

# Measuring our success, planning our future

## INTERIM RESULTS

for the six months ended  
30 September 2011



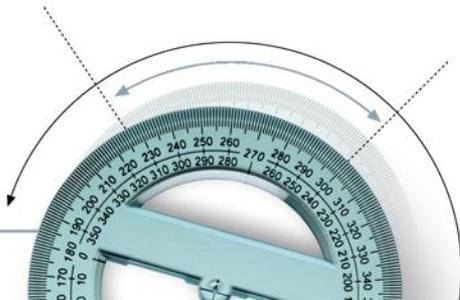
VUKILE

PROPERTY FUND LIMITED

JSE code **VKE**    NSX code **VKN**

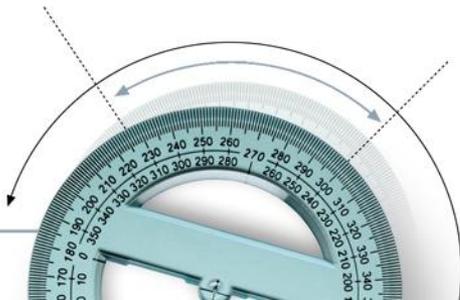
# Agenda

- Highlights Laurence Rapp
- Financial performance Mike Potts
- Portfolio performance and overview Ina Lopion
- Prospects for remainder of 2012 Laurence Rapp
- Acknowledgements Laurence Rapp
- Unveiling the new strategy Laurence Rapp
- Proposed Sanlam acquisition Laurence Rapp

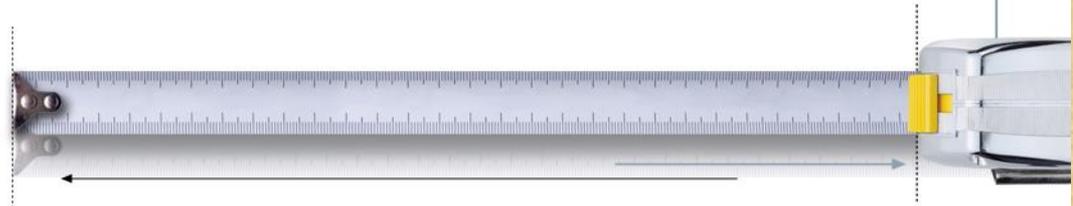
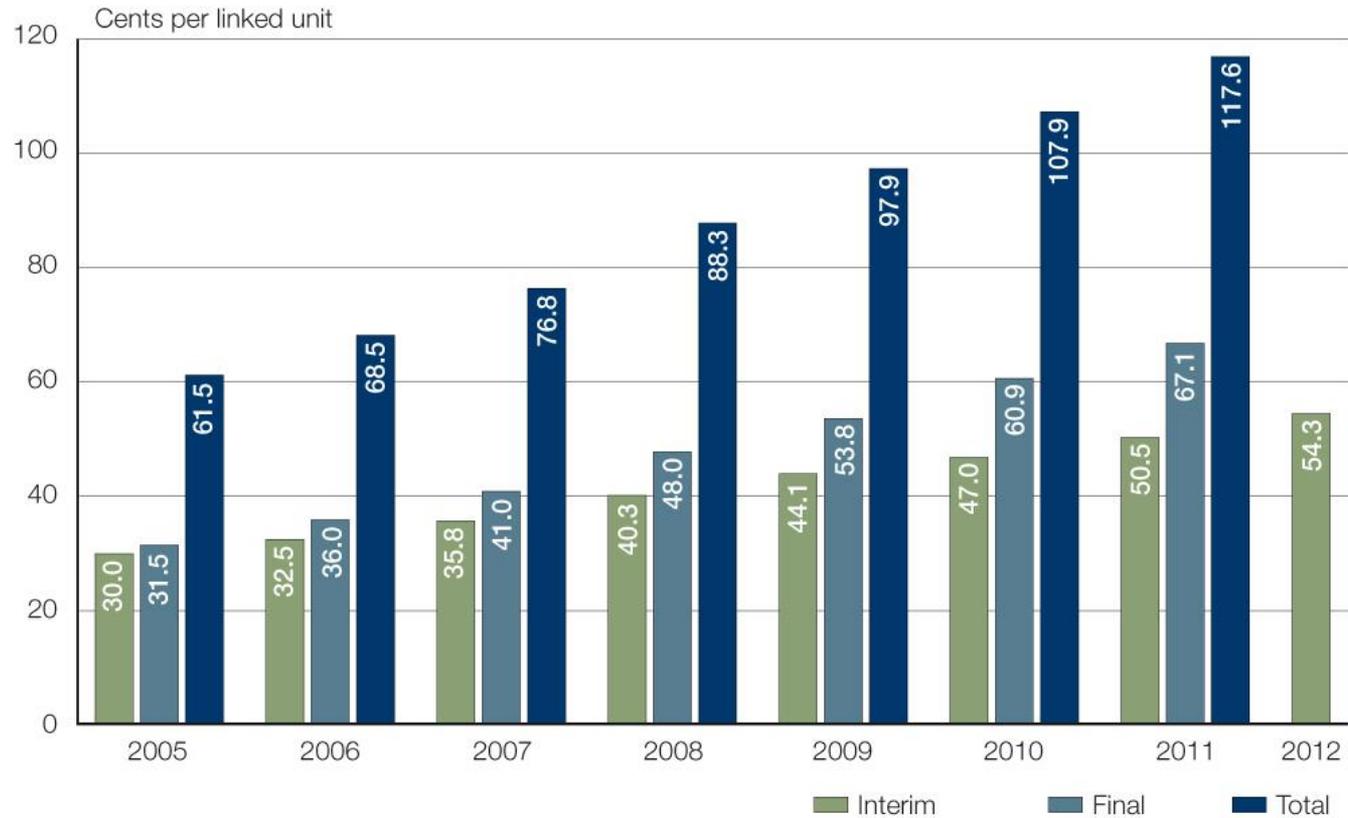


# Highlights

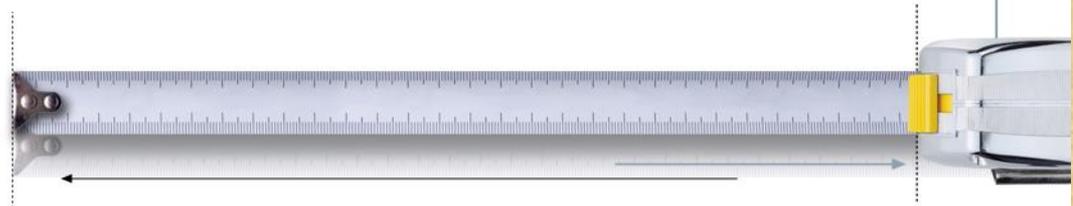
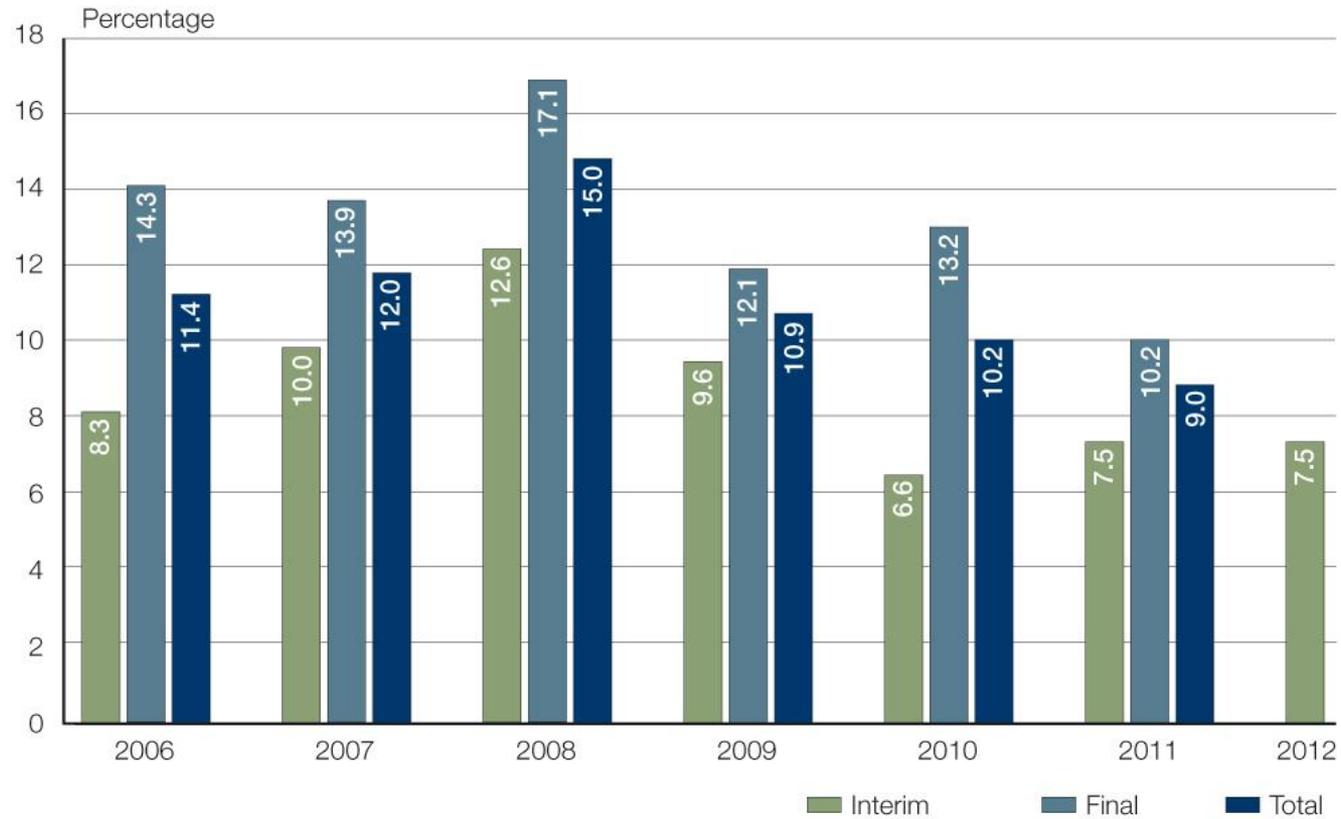
- Distribution for the six months up 7.5% to 54.31 cents per linked unit.
- Net property revenue up 8% over comparable period.
- Weighted average cost of debt reduces to 9.38%.
- Acquisition of R1.5 billion property portfolio announced on 14 November 2011.
- Introduction of PIC as a significant shareholder.
- Ranked 29<sup>th</sup> in recent Sunday Times Top 100 Companies survey (total return to shareholders over a five year period – 21.82%).



# Distribution history

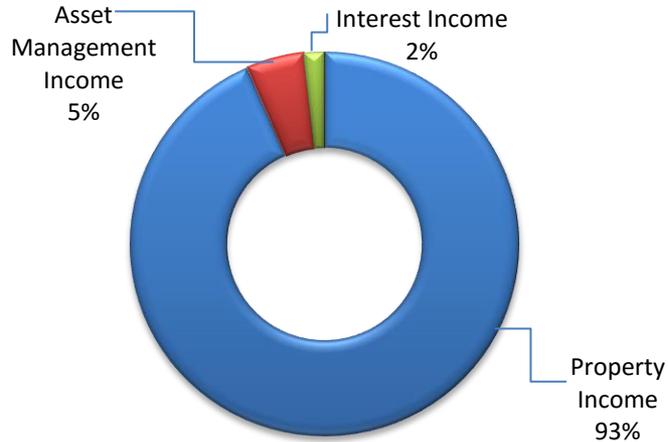


# Growth in distribution

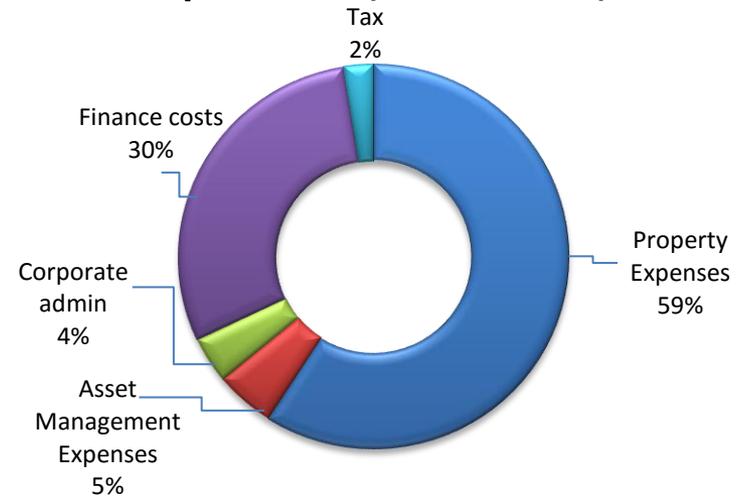


# Income and expenditure

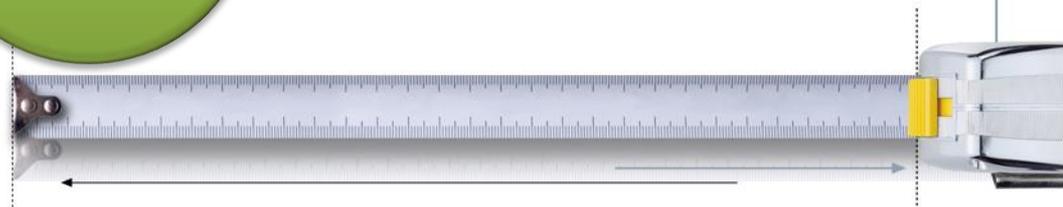
**Income (R474 million)**



**Expenditure (R281 million)**



**Distributable Income (R193 million)**

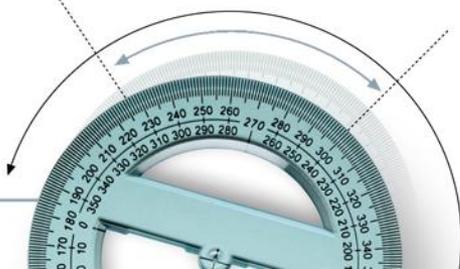


# Simplified income statement

	Sept 2011 R'm	Sept 2010 R'm	% Variance
Group net rental income	<b>276.2</b>	255.2	8.2
Income from asset management business	<b>23.0</b>	33.8	(32.0)
Asset management expenditure	<b>(13.9)</b>	(10.0)	(39.0)
Net finance costs	<b>(75.0)</b>	(72.7)	(3.2)
Corporate administration costs	<b>(10.6)</b>	(12.5)	15.2
Taxation	<b>(6.7)</b>	(7.8)	14.1
Available for distribution	<b>193.0</b>	186.0	4.0

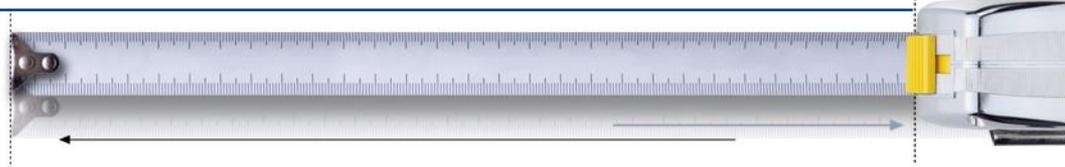
Increase in headline earnings per linked unit over comparable 6 month period

**14.3%**



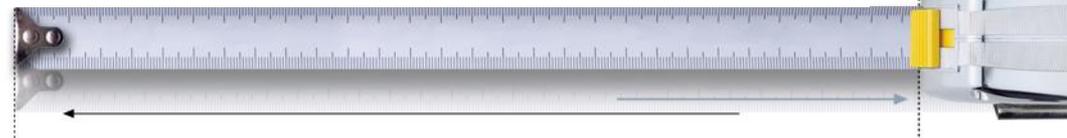
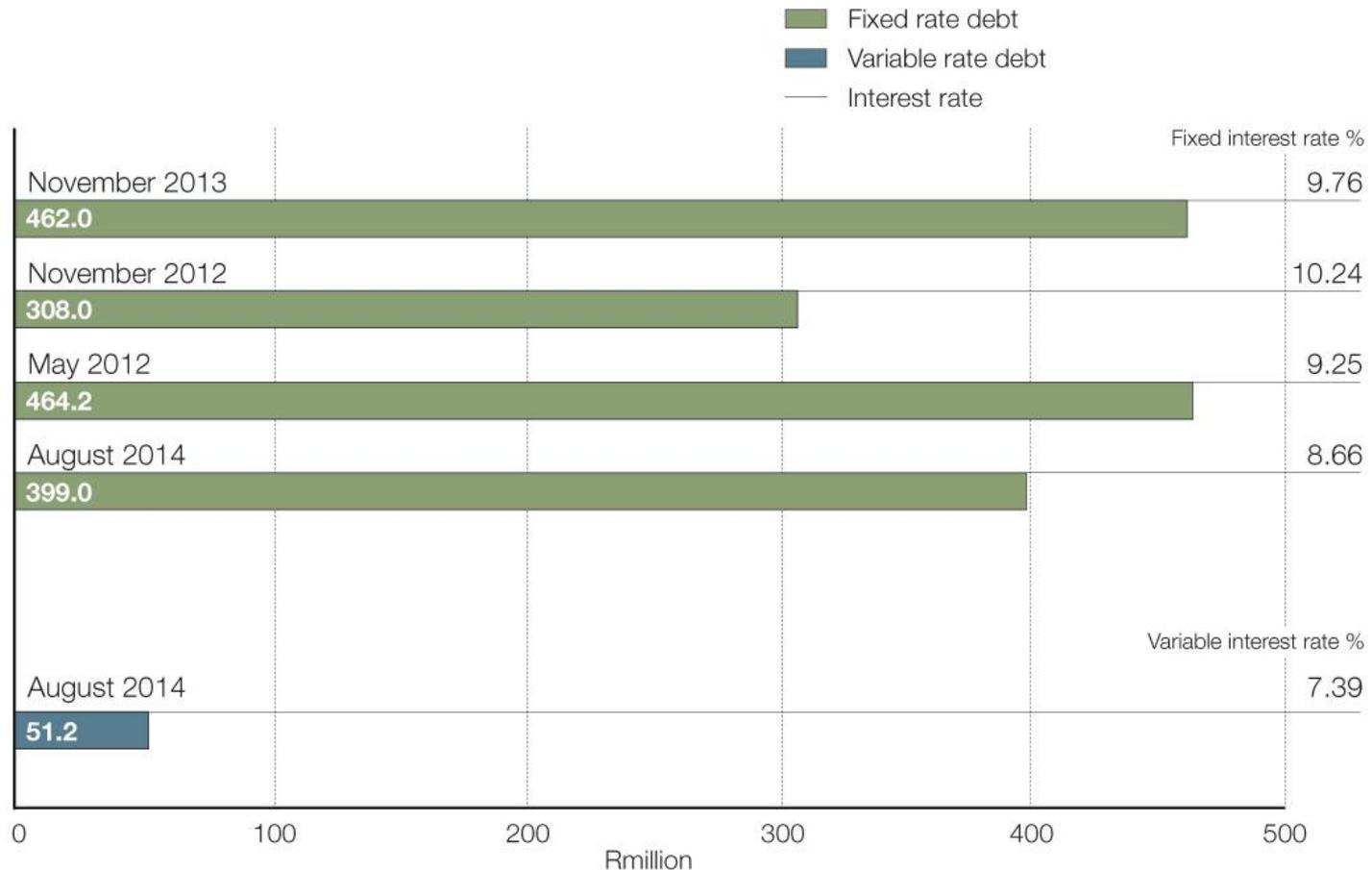
# 8 Make-up of increase in distribution

	<b>Cents per linked unit</b>
<hr/>	
Contributions to increased rental income	
Increased rentals	<b>10.8</b>
Increase in vacancies	<b>(2.2)</b>
Additional municipal service recoveries and other	<b>5.0</b>
	<hr/> <b>13.6</b>
Increase in property expenditure (mainly electricity costs)	<b>(7.6)</b>
	<hr/> <b>6.0</b>
Net increase in net group property revenue	<b>6.0</b>
Decrease in income from asset management business	<b>(4.2)</b>
Increased net finance costs	<b>(0.6)</b>
Decreased administrative expenses and taxation	<b>0.8</b>
Adjustment for additional linked units in issue	<b>(2.2)</b>
Decrease in income retained for distribution in second half	<b>4.0</b>
	<hr/> <b>3.8</b>
Net increase in distribution	<b>3.8</b>

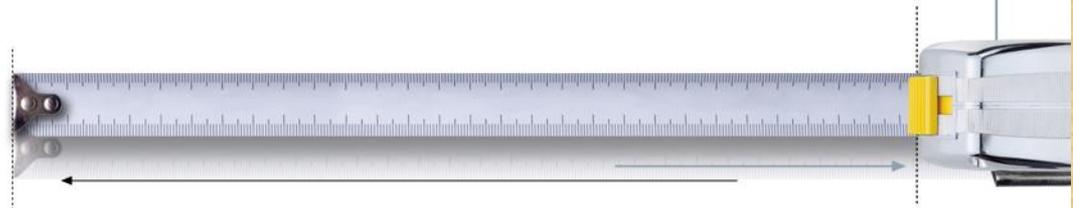
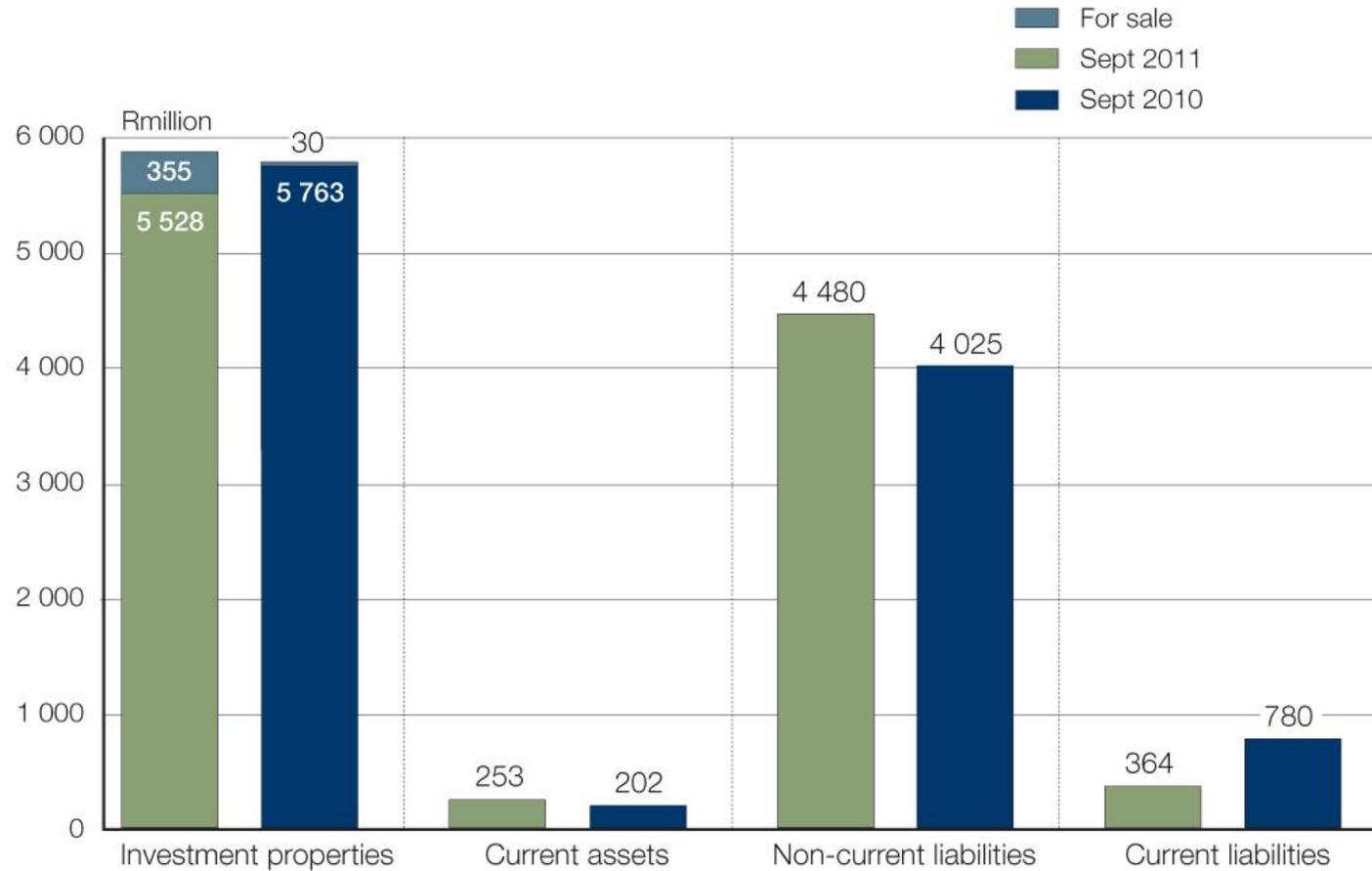


# Group debt structure

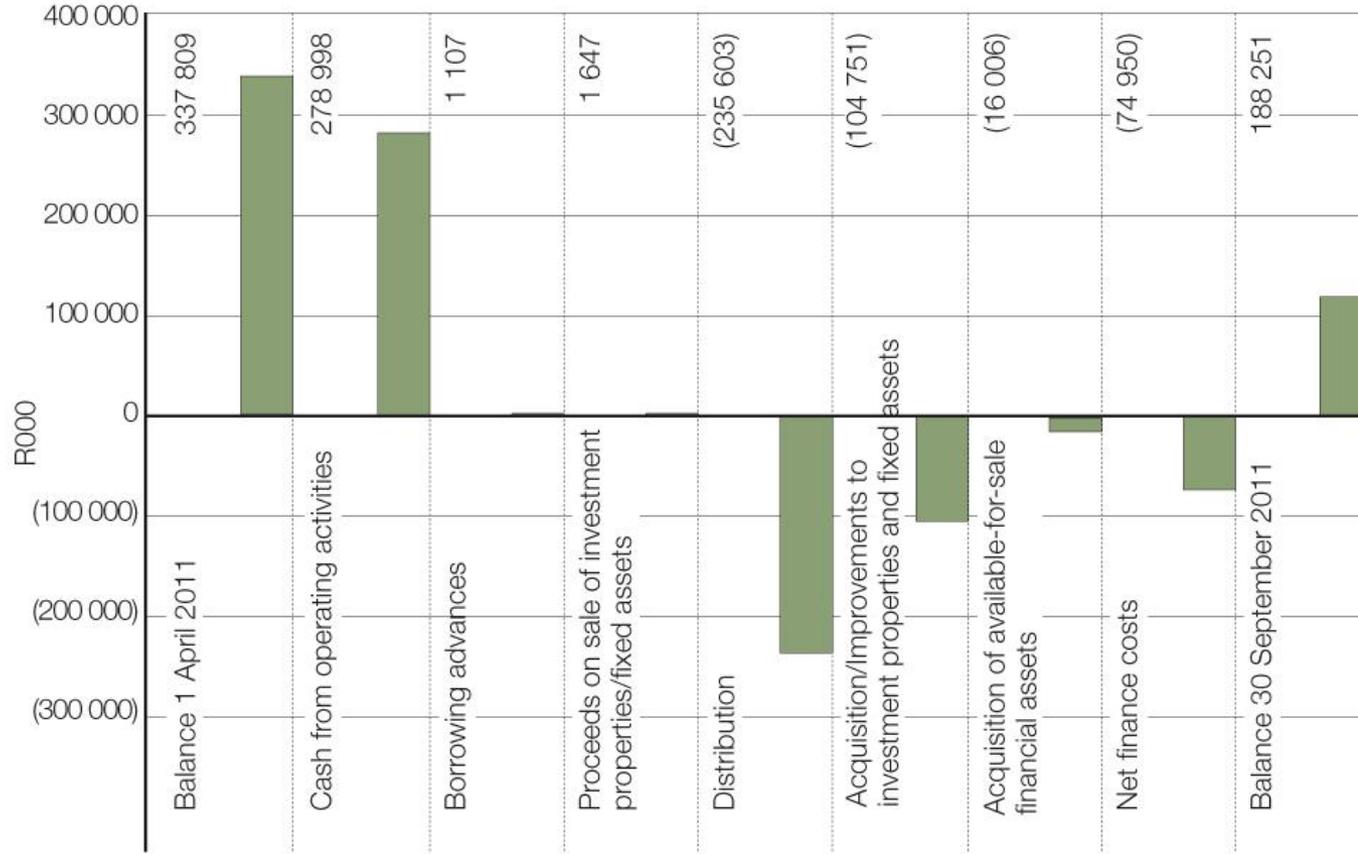
Maturity and interest rate profile of interest bearing debt at 30 September 2011



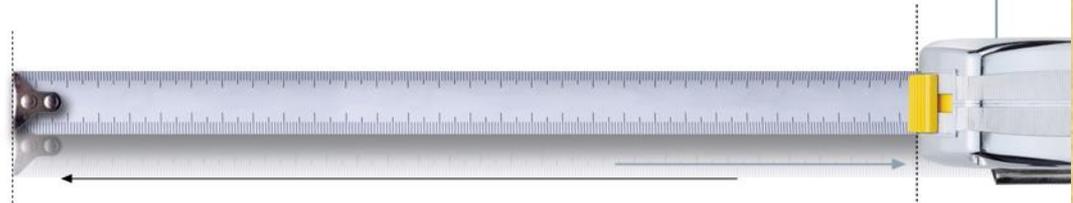
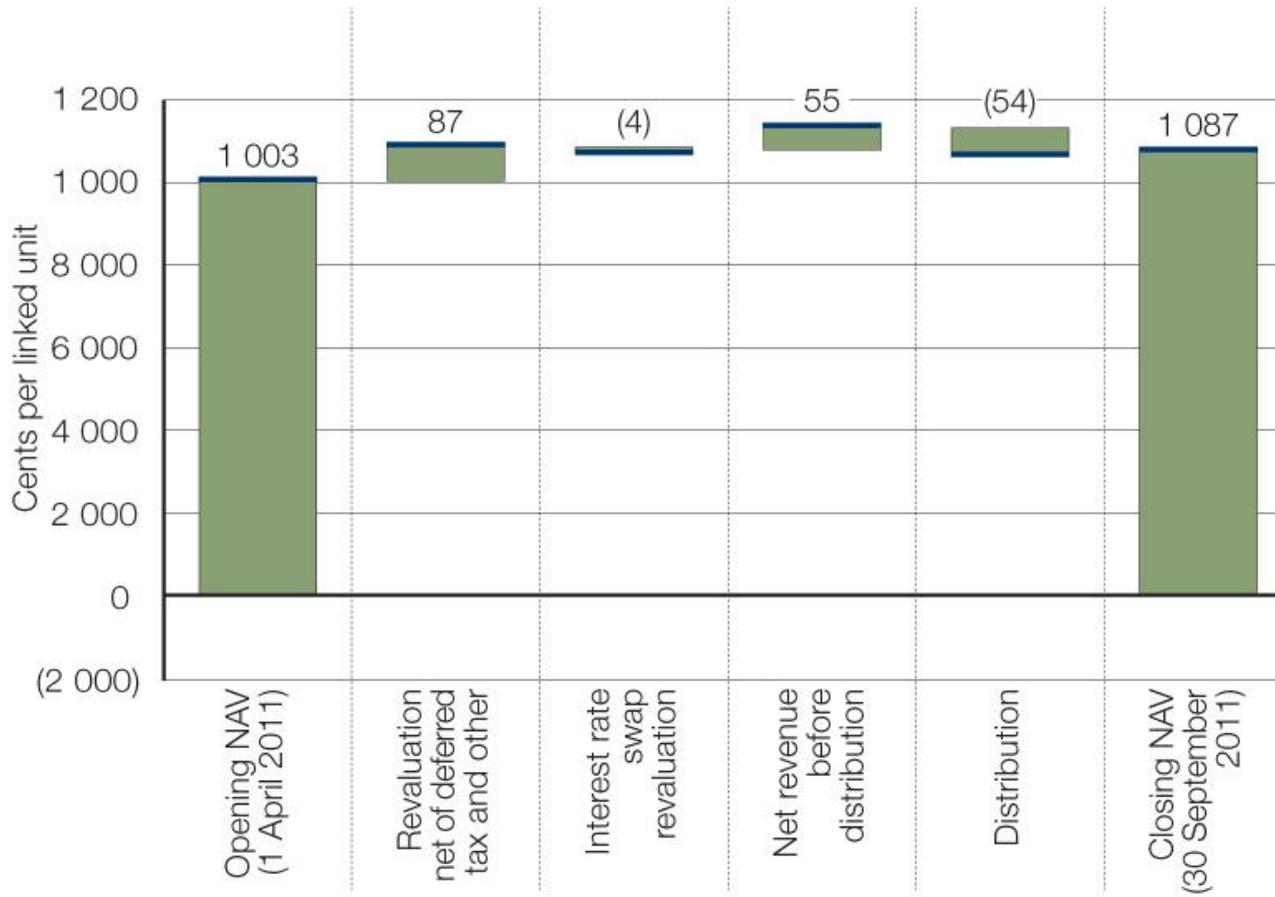
# Group balance sheet



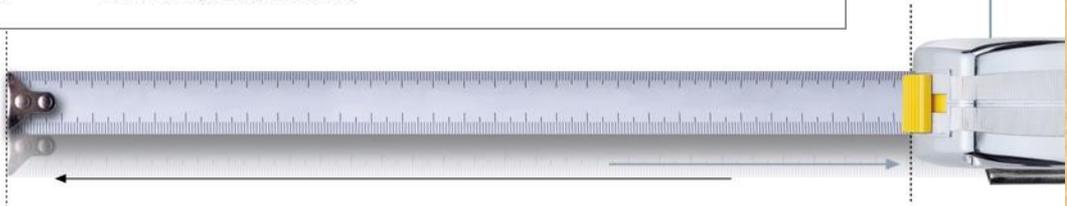
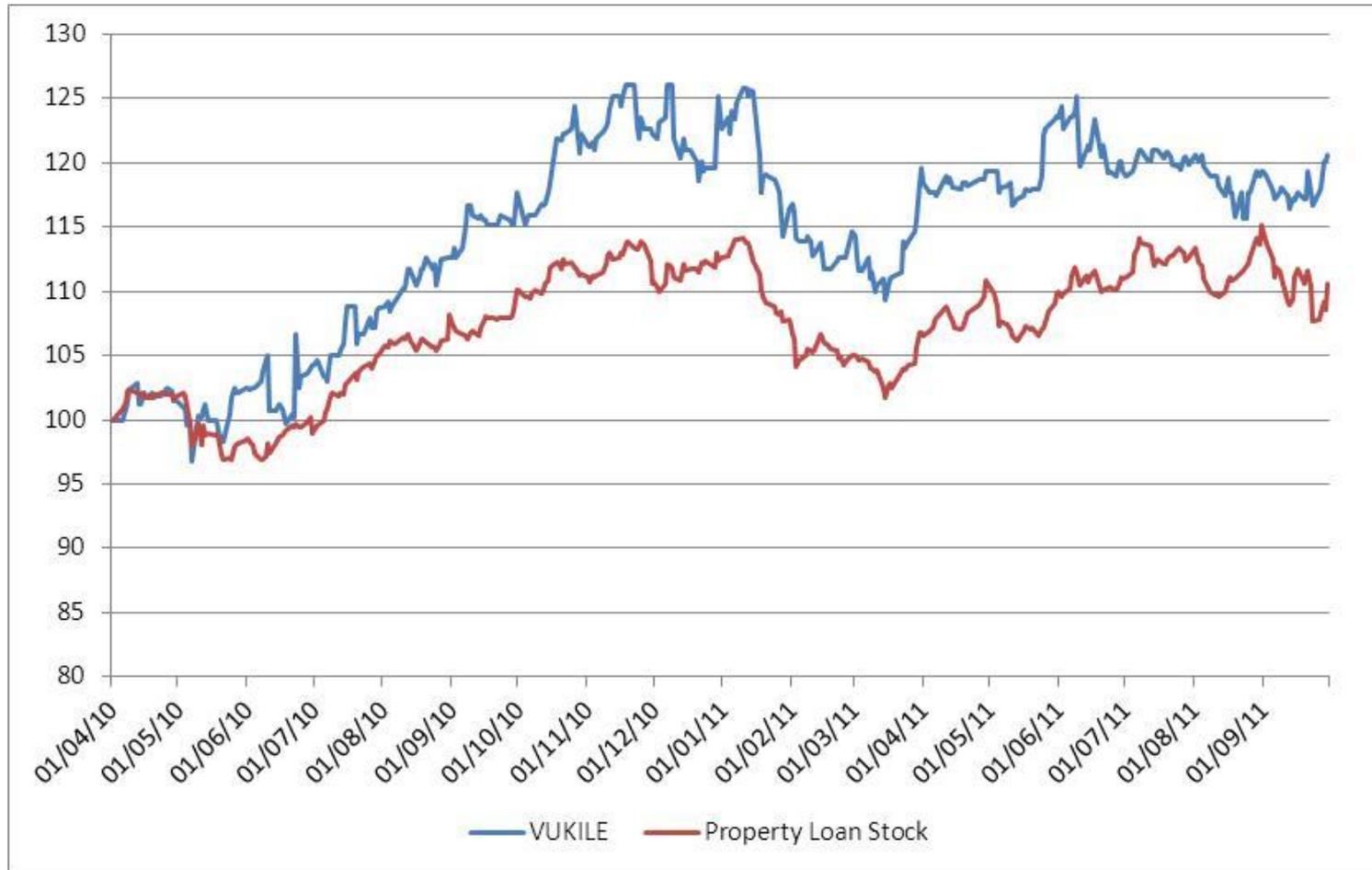
# Group net cash flow



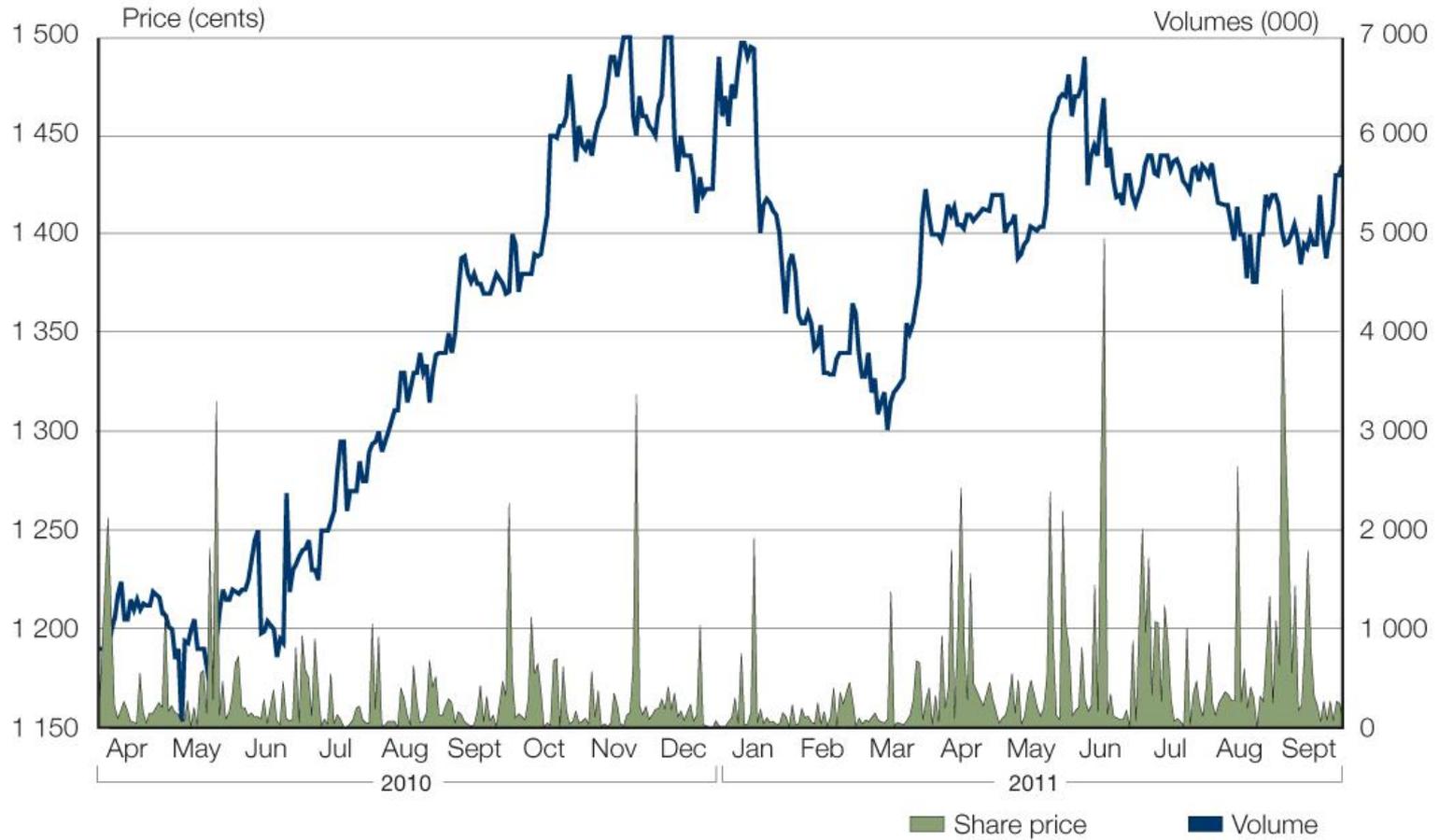
# NAV bridge



# Linked unit price-index performance

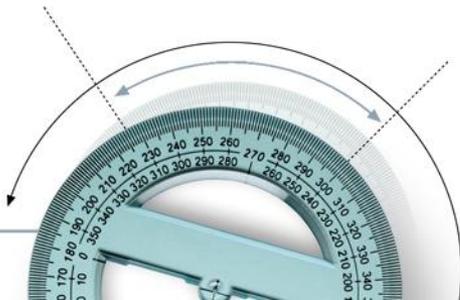


# Trading volumes



# Property portfolio

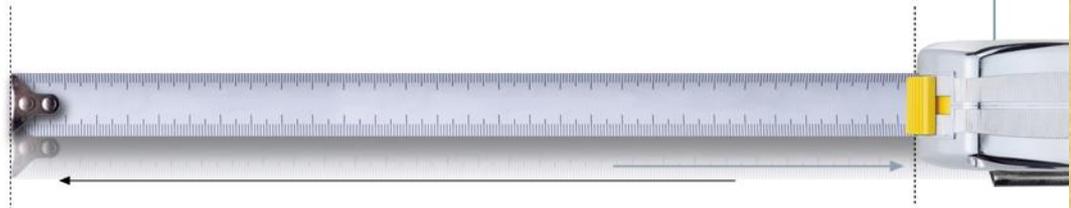
■ Number of properties	74
■ GLA	930 405m <sup>2</sup>
■ Valuation	
■ <i>Total portfolio</i>	<i>R5.870 bn</i>
■ <i>External valuation (on 51% of the portfolio)</i>	<i>R2.882 bn</i> <i>(R86 m 2.9% less than directors' valuation)</i>
■ <i>Average discount rate</i>	<i>13.2%</i>
■ <i>Average exit capitalisation rate</i>	<i>11.1%</i>



# Property portfolio

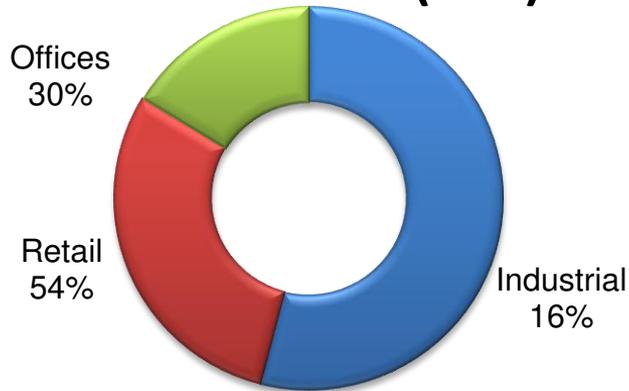
## 10 largest properties

	Area m <sup>2</sup>	Value (R'm)	% of total
Durban Phoenix Plaza	24 342	453	7.7
Belville Louis Leipoldt	22 311	263	4.5
Dobsonville Shopping Centre	23 177	212	3.6
Randburg Square	51 370	206	3.5
Pine Crest (50%)	20 101	201	3.4
Durban Embassy	32 346	186	3.2
Daveyton Shopping Centre	17 095	175	3.0
Oshakati Shopping Center	22 269	174	3.0
Roodepoort Hillfox Power Centre	37 440	173	2.9
Arivia.kom Building	15 634	160	2.7
	266 084	2 203	37.5

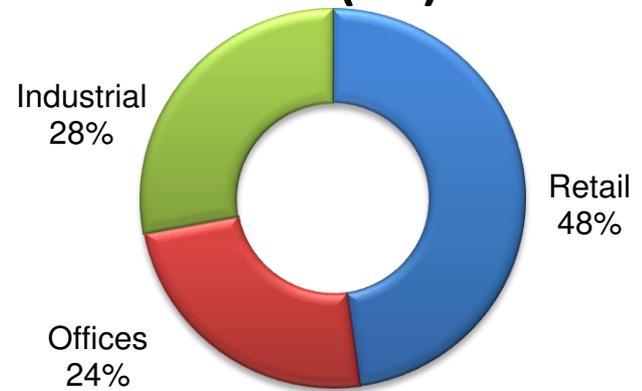


# Property portfolio

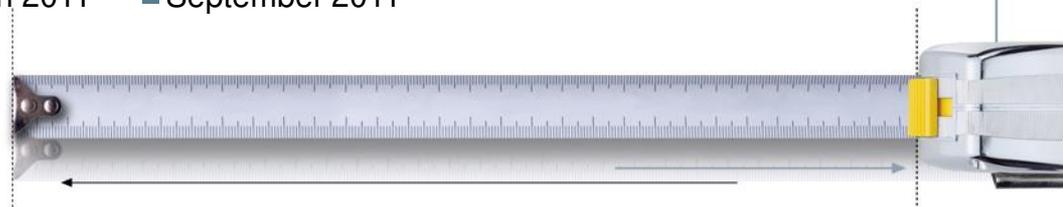
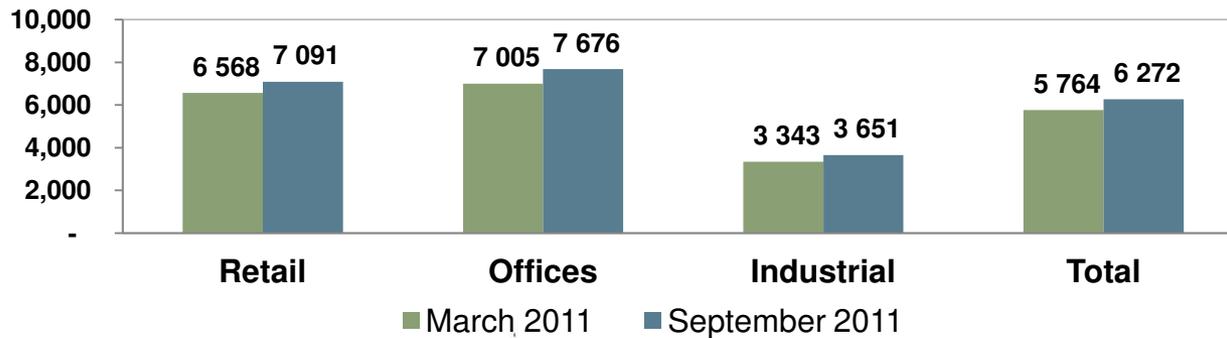
## Market Value (R'm)



## GLA (m<sup>2</sup>)

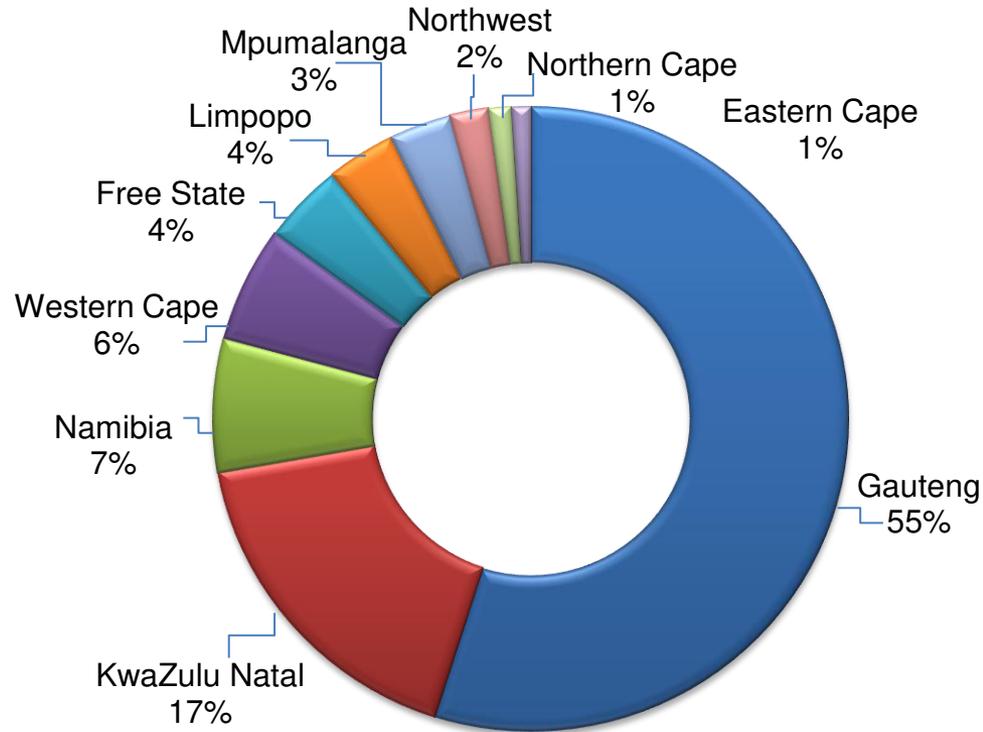


## Market Value (R/m<sup>2</sup>)

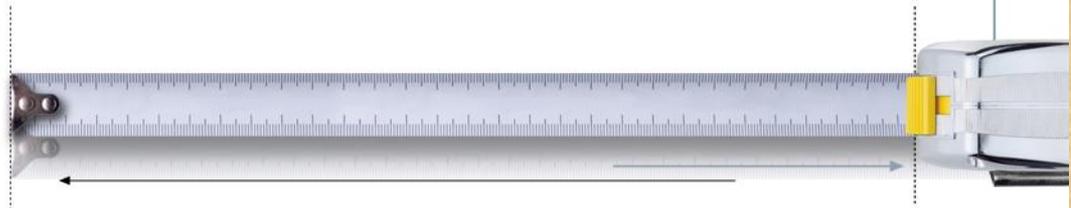


# Property portfolio

## Geographic profile (GLA m<sup>2</sup>)

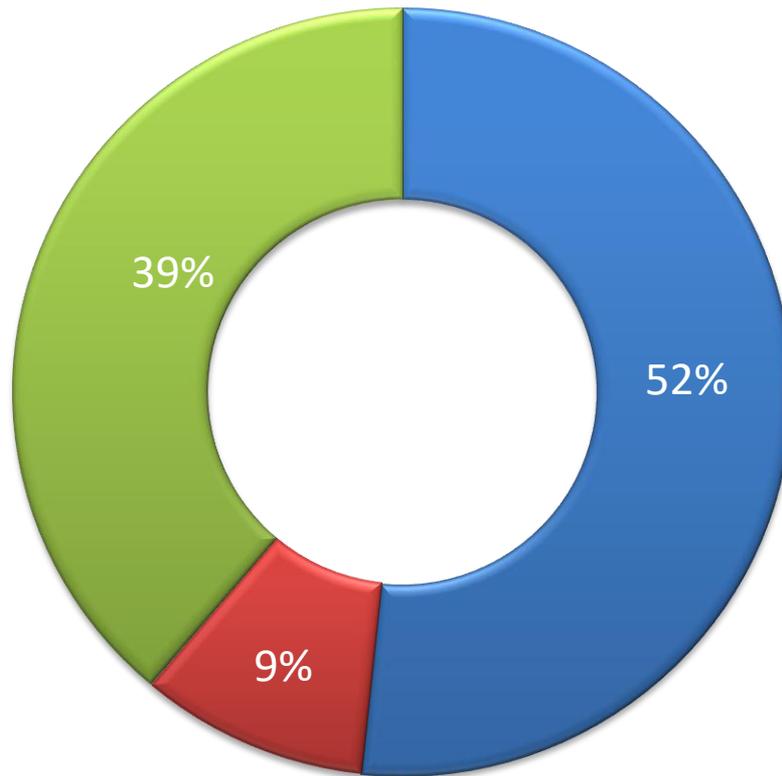


**Top 4 Regions account for 85% of exposure**

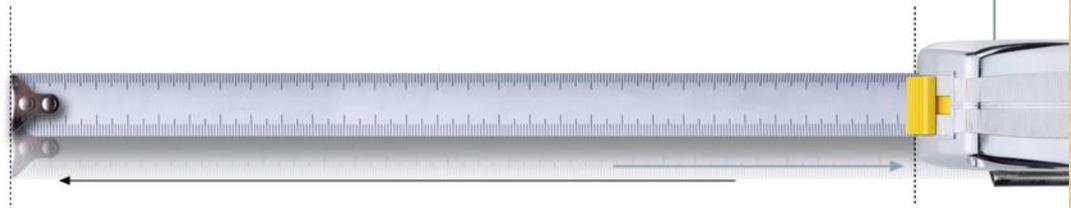


# Property portfolio

Tenant profile measured in GLA



- Large national and listed tenants, government and major franchises
- National and listed tenants, franchised and medium to large professional firms
- Other

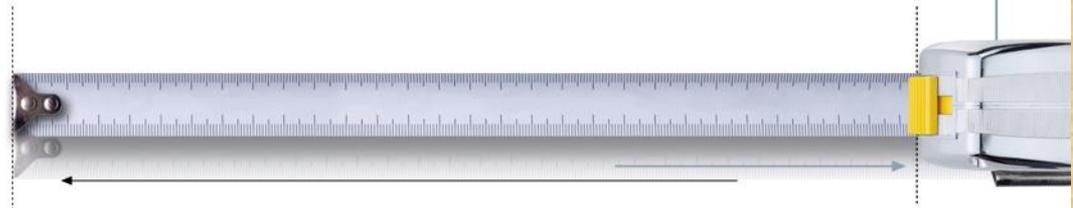


# Property portfolio

## Portfolio growth rates

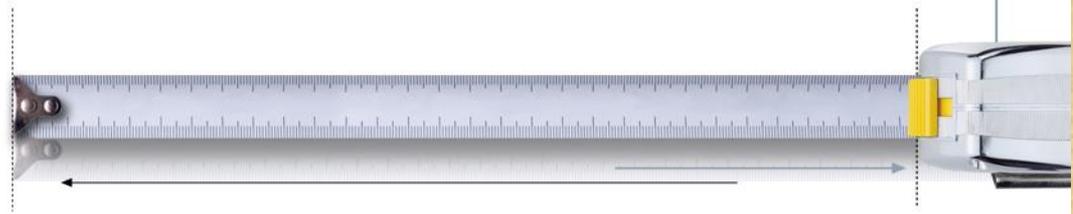
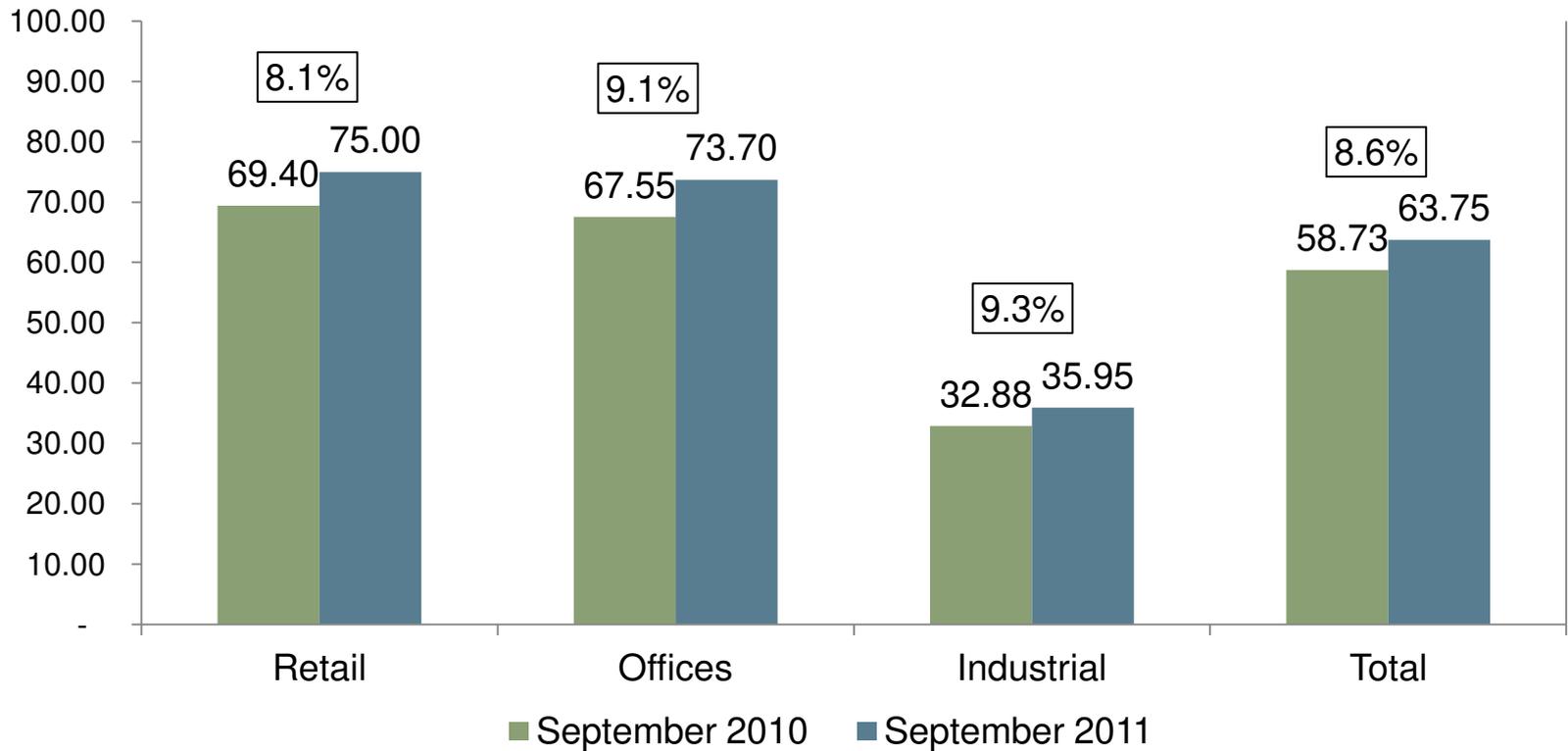
(six months year to date vs corresponding period previous year)

	<b>Retail</b>	<b>Offices</b>	<b>Industrial</b>	<b>Total</b>
Gross income growth	15.8%	9.4%	4.9%	12.2%
Net income growth	11.7%	0.8%	8.6%	7.8%



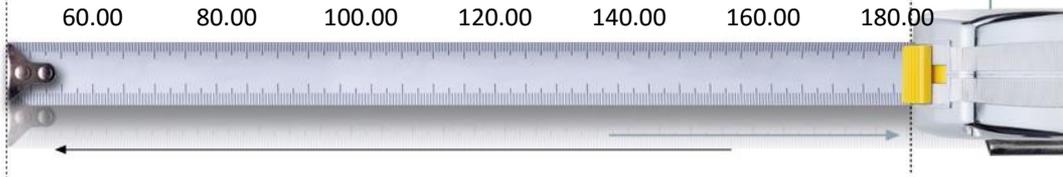
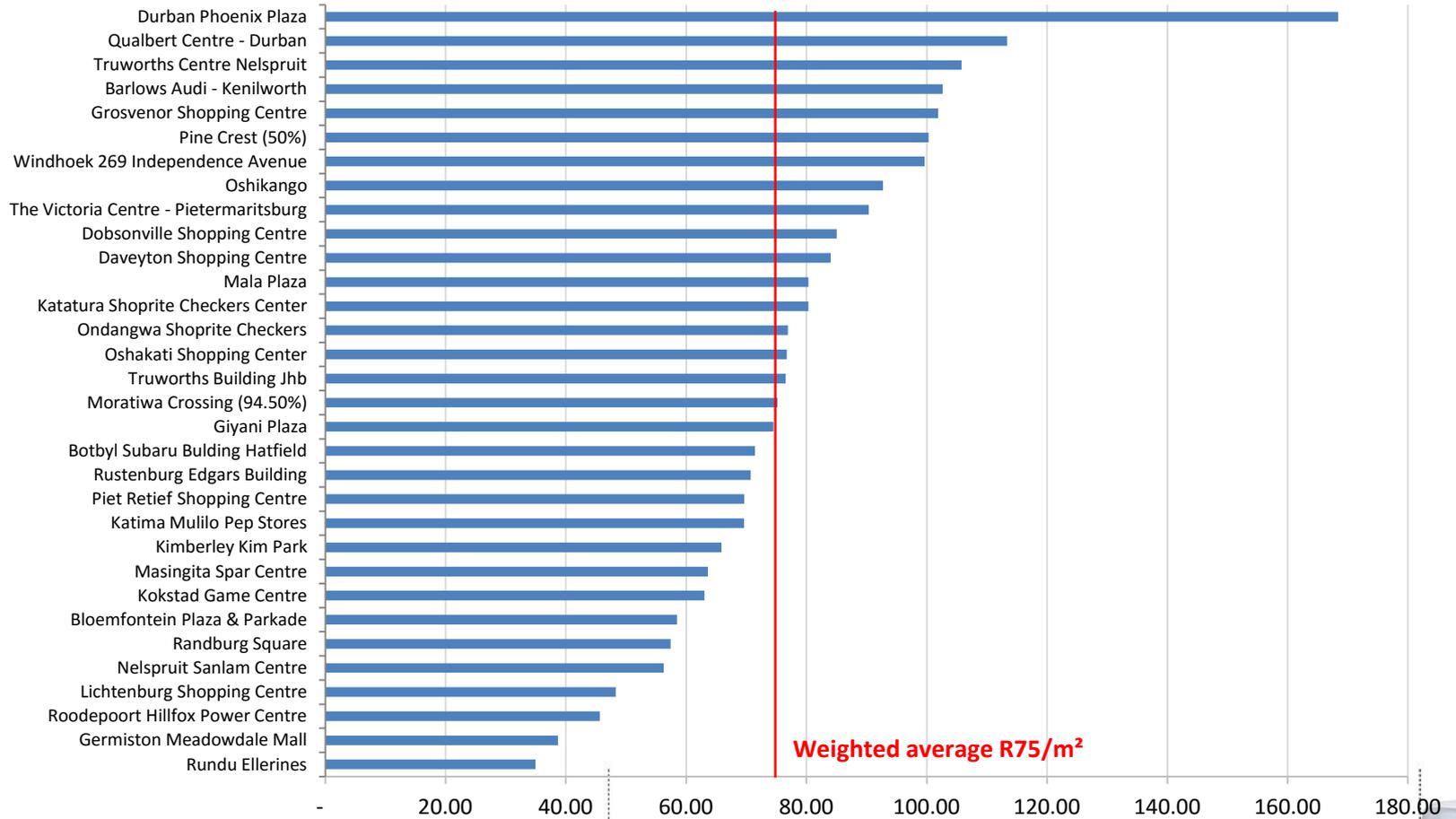
# Property portfolio

Weighted average base rentals R/m<sup>2</sup> (excluding recoveries)



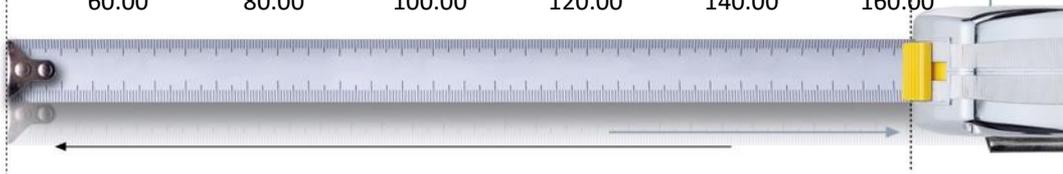
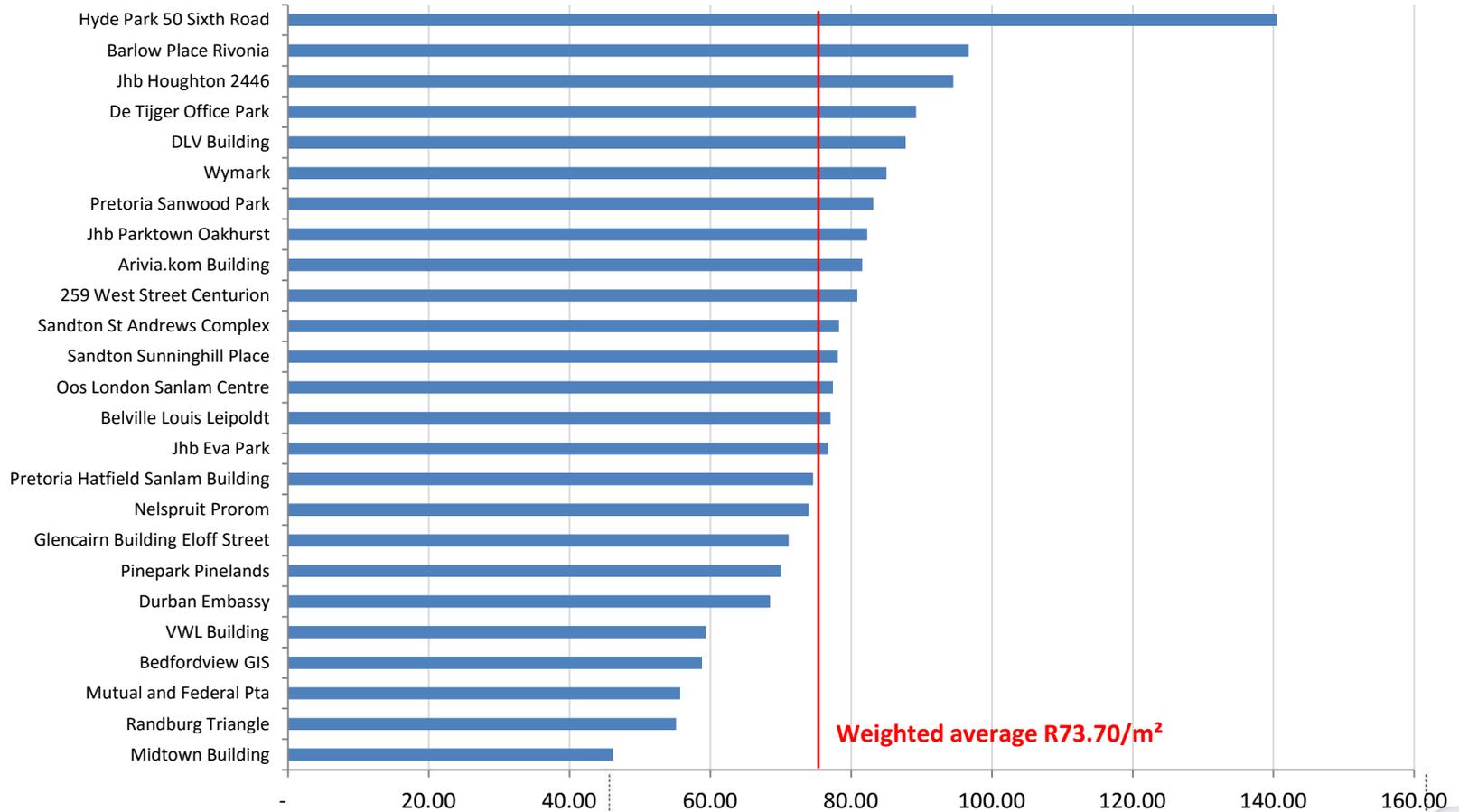
# Property portfolio

## Weighted average base rentals R/m<sup>2</sup> (excluding recoveries): Retail



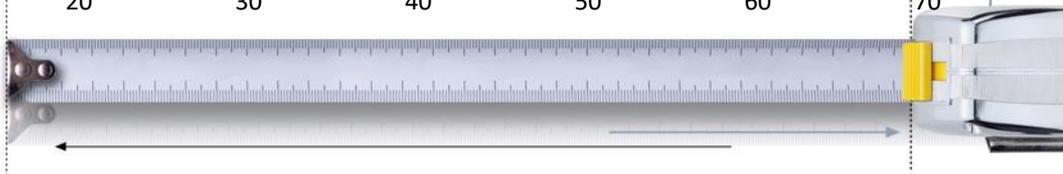
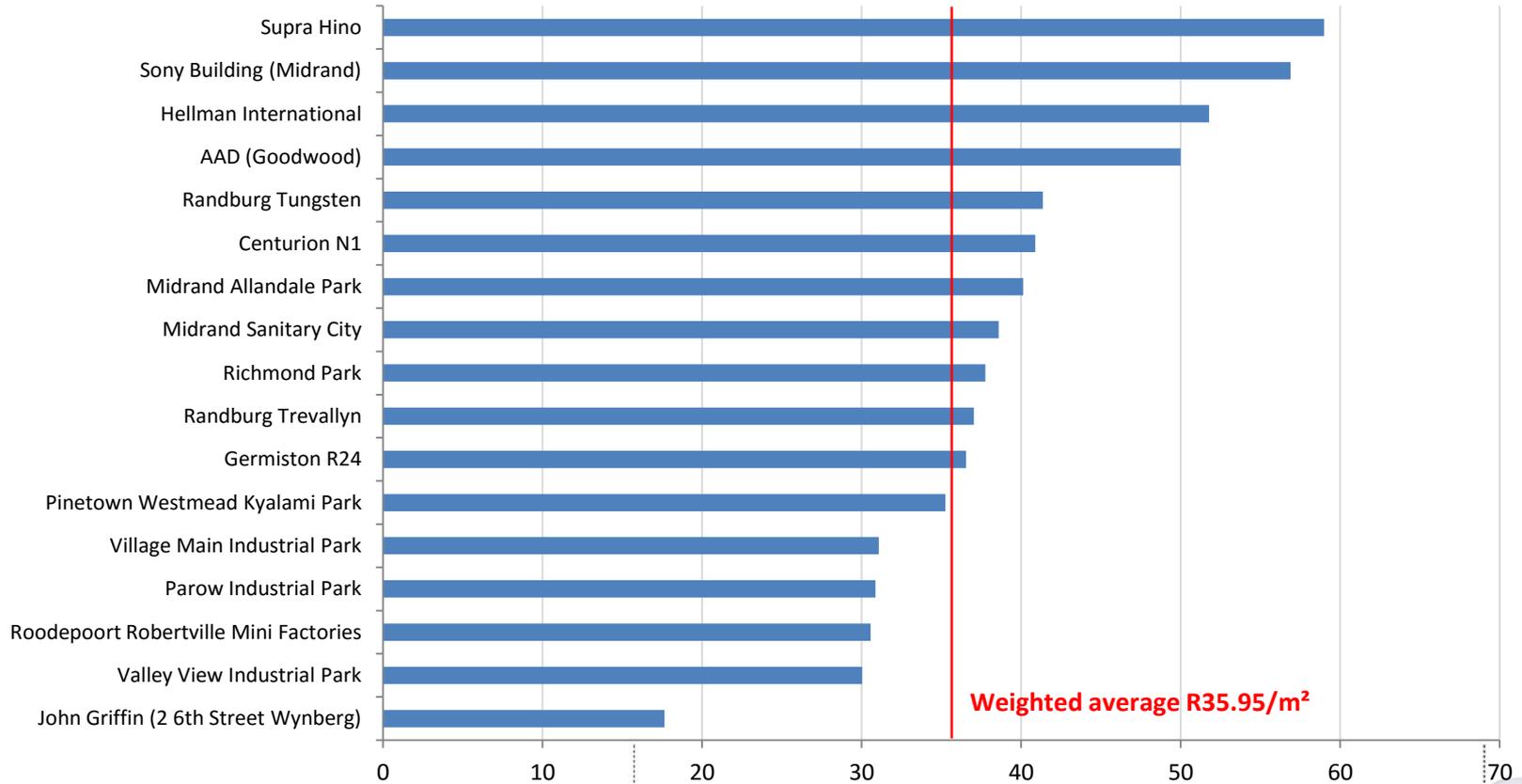
# Property portfolio

## Weighted average base rentals R/m<sup>2</sup> (excluding recoveries) : Offices



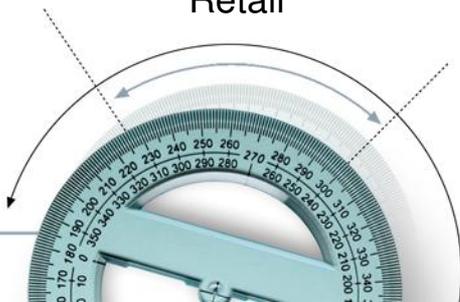
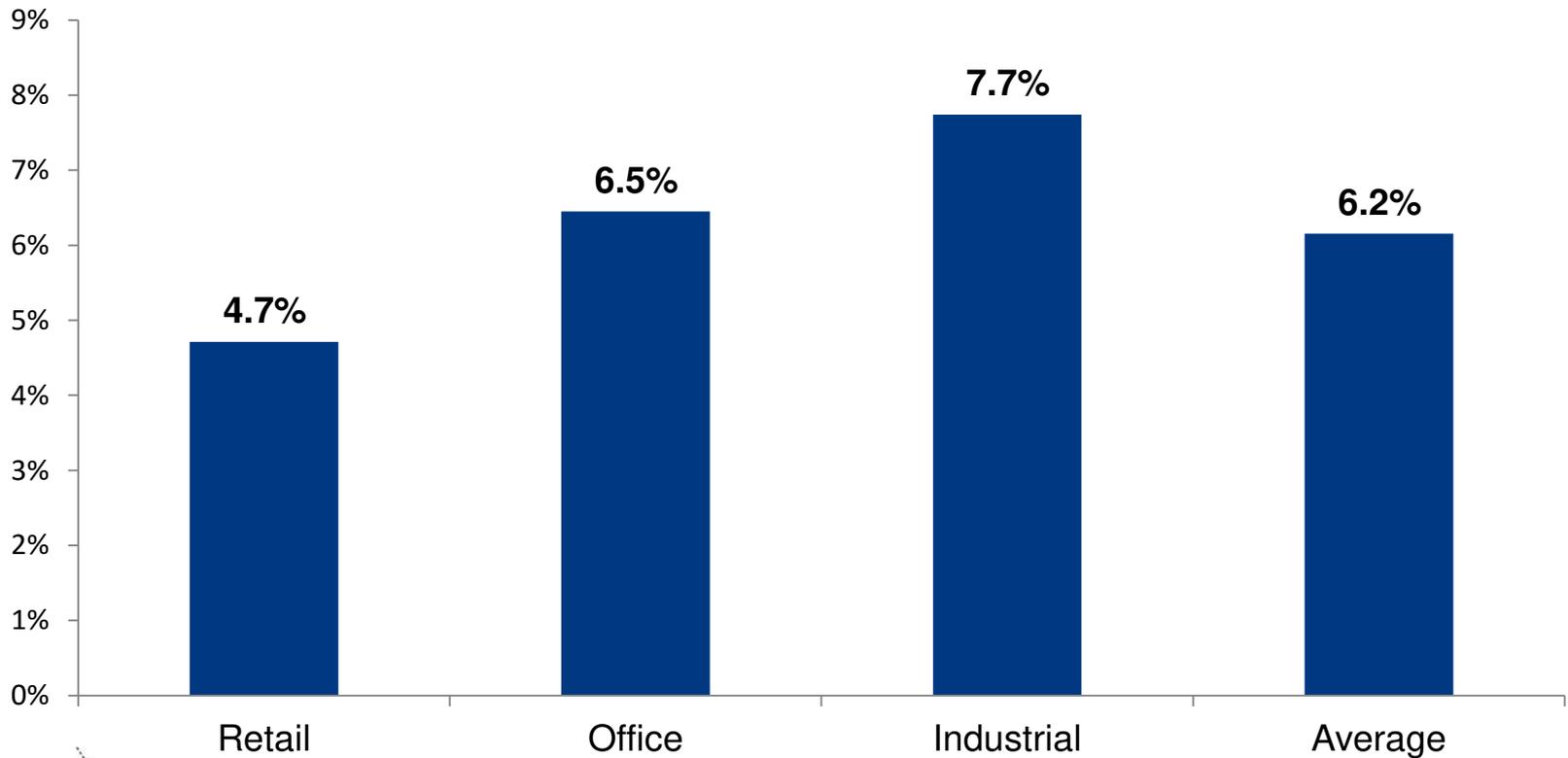
# Property portfolio

## Weighted average base rentals R/m<sup>2</sup> (excluding recoveries): Industrial



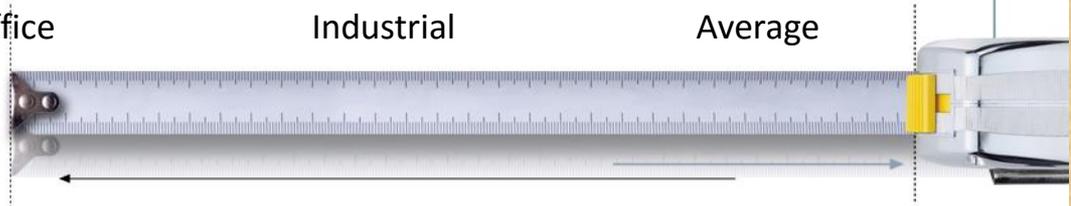
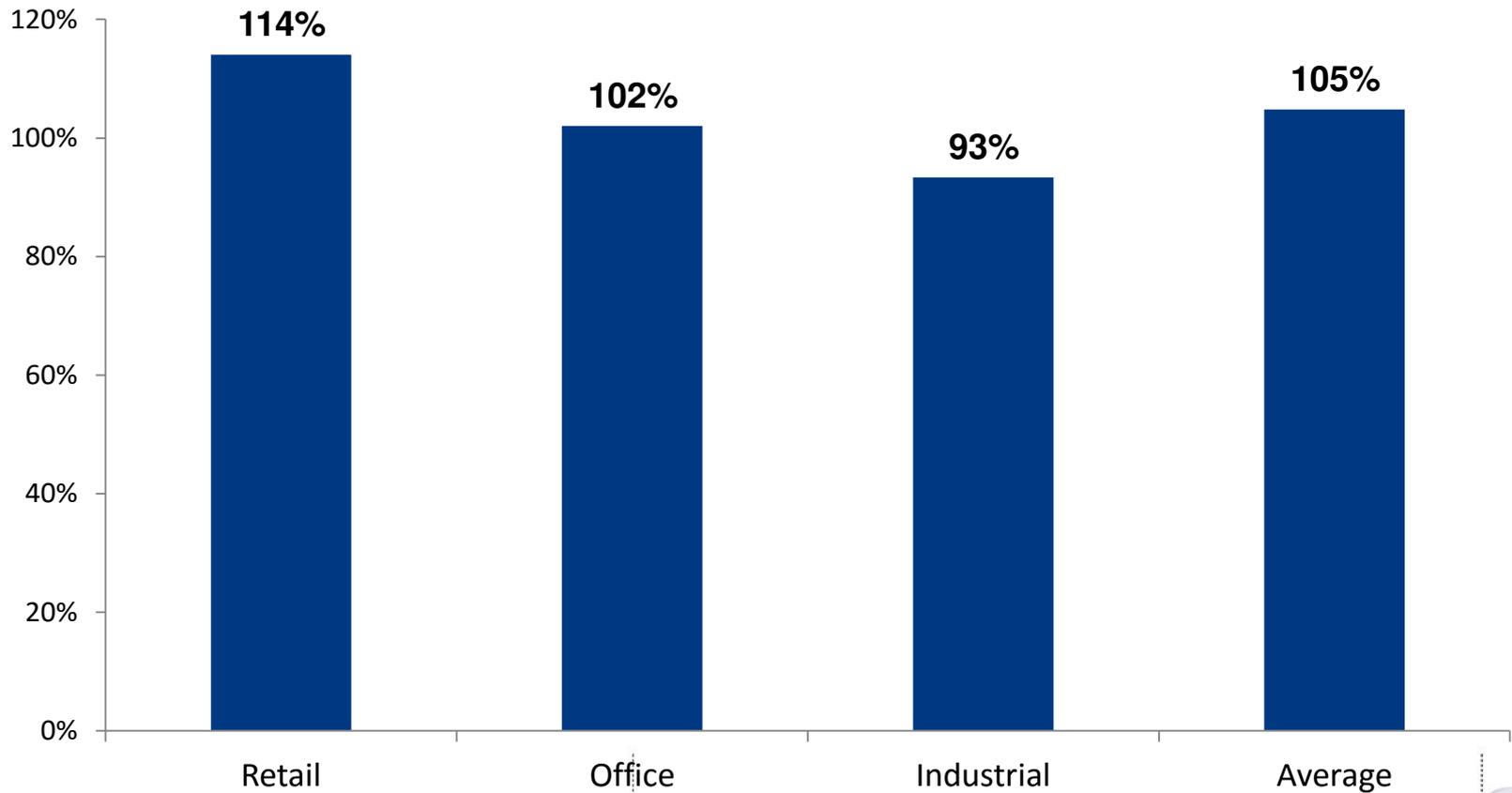
# Property portfolio

## Lease renewals: % escalation on expiry rentals



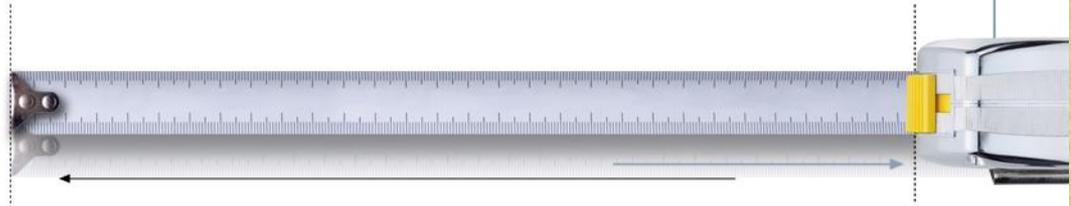
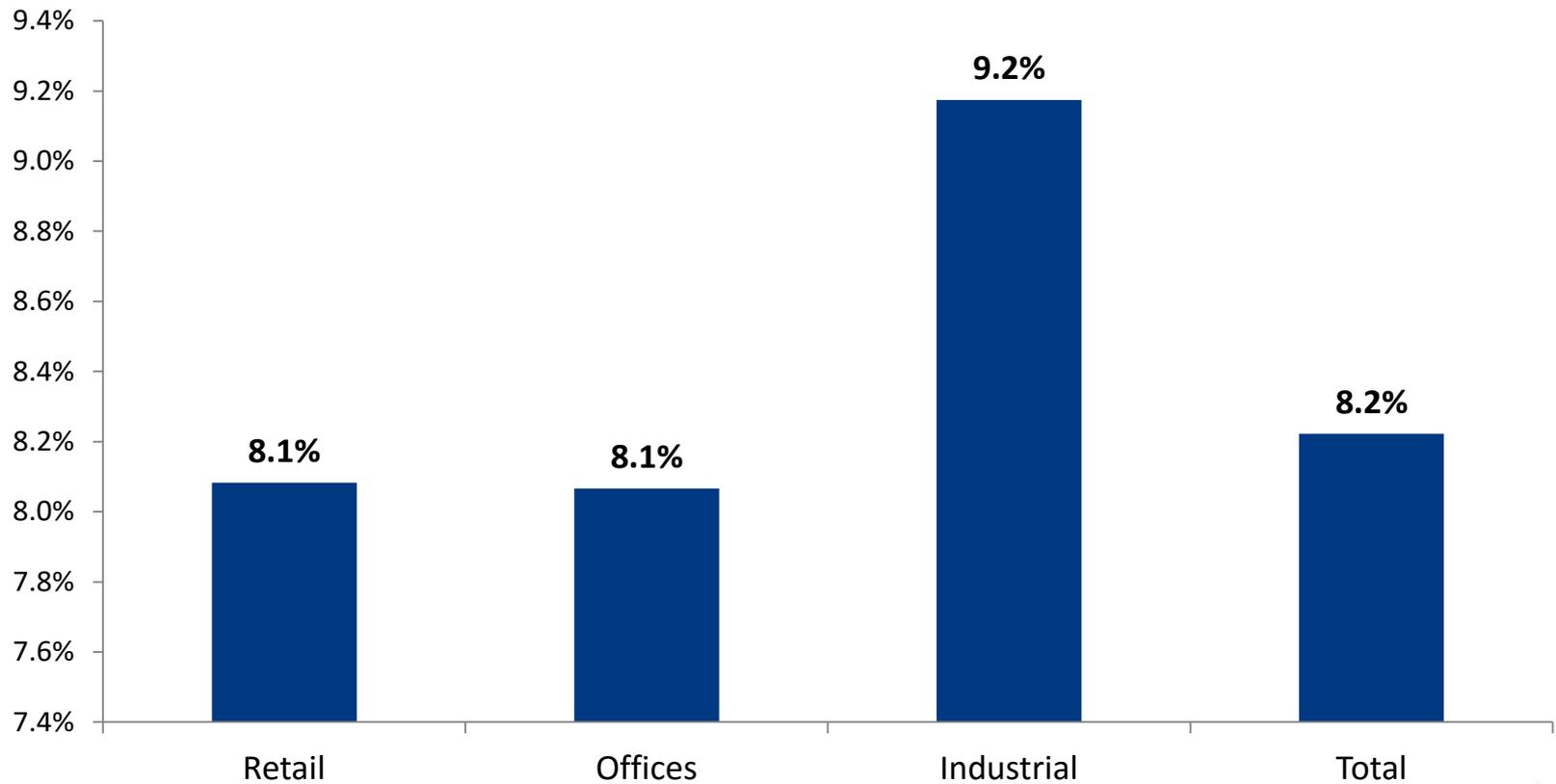
# Property portfolio

New leases concluded: Ratio of rental concluded against budget



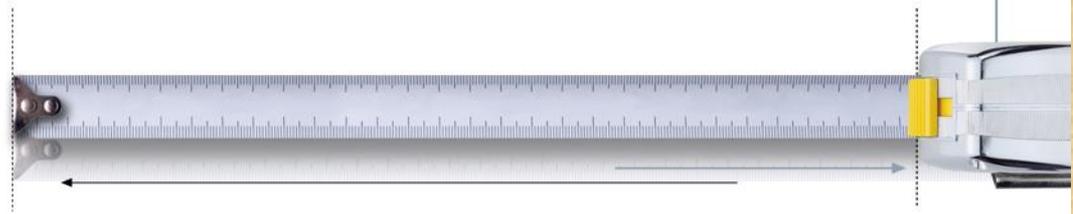
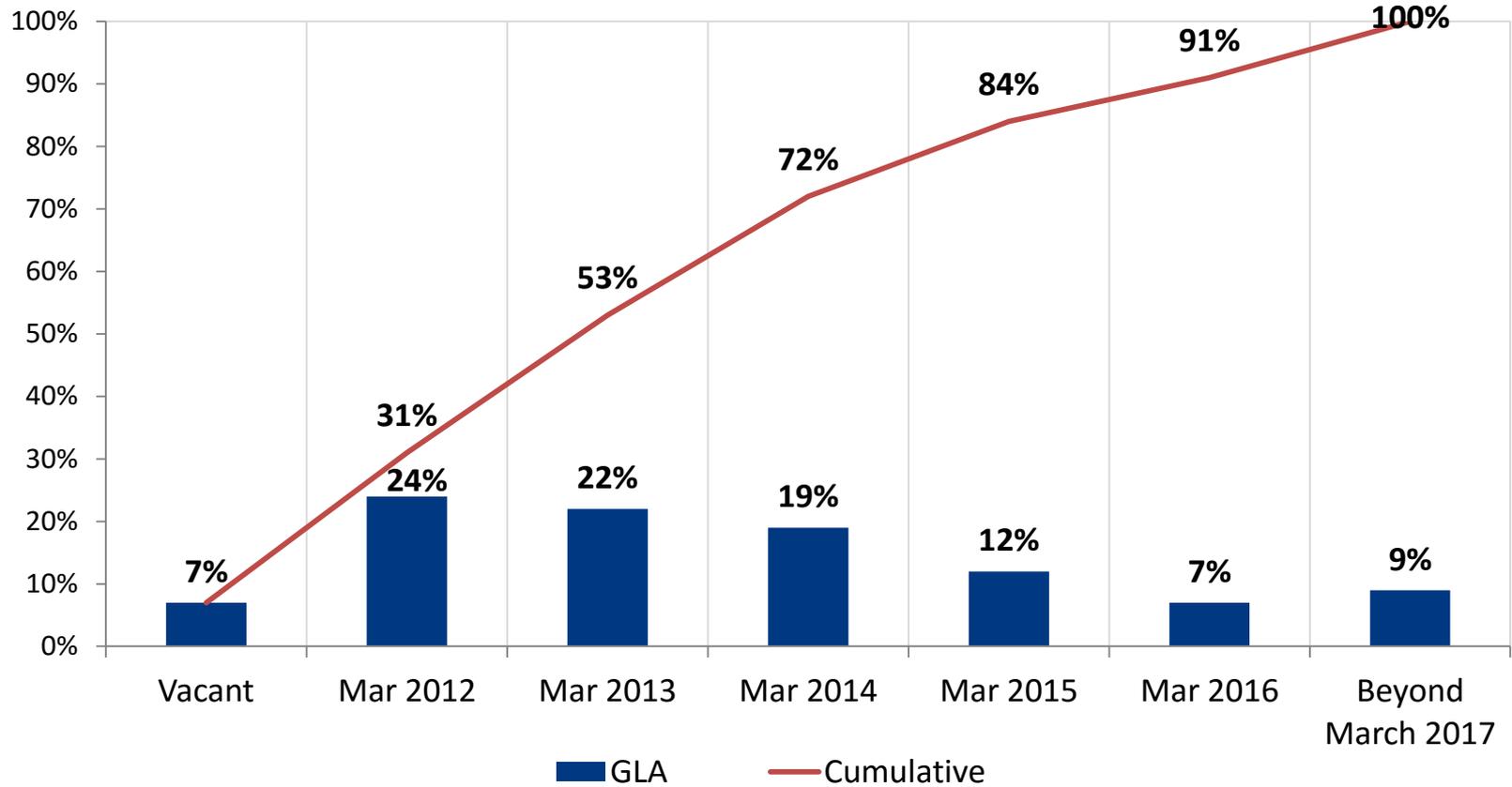
# Property portfolio

## Contracted rental escalation profile



# Property portfolio

## Lease expiry profile



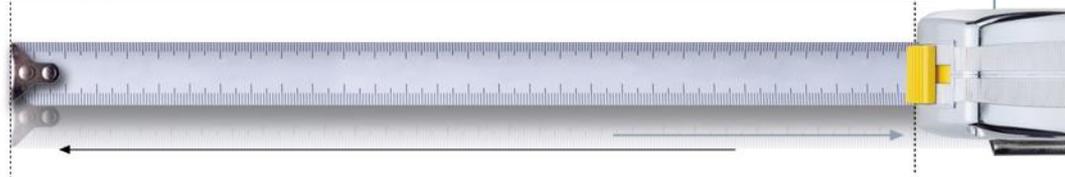
# Property portfolio

## ■ New leases and renewals (for the six months ended 30 September 2011)

■ <i>Total contract value</i>	<i>R252.7 million</i>
■ <i>Total rentable area</i>	<i>94 847m<sup>2</sup></i>
■ <i>Tenant retention</i>	<i>57%</i>

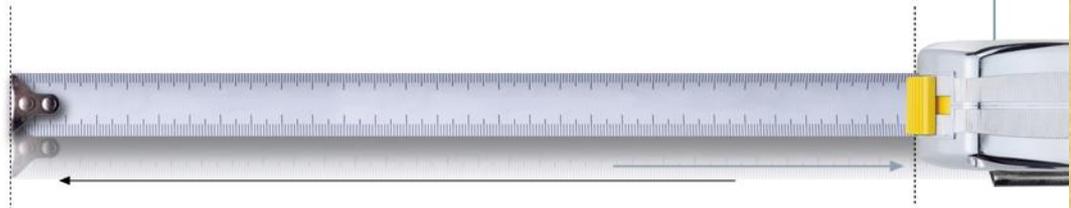
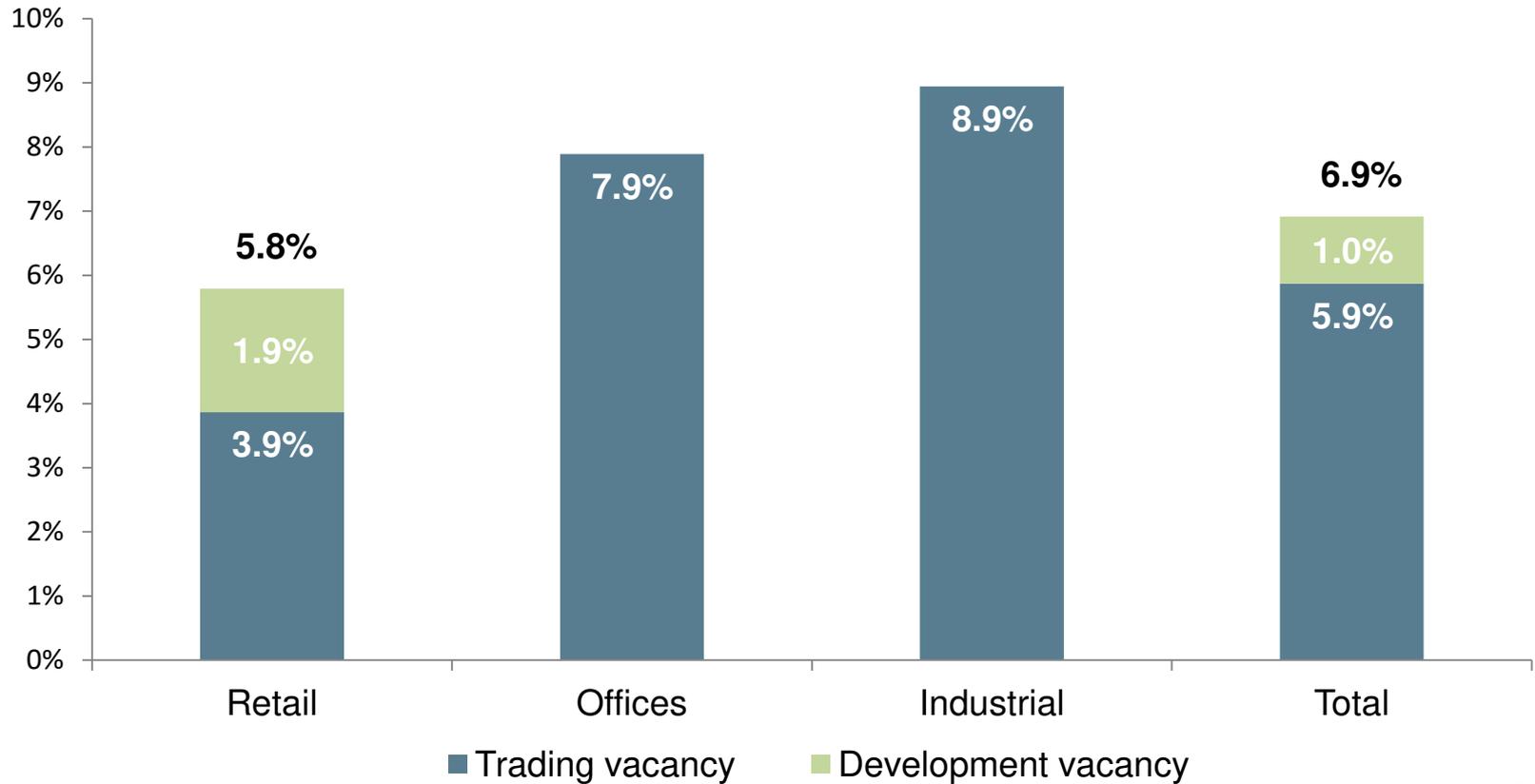
## ■ Largest contracts concluded

<b>Tenant</b>	<b>Property</b>	<b>Sector</b>	<b>Contract value (R'm)</b>	<b>Lease duration (years)</b>
Virgin Active	The Victoria Centre - Pmb	Retail	38.2	10
NMS Properties (Pty) Ltd	Randburg Square	Retail	13.5	3
Cashbuild (SA) (Pty) Ltd	Roodepoort Hillfox Power Centre	Retail	12.2	10
Citiwood	Parow Industrial Park	Industrial	9.0	5
Mr Price Weekend Material	Durban Phoenix Plaza	Retail	8.2	5
The Standard Bank of S.A.	Qualbert Centre - Durban	Retail	6.8	4
Special Investigating Unit	Oos London Sanlam Centre	Offices	5.2	1
Sanlam Life Insurance Ltd	Oos London Sanlam Centre	Offices	4.8	3
Mr Price	Daveyton Shopping Centre	Retail	4.3	5



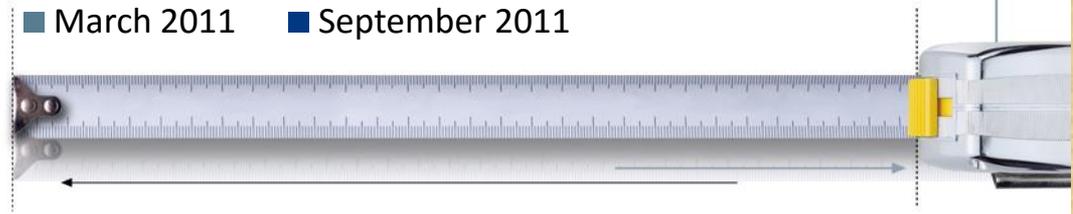
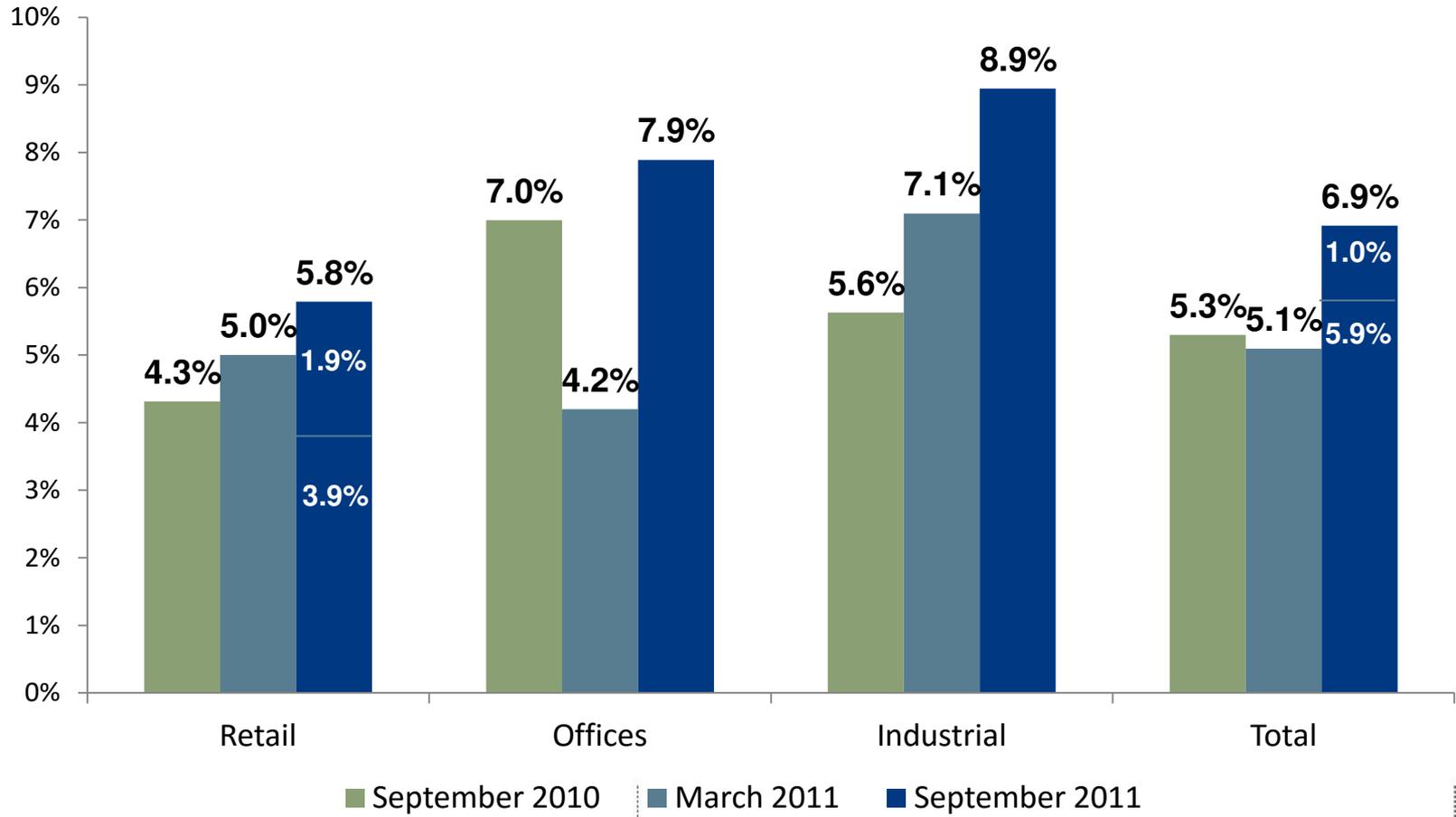
# Property portfolio

## Vacancy profile (% of gross rental)



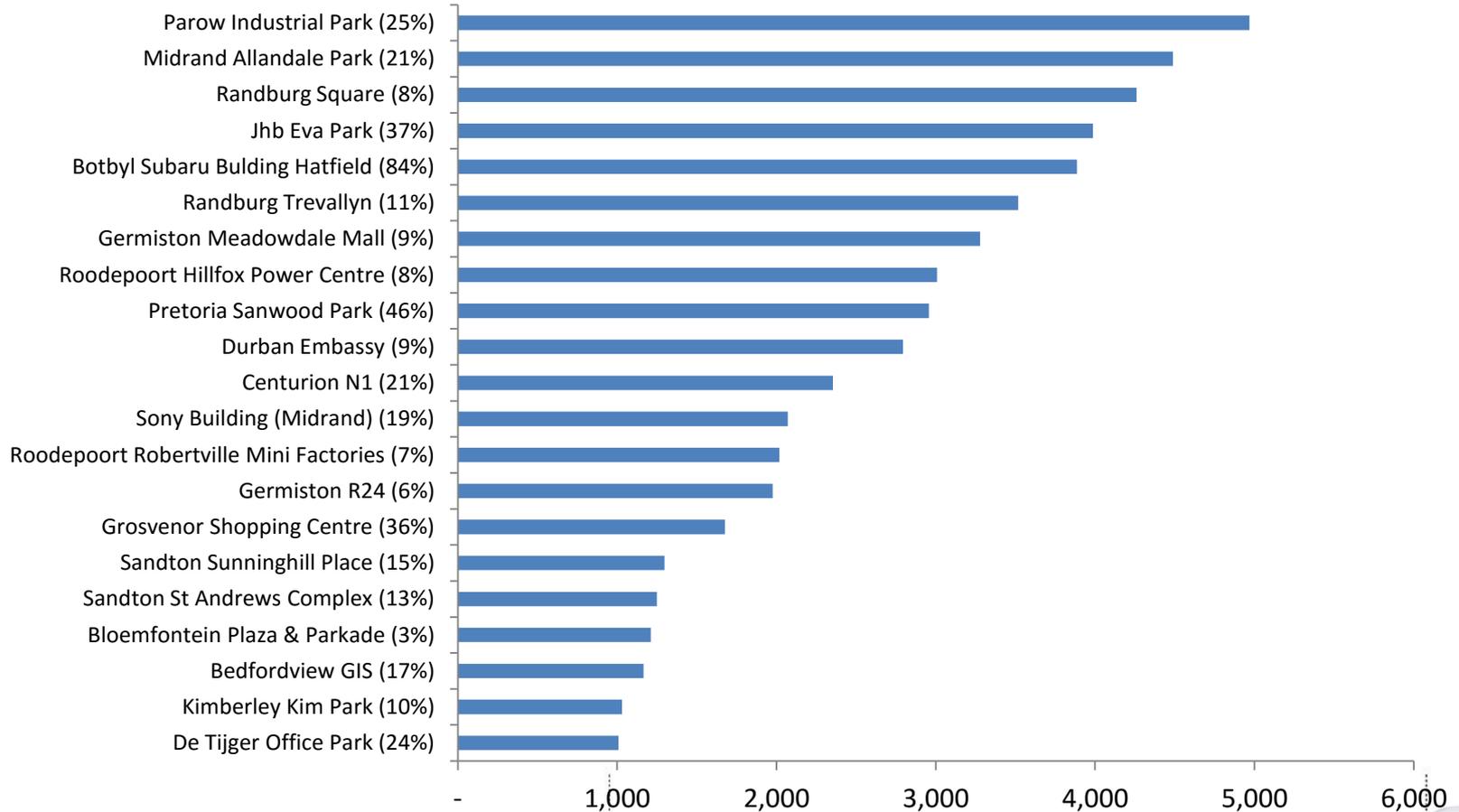
# Property portfolio

Vacancy profile (% of gross rental)



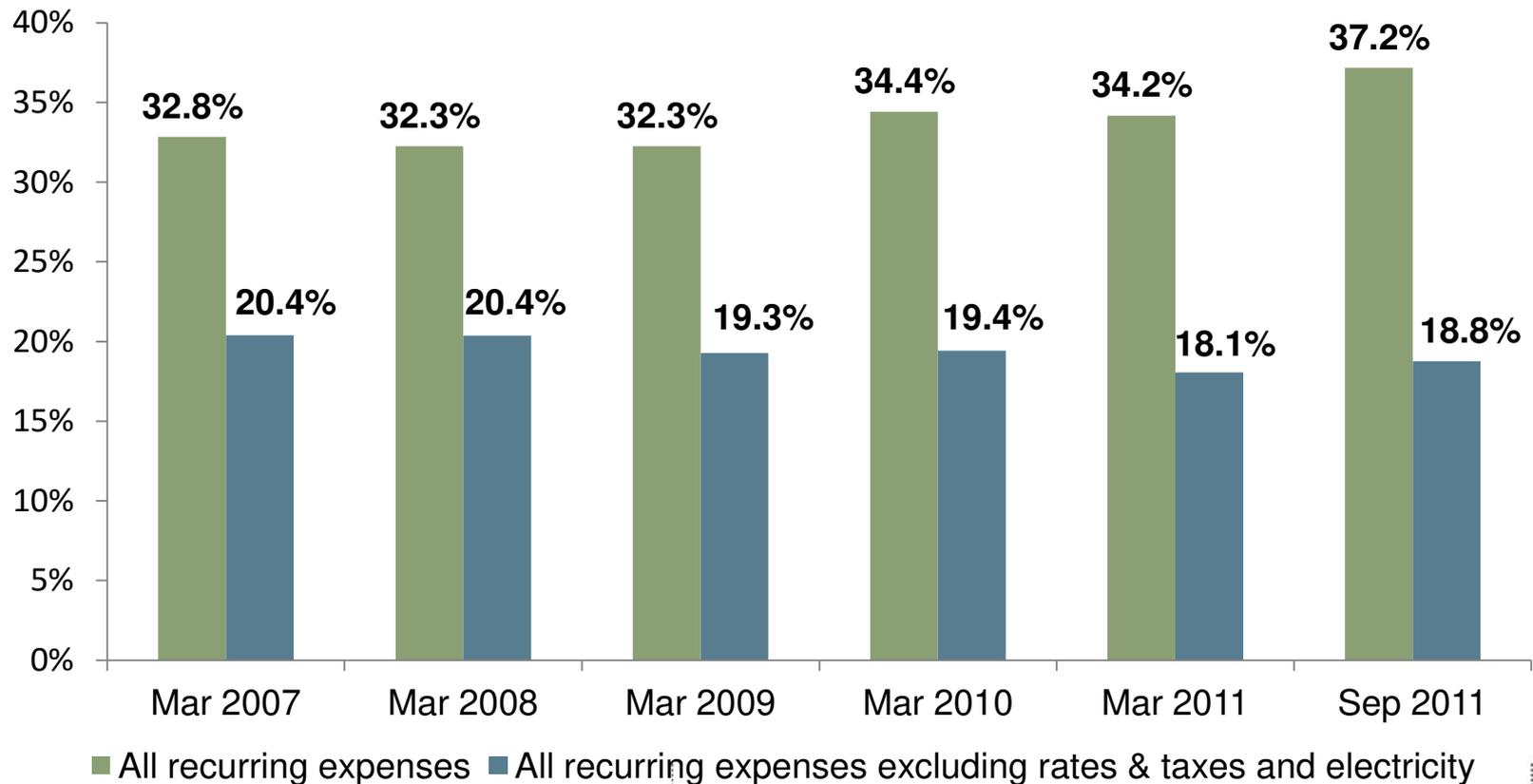
# Property portfolio

## Individual properties vacancy profile (% of GLA) (vacancy > 1,000m<sup>2</sup>)



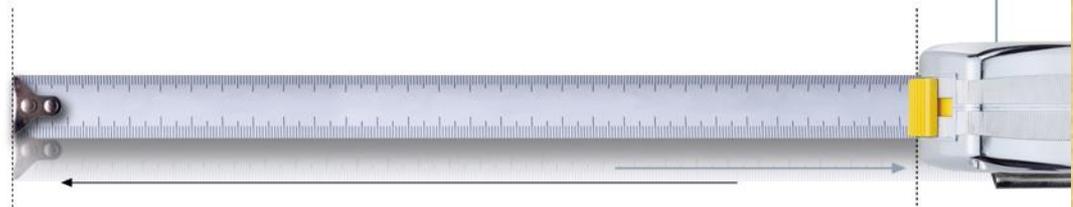
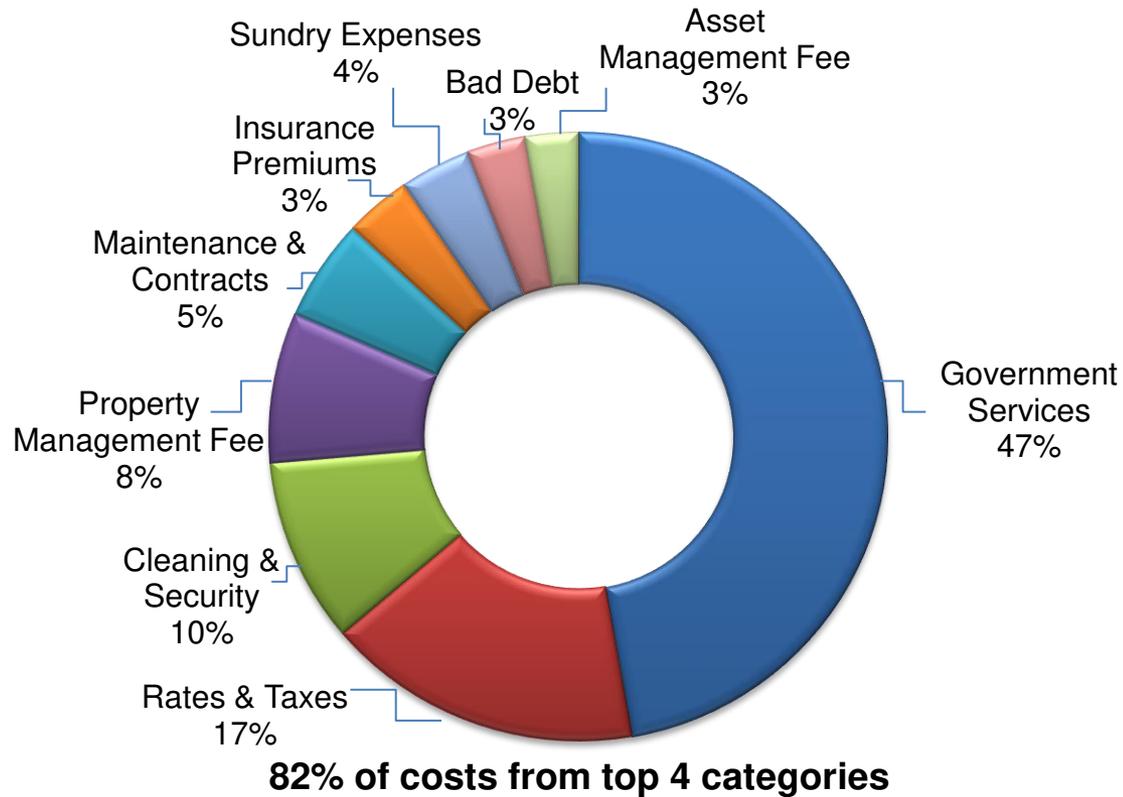
# Property portfolio

Ratio of gross recurring cost to property revenue: stable portfolio



# Property portfolio

## Recurring expense categories



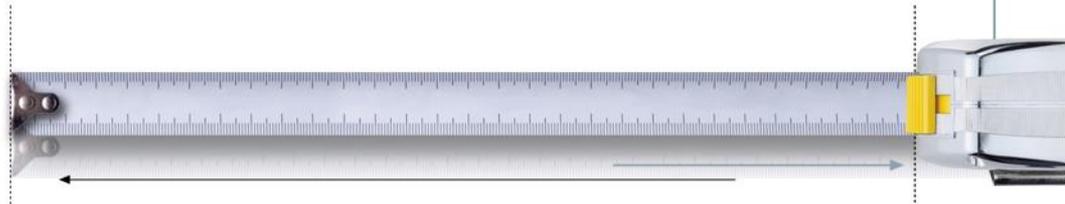
# Property portfolio

## Bad debt and arrears analysis

	<b>R'000</b>
Impairment allowance 1 April 2011	9 911
Allowance for receivable impairment for six months	4 674
Receivables written off as uncollectable	(243)
Impairment allowance 30 September 2011 per statement of financial position	14 342
Bad debt write-off per the Statement of Comprehensive Income	660
Bad debt provision for 6 months	4 674
Total (1.2% of property revenue)	5 334

<b>Tenant Arrears</b>	<b>R'000</b>	<b>% of Property revenue</b>
September 2010	16 423	4.2%
September 2011	26 702*	6.0%

\* Increase due to inclusion of arrears on portfolio of R541 m acquisition in the previous year



# Property portfolio

## ■ Property managers

### ■ *Outsourced*

*Vukile has worked on an outsourced property management model since listing.*

### ■ *Tender*

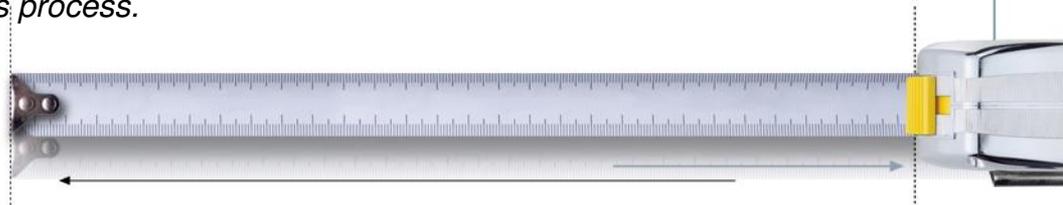
*During the first half of this year 24 companies were approached to submit data, and ultimately six companies were asked to tender on the RSA portfolio. Broll and JHI were appointed for three years from 1 September 2011.*

### ■ *Current portfolio distribution*

	Market value		Number of properties	
	R'm	%	Number	%
Broll	2 128	36	39	53
JHI	3 541	60	34	46
Old Mutual	201	3	1	1

### ■ *Transition*

*The transition to the new property managers is complete, and we're proud to announce that the process exceeded expectations. Special thanks to both the outgoing and newly appointed service providers for their assistance in this process.*



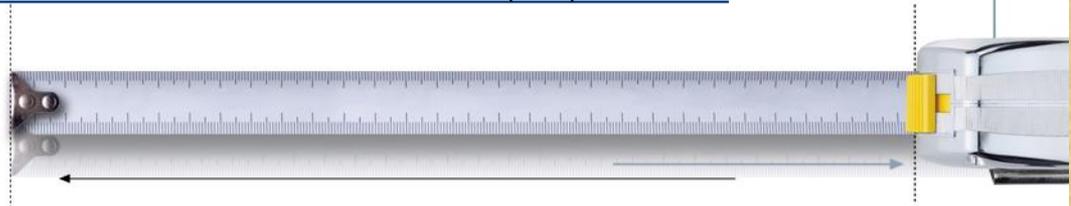
# Property portfolio

## ■ Acquisitions

Pipeline activity of R523 m retail developments being evaluated

## ■ Potential sales

<b>Property</b>	<b>Sector</b>	<b>GLA (m<sup>2</sup>)</b>
AAD (Goodwood)	Industrial	3 024
Botbyl Subaru Building Hatfield (transferred 4 Nov 11)	Retail	4 603
Glencairn Building Eloff Street	Offices	13 378
John Griffin (2 6th Street Wynberg)	Industrial	9 774
Katima Mulilo Pep Stores	Retail	2 472
Lichtenburg Shopping Centre	Retail	8 407
Midtown Building	Offices	8 086
Nelspruit Prorum	Offices	6 181
Rundu Ellerines	Retail	1 283
Truworths Building Jhb	Retail	6 919
VWL Building	Offices	16 933
<b>Total</b>		<b>(9%) 81 060</b>

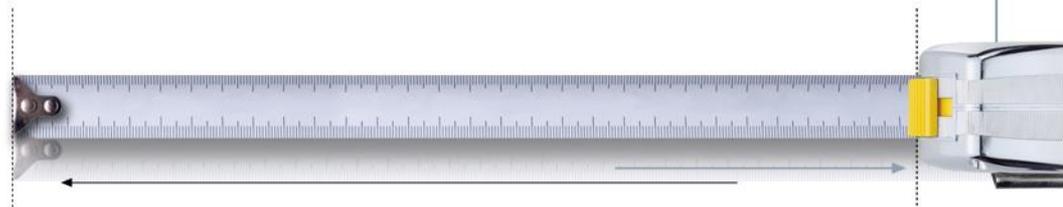
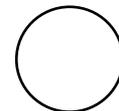
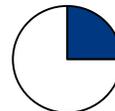


# Property portfolio

## Re-developments / upgrades

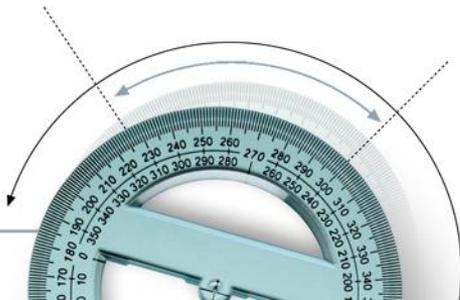
	<b>Grosvenor Corner: upgrade</b>	<b>Malamulele: Mala Plaza extension</b>	<b>Bellville: Louis Leipoldt Hospital upgrade</b>	<b>Randburg Square maintenance and upgrade: Phase 1</b>	<b>Oshakati: Standard Bank redevelopment</b>
Approved capital	R 7.50 m	R 16.75 m	R 33.50 m	R 80.83 m	R 22.86 m
Extensions		R 16.75 m			R 22.86 m
Upgrade	R 7.50 m			R 64.02 m	
Maintenance			R 33.50 m	R 16.81 m	
Additional GLA	0 m <sup>2</sup>	1,222 m <sup>2</sup>	0 m <sup>2</sup>	0 m <sup>2</sup>	2,312 m <sup>2</sup>
Increase in GLA	0.0%	24.8%	0.0%	0.0%	10.0%
Year 1 yield	0.0%	9.3%	0.0%	1.9%	10.7%
Completion date	30 Nov 2011	31 Mar 2011	30 Apr 2013	30 Apr 2012	31 Jul 2012

Progress



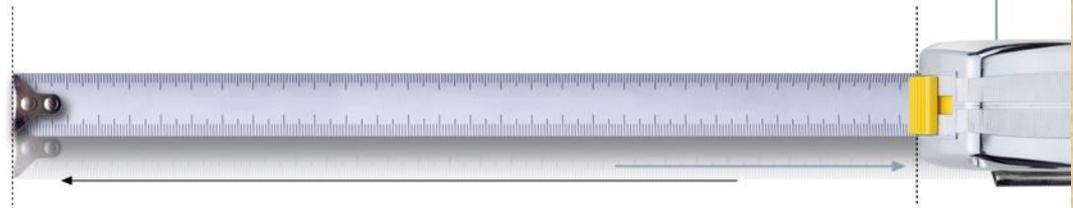
# Strategic priorities for previous year

- Appointment of new CEO
  - Further acquisitions of retail properties in selected low income areas
  - Broadening the shareholder base
  - Revamps and upgrades to existing properties
  - Tenant retention
  - Refinancing R450 m of loans
- 1 August
  - ◐ Giyani Plaza
  - ◐ PIC transaction
  - Randburg, Grosvenor Crossing
  - ◐ On going focus
  - Improved finance cost to 8.66%



# Prospects

- Economy remains vulnerable to local and international pressures
- Retail assets performing adequately with no anticipated large vacancies for remainder of financial year
- Industrial still challenging but there is an increase in activity and enquiries
- Offices remain under pressure in line with industry trends
- Increase in electricity and municipal costs raises total cost of occupancy and dampens prospects for rental growth going forward
- Portfolio well positioned to benefit from any upturn in the economy
- Assuming no further deterioration in the economy we expect to deliver reasonable growth in distributions for the full year

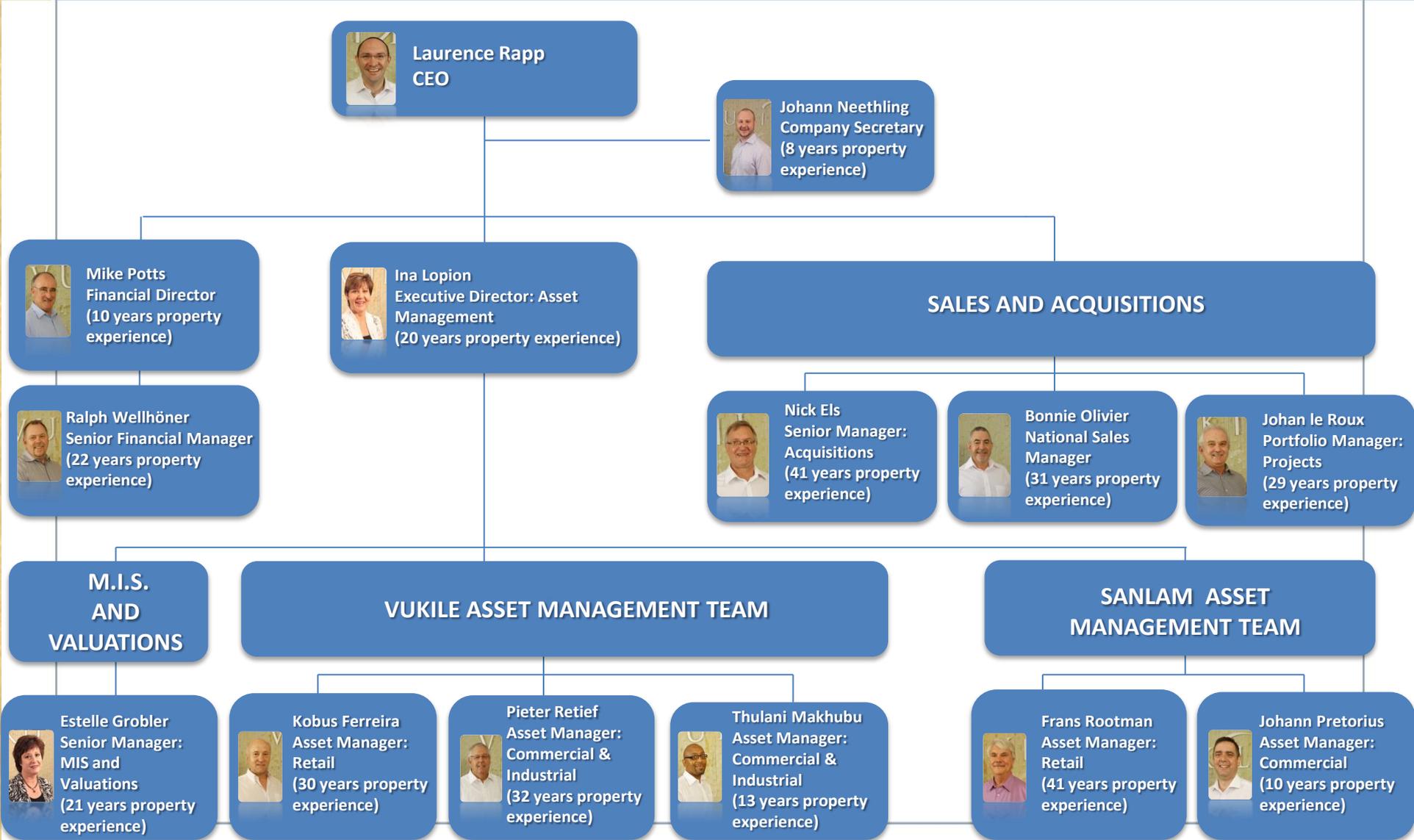


# Acknowledgements

- Board
- Service providers
  - *JHI*
  - *Broll*
  - *Hermans & Roman*
  - *Kuper Legh*
  - *Old Mutual Investment Group Property Investments*
- Brokers and developers
- Tenants
- Investors
- Funders
- Colleagues



# The Vukile Team – over 300 years of experience



# Future strategy

## VISION

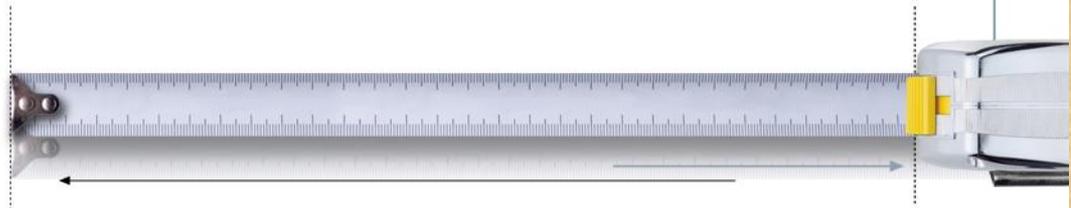
“Through our dedicated team and network of trusted partners, Vukile aspires to be *a leading property company by providing a top quality experience for our tenants and their customers through the active management and growth of our diversified portfolio and in so doing generate superior returns for our stakeholders.*”

- Strong focus on growth of the portfolio through value adding acquisitions and balancing short term and long term considerations.
- Remain a diversified fund but overweight retail focusing primarily on lower income retail opportunities.
- Look to improve the quality of our office and industrial portfolios.
- Focus on actively managing the existing portfolio.
- Become more customer and tenant-centric.
- Improved communication and become recognised as a leading player in the industry.
- Keep delivering results and build off strong track record.



# Value

- We act with integrity and show respect to all people
- We make a difference as a team
- Our clients are at the center of everything we do
- We are passionate about success
- We deliver results to our unit holders
- We treasure our partnerships
- We are responsible corporate citizens
- We are proactive – **VUKILE!**



# Critical success factors

## Grow the portfolio

- Value enhancing deals
- Upgrades to existing properties, acquisitions, JV developments, portfolio acquisitions and corporate activity
- Current strong pipeline of potential retail opportunities being evaluated

## Broaden shareholder base and improve perception of an independent Vukile

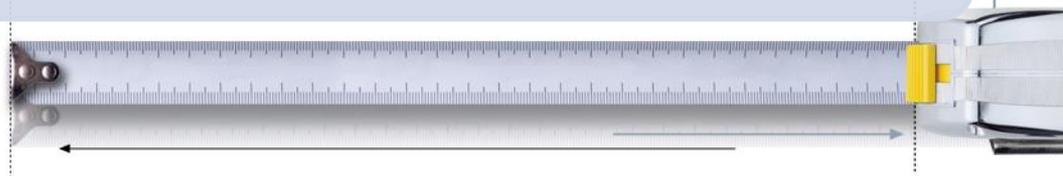
- PIC deal
- Enhanced market communication
- Planned property visits for early 2012
- Better free float leading to higher index weighting

## Build sustainable partnerships

- Property managers must be an extension of our strategy
- Broker community to see us as a destination of choice for deals and leasing
- Partner of choice for developers in our selected market

## Improve tenant and customer focus

- Commissioned research into tenant, broker and customer segments
- Already held some broker focus groups with very interesting insights coming through



# Critical Success Factors

## Minimise funding costs and refinance risks

- Introduce additional bank funders
- Explore alternate funding structures and durations
- Remain conservatively hedged
- Introduce more flexibility across instruments, providers and duration

## Optimise long and short term returns for unit holders

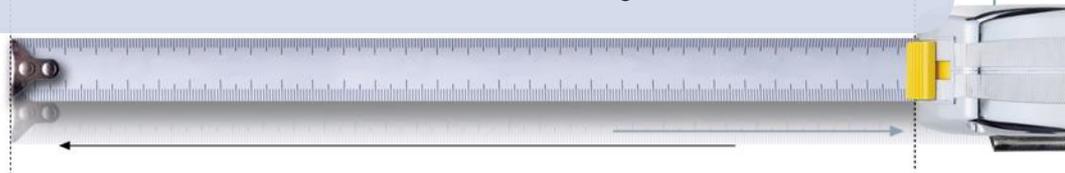
- Continued focus on delivering growth in distributions for unit holders
- Focus on long term capital growth as well as overall sustainability
- Strong cost focus going forward
- Keep focus on value drivers and measurement and management thereof

## Invest in our people through engagement, building competence and capacity

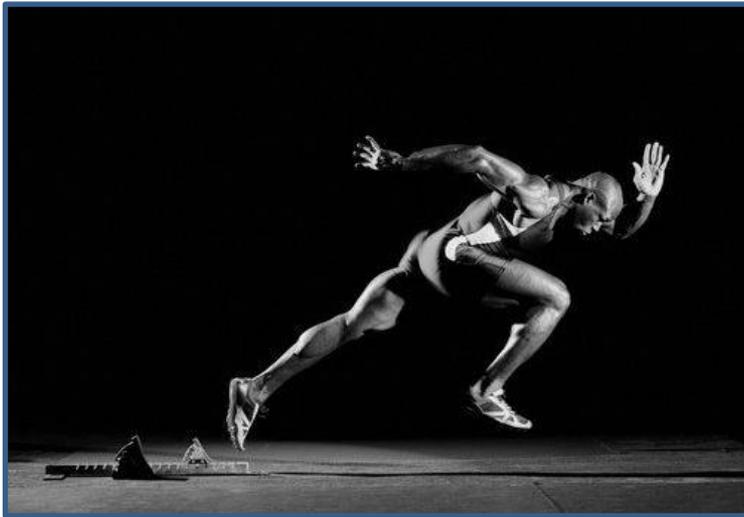
- Engaged a leading HR practitioner to handle this function
- HR hygiene factors to be finalised
- Reward and recognition
- Learning and development
- Succession planning

## Transformation

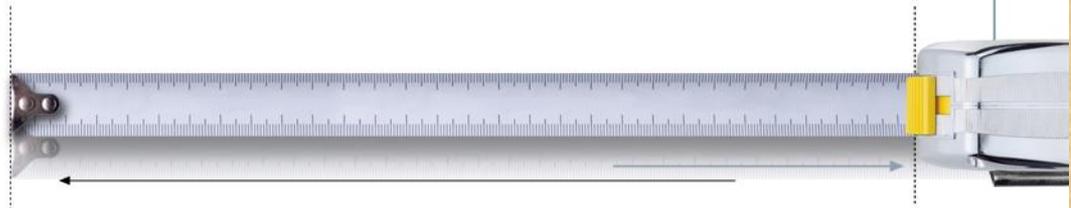
- Alignment with the Property Charter
- National imperative to grow and build our country
- Develop a comprehensive transformation strategy
- Lead to introduction of a BEE Shareholder for the right reasons



# Out of the blocks ...

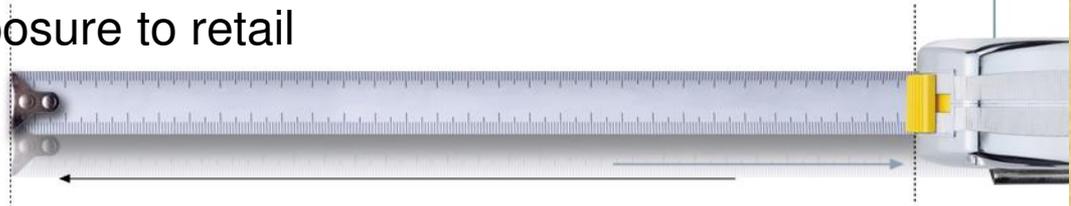


***VUKILE!***



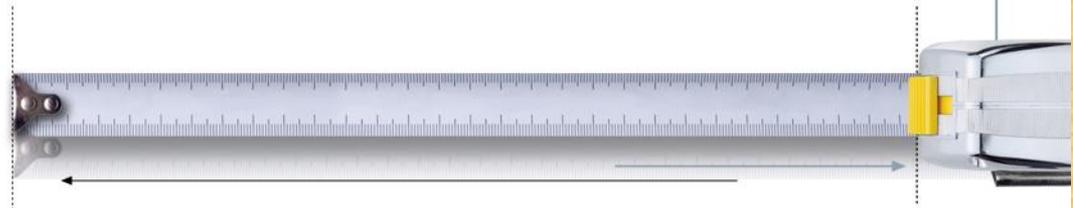
# Proposed acquisition of R1.5bn portfolio

- Grows the value of the portfolio by 21%
- Low risk acquisition due to management knowledge of the properties
- Improves quality, especially of the office portfolio (+29% by R/m<sup>2</sup>)
- Increases exposure to Western Cape which is currently underweight
- Potential upside in portfolio in terms of
  - *Vacancies*
  - *Upgrades and revamps*
  - *Rentals are at or below market levels*
- Broadens the shareholder base
- Reduces percentage contribution from asset management income from 8% to 6%
- Temporary reduction in exposure to retail



# Financing the deal

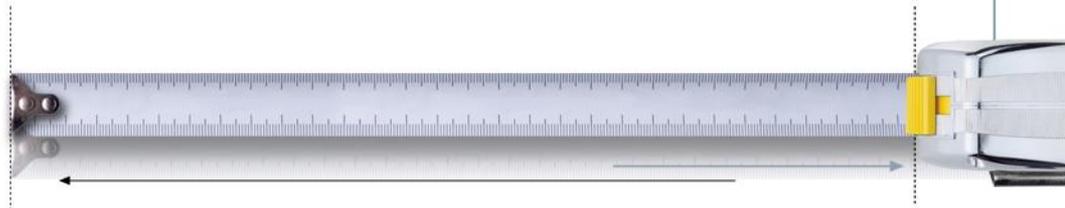
- Proposed funding structure to include
  - *Debt of ±36%*
    - Look to introduce new bank funders
    - Exploring alternate structures
  - *Equity of ±64%*
    - Issue of new units
    - Evaluating alternatives
    - Broaden the shareholder base
    - Indication of strong demand for Vukile stock
  - *Financial impact of the transaction*
    - Expected to be marginally dilutive in year 1 and positive thereafter



# High level impact

## Geographic spread

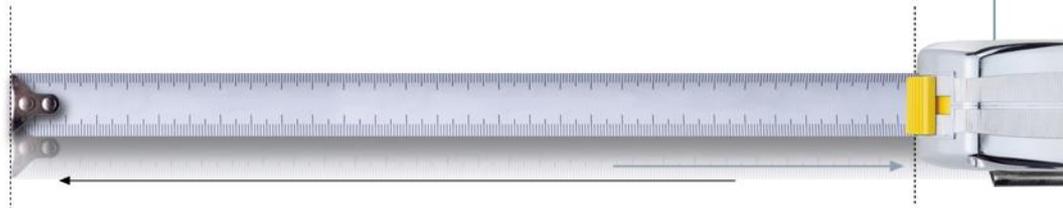
	Acquisition		Existing Vukile portfolio		Combined portfolio	
	m <sup>2</sup>	%	m <sup>2</sup>	%	m <sup>2</sup>	%
Gauteng	120 438	66	511 010	55	631 448	57
KwaZulu Natal	23 314	13	161 097	17	184 411	17
Western Cape	33 377	18	55 232	6	88 609	8
Namibia	-	-	64 341	7	64 341	6
Free State	6 563	4	38 448	4	45 011	4
Limpopo	-	-	32 806	4	32 806	3
Mpumalanga	-	-	29 577	3	29 577	3
Northwest	-	-	18 207	2	18 07	2
Northern Cape	-	-	10 650	1	10 650	1
Eastern Cape	-	-	9 038	1	9 038	1
<b>Total</b>	<b>183 692</b>	<b>100</b>	<b>930 405</b>	<b>100</b>	<b>1 114 097</b>	<b>100</b>



# High level impact

## Vacancies and expiry profile

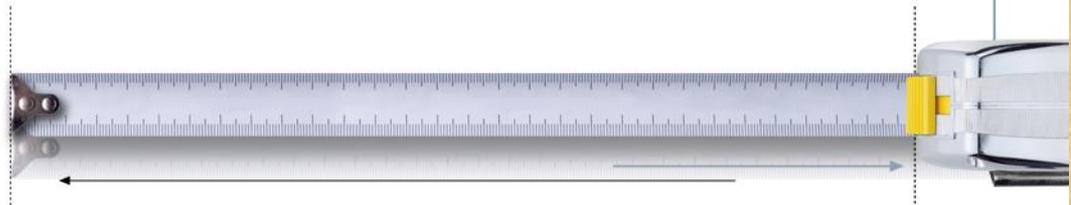
	Acquisition		Existing Vukile portfolio		Combined portfolio	
	m <sup>2</sup>	%	m <sup>2</sup>	%	m <sup>2</sup>	%
Vacant and mothballed	26 441	14	68 508	7	94 949	9
To Mar 2012	16 383	9	220 566	24	236 949	21
To Mar 2013	49 488	27	200 979	22	250 466	22
To Mar 2014	41 290	22	176 098	19	217 388	20
To Mar 2015	21 346	12	108 026	12	129 372	12
To Mar 2016	8 640	5	67 384	7	76 024	7
To Mar 2017 and beyond	20 096	11	88 844	10	108 940	10
<b>Total</b>	<b>183 683</b>	<b>100</b>	<b>930 405</b>	<b>100</b>	<b>1 114 088</b>	<b>100</b>



# High level impact

## Tenant spread

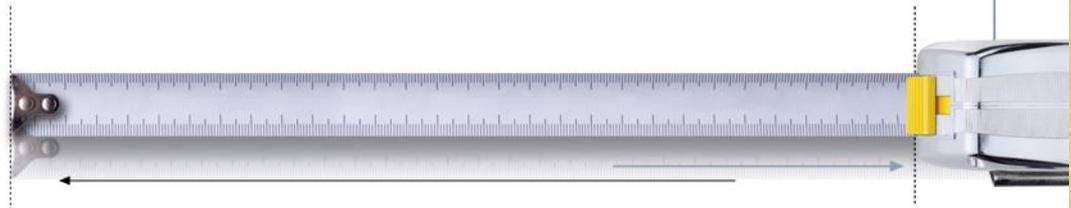
	Acquisition		Existing Vukile portfolio		Combined portfolio	
	m <sup>2</sup>	%	m <sup>2</sup>	%	m <sup>2</sup>	%
Government parastatals and national tenants	70 050	38	421 183	45	491 233	44
Other	87 192	47	440 715	47	527 907	47
Vacant	26 441	14	68 508	7	94 949	9
Total	183 683	100	930 405	100	1 114 088	100



# High level impact

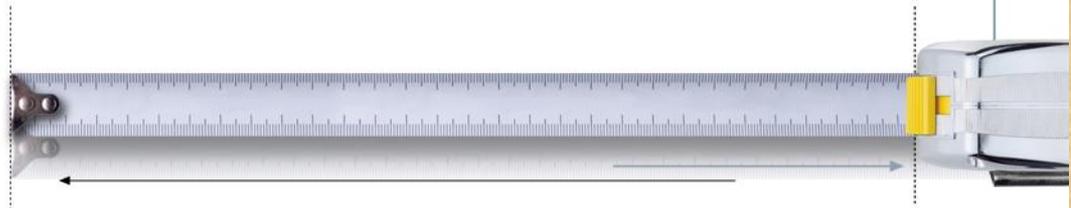
R/m<sup>2</sup>

	Acquisition		Current portfolio		Combined portfolio	
	(purchase price)		(market value 30 Sep 11)			
	R'm	R/m <sup>2</sup>	R'm	R/m <sup>2</sup>	R'm	R/m <sup>2</sup>
Retail	222	6 619	3 153	7 091	3 375	7 058
Offices	1 243	8 714	1 733	7 676	2 976	8 078
Industrial	26	3 385	983	3 783	1 009	3 772
Total	1 490	8 13	5 870	6 309	7 360	6 606



# Deal process and timelines

- DD and external valuations already completed
- Architectural review of key properties underway to identify revamp/upgrade potential
- Financial effects to be published on or around 30 November 2011
- Circular to shareholders in January 2012
- Deal requires shareholder and regulatory approval
- Deal subject to raising the required funding
- Planning road shows in March 2012
- Deal valued as at 1 June 2012 but price adjustment mechanism agreed if transfer takes place earlier



# Questions and Answers

