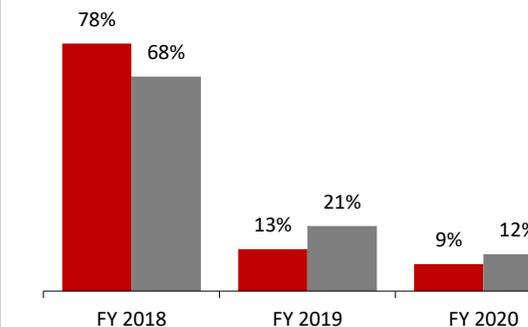
### Subang Parade



### Mahkota Parade



### Wetex Parade



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

## Hektar REIT Tenancy Expiry Profile by Property as at 31 December 2017

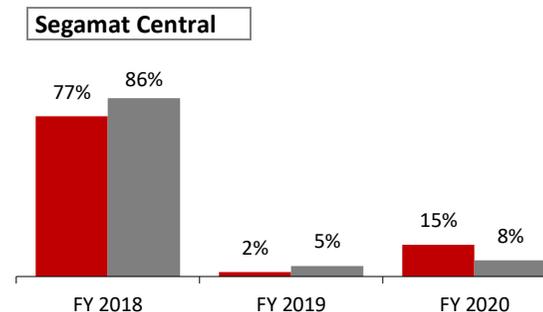
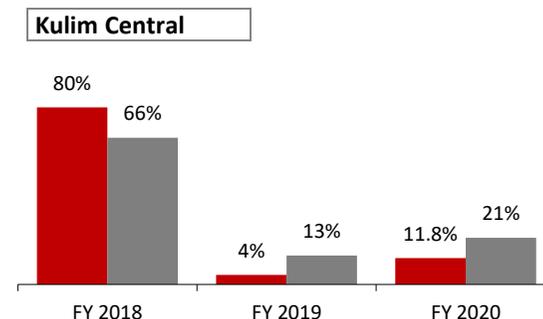
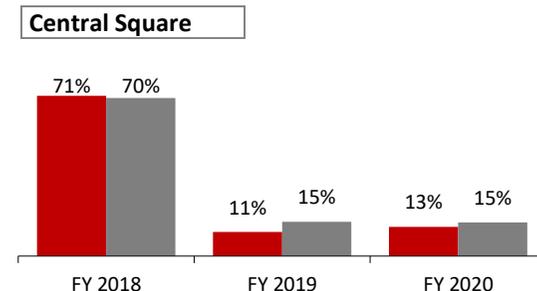
Central Square For Year Ending 31 Dec 17	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
FY 2018	30	221,395	71%	70%
FY 2019	14	33,330	11%	15%
FY 2020	19	40,519	13%	15%

Kulim Central For Year Ending 31 Dec 17	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
FY 2018	39	238,910	80%	66%
FY 2019	17	12,564	4%	13%
FY 2020	21	35,428	12%	21%

Segamat Central 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 2018	57	162,808	77%	86%
FY 2019	6	4,556	2%	5%
FY 2020	1	32,432	15%	8%

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

■ By Total NLA ■ By Monthly Rental Income



# Hektar REIT Portfolio – Tenancy Expiry Profile

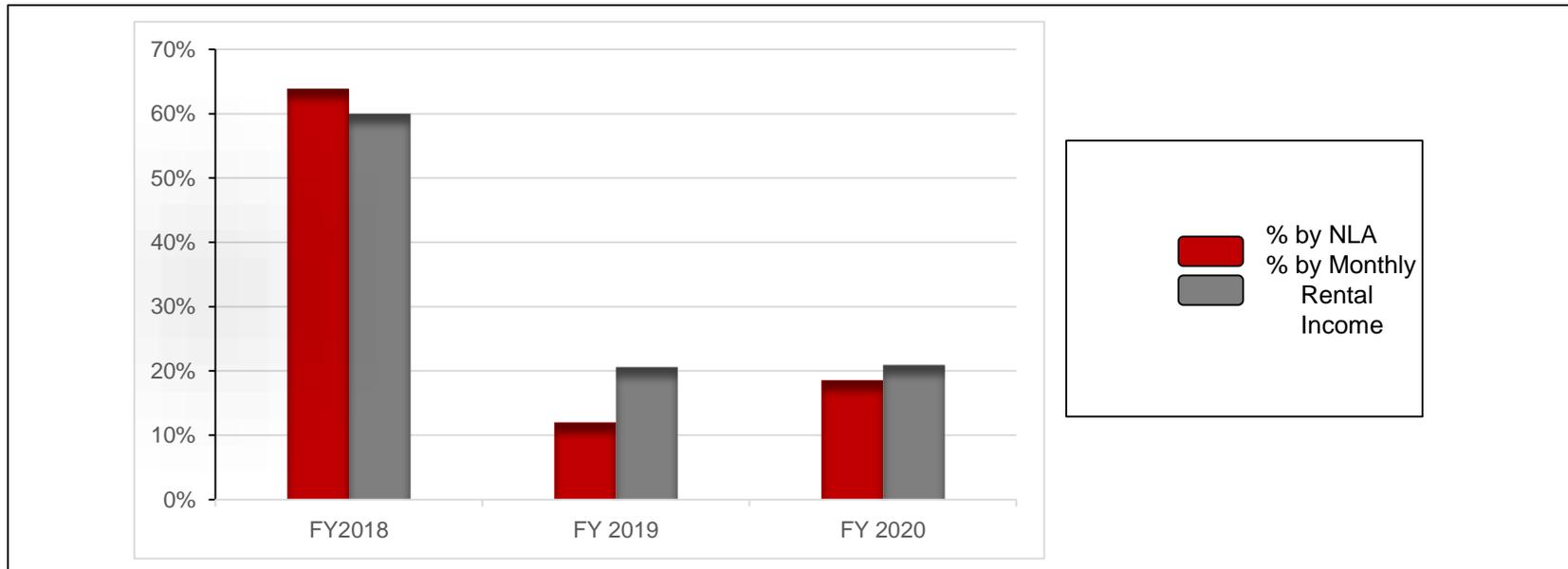
## Tenancy Portfolio Expiry Profile 2018 – 2020

- FY2018 – 282 tenancy expiries account for approximately 60% of monthly rental income\*

### Hektar REIT Tenancy Expiry Profile – Overall Portfolio

As at 31 December 2017

Portfolio For Year Ending 31 Dec 2017	No. of Tenancies Expiring	NLA of Tenancies Expiring (sq ft)	NLA of Tenancies Expiring as % of Total NLA	% of Total Monthly Rental Income*
FY 2018	282	1,286,121	64%	60%
FY 2019	138	241,881	12%	20%
FY 2020	93	373,855	19%	20%



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

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# Financial Results

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4Q2017 Gross Revenue up 7.3%; NPI up 11.7% from preceding year ►

4Q2017 Realised Income up 13.7% from preceding year ►

## Income Statement – Quarter Comparative

### 4Q2017 NPI up 11.7%, Realised Income increase 13.7% vs corresponding quarter 4Q2016

Income Statement Fourth Quarter 2016 (Unaudited)	4Q17 (RM '000)	4Q16 (RM '000)	Variance (%)
Revenue	33,441	31,167	+ 7.3%
Direct Cost & Property Expenses	<u>(12,528)</u>	<u>(12,438)</u>	- 0.7%
<b>Net Property Income (NPI)</b>	<u>20,913</u>	<u>18,729</u>	<u>+11.7%</u>
Interest & Other Income	96	97	1.0%
Trust Fees & Expenses	(2,905)	(2,482)	- 17.0%
Interest Expense	<u>(6,284)</u>	<u>(5,948)</u>	-5.6%
<b>Realised Income Before Taxation</b>	11,820	10,396	+13.7%
Fair Value Adjustment of Investment Properties	-	2,426	-
Fair Value Change on Derivatives	<u>263</u>	<u>(814)</u>	<u>&gt;100%</u>
<b>Net Income Before Tax</b>	<u>12,083</u>	<u>12,008</u>	<u>0.6%</u>
<b>Net Income per Unit (sen)</b>	<u>2.62</u>	<u>2.93</u>	<u>-10.6%</u>
<b>- realised</b>	<u>2.56</u>	<u>2.54</u>	<u>+0.8%</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.

# Income Statement – Year-To-Date Comparative

For Period 1 January – 31 December 2017  
(versus previous comparable period)

Income Statement Year-To-Date (Unaudited)	FY17 (RM '000)	FY16 (RM '000)	Variance (%)
Revenue	125,543	124,571	+0.8%
Direct Cost & Property Expenses	<u>(51,805)</u>	<u>(50,236)</u>	- 3.1%
<b>Net Property Income (NPI)</b>	<u>73,738</u>	<u>74,335</u>	- 0.8%
Interest & Other Income	455	414	+ 9.9%
Trust Fees & Expenses	(10,892)	(9,987)	-9.1%
Interest Expense	<u>(23,166)</u>	<u>(23,216)</u>	+0.2%
<b>Realised Income Before Taxation</b>	40,134	41,546	- 3.4%
Fair Value Adjustment of Investment Properties	(7,986)	2,426	>-100%
Fair Value Change on Derivatives	<u>548</u>	<u>(814)</u>	>100%
<b>Net Income Before Tax</b>	<u>32,696</u>	<u>43,158</u>	- 24.2%
<b>Net Income per Unit (sen)</b>	<b>7.82</b>	<b>10.53</b>	<b>- 25.7%</b>
<b>– realised</b>	<u><b>9.60</b></u>	<u><b>10.14</b></u>	<b>- 5.3%</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. 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 4Q 2017

Balance Sheet (Unaudited)	As at 31.12.2017 (RM '000)	As at 31.12.2016 (RM '000)
<b>Non-Current Assets</b>		
Investment Properties	1,194,569	1,092,450
Plant & Equipment	94	-
Capital Work in Progress	15,359	162
Fixed Deposit with a licensed bank	1,328	665
	1,211,351	1,093,277
<b>Current Assets</b>		
Trade Receivables	11,559	5,751
Other Receivables, Deposits, Prepayments	7,352	18,274
Cash and Bank Balances	22,096	14,560
	1,252,357	1,131,863
<b>TOTAL ASSETS</b>		
<b>Long Term Liabilities</b>		
Tenancy Deposits	13,825	14,219
Borrowings	542,057	493,200
Derivative Financial Instrument	265	814
	556,148	508,234
<b>Current Liabilities</b>		
Trade Payables	2,524	938
Other Payables and Accruals	9,760	6,650
Tenancy Deposits	20,056	15,573
Borrowings	15,000	15,000
	603,488	546,395
<b>TOTAL LIABILITIES</b>		
<b>NET ASSET VALUE</b>		
	648,869	585,468
Unitholders' Capital	492,500	425,738
Retained Earnings - realised	47,553	43,476
Retained Earnings - unrealised	108,816	116,254
	648,869	585,468
<b>TOTAL UNITHOLDERS' FUND</b>		

### Unit Price Statistics

#### As at 31<sup>st</sup> December 2017

No. of Units Outstanding  
461,960,178

Net Asset Value (RM) Per Unit  
RM 1.4046

Unit Price (RM)  
1.30

Premium / Discount to NAV  
-7.4%

## Debt Profile for 4Q 2017

### Debt Information

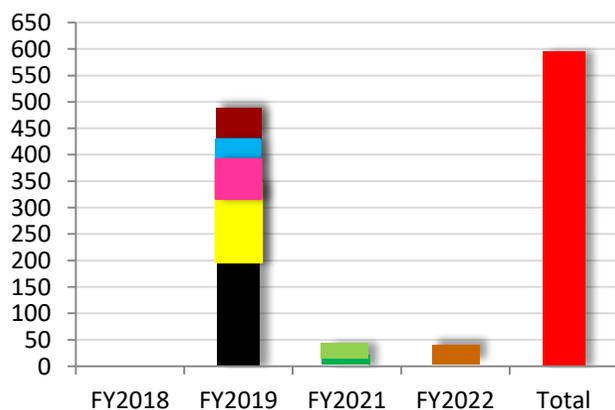
As at 31 December 2017

- Total Debt: **RM557 million**
- Weighted Cost of Debt: **4.4%**
- Gearing Ratio<sup>1</sup>: **44.5%**
- Interest Cover<sup>2</sup>: **2.73**

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

<sup>2</sup> Based on 12 months ended 31 December 2017

RM million



### Financing Details

Al-Murabahah / OD

Fixed Term Loan, Annual Floating Rate with Partial Hedging

Structure: Cost of Funds + 0.70%

#### Tranche 1

- Term: 5 Years, Expiring 2019
- Pledged: Subang Parade
- Facility Size: RM184 million
- Drawdown: Fully Drawn
- Cost: 4.45%
- Refinancing: December 2019

#### Tranche 4

- Term: 5 Years, Expiring 2019
- Pledged: Wetex Parade
- Facility Size: RM54.3 million
- Drawdown: Fully Drawn
- Cost: 4.55%
- Refinancing: December 2019

#### Tranche 2

- Term: 5 Years, Expiring 2019
- Pledged: Mahkota Parade
- Facility Size: RM150 million
- Drawdown: Fully Drawn
- Cost: 4.11%
- Refinancing: December 2019

#### Tranche 5

- Term: 5 Years, Expiring 2019
- Pledged: Wetex Parade
- Facility Size: RM32.8 million
- Drawdown: Fully Drawn
- Cost: 4.55%
- Refinancing: December 2019

#### Tranche 3

- Term: 5 Years, Expiring 2021
- Pledged: Mahkota Parade
- Facility Size: RM15 million
- Drawdown: Fully Drawn
- Cost: 4.48%
- Renew: January 2017 (Annual Review)

#### Tranche 6

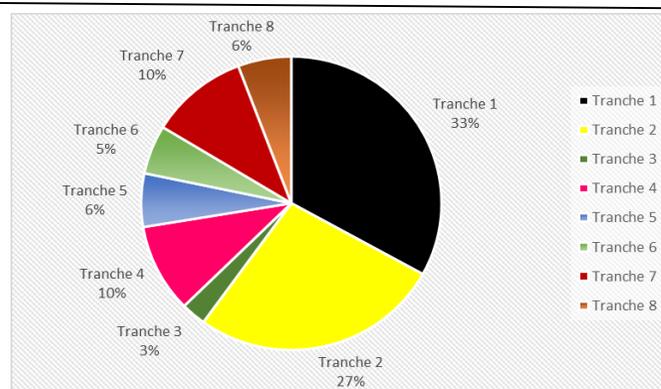
- Term: 7 Years, Expiring 2021
- Pledged: Mahkota Parade
- Facility Size: RM30 million
- Drawdown: Fully Drawn
- Cost: 4.60%
- Refinancing: March 2021

#### Tranche 7

- Term: 5 Years, Expiring 2019
- Pledged: Kulim Central
- Facility Size: RM65 million
- Drawdown: Partially Drawn
- Cost: 4.55%
- Refinancing: April 2019

#### Tranche 8

- Term: 5 Years, Expiring 2022
- Pledged: Central Square
- Facility Size: RM32 million
- Drawdown: Full Drawn
- Cost: 4.40%
- Refinancing: September 2022



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

Investor Relations  
**Hektar Asset Management Sdn Bhd**  
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PARADE

WETEX  
PARADE

CENTRAL  
SQUARE

KULIM  
CENTRAL

SEGAMAT  
CENTRAL

