

# Interim Results Presentation

for the Six months ended 30 September 2017



NEW HORIZONS



# AGENDA

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- 03 Spanish Portfolio Overview  
Alfonso Brunet
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Mike Potts
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## Introduction

Laurence Rapp



# Profile

## Who we are

- ▶ High quality, low risk, **RETAIL REIT** in South Africa with growing **INTERNATIONAL EXPOSURE**
- ▶ Strong **OPERATIONAL** focus
- ▶ Core competence in **ACTIVE ASSET MANAGEMENT**
- ▶ Prudent **FINANCIAL MANAGEMENT** and strong **CAPITAL MARKETS EXPERTISE**
- ▶ **ENTREPRENEURIAL APPROACH** to deal making
- ▶ Strong focus on **GOVERNANCE** and **LEADERSHIP**
- ▶ History of strong compounded growth and **SHAREHOLDER RETURNS** with CAGR of **21.9%** since listing
- ▶ **24%** of assets now focused on UK and Spain
- ▶ Listings on the **JSE AND NSX**



# Highlights

## H1 FY2018 in review

- ▶ **7.4% INCREASE** in dividends in line with guidance to 72.65 cents per share,
- ▶ Concluded landmark **SPANISH ACQUISITION** of 11 retail parks for €193 million
  - Established a strong “on-the-ground” management presence
- ▶ Further investment of **R407 MILLION** in Atlantic Leaf to facilitate portfolio acquisition
  - Shareholding increased to c.35%
- ▶ **24%** of assets now offshore
- ▶ **6.1%** increase in like-for-like **NET PROPERTY REVENUE**
  - Operating metrics remain solid in a very poor market
  - Southern African retail vacancies reduced to 3.4% and positive retail rent reversions of 5.2%
- ▶ **GEARING** remains conservative at **29%** with **94%** of interest bearing **DEBT HEDGED**



# Group Overview

Focused Retail REIT in South Africa with growing international exposure



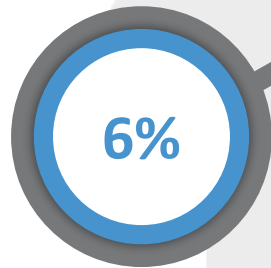
**Spain**  
**R3.6bn**

CASTELLANA  
PROPERTIES SOCIMI S.A.  
SPAIN. REAL ESTATE. REAL GROWTH.



**UK**  
**R1.3bn**

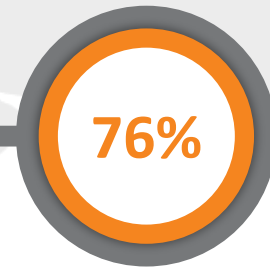
Atlantic Leaf



**VUKILE**  
PROPERTY FUND

REAL ESTATE. REAL GROWTH.

**R20.4bn**



**Southern  
Africa**

**R15.5bn\***

**Direct Property  
Portfolio R14.2bn\***

FAIRVEST  
PROPERTY HOLDINGS  
R521mn

GEMGROW  
PROPERTIES  
R837mn

\* Includes 100% consolidation of Moruleng Mall

# Strategic direction

## Focus on capital allocation and strategic consistency



### Southern Africa

- ▶ Continued focus on defensive retail sector in line with our high-quality low risk portfolio
- ▶ Further investment in our existing portfolio through expansions and upgrades
- ▶ Ongoing investment in our systems and team to add value through our data-driven asset management approach
- ▶ Strong operational focus to keep delivering solid results
- ▶ Limited local acquisition prospects at the right price

### Spain

- ▶ Creating a holistic property strategy and operating on the ground with local market knowledge
- ▶ Management team now on board
- ▶ Integration plan well on track and establishing our corporate and governance structures
- ▶ Predominately focused on retail but will be open to long lease logistics
- ▶ Experiencing good deal flow
- ▶ Listing of Castellana on Madrid Stock Exchange by July 2018

### UK

- ▶ Atlantic Leaf is our vehicle for growth in the UK
- ▶ Triggered minority offer and currently hold c. 35% of the equity
- ▶ Continue to invest in logistics, warehousing and distribution centres
- ▶ Requested Atlantic Leaf management to start evaluating retail parks with long leases and good covenants
- ▶ Plan to convert to a UK REIT

### Balance sheet management

- ▶ Disciplined and conservative financial management with stable LTV target around 35%
- ▶ Prudent interest rate policy to hedge at least 75% of debt
- ▶ Foreign exchange hedging policy to minimise adverse foreign exchange fluctuations by hedging forward on average 75% of foreign dividends by way of forward currency swaps over a 3 year period

# Southern African Retail Portfolio Overview

Ina Lopion

  
**VUKILE**  
PROPERTY FUND

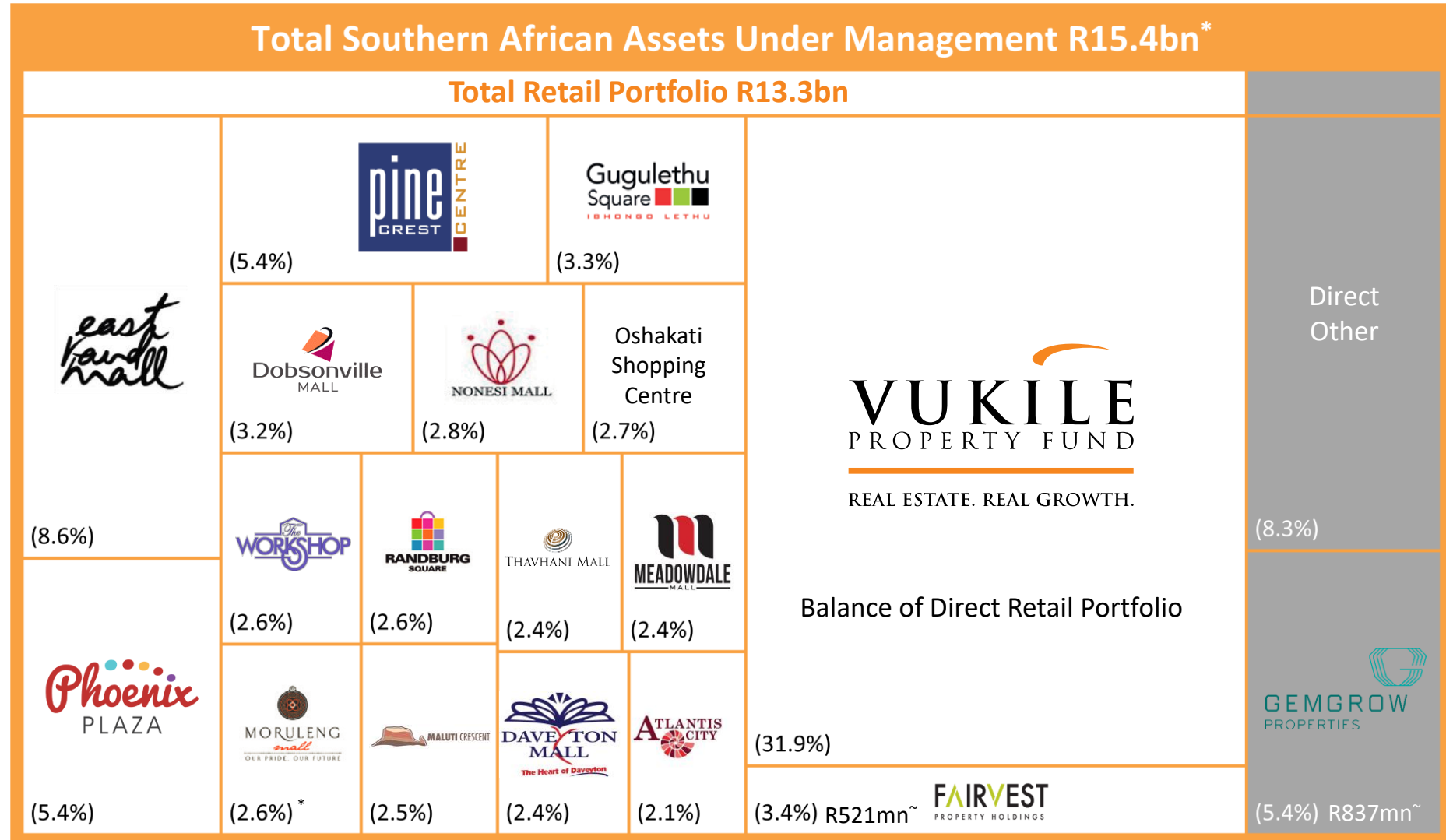
REAL ESTATE. REAL GROWTH.





# Southern African Assets

Direct property comprises of 91% retail assets



(%) Percentage of Total AUM

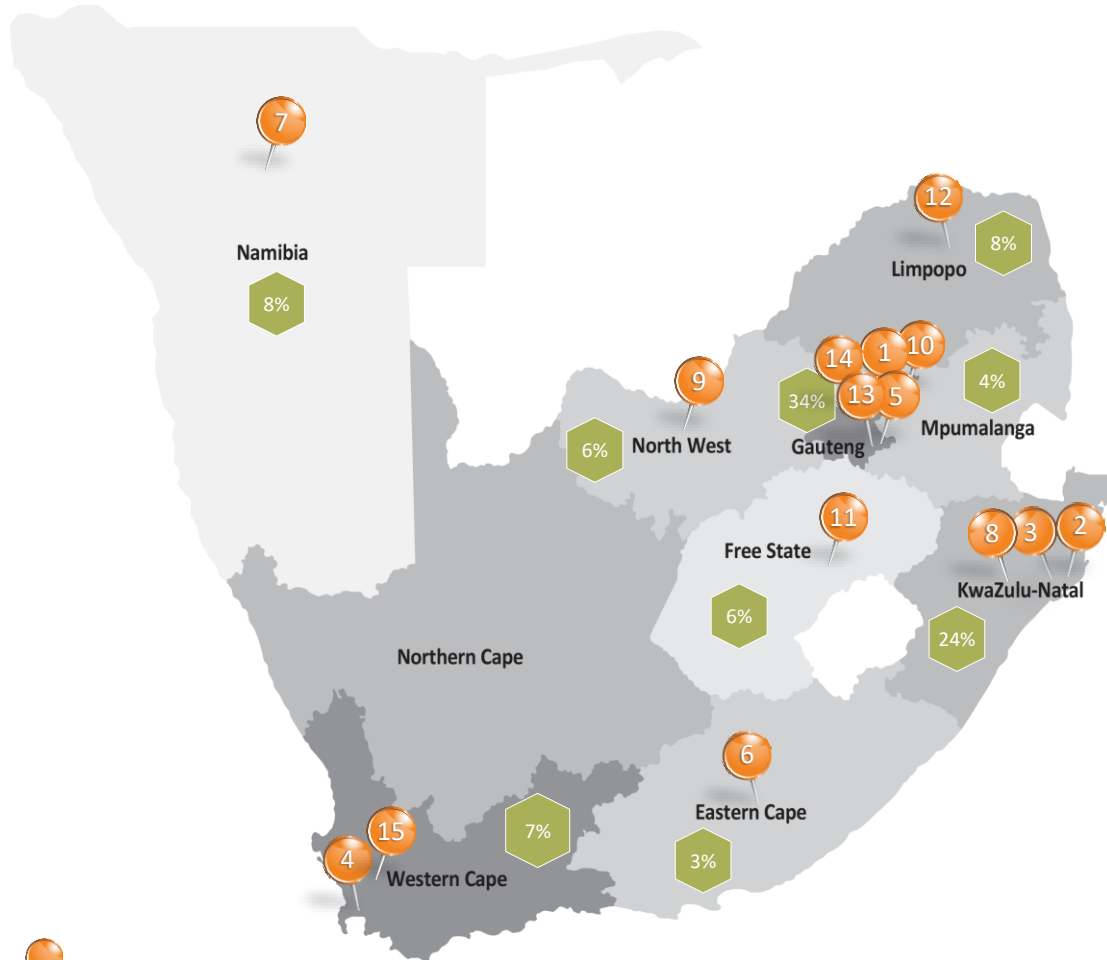
Note: Image drawn to scale

\* Takes into account Vukile's 80% holding in Moruleng Mall

~ Based the market value of equity investments

# Our retail footprint

## Retail portfolio profile



Top 15 Properties



Retail Geographic Profile by Market Value

▶ Direct retail property portfolio value	<b>R12.8bn</b>
▶ Top 15 Assets' percentage of direct retail portfolio	<b>62%</b>
▶ Average value per retail property	<b>R272mn</b>
▶ Average discount Rate	<b>13.9%</b>
▶ Average exit capitalisation rate	<b>9.0%</b>
▶ Number of retail properties	<b>47</b>
▶ GLA	<b>821 614 m<sup>2</sup></b>

- |                            |                                  |
|----------------------------|----------------------------------|
| 1 East Rand Mall           | 9 Moruleng Mall                  |
| 2 Phoenix Plaza            | 10 Randburg Square               |
| 3 Pine Crest               | 11 Maluti Crescent               |
| 4 Gugulethu Square         | 12 Thavhani Mall                 |
| 5 Dobsonville Mall         | 13 Meadowdale Mall               |
| 6 Nonesi Mall              | 14 Daveyton Shopping Centre      |
| 7 Oshakati Shopping Centre | 15 Atlantis City Shopping Centre |
| 8 Durban Workshop          |                                  |

# Creating a high quality low risk retail portfolio

## Interrelationship of key retail metrics



# Growth in net profit from Southern African property operations

Like-for-like growth of 6.1%



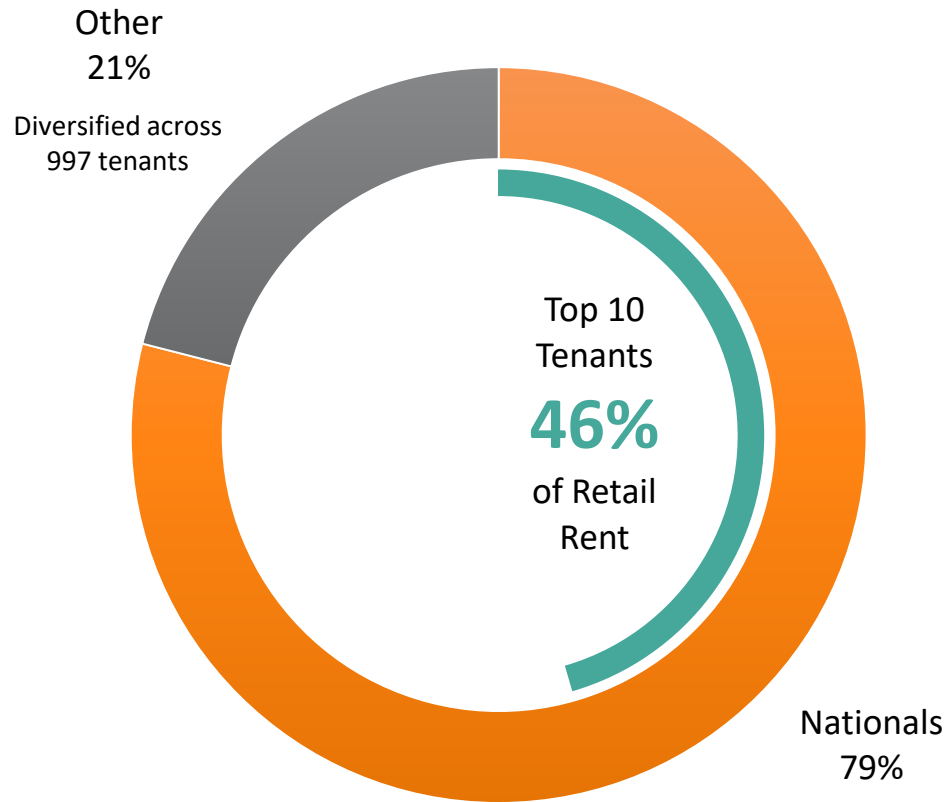
*Note: Historic data per Company Annual Results.*

# Retail tenant exposure

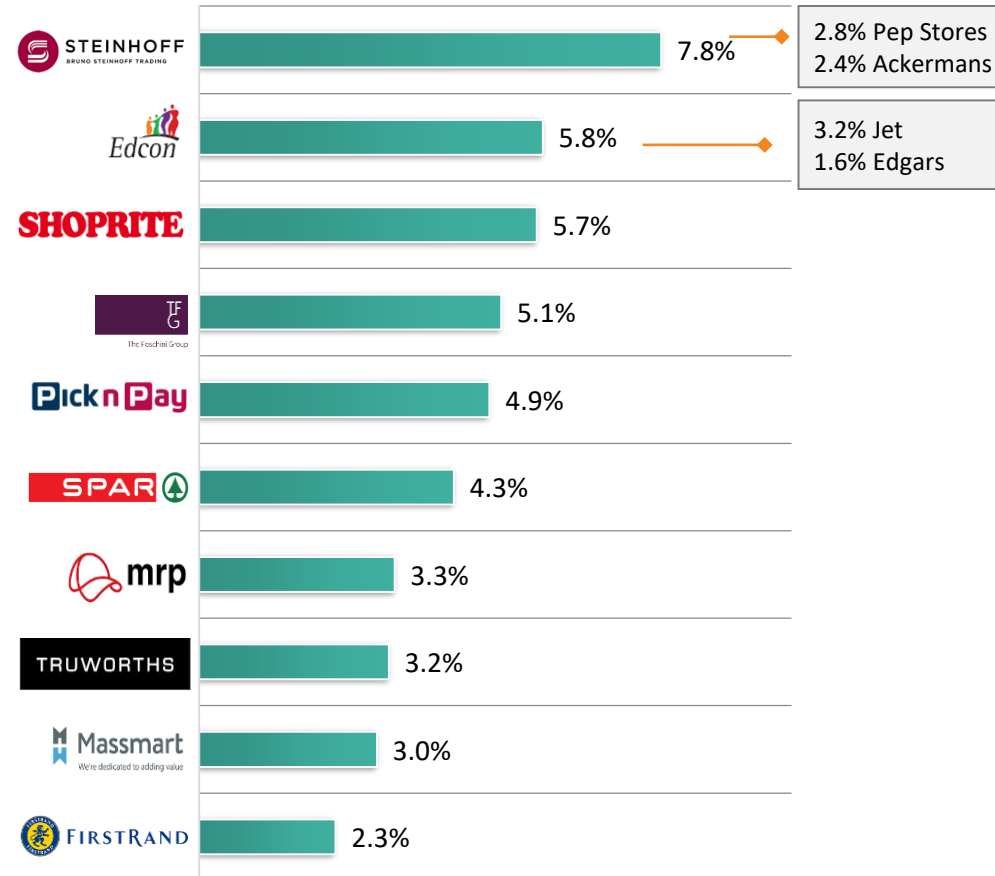
Low risk with c.80% national tenants



## Tenant Profile - by Contractual Rent

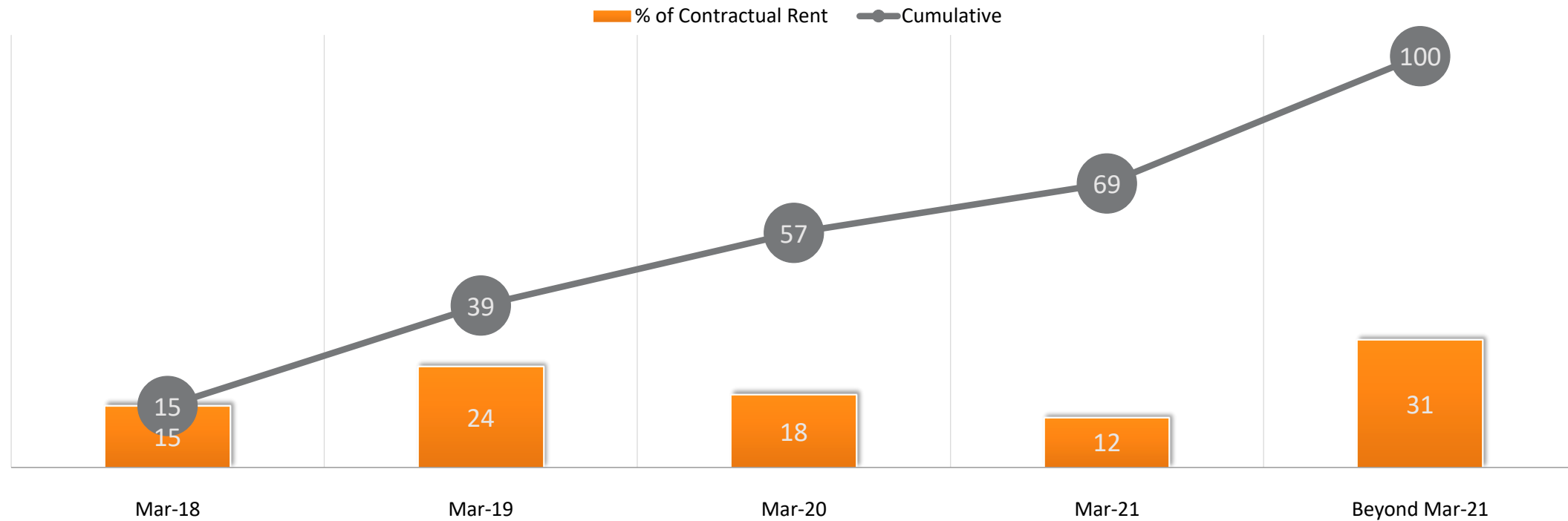


## Top 10 Tenants by Rent



# Retail tenant expiry profile

43% of contractual rent expiring in 2021 and beyond (WALE 3.7 years)



For the 6 months ended 30 September 2017 Retail leases were concluded with:

- ▶ Total contract value R785 million
- ▶ Total rentable area 75 437m<sup>2</sup>
- ▶ Retail Tenant Retention 84%

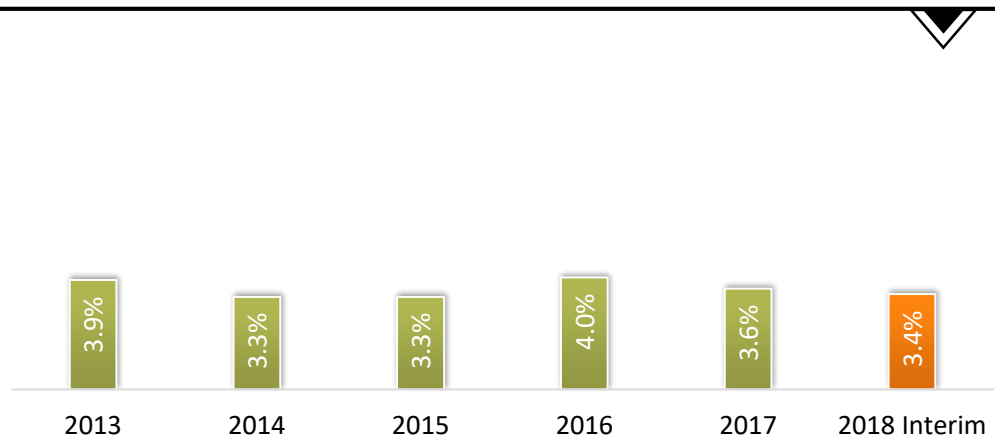


# Retail tenant affordability

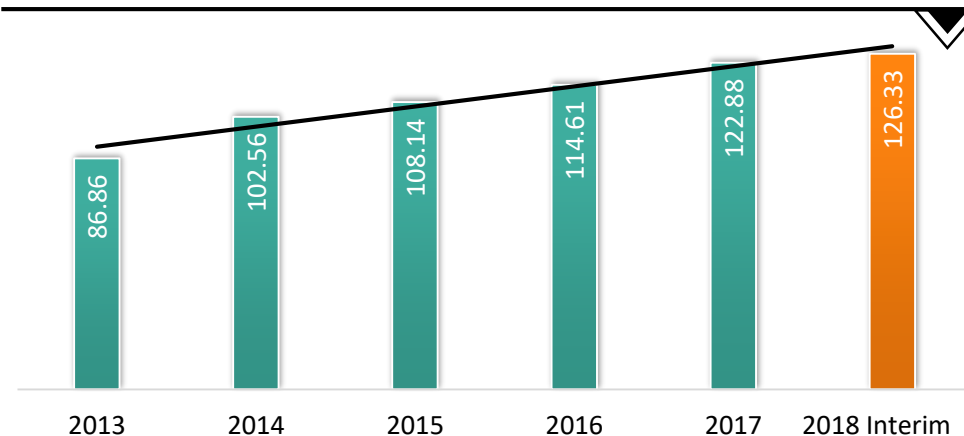
Consistently strong metrics



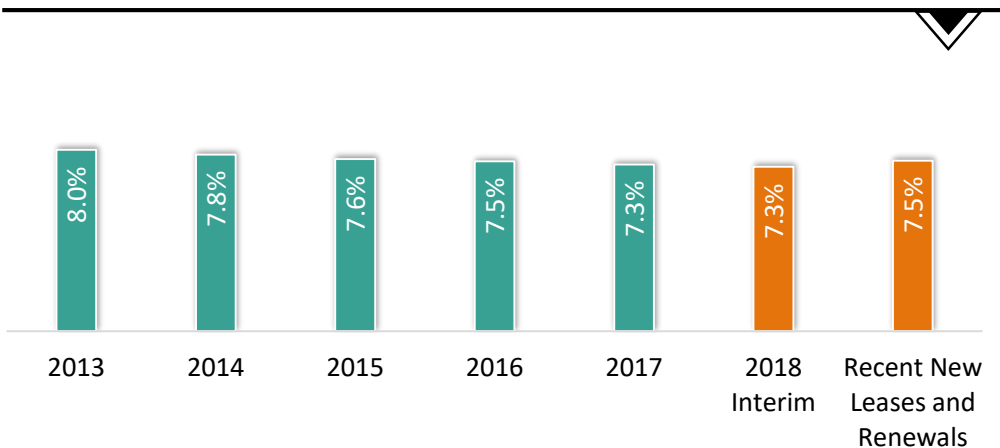
## Retail Vacancy Profile (by Rent excl. developments)



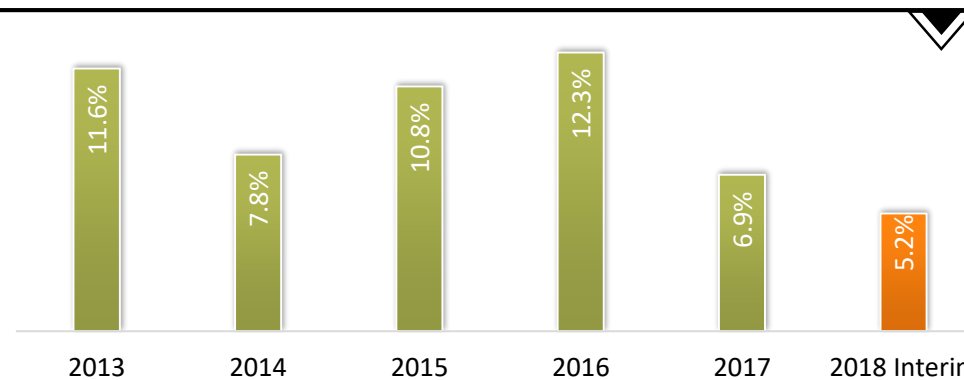
## Retail Average Base Rentals (excl. Recoveries)



## Retail Contractual Escalations



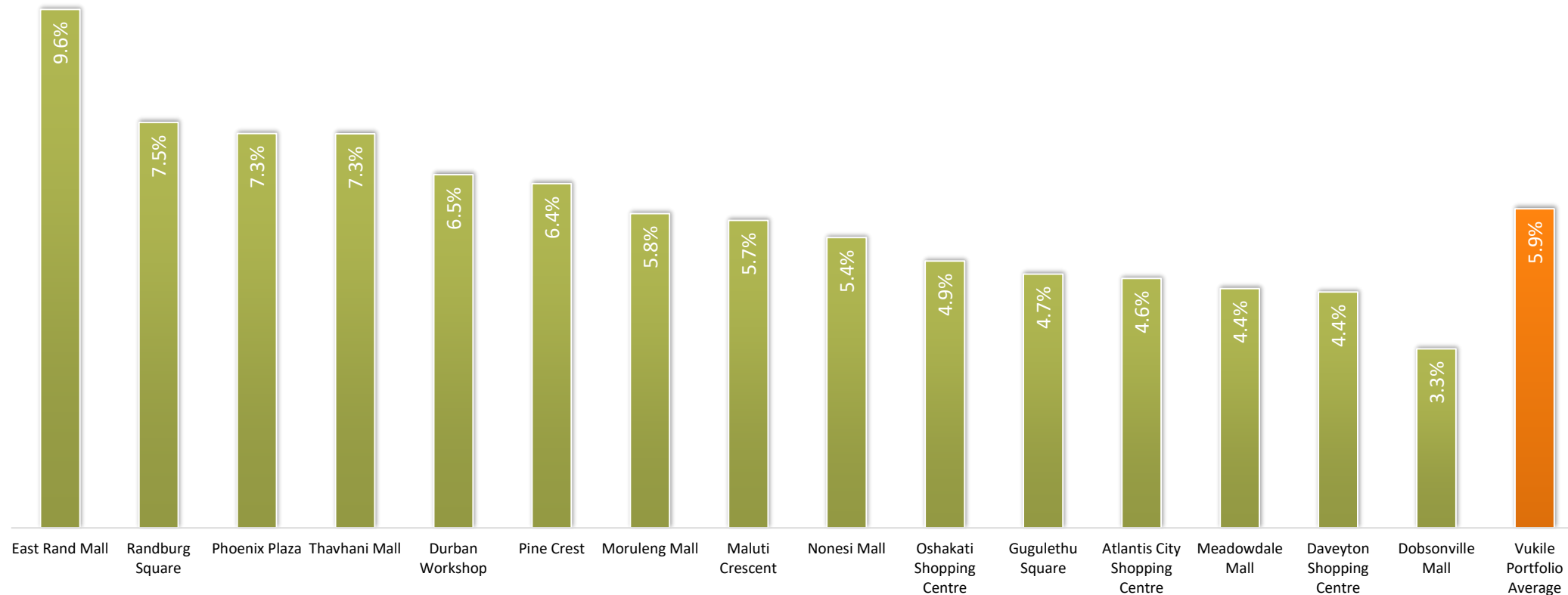
## Retail Rent Reversions



Note: Historic data per Company Annual Results.

# Rent-to-sales ratio by Top 15 properties

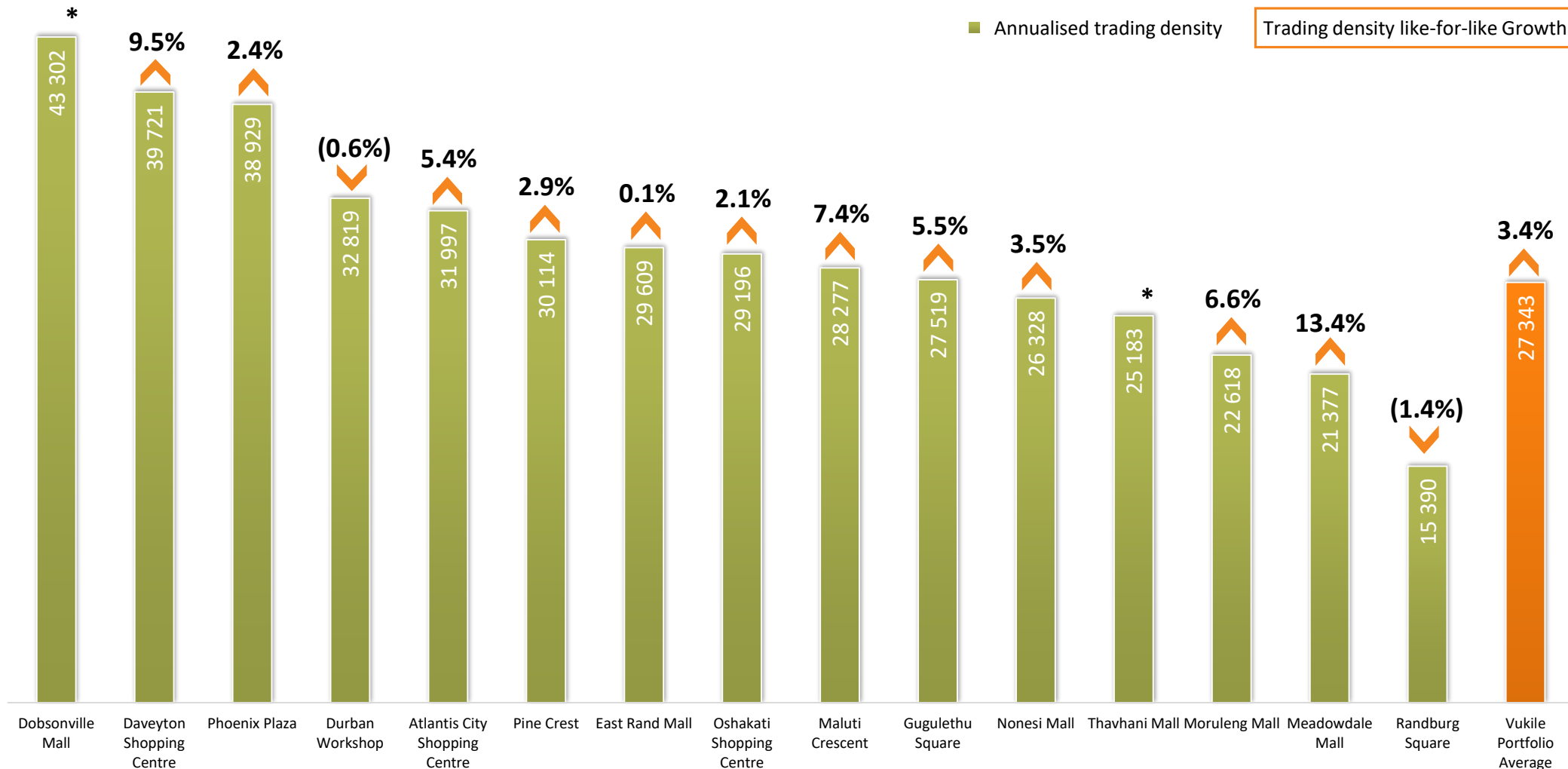
Ahead of industry benchmarks





# Retail portfolio trading statistics by Top 15 properties

High trading density with solid growth ahead of market comparables



Note: Annualised Trading Density calculated using Monthly Trading Density over 12 months. Trading Density like-for-like Growth calculated on stable tenants.

\* Trading Density like-for-like Growth excludes Dobsonville Mall as centre was under development and Thavhani Mall as it is a recent development.

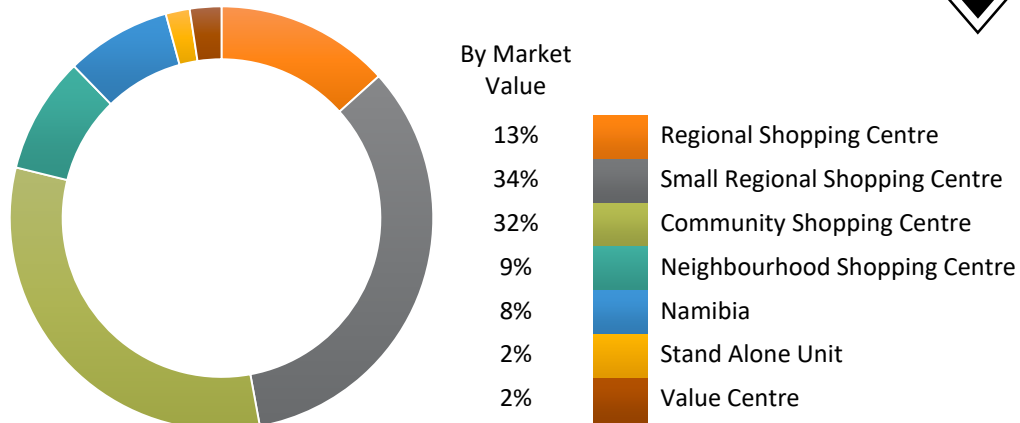
# Retail insights

## Segmental allocation is key to weather the storm

### Segment Focus

- ▶ Most of retail exposure remains in buoyant Community Shopping Centres with 5.6% trading density growth and stable vacancies
- ▶ Rural centres within the portfolio show higher trading density growth at 5.9% compared to urban centres with 1.1% trading density growth
- ▶ Rent-to-sales remains low creating a drawcard for tenants as cost of occupancy low
- ▶ Average store sizes decreasing, leading to increased densities and higher net rental opportunities
- ▶ Although, footfall is decreasing in general, we are implementing multiple strategies to increase dwell time, and at selected centres have extended trading hours

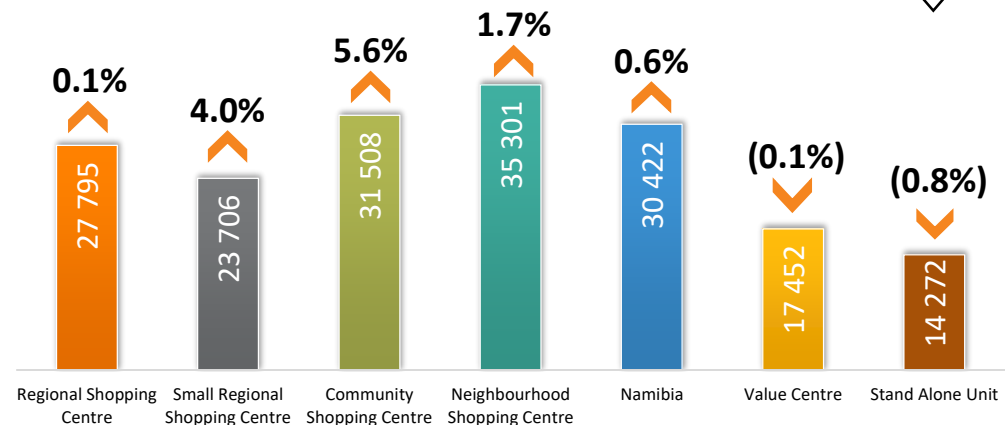
### Segmental Profile - by Market Value



### Tenants Focus

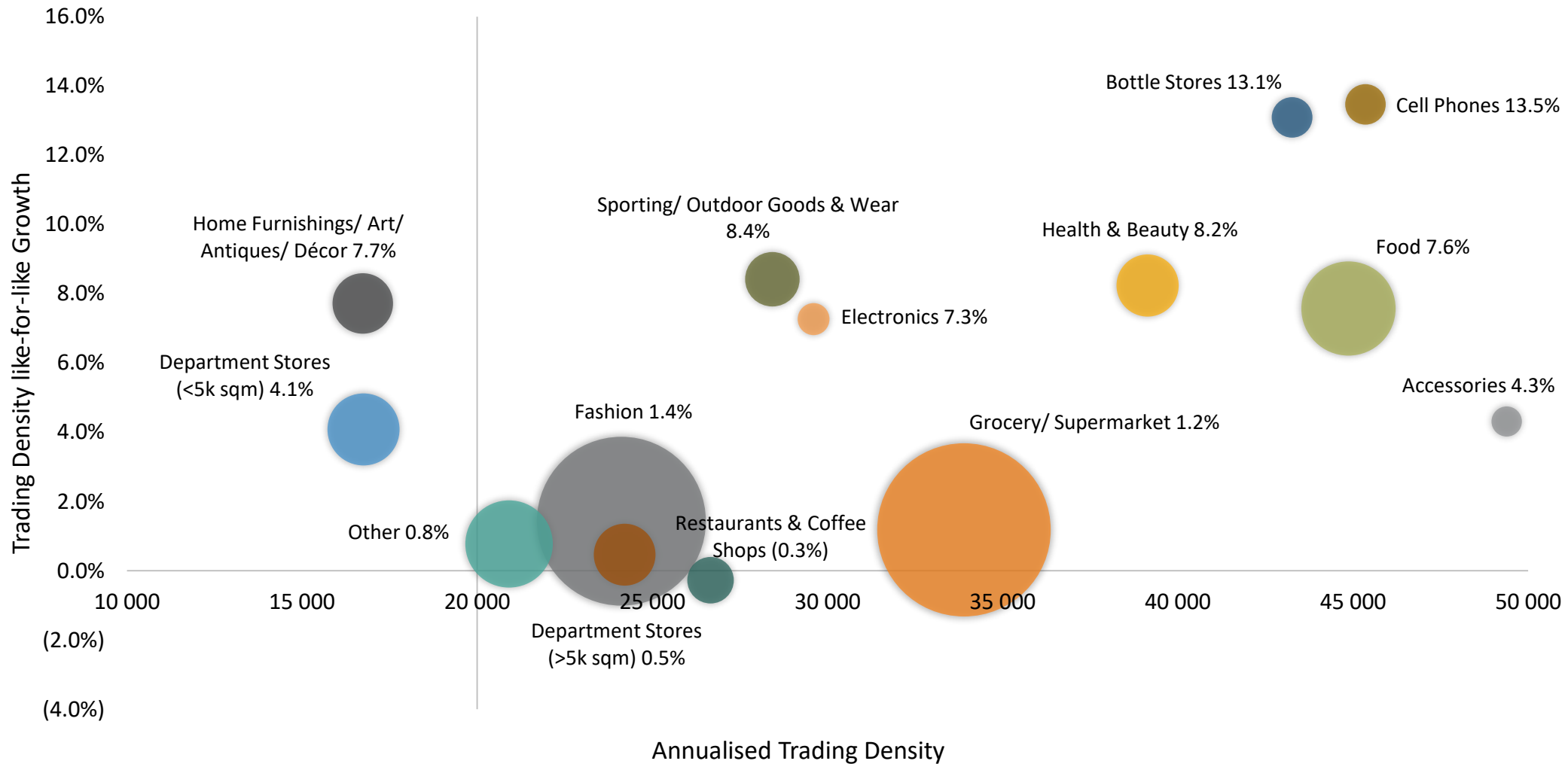
- ▶ Tenants trading densities remain under pressure with growth below inflation
- ▶ We have visited top 10 tenants in past 2 months to find creative, dynamic and symbiotic solutions to current environment
- ▶ Given low CPI, rentals escalations is a topical point for most tenants
- ▶ Top performing categories grew at double digit levels: cell phone, superette, sports wear, children's wear, bottle stores and cosmetics
- ▶ Bottom performing categories with negative growth: photography, financial services, shoes and restaurants

### Retail Portfolio Trading Statistics by Segment



# Retail portfolio trading statistics by category

Solid growth where it matters most



Note: Annualised Trading Density calculated using Monthly Trading Density over 12 months. Trading Density like-for-like Growth calculated on stable tenants.



# Creating a high quality low risk retail portfolio

## Interrelationship of key retail metrics





**VUKILE**  
PROPERTY FUND

REAL ESTATE. REAL GROWTH.

## Asset Management

Ina Lopion



Phoenix  
PLAZA

# Completed development

## Thavhani Mall, Thohoyandou

- ▶ New regional mall in the heart of Thohoyandou, Limpopo, the largest development of its kind in the area
- ▶ Caters to a high-growth node with over 87 000 households
- ▶ The opening of the centre was a resounding success and incredibly well received by the local community who embraced the opening of the new mall
- ▶ The centre is trading exceptionally well, with many retailers reporting first trade figures of double and even triple their initial targets



<b>Location</b>	<b>GLA</b>
Thohoyandou	50 637m <sup>2</sup>
<b>Vukile Stake</b>	<b>Acquisition Price</b>
33.3%	R367mn
<b>Guaranteed Initial Yield</b>	<b>National Tenant Component</b>
8.0%	87%
<b>Completion Date</b>	<b>Vacancy</b>
August 2017	0.9%

# Completed redevelopment

## Phoenix Plaza, KwaZulu-Natal

- ▶ Defensive spend to modernise Phoenix Plaza
- ▶ The upgrade ensures that Phoenix Plaza remains the shopping destination of choice for its loyal customer base
- ▶ The lighting of the mall has been significantly improved and bright new colours have been introduced to enhance its look and feel
- ▶ The upgrade includes the addition of new public ablution facilities, the refurbishment of the facades and the upgrade of internal sections of the Mall



<b>Location</b>	<b>GLA</b>
Phoenix, Durban	24 351m <sup>2</sup>
<b>Scope</b>	<b>Total Capex</b>
Upgrading of entrances/facades	R35mn
<b>Initial Yield</b>	<b>Commencement Date</b>
n/a	September 2016
<b>Completion Date</b>	<b>Vacancy</b>
September 2017	1.2%

# Completed redevelopment

## Dobsonville Shopping Centre, Soweto

- ▶ Upgraded the existing centre and expanded the total GLA to 26 655m<sup>2</sup>
- ▶ A new mall, food court and an improved tenant mix added to the centre
- ▶ Tenants in the expansion include: Clicks, Foschini, Pick n Pay, PQ Clothing, PEP Home and Legit
- ▶ New & improved Tenants in existing mall – expansion of Mr. Price & Truworths, Exact, Identity, Sport Scene, Beaver Canoe and Food Lovers Market



AFTER



BEFORE

<b>Location</b>	<b>Redeveloped GLA</b>
Soweto	6 736m <sup>2</sup>
<b>Scope</b>	<b>Total Capex</b>
Food court, improve tenant mix	R114mn
<b>Commencement Date</b>	<b>Projected Yield on Capex</b>
July 2016	9.6%
<b>Completion Date</b>	<b>Vacancy</b>
August 2017	2.7% (1 <sup>st</sup> Floor Conversion)





# Redevelopment in progress

## Maluti Crescent, Phuthaditjhaba

- ▶ An innovative redevelopment that will transform the existing strip centre into a fully enclosed mall with three levels of parking
- ▶ This major upgrade responds to shopper and retailer demand, and builds on the centre's excellent trading metrics
- ▶ Pick n Pay will be introduced as a second food anchor
- ▶ The existing centre will continue to trade throughout the redevelopment process
- ▶ Flanagan & Gerard have been appointed as development managers



<b>Location</b>	<b>Current GLA</b>
Phuthaditjhaba	21 538m <sup>2</sup>
<b>Additional GLA</b>	<b>Total Capex</b>
12 357m <sup>2</sup>	R338mn
<b>Commencement Date</b>	<b>Projected Yield on Capex</b>
June 2017	>8.5%
<b>Completion Date</b>	<b>Letting</b>
September 2018	75% committed by nationals

# Southern African Ratio of net cost to property revenue

Improvement in cost ratios



Note: Stable portfolio excluding recent acquisitions and sales

# Energy management

## Achievements FY2018

- ▶ 3.59 million kWh sustainable electricity savings per annum
- ▶ Further R5,6mn saved through billing & metering optimisation
- ▶ To date total Installed PV capacity of 2.6 MW
- ▶ 50 million litres of water annually supplied via boreholes



## Targets for the next 12 months:

- ▶ Energy savings of a further 1.8 million kWh
- ▶ Increasing PV capacity with 1,3 MW in 2018
- ▶ Water recovery and savings of 80 million litres



# Spanish Portfolio Overview

Alfonso Brunet



# Update on Spanish economy and political environment

## Spanish economy continues to outperform the Eurozone

Indicator	Q2 2017	Forecast 2017	Forecast 2018
GDP growth	3.1%	3.1%	2.7%
Home Consumption	2.6%	2.6%	2.4%
CPI	1.6%	1.9%	1.2%
Unemployment	17.1%	17.1%	15.8%

### Tourism:

- ▶ **3<sup>RD</sup> MOST VISITED** destination in the world behind USA and France
- ▶ **75 MILLION INTERNATIONAL TOURISTS** in 2016 (up 11% from 2015)
- ▶ **2<sup>ND</sup> MOST POPULAR SHOPPING DESTINATION IN EUROPE** for international tourists

### Politics – Catalonia:

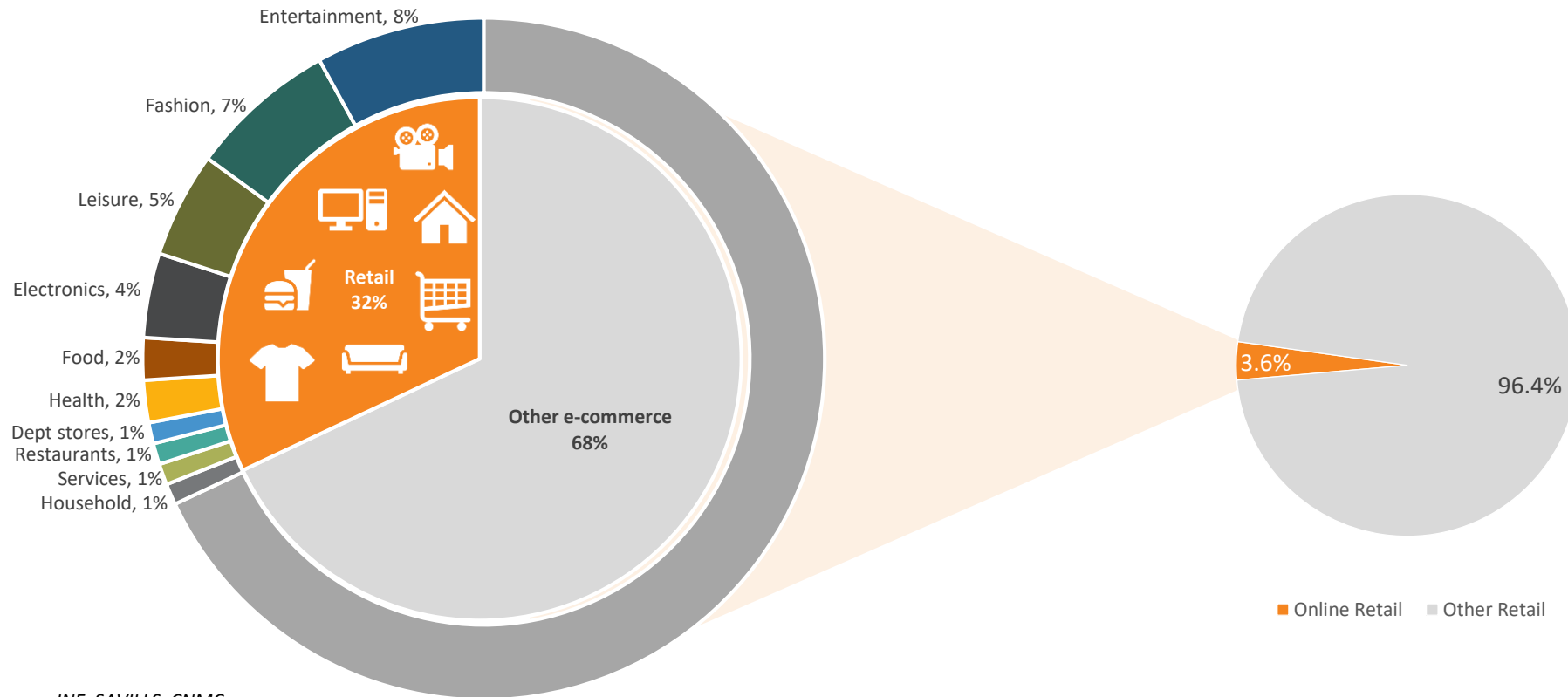
- ▶ **UNILATERAL DECLARATION OF INDEPENDENCE NOT RECOGNISED** by any global institutions
  - Secessionists are being prosecuted – Puigdemont in Brussels
- ▶ **ECONOMIC IMPACT FELT PREDOMINANTLY IN CATALONIA**
  - > 2 500 companies moved headquarters out of the region, benefiting the rest of Spain
  - tourism in Catalonia decreasing 30% and affecting retail sales in the region by 20-30% (RetailCat)
  - limited impact in the rest of the country – Spanish GDP growth 2018 will not be affected (Funcas)
- ▶ Regional Catalan elections to be held on the 21<sup>st</sup> December – expectation for **SECESSIONISTS TO LOSE MAJORITY** – progressively back to normality
- ▶ Castellana has **NO EXPOSURE** to Catalonia

Sources: INE, FUNCAS, GLOBAL BLUE

# Spanish retail sector update

## Strong fundamentals in line with recovering economy

- ▶ Retail sales growth increased by **2.2%** year to date (as at September 2017)
- ▶ Retail footfall index **GREW BY 1.8%** in September 2017 (year-on-year)
- ▶ Spanish **ONLINE RETAIL SALES COMPRISE 3.6%** (€24.1bn) of total sales (of this, 32% pure retail sales and **68% ARE SERVICE RELATED SALES**)



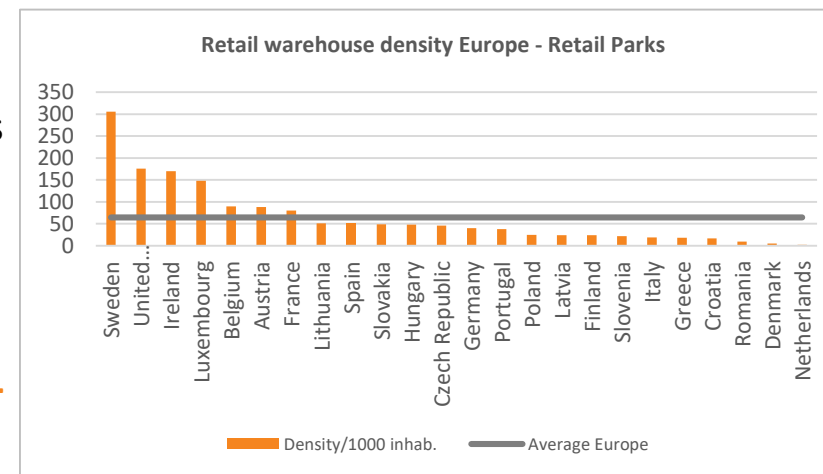
Source: INE, SAVILLS, CNMC



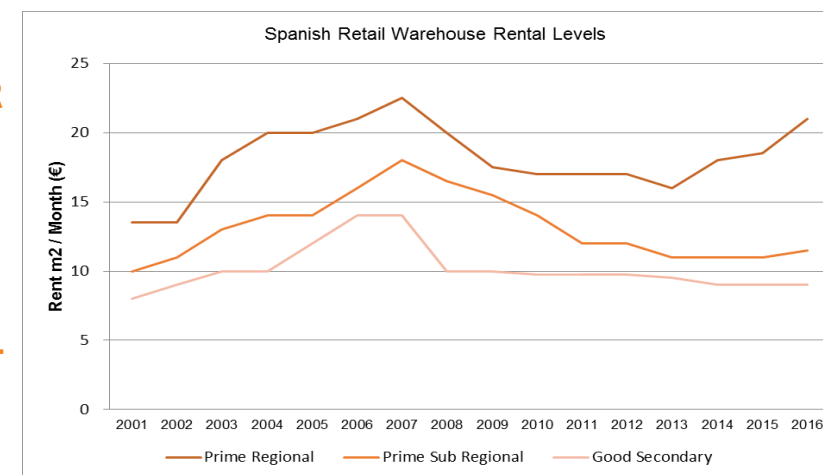
# Spanish retail parks

## The investment case

- ▶ Spanish retail park universe of **2.8 MILLION SQM** of GLA
- ▶ Spanish retail park density at 50m<sup>2</sup> GLA per 1 000 inhabitants **LOWER THAN EU AVERAGE (64m<sup>2</sup>)**
- ▶ **FRAGMENTED OWNERSHIP** market in Spain
- ▶ Retail parks have proven to be **RESILIENT TO DOWNTURNS**
- ▶ Retail park sector occupiers **DOMINATED BY INTERNATIONAL BRANDS**
- ▶ **STRONG DEMAND FOR SPACE** in catchments above 120,000 people
- ▶ **LIMITED AVAILABILITY** of prime retail parks
- ▶ Early signs of rental growth as a result of **PICK-UP IN CONSUMER CONFIDENCE**
- ▶ **STRONG INVESTOR DEMAND** for retail parks
  - potential for further yield compression ahead
- ▶ Retail parks best positioned for retailers' **OMNI-CHANNEL STRATEGY**
  - click-and-collect, distribution hubs
- ▶ Retail park **RENTS ARE STILL BELOW PRE-CRISIS LEVELS**



Source: Savills



Source: RPE



# Key portfolio metrics

A low risk defensive portfolio with rental upside

**Retail-dominant** portfolio in Spain

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Market Value of **€225mn**

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Top 10 tenants make up **74%** of income

---

**89% Retail** and 11% Office by Market Value

---

Average discount rate of **8.4%**

---

Average exit capitalisation rate of **6.4%**

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**134 564m<sup>2</sup>** of lettable area

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Average asset value of **€17.3mn**

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Vacancy rate of **0.4%\*** across the portfolio

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**96%** of income derived from national tenants

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WALE of **16.9 years<sup>~</sup>**

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Average monthly rent of **€9.01 per m<sup>2</sup>**

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\* excluding development vacancy at Kinopolis Leisure Centre

~ excludes lease breaks

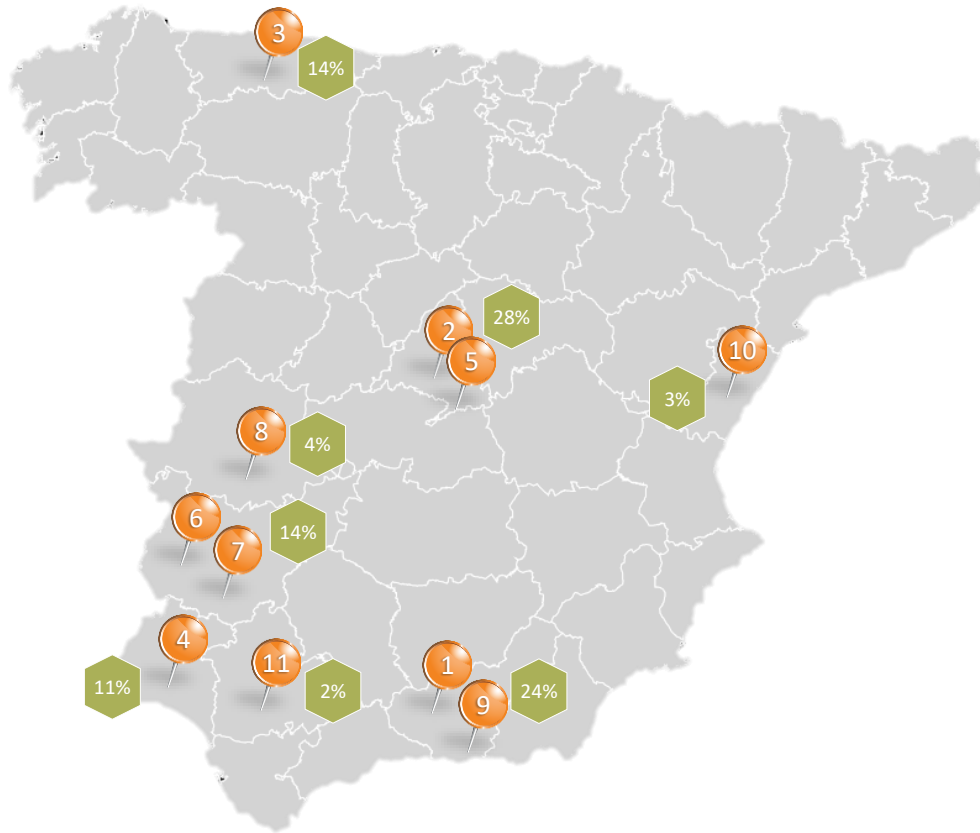
Note: All data represents 100% of Castellana, Vukile shareholding is 98.3%





# Spanish portfolio footprint

## Spain portfolio profile



Property rank by Market Value



Geographic Profile by Market Value

▶ Direct property portfolio value	<b>€224.8mn</b>
▶ Top 5 assets' percentage of direct portfolio	<b>73.3%</b>
▶ Average value per property	<b>€17.3m</b>
▶ Average discount rate	<b>8.4%</b>
▶ Average exit capitalisation rate	<b>6.4%</b>
▶ Number of properties	<b>11 (i) (ii)</b>
▶ GLA	<b>134 564 m<sup>2</sup></b>

- |                         |                          |
|-------------------------|--------------------------|
| 1 Kinépolis RP & LP     | 7 La Serena (ii)         |
| 2 Parque Oeste (i)      | 8 Mejostilla             |
| 3 Parque Principado     | 9 Motril                 |
| 4 Marismas del Polvorin | 10 Ciudad del Transporte |
| 5 Konecta Madrid        | 11 Konecta Seville       |
| 6 La Heredad            |                          |

(i) Parque Oeste comprises two adjacent properties that were acquired in two separate companies, but has been treated as a single combined property for reporting purposes

(ii) La Serena comprises two adjacent properties that were acquired in two separate companies, but has been treated as a single combined property for reporting purposes

Note: All data represents 100% of Castellana, Vukile shareholding is 98.3%

# Spain portfolio overview

## Top 10 assets



	Kinepolis Retail Park and Leisure Centre	Parque Oeste <sup>(i)</sup>	Parque Principado	Marismas del Polvorin	Konecta Madrid
<b>Value</b>	<b>€44.9mn</b>	<b>€43.5mn</b>	<b>€31.9mn</b>	<b>€25.1mn</b>	<b>€19.4mn</b>

 <b>Province</b>	Granada	Madrid	Asturias	Huelva	Madrid
 <b>Gross Lettable Area</b>	25 877m <sup>2</sup>	13 604m <sup>2</sup>	16 396m <sup>2</sup>	20 000m <sup>2</sup>	11 046m <sup>2</sup>
 <b>Monthly Rental</b>	€9.2/m <sup>2</sup>	€14.8/m <sup>2</sup>	€9.3/m <sup>2</sup>	€8.0/m <sup>2</sup>	€10.3/m <sup>2</sup>
 <b>Sector</b>	Retail	Retail	Retail	Retail	Offices
 <b>Major Tenants</b>	Media Markt, Aki, Sprinter	Media Markt, Kiwoko, Worten	Bricomart, Conforama, Intersport	Media Markt, Mercadona, Low Fit	Konecta
 <b>WALE<sup>(ii)</sup></b>	13.4 years	11.9 years	13.9 years	24.7 years	13.7 years
 <b>Vacancy</b>	Fully Let <sup>(iii)</sup>	Fully Let	Fully Let	Fully Let	Fully Let

(i) Parque Oeste comprises two adjacent properties that were acquired in two separate companies, but has been treated as a single combined property for reporting purposes

(ii) excludes lease breaks

(iii) excluding development vacancy

Note: All data represents 100% of Castellana, Vukile shareholding is 98.3%

# Spain portfolio overview

## Top 10 assets



	<b>GAV</b>	<b>€17.8mn</b>	<b>€14.4mn</b>	<b>€8.1mn</b>	<b>€8.0mn</b>	<b>€6.4mn</b>
 <b>Province</b>		Badajoz	Badajoz	Cáceres	Granada	Castellón
 <b>Gross Lettable Area</b>		13 447m <sup>2</sup>	12 405m <sup>2</sup>	7 281m <sup>2</sup>	5 559m <sup>2</sup>	3 250m <sup>2</sup>
 <b>Monthly Rental</b>		€6.5/m <sup>2</sup>	€6.8/m <sup>2</sup>	€6.5/m <sup>2</sup>	€8.4/m <sup>2</sup>	€12.4/m <sup>2</sup>
 <b>Sector</b>		Retail	Retail	Retail	Retail	Retail
 <b>Major Tenants</b>		Aki, Mercadona, Sprinter, Worten	Aki, Mercadona, Electrocash, Sprinter	Sprinter, Electrocash, Aldi	Worten, Sprinter, Kiabi	Kiabi, Tiendanimal.com
 <b>WALE<sup>(ii)</sup></b>		22.8 years	20.7 years	15.8 years	18.9 years	14.0 years
 <b>Vacancy</b>		Fully Let	4.6%	Fully Let	Fully Let	Fully Let

(i) La Serena comprises two adjacent properties that were acquired in two separate companies, but has been treated as a single combined property for reporting purposes









(ii) excludes lease breaks

Note: All data represents 100% of Castellana, Vukile shareholding is 98.3%

# Tenant profile

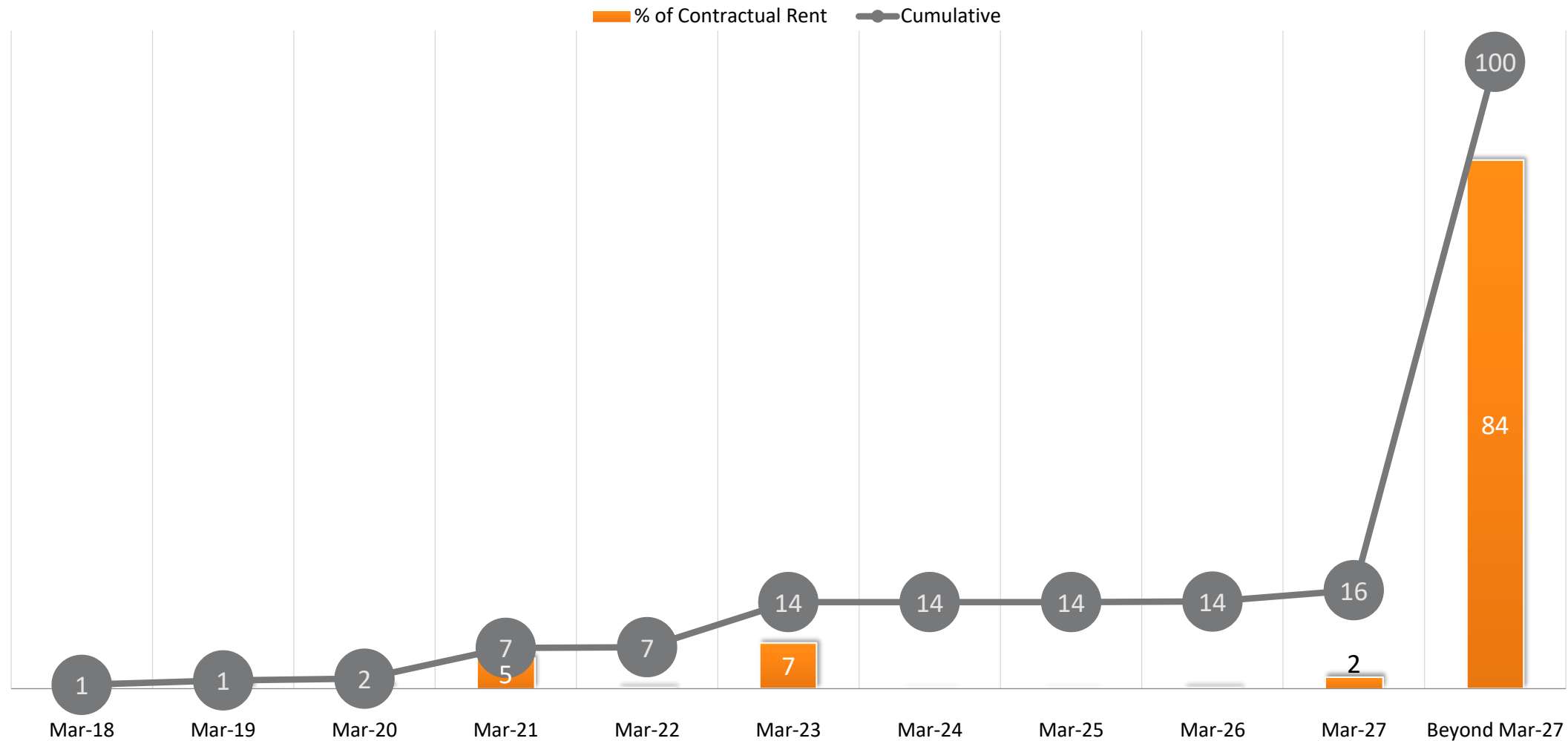
74% of income is generated from the top 10 tenants



Tenant	Percentage of Income	Overview
 MediaMarkt	15%	Europe's largest consumer electronics chain and second largest in the world (number 1 is Best Buy in the US).
Grupo Konecta	13%	Konecta is a global BPO and contact centre service company with 61 contact centres employing 54 000 people in 10 countries. Konecta has over 200 clients worldwide and generated €738 million in revenues in 2016.
 Sprinter	7%	Sprinter was founded in 1981 and is Spain's leading sports footwear, equipment and apparel retailer. Sprinter is 50% owned by the UK listed JD Sports group.
 AKI	7%	Aki offers a wide variety of essential DIY, repair, maintenance and renovation solutions as well as home/garden consumables. There are 79 stores located across Spain and Portugal. Aki is part of the Adeo Group which owns Leroy Merlin.
 worten	6%	Worten offers a wide range of items and brands in the areas of home appliances, consumer electronics and entertainment. Worten has over 200 stores located across Portugal and Spain. Worten is part of the Sonae Group of companies.
 BRICOMART	6%	Bricomart was established in 2005 and specialises in the construction and renovation market as well as in DIY. Bricomart is part of the Adeo Group which owns Leroy Merlin.
 KIWOKO mundo animal	5%	Kiwoko was founded in 2007 and is the largest chain of pet care speciality stores in Spain and Portugal, Kiwoko is owned by TA Associates – a large global private equity firm.
Conforama	5%	Conforama's core product lines comprise furniture, decoration and a range of homeware appliances and electronic goods, employing a multi-style product strategy. There are currently 287 Conforama outlets located across Europe. Conforama is part of the Steinhoff group of companies.
 KIABI	5%	Kiabi is a leading French discount clothing retailer owned by the Mulliez Family Association. The family owned business operates in over 120 stores in France, Spain and Italy.
 MERCADONA	5%	Mercadona is Spain's leading supermarket chain by market share. Mercadona reported €21.6 billion in turnover in 2016. It has 1 614 stores and 79 000 employees across Spain.

# Spain tenant expiry profile

86% of contractual rent expiring in 2027 and beyond (WALE 16.9 years) \*



\* excludes lease breaks



# Asset Management update

## Adding value with on-the-ground knowledge

- ▶ Redevco will continue to property manage the portfolio until 31 December 2017 at which point there will be a **SMOOTH HANDOVER AND TRANSITION TO THE CASTELLANA MANAGEMENT TEAM**
  - Redevco is a pan-European investment manager specialising in retail property. They provide a full range of real estate management capabilities along with investment management services which includes management and fund administration
- ▶ Castellana has secured the services of a **HIGHLY EXPERIENCED AND RESPECTED TEAM OF SPANISH RETAIL PROPERTY EXPERTS**. The majority of the team have joined Castellana from October 2017
- ▶ Omar Khan, **A SENIOR MANAGER FROM VUKILE WILL BE DEDICATED TO SPAIN** to assist with the integration of the business operations to further ensure a smooth handover and integration process
- ▶ **KEY UPDATES** on the portfolio:
  - The 570m<sup>2</sup> at La Serena (Villanueva) will be filled by Tedi, a multinational German general dealer. Terms have been agreed and the lease is currently being drafted
  - Mercadona have extensively upgraded their store in Marismas del Polvorin (Huelva). They are now looking to upgrade their store in La Serena (Villanueva)
  - Redevelopment at Kinopolis Leisure Centre (Granada) in progress, expected completion date April 2018



# Redevelopment in progress

## Kinepolis Leisure Centre, Granada

- ▶ The upgrade will improve the look and feel of the centre by upgrading the external facades and internal finishes
- ▶ Increasing the natural light by increasing shopfront, opening up of the facade and inserting floor to ceiling windows in shopfronts
- ▶ There is strong demand from retailers to take up space in the improved leisure centre



<b>Location</b>	<b>Redeveloped GLA</b>
Granada	6 738m <sup>2</sup>
<b>Scope</b>	<b>Total Capex</b>
Façade, Interior, Tenant Mix	€2.0mn
<b>Commencement Date</b>	<b>Projected Yield on Capex</b>
October 2017	>15%
<b>Completion Date</b>	<b>Development Vacancy</b>
April 2018	8.9% *

\* Fully Let when excluding development vacancy



# Acquisition

## Alameda Park, Granada

- ▶ Castellana is finalising the acquisition of Alameda Park, located in Granada, Andalusia, Spain.
- ▶ The centre is a 25 456m<sup>2</sup> retail park and shopping centre located next to Kinopolis Retail Park.
- ▶ Anchor tenants include Decathlon, Mercadona and Maisons du Monde
- ▶ This acquisition will consolidate Castellana's position as the owner of the primary retail node in Northern Granada
- ▶ The centre has a catchment area of c.586 000 people with average incomes of c.€20 000 per person p.a.



<b>Location</b>	<b>GLA</b>
Granada	25 456m <sup>2</sup>
<b>Initial yield</b>	<b>Acquisition price</b>
6.4%	€54.6mn
<b>Average net monthly rent</b>	<b>LTV</b>
€9/m <sup>2</sup> per month	50%
<b>National Tenant Component</b>	<b>Occupancy</b>
88%	98.6%



# Acquisition

## Pinatar Park, San Pedro del Pinatar

- ▶ Castellana is finalising the acquisition of Pinatar Park, located in San Pedro Del Pinatar, Murcia, South-East Spain
- ▶ The centre is a 10 637m<sup>2</sup> retail park located on the southern edge of the town
- ▶ Anchor tenants include AKI, EconomyCash and Jysk
- ▶ The centre is newly completed with a 5 year WAULT to break
- ▶ Castellana has the option to acquire an adjacent plot to extend the centre by a further 2 750m<sup>2</sup>



<b>Location</b>	<b>GLA</b>
San Pedro Del Pinatar	10 637m <sup>2</sup>
<b>Initial yield</b>	<b>Acquisition price</b>
7.0%	€10.7mn
<b>Average net monthly rent</b>	<b>LTV</b>
€7/m <sup>2</sup> per month	50%
<b>National Tenant Component</b>	<b>Occupancy</b>
100%	100%



# Financial Performance

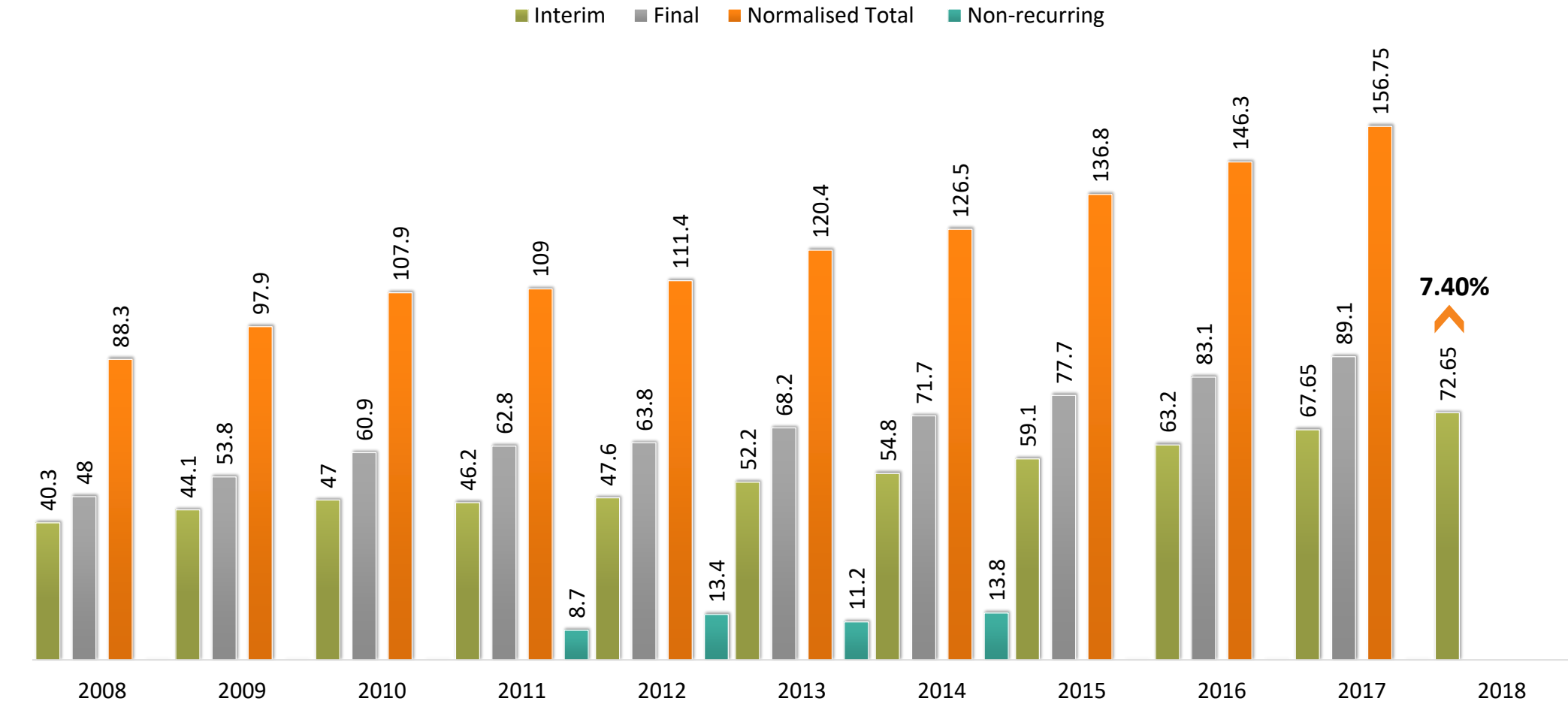
Mike Potts



# Distribution history

Continuing trend of unbroken growth in distributions

Cents per share



# Simplified income statement

R578 million of distributable income for H1 FY2018



	Sep-17 R'000	Sep-16 R'000	Variance %
Property Revenue	942 840	1 087 344	(13.3)
Property Expenses	(339 976)	(382 111)	11.0
<b>Net profit from property operations</b>	<b>602 864</b>	<b>705 233</b>	<b>(14.5)</b>
Corporate administration expenses	(56 801)	(51 653)	(10.0)
Investment and sundry income	158 006	61 038	>100
<b>Operating profit before finance costs</b>	<b>704 069</b>	<b>714 618</b>	<b>(1.5)</b>
Finance costs	(171 601)	(210 968)	18.7
<b>Profit before taxation</b>	<b>532 468</b>	<b>503 650</b>	<b>5.7</b>
Taxation	(8 986)	(2 510)	>(100)
<b>Profit for the period</b>	<b>523 482</b>	<b>501 140</b>	<b>4.5</b>
Profit share of associate	34 358	28 228	21.7
Other capital items	(248)	(635)	60.9
Attributable to non controlling interests	(1 654)	(19 932)	91.7
<b>Attributable to Vukile Group</b>	<b>555 938</b>	<b>508 801</b>	<b>9.3</b>

# Simplified income statement (cont.)

R578 million of distributable income for H1 FY2018

	Sep-17 R'000	Sep-16 R'000	Variance %
<b>Attributable to Vukile Group</b>	<b>555 938</b>	<b>508 801</b>	<b>9.3</b>
Less: Distribution on shares issued post 31 March 2016	0	(19 675)	(100)
<b>Non-IFRS related adjustments</b>			
Shares issued cum dividend	22 588	27 366	(17.5)
Dividends accrued on investments <sup>(i)</sup>	0	5 620	(100)
Asset Management income	0	4 000	(100)
<b>Available for distribution to Vukile shareholders</b>	<b>578 526</b>	<b>526 112</b>	<b>10</b>

(i) The non-IFRS dividend accruals will be finalised at year end

# Segmented income statement

## Spain increasing its contribution to property profits

Operating segment analysis for the six months ended 30 September 2017

	Retail R'000	Other R'000	Total Southern Africa R'000	United Kingdom R'000	Spain R'000	Total Group R'000
Property revenue <sup>(i)</sup>	597 495	65 440	662 935	0	65 659 <sup>(ii)</sup>	728 594
Straight-line rental income accrual	1 191	139	1,330	0	3 617	4 947
	<b>598 686</b>	<b>65 579</b>	<b>664 265</b>	<b>0</b>	<b>69 276</b>	<b>733 541</b>
Property expenses (net of recoveries) <sup>(i)</sup>	(112 035)	(8 949)	(120 984)	0	(4 746)	(125 730)
<b>Profit from property and other operations</b>	<b>486 651</b>	<b>56 630</b>	<b>543 281</b>	<b>0</b>	<b>64 530</b>	<b>607 811</b>
<b>Profit from associate (Atlantic Leaf)</b>				<b>34 358</b>		<b>34 358</b>

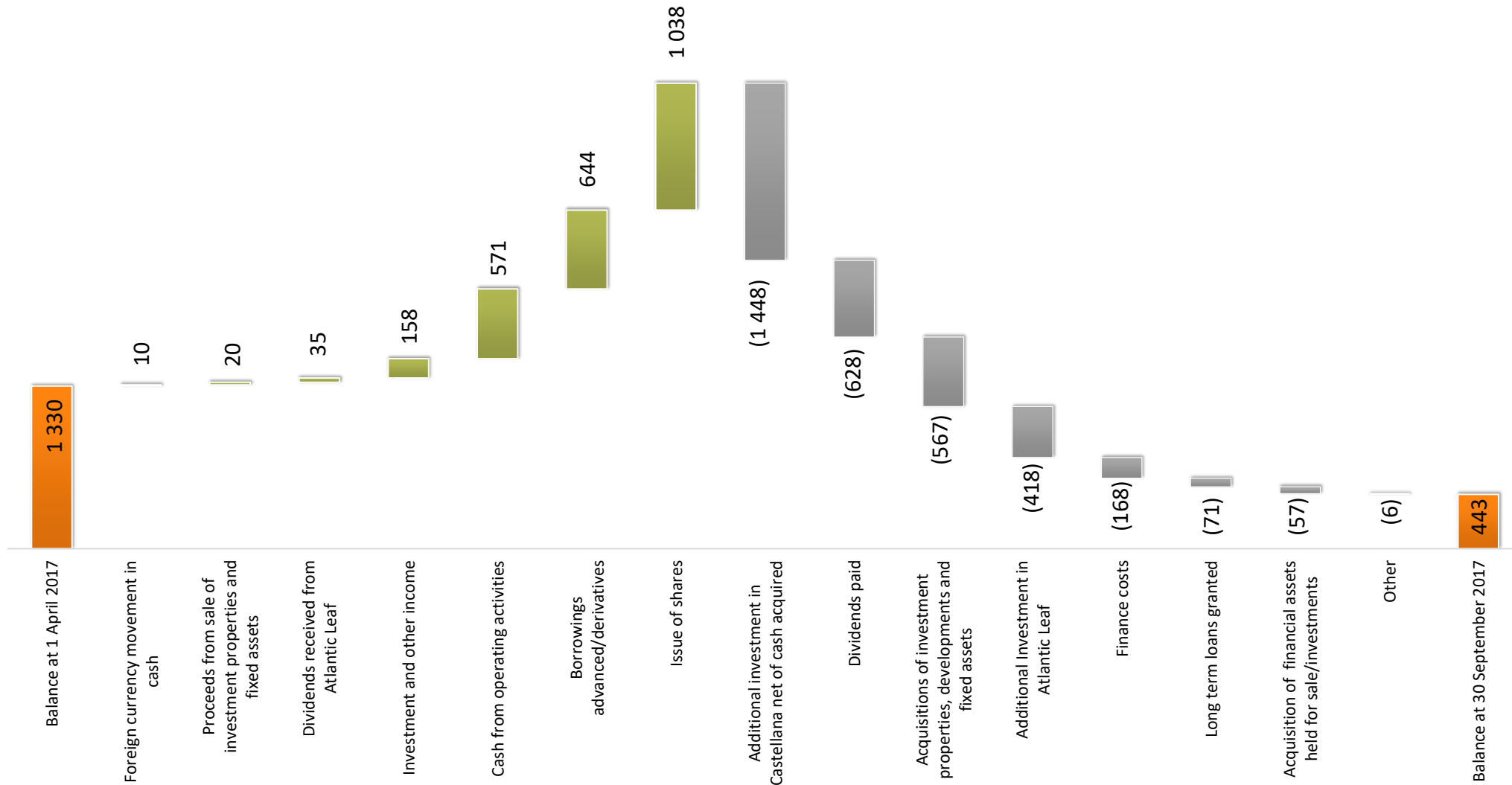
(i) The property revenue and property expenses in the segmental report have been reflected net of recoveries, in terms of the SA REIT Association's Best Practice Recommendations. The unaudited condensed consolidated statement of profit and loss reflects gross property revenue and gross property expenses.

(ii) The bulk of the Spanish net property revenue is reflected only for a three month period.



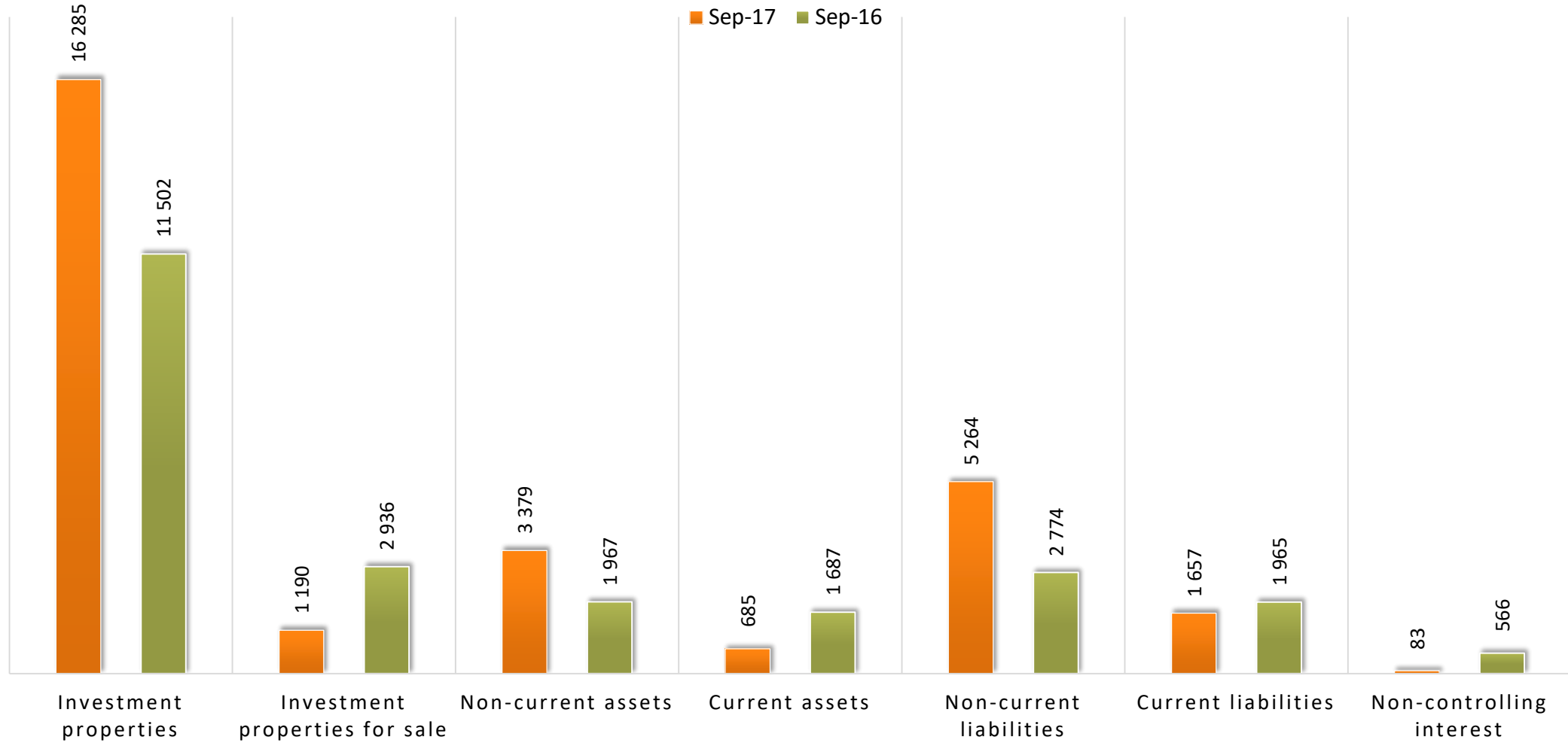
# Group net cash flow – (R'm)

Deployment of R2.4bn in growing the asset base



# Group balance sheet – (R'm)

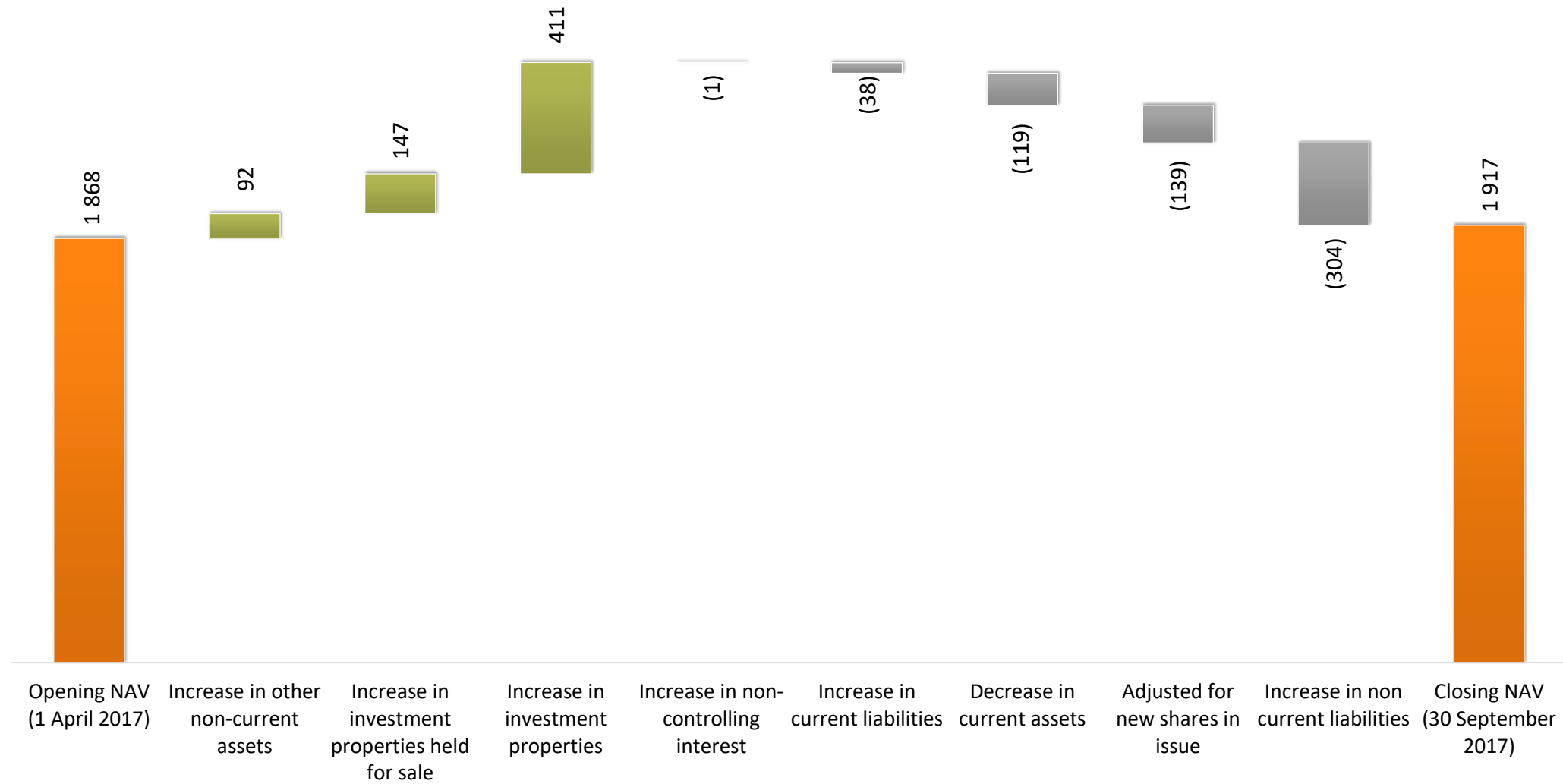
## Assets and liabilities





# NAV Bridge – (Cents)

NAV of 1 917 cps





**VUKILE**  
PROPERTY FUND

REAL ESTATE. REAL GROWTH.

**Treasury Management**

Mike Potts

# Key debt and foreign exchange metrics

## Well hedged and conservative balance sheet

- ▶ Reduced **GROUP COST OF FUNDING** of **5.58%** (South Africa 9.27%)
- ▶ Strong balance sheet with a **LOAN TO VALUE RATIO** of **30.5% \***, **GEARING RATIO** of **28.9% ~** and **“SEE-THROUGH” LTV RATIO** of **35.1%**
- ▶ **93.6% ^** of Interest bearing debt hedged with a **3 YEAR** fixed rate (swap) maturity profile
- ▶ **DIVERSIFIED SOURCES OF FUNDING** with **11 FUNDERS** plus DMTN programme with no funder accounting for more than **14%** of facilities
- ▶ Corporate long term rating of **“A”** with a **POSITIVE OUTLOOK** and **“AA+”** secured long term rating and **“A1”** short term rating.
- ▶ **73.6%** of forecast **EUR INCOME** from Castellana hedged over the next **2.5 YEARS**

*\* Loan-to-Value ratio calculated as a ratio of interest bearing debt divided by the sum of (i) the amount of the most recent Directors' Valuation of all the Properties in the Vukile Group Property Portfolio, on a consolidated basis and (ii) the market value of equity investments. Group Loan-to-Value ratio including MtM of derivatives is 31.6%.*

*~ Gearing ratio calculated as a ratio of interest bearing debt divided by total assets*

*^ Excludes development loans and Corporate Paper.*

*Note: Interest bearing debt adjusted to include R77mn Commercial Paper issued to Vukile subsidiary in Namibia (eliminated on consolidation). Market value of equity investments consists of Fairvest, Gemgrow and Atlantic Leaf with a value of R2.65bn. MtM of derivatives valued at -R231mn.*



# Segmental Loan-to-Value and Interest Cover Ratios

Low risk conservative balance sheet



	Group	DMTN *	South Africa ^	Spain
Loan-to-Value Ratio ~	30.5%	28.1%	27.4%	45.0%
LTV stress level margin (% asset value reduction to respective covenant levels)	39%	38%	45%	31%
Interest bearing debt hedged	93.6%	81.7%	103.7%	67.0%
Fixed rate (swap) maturity profile	3.0 years	2.9 years	2.8 years	3.6 years
Interest Cover Ratio	3.20 times	2.48 times	3.01 times	6.69 times
ICR stress level margin (% EBITDA reduction to respective covenant levels)	38%	N/A	34%	70%

\* Ratios calculated as transactional ratios based on DMTN secured portfolio (excluding DMTN unsecured debt).

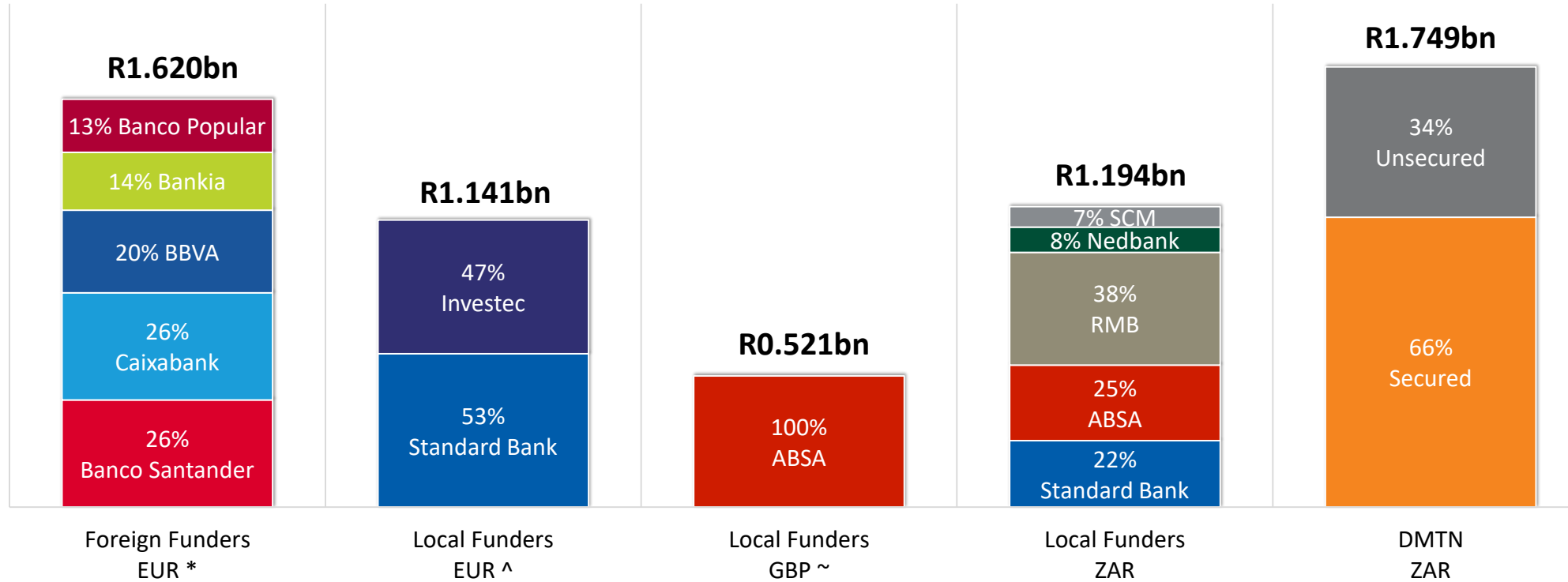
^ South Africa includes DMTN secured Portfolio.

~ Loan-to-Value ratio calculated as a ratio of interest bearing debt divided by the sum of (i) the amount of the most recent Directors' Valuation of all the Properties in the Vukile Group Property Portfolio, on a consolidated basis and (ii) the market value of equity investments.

# Sources of funding

R6.2bn of debt from diversified sources of funding

## Sources of Group Debt



\* EUR Debt from foreign funders comprise consolidated debt of Castellana, which in non-recourse to Vukile, amounting to €101 070 140 converted at the EURZAR Rate of 16.0316 as at 30 September 2017.

^ EUR Debt from local funders comprise Vukile debt amounting to €71 181 026 converted at the EURZAR Rate of 16.0316 as at 30 September 2017.

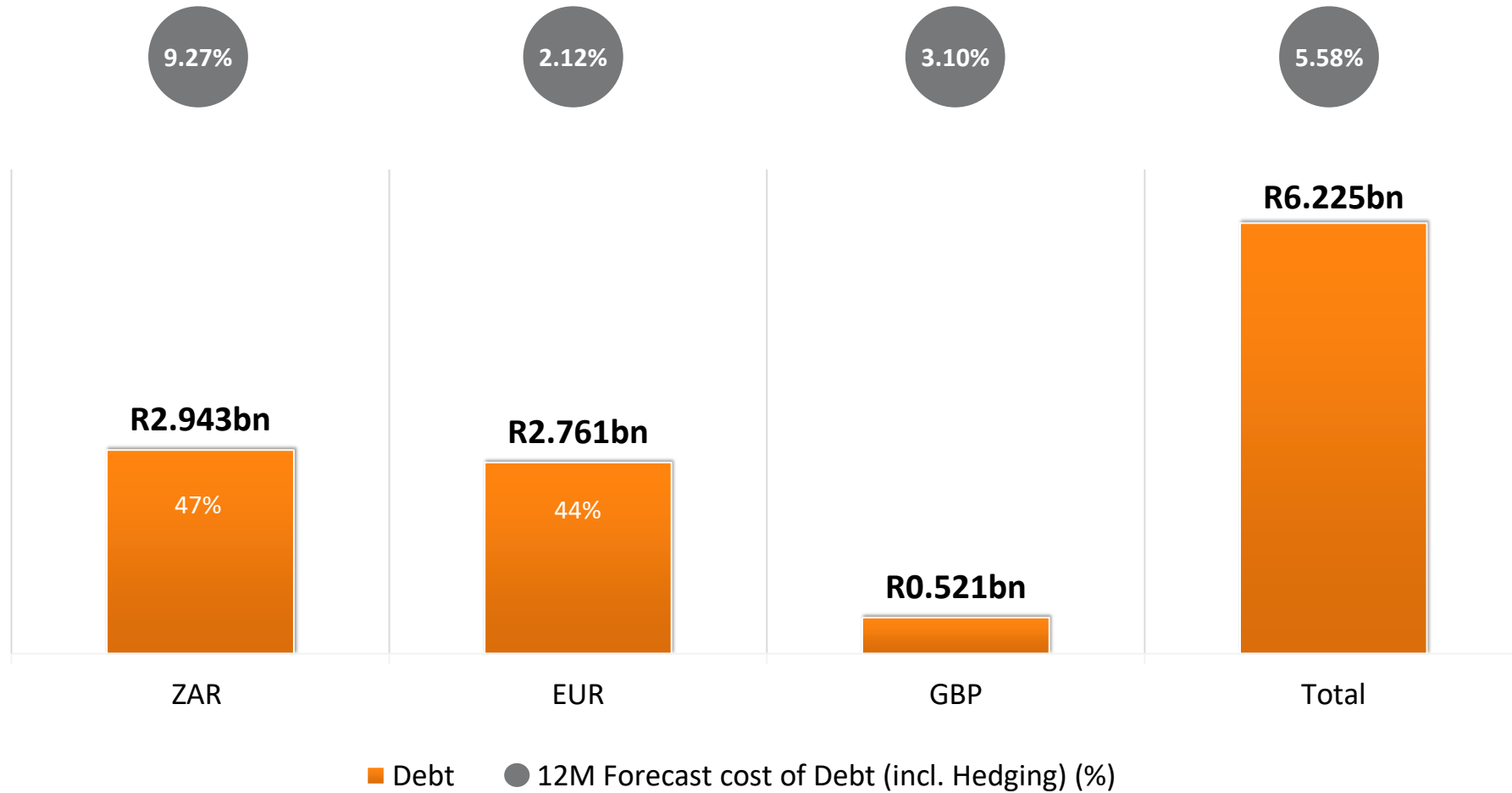
~ GBP Debt from local funders comprise Vukile debt amounting to £28 700 000 converted at the GBPZAR Rate of 18.1557 as at 30 September 2017.



# Cost of funding

## Reduction in Group cost of finance

### Group Debt by Currency

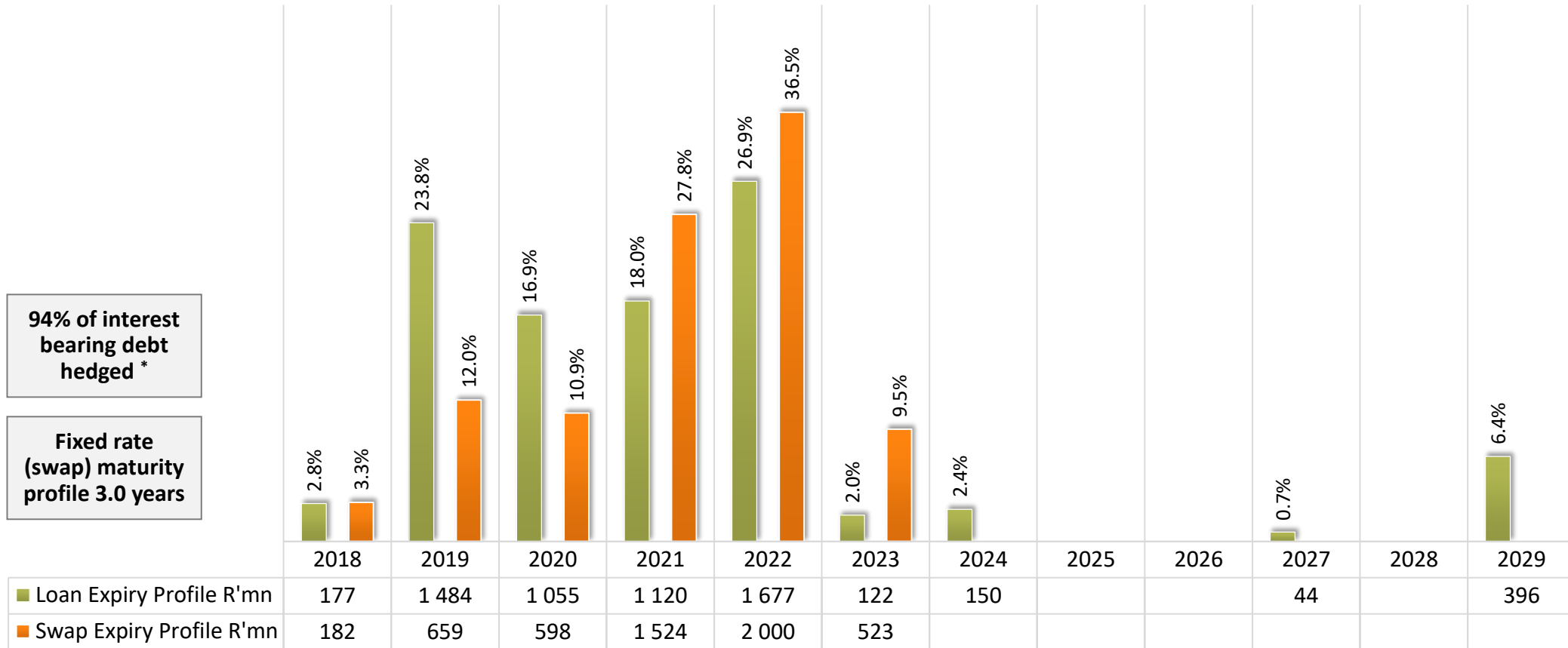


# Analysis of Group loan repayment and swap expiry profile

Well hedged with low risk expiry profile



## Group Loan and Swap Expiry Profile



94% of interest bearing debt hedged \*

Fixed rate (swap) maturity profile 3.0 years

\* Excluding development loans and Corporate Paper.

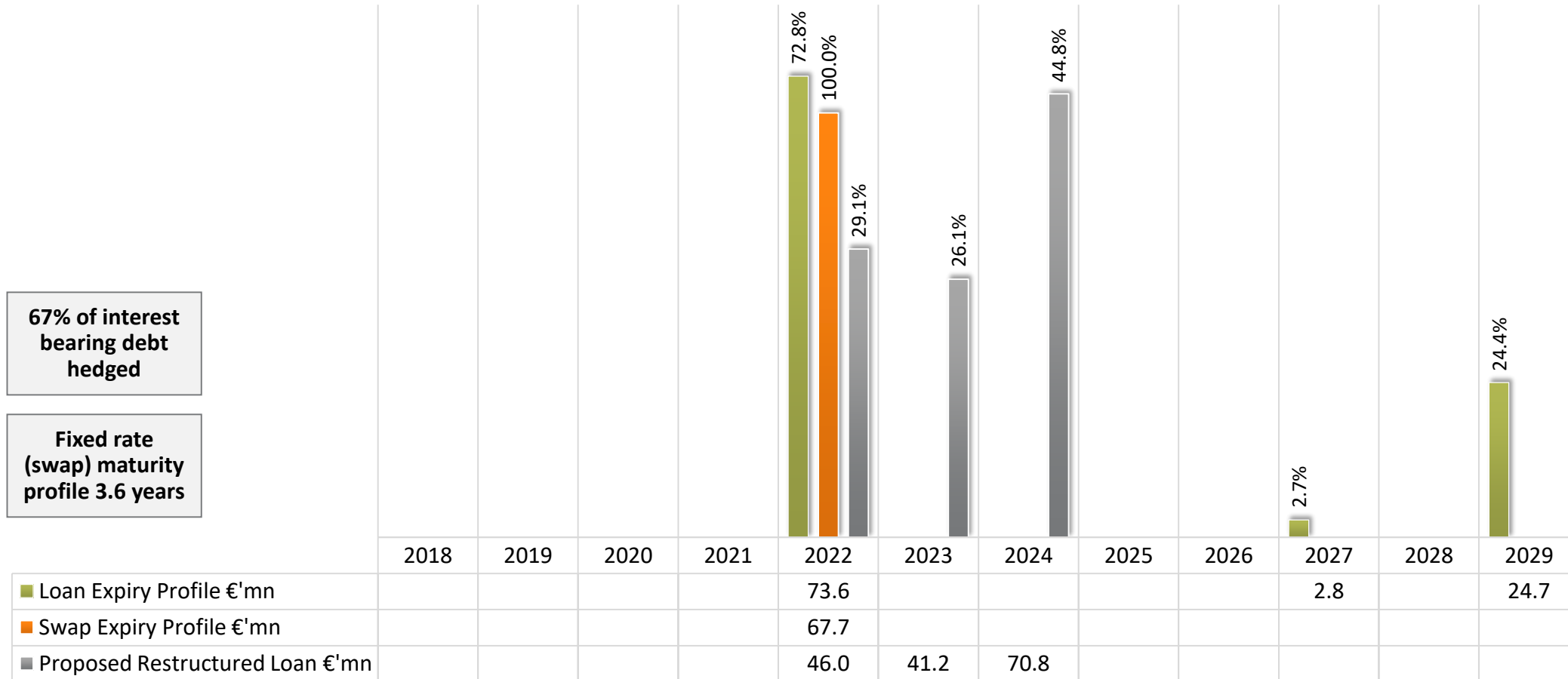
Note: Loan Profile includes R77mn Commercial Paper issued to Vukile subsidiary in Namibia (eliminated on consolidation). Loan Expiry Profile excludes amortisation profile of Castellana debt.

# Analysis of Spanish loan repayment and swap expiry profile

Existing debt acquired as part of acquisition of retail parks portfolio



## Castellana's Spanish Loan and Swap Expiry Profile



Note: Loan Expiry Profile excludes amortisation of debt. Castellana is currently restructuring its debt.



# EUR Foreign exchange hedging

Maintaining sustainable predictable income while reducing currency volatility

	Mar-18	Sep-18	Mar-19	Sep-19	Mar-20
Net EUR dividends forecast ~	€3 301 702	€3 190 982	€3 317 449	€3 372 501	€3 447 917
FEC Hedge	(€2 882 300)	(€2 412 000)	(€2 300 000)	(€2 300 000)	(€2 400 000)
Fixed EURZAR rate	16.0302	16.7241	17.4598	18.1406	18.8567
Unhedged EUR Income	€479 402	€778 982	€1 017 449	€1 072 501	€1 047 917
<b>Percentage EUR Income Hedged *</b>	<b>85%</b>	<b>76%</b>	<b>69%</b>	<b>68%</b>	<b>70%</b>

- ▶ To minimise the adverse foreign exchange fluctuations Vukile’s target is to hedge on average 75% of foreign dividends over a 3-year period
- ▶ **73.6%** of forecast **EUR INCOME** from Castellana hedged over the next **2.5 YEARS** (next 5 dividend cycles)
- ▶ As part of the acquisition of the Spanish retail portfolio a cross currency interest rate swap (“**CCIRS**”) of **€93 200 000** was entered into with a **3 YEAR FIXED INTEREST RATE OF 1.00%** at a **EURZAR RATE OF 14.4446**
- ▶ Vukile has chosen to limit the utilisation of CCIRS to 55% of total international investments, reducing to 45% within a period of 1 year. Current utilisation is **46.9% OF TOTAL INTERNATIONAL INVESTMENTS**

• ~ net forecast dividend after deducting interest costs on Vukile EUR debt and CCIRS fixed interest costs.

• \* Percentage of EUR income hedged calculated as FEC hedge divided by Net EUR dividend forecast.

# GBP Foreign exchange hedging

Maintaining predictable income while reducing currency volatility

	Nov-17	May-18
Net GBP dividends forecast ~	£2 522 777	£2 588 728
FEC Hedge	(£1 185 000)	(£1 213 000)
Fixed GBPZAR rate	17.1929	17.8318
Unhedged GBP Income	£1 337 777	£1 375 728
<b>Percentage GBP Income Hedged *</b>	<b>47%</b>	<b>47%</b>

- ▶ **46.9%** of forecast **GBP INCOME** from Atlantic Leaf hedged over the next **0.67 YEARS** (next 2 dividend cycles)
- ▶ Vukile has chosen a shorter hedging profile given Brexit uncertainty that has negatively impacted the GBP exchange rate. We will commence extending the hedging profile during relative GBP currency strength

~ net forecast dividend after deducting interest costs on Vukile GBP debt.

\* Percentage of GBP income hedged calculated as FEC hedge divided by Net GBP dividend forecast.



# Southern Africa

## Continued focus on Retail

- ▶ Deeply concerned about worsening **LOCAL POLITICAL AND ECONOMIC** situation
- ▶ Portfolio is defensively positioned with **91%** of direct property assets in **RETAIL SECTOR**
- ▶ Tenant mix very defensive with **c.80% NATIONAL TENANTS** and large grocery component
- ▶ Local activity will be focused on **EXPANSIONS AND UPGRADES** to existing centres
- ▶ Continued strong **OPERATIONAL FOCUS**
- ▶ **LIMITED**, if any, **LOCAL DEAL FLOW**
- ▶ De-gear the local balance sheet to **CREATE CAPACITY FOR OFFSHORE** opportunities
- ▶ Maintain a defensive stance across all **VALUE DRIVERS**



# Atlantic Leaf Information Update

## Solid Metrics

Portfolio of **59 properties** across the United Kingdom

Asset under management of **£335mn**

**78%** of assets Logistic / Retail Warehousing

**90%** of income derived from A grade tenants

**WALE** of **11.2 years**

Vacancy rate of **0%** across the portfolio

Loan to value of **45.6%**

Interest cost of **3.2%**

**76%** of Debt Hedged

Forecast dividend of **9.1 pence**

Forecast growth in dividend of **7.1%**

NAV per share of **£1.07**



*Note: Information from Atlantic Leaf Interim Results Investor Presentation of 13th October 2017, based on 30 September 2017 information including DFS transaction.*

# Atlantic Leaf Strategy

## The way forward

- ▶ Currently hold **c.35% OF THE EQUITY**
- ▶ Happy with progress Atlantic Leaf management has made in building a **SOLID, LOW RISK BASE** of assets
- ▶ Would now like to see **INCREASED EXPANSION OPPORTUNITIES** to leverage off the solid base
- ▶ Continued investment in **LOGISTICS, WAREHOUSING AND DISTRIBUTION** assets
- ▶ Would like Atlantic Leaf management to investigate **RETAIL PARKS** in more detail:
  - Long leases, with good covenants
  - Pricing seems attractive at 6.5% - 7.0%
  - Well positioned for omni-channel strategies
- ▶ Actively driving strategy with Atlantic Leaf management and seeking to **ADD VALUE AS A STRATEGIC SHAREHOLDER**
- ▶ Support Atlantic Leaf management exploring possibility of converting to a **UK REIT**
- ▶ Atlantic Leaf management have provided forecast growth of between **5% AND 7% FOR FY2019**



# Spanish Strategy

## The platform is set

- ▶ Castellana **MANAGEMENT TEAM NOW ON BOARD**
- ▶ Approach is to **“REPLICATE NOT INTEGRATE”**
- ▶ Post deal Implementation plan **WELL ON SCHEDULE**
- ▶ Critical to our success is that we **OPERATE AS LOCALS ON THE GROUND**
- ▶ Plan to **LIST CASTELLANA ON THE MAB** by July 2018
- ▶ **FOCUSED ON THE RETAIL SECTOR** but open minded to **LONG LEASE LOGISTIC ASSETS**
- ▶ Currently seeing very **GOOD DEAL FLOW**; Castellana presence established in the retail park market
- ▶ **FUNDING IS IN PLACE** for current acquisitions without need for Vukile to do an equity capital raise
- ▶ Spanish **RETAIL AND ECONOMIC FUNDAMENTALS** remain **POSITIVE**
- ▶ Expect Spain will be a **MAJOR ENGINE OF GROWTH**
- ▶ Planning a **SITE VISIT** for the week of **5 – 9 MARCH 2018** (Contact Instinctif Partners)



# Prospects

## Positioned for strong long term growth

- ▶ Vukile is very well **POSITIONED FOR FUTURE GROWTH**
  - Stable, defensive Southern African retail portfolio with impressive operating metrics
  - Castellana well positioned for **STRONG GROWTH IN THE SPANISH MARKET**
  - Ability to scale Atlantic Leaf off a **SOLID PORTFOLIO PLATFORM**
- ▶ Balance sheet management remains a **CORE COMPETENCE** to continue
  - to keep gearing below 40%
  - to hedge at least 75% of interest bearing debt
  - to hedge c.75% of foreign currency denominated income
- ▶ Expect full year **FY2018** dividends to growth by between **7% AND 8%**
- ▶ Early indications are that growth in **FY2019** will be **AT LEAST 8%**





# Acknowledgements



- ▶ Board
- ▶ Property managers
- ▶ Service providers
- ▶ Brokers and developers
- ▶ Tenants
- ▶ Investors
- ▶ Funders
- ▶ Colleagues



Q&A



## Appendix A



### Southern African Property Overview



# High quality retail assets

## Top 15 assets



	<b>East Rand Mall</b>	<b>Phoenix Plaza</b>	<b>Pine Crest</b>	<b>Gugulethu Square</b>	<b>Dobsonville Mall</b>
<b>GAV</b>	<b>R1 330mn</b>	<b>R831mn</b>	<b>R828mn</b>	<b>R502mn</b>	<b>R492mn</b>
 <b>Region</b>	Gauteng	KwaZulu-Natal	KwaZulu-Natal	Western Cape	Gauteng
 <b>Gross Lettable Area</b>	69 424m <sup>2</sup>	24 351m <sup>2</sup>	40 087m <sup>2</sup>	25 322m <sup>2</sup>	26 655m <sup>2</sup>
 <b>Monthly Rental</b>	R259/m <sup>2</sup>	R250/m <sup>2</sup>	R155/m <sup>2</sup>	R145/m <sup>2</sup>	R131/m <sup>2</sup>
 <b>National Tenant exposure</b>	87%	80%	94%	90%	90%
 <b>Vukile Ownership</b>	50%	100%	100%	100%	100%
 <b>Approx. Footfall</b>	10.4 million	9.7 million	11.0 million	5.6 million ~	8.9 million
 <b>Vacancy</b>	2.8%	1.2%	3.0%	0.4%	Fully Let *








\* Excluding development vacancy ~ Estimate

# High quality retail assets

## Top 15 assets (cont.)



	Nonesi Mall	Oshakati Shopping Centre	Durban Workshop	Moruleng Mall	Randburg Square
<b>GAV</b>	<b>R436mn</b>	<b>R416mn</b>	<b>R405mn</b>	<b>R403mn</b>	<b>R394mn</b>







 <b>Region</b>	Eastern Cape	Namibia	KwaZulu-Natal	Northwest	Gauteng
 <b>Gross Lettable Area</b>	28 177m <sup>2</sup>	24 632m <sup>2</sup>	20 041m <sup>2</sup>	31 421m <sup>2</sup>	40 874m <sup>2</sup>
 <b>Monthly Rental</b>	R119/m <sup>2</sup>	R129/m <sup>2</sup>	R181/m <sup>2</sup>	R112/m <sup>2</sup>	R97/m <sup>2</sup>
 <b>National Tenant exposure</b>	96%	94%	73%	87%	85%
 <b>Vukile Ownership</b>	100%	100%	100%	80%	100%
 <b>Approx. Footfall</b>	6.2 million ~	11.6 million ~	13.1 million	3.8 million	6.9 million
 <b>Vacancy</b>	Fully Let	1.2%	0.9%	5.0%	8.5%

~ Estimate

# High quality retail assets

## Top 15 assets (cont.)



	Maluti Crescent	Thavhani Mall	Meadowdale Mall	Daveyton Shopping Centre	Atlantis City Shopping Centre
<b>GAV</b>	<b>R393mn</b>	<b>R374mn</b>	<b>R372mn</b>	<b>R363mn</b>	<b>R323mn</b>
 <b>Region</b>	Free State	Limpopo	Gauteng	Gauteng	Western Cape
 <b>Gross Lettable Area</b>	21 538m <sup>2</sup>	50 637m <sup>2</sup>	47 538m <sup>2</sup>	17 774m <sup>2</sup>	22 115m <sup>2</sup>
 <b>Monthly Rental</b>	R131/m <sup>2</sup>	R162/m <sup>2</sup>	R71/m <sup>2</sup>	R147/m <sup>2</sup>	R139/m <sup>2</sup>
 <b>National Tenant exposure</b>	97%	87%	78%	84%	79%
 <b>Vukile Ownership</b>	100%	33%	67%	100%	100%
 <b>Approx. Footfall</b>	10.1 million ~	9.4 million	7.0 million ~	7.4 million	9.5 million
 <b>Vacancy</b>	Fully Let	0.9%	2.2%	1.4%	4.4%

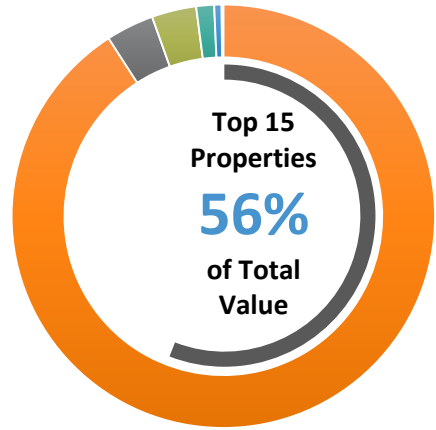
~ Estimate

# Company total portfolio composition

Top 15 assets make up c.56% of the total portfolio



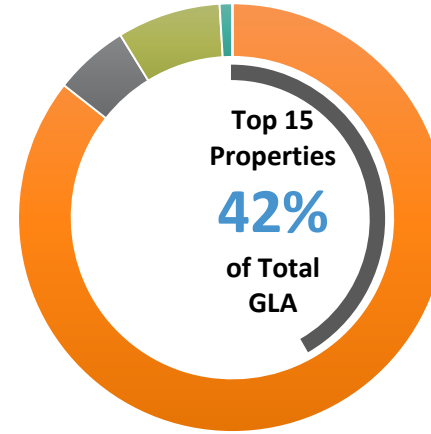
## Sectoral Profile - by Market Value



By Market Value

91%	Retail
4%	Offices
3%	Industrial
1%	Motor Related
1%	Residential
0.1%	Vacant Land

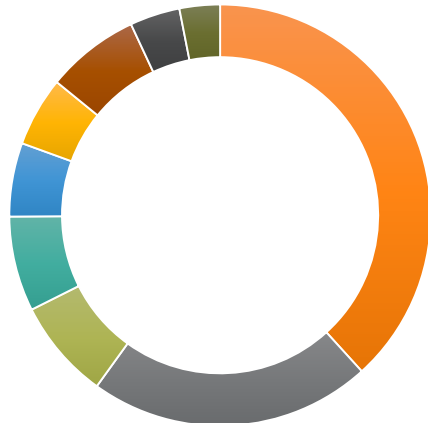
## Sectoral Profile - by GLA



By GLA

86%	Retail
6%	Offices
7%	Industrial
1%	Motor Related
0%	Residential
0%	Vacant Land

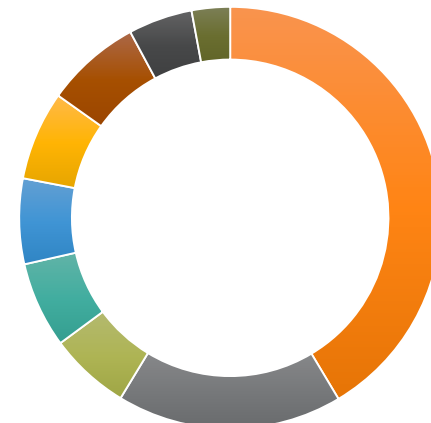
## Geographic Profile - by Market Value



By Market Value

38%	Gauteng
22%	KwaZulu-Natal
8%	Western Cape
7%	Namibia
6%	Northwest
5%	Free State
7%	Limpopo
4%	Mpumalanga
3%	Eastern Cape

## Geographic Profile - by GLA



By GLA

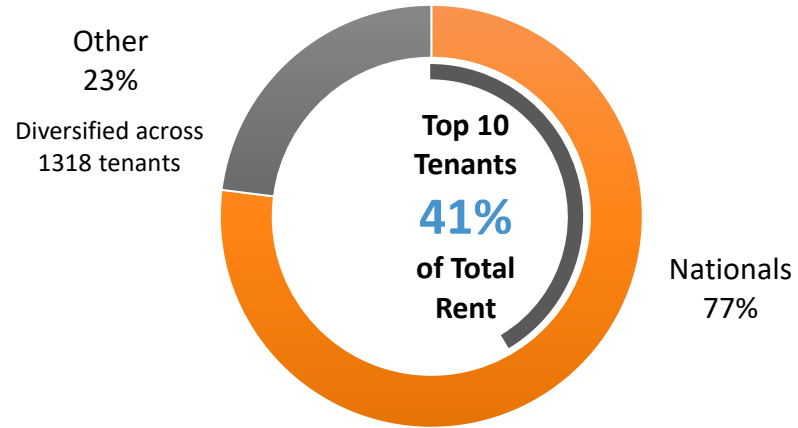
41%	Gauteng
17%	KwaZulu-Natal
6%	Western Cape
7%	Namibia
7%	Northwest
7%	Free State
7%	Limpopo
5%	Mpumalanga
3%	Eastern Cape

# Company tenant exposure

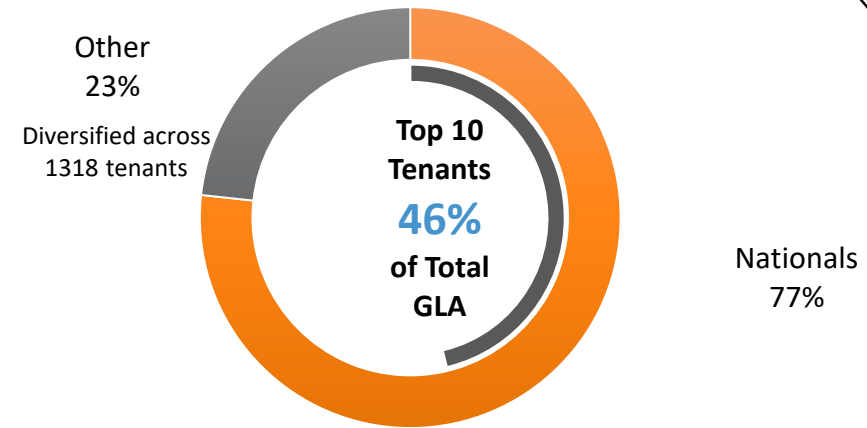
Low risk with 77% national tenants



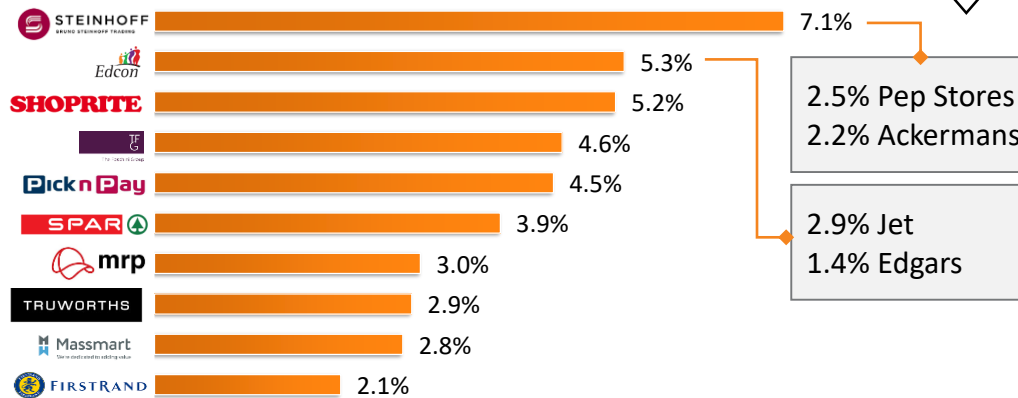
## Top 10 Tenants by Contractual Rent



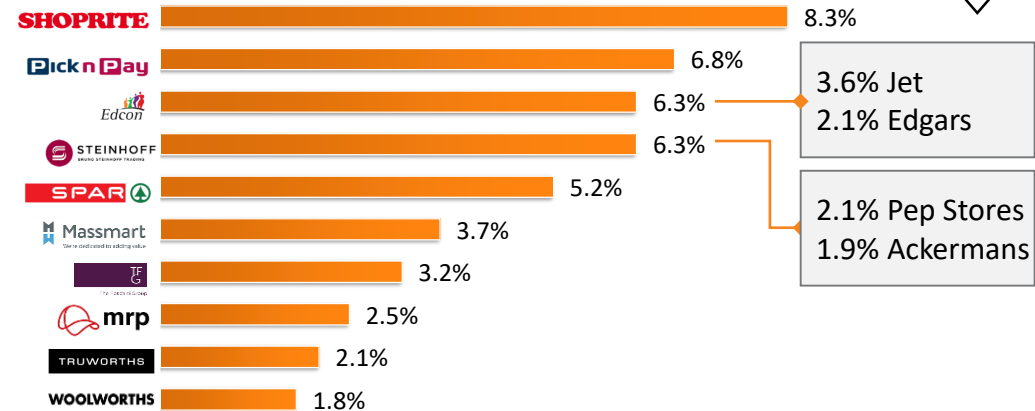
## Top 10 Tenants by GLA



## Tenant Profile - by Contractual Rent



## Tenant Profile - by GLA



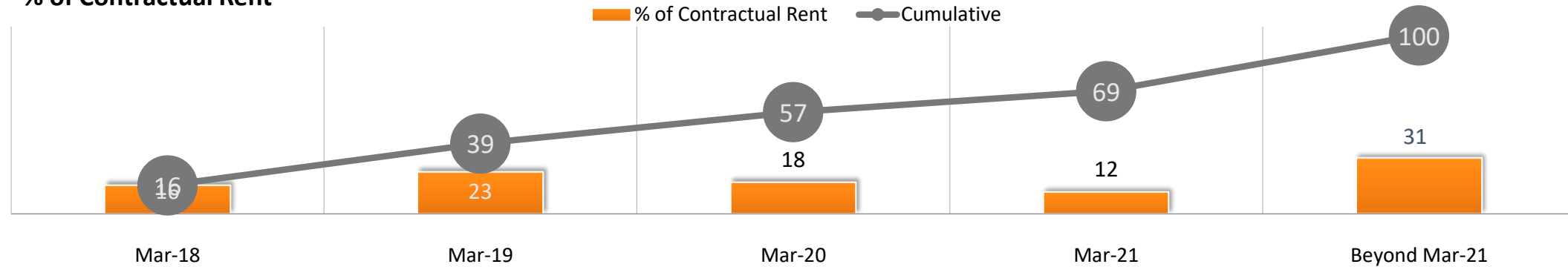


# Company tenant expiry profile

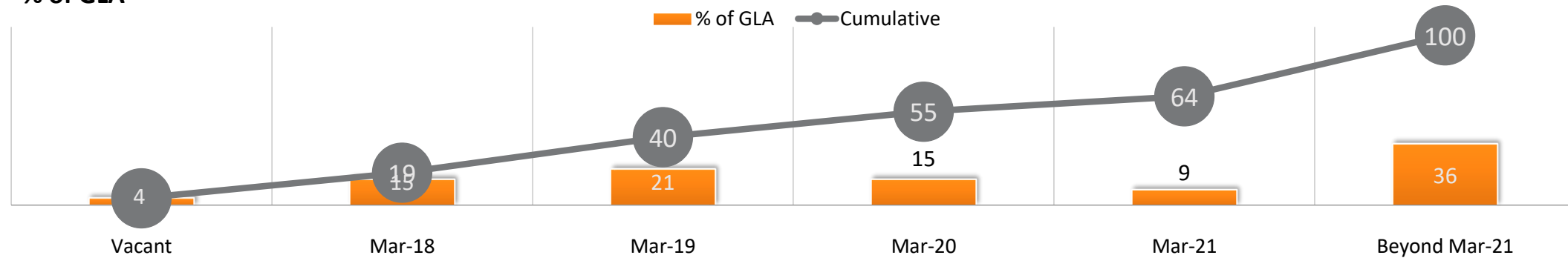
43% of contractual rent expiring in 2021 and beyond (WALE 3.6 years)



**% of Contractual Rent**



**% of GLA**



## For the 6 months ended 30 September 2017 leases were concluded with:

- ▶ Total contract value                      R840 million
- ▶ Total rentable area                        94 444m<sup>2</sup>
- ▶ Tenant Retention                            85%

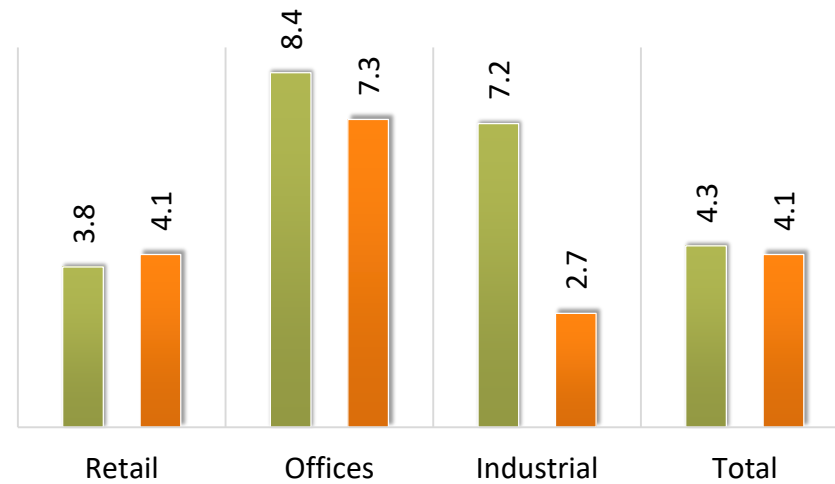
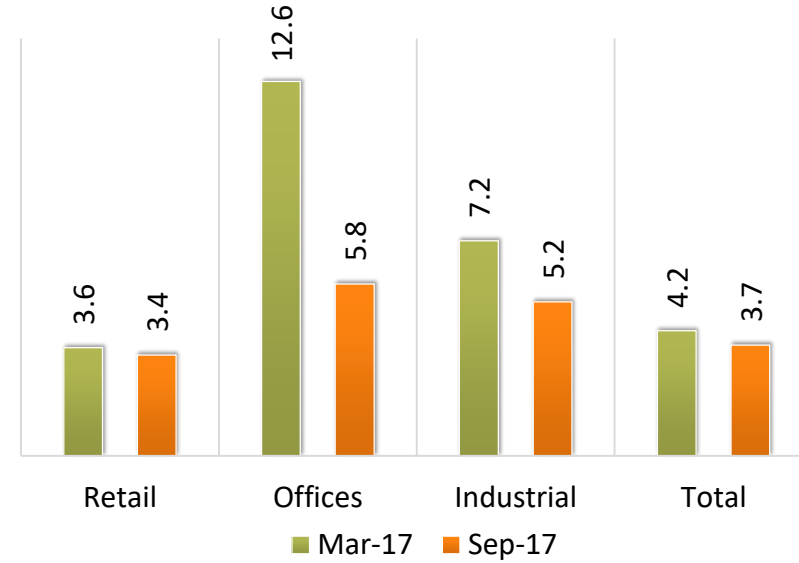
# Vacancy profile

Vacancy improving to 3.7% of contractual rent



**Vacancy**  
3.7% of  
Rent \*

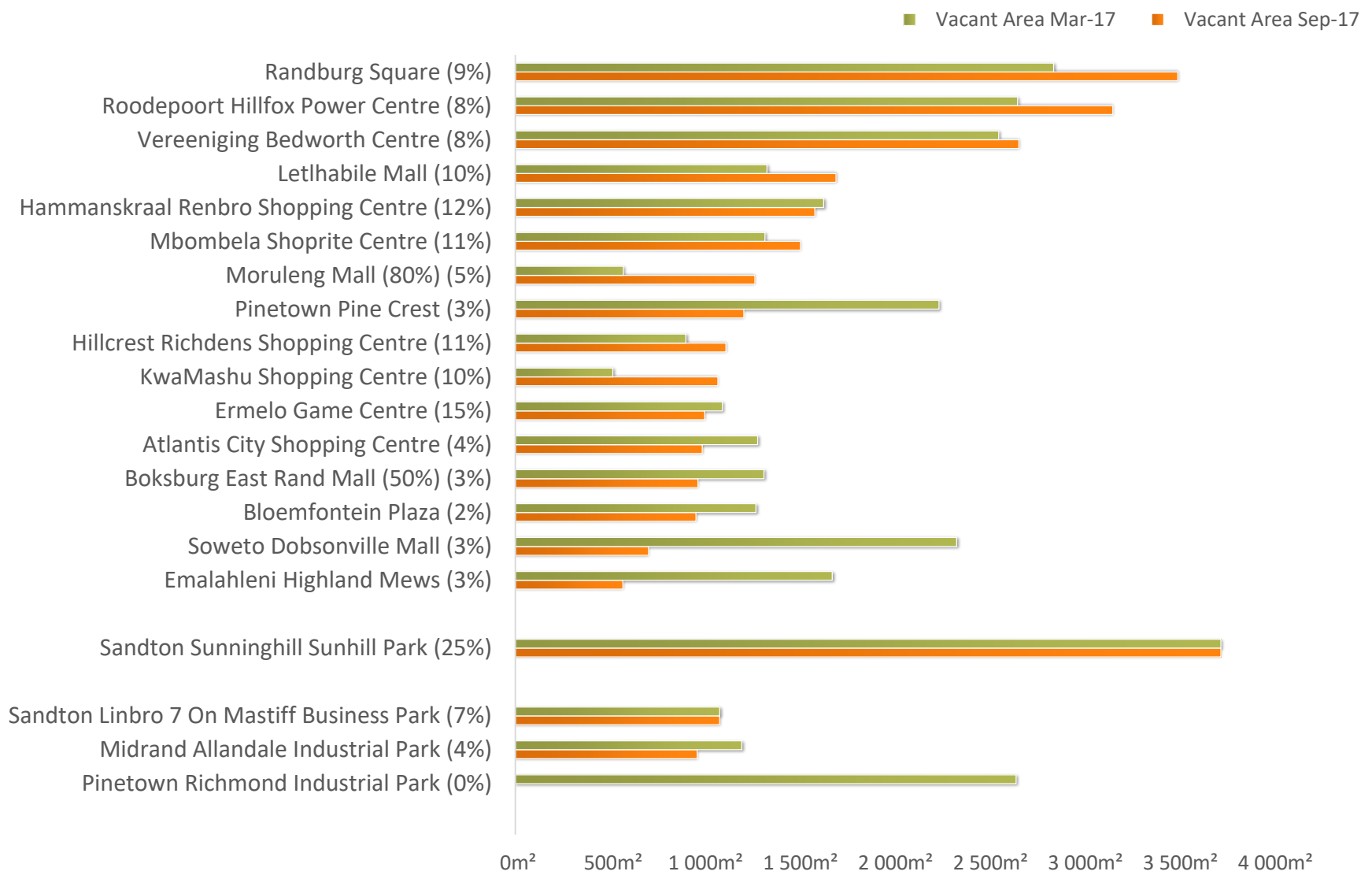
**Vacancy**  
4.1% of  
GLA \*



\* Excluding development vacancy of 1725m<sup>2</sup>

# Individual properties vacancy profile (% of GLA)

Vacancy > 500m<sup>2</sup>

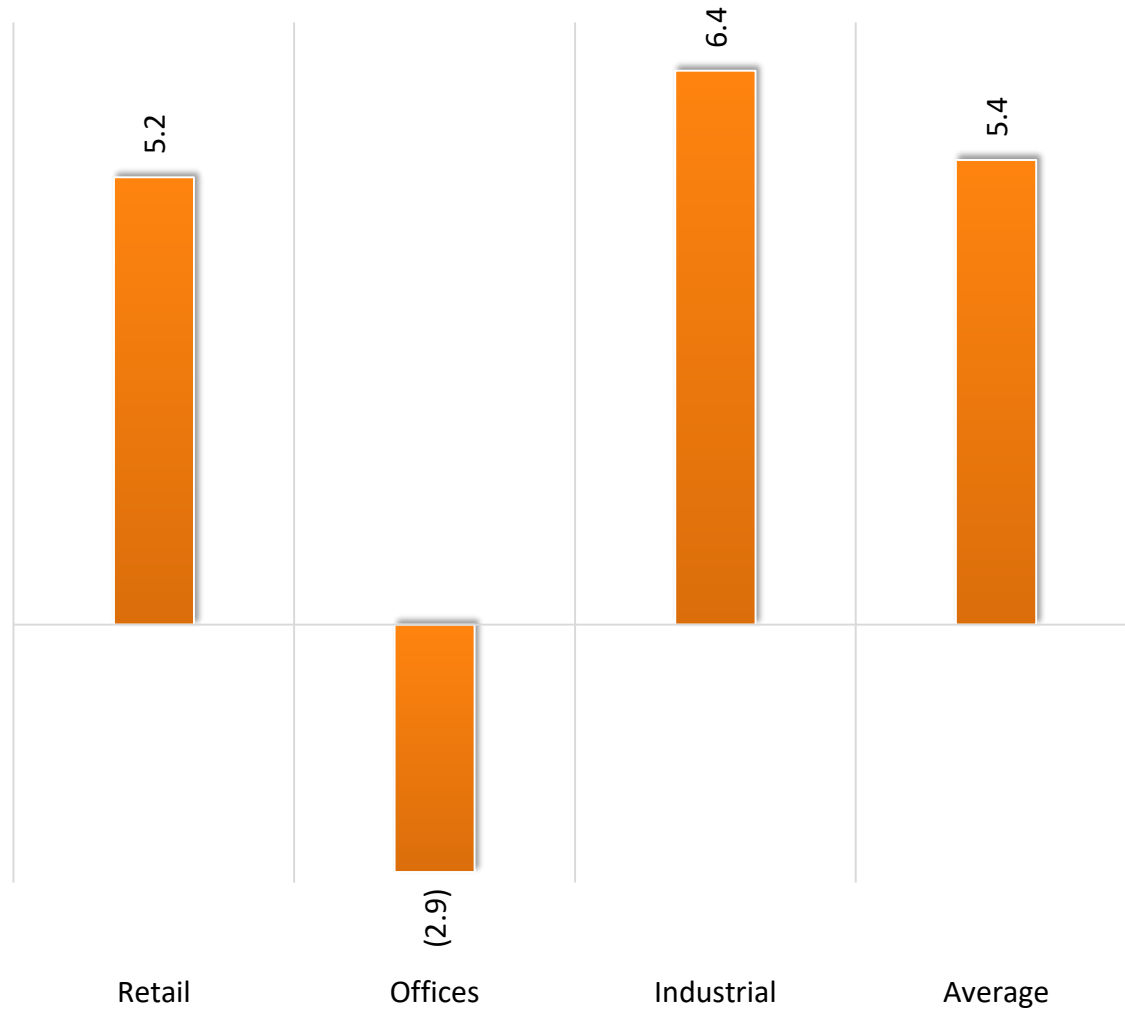


# Lease renewals

## Positive retail reversions



**Lease renewals**  
- percentage escalation on expiry rentals



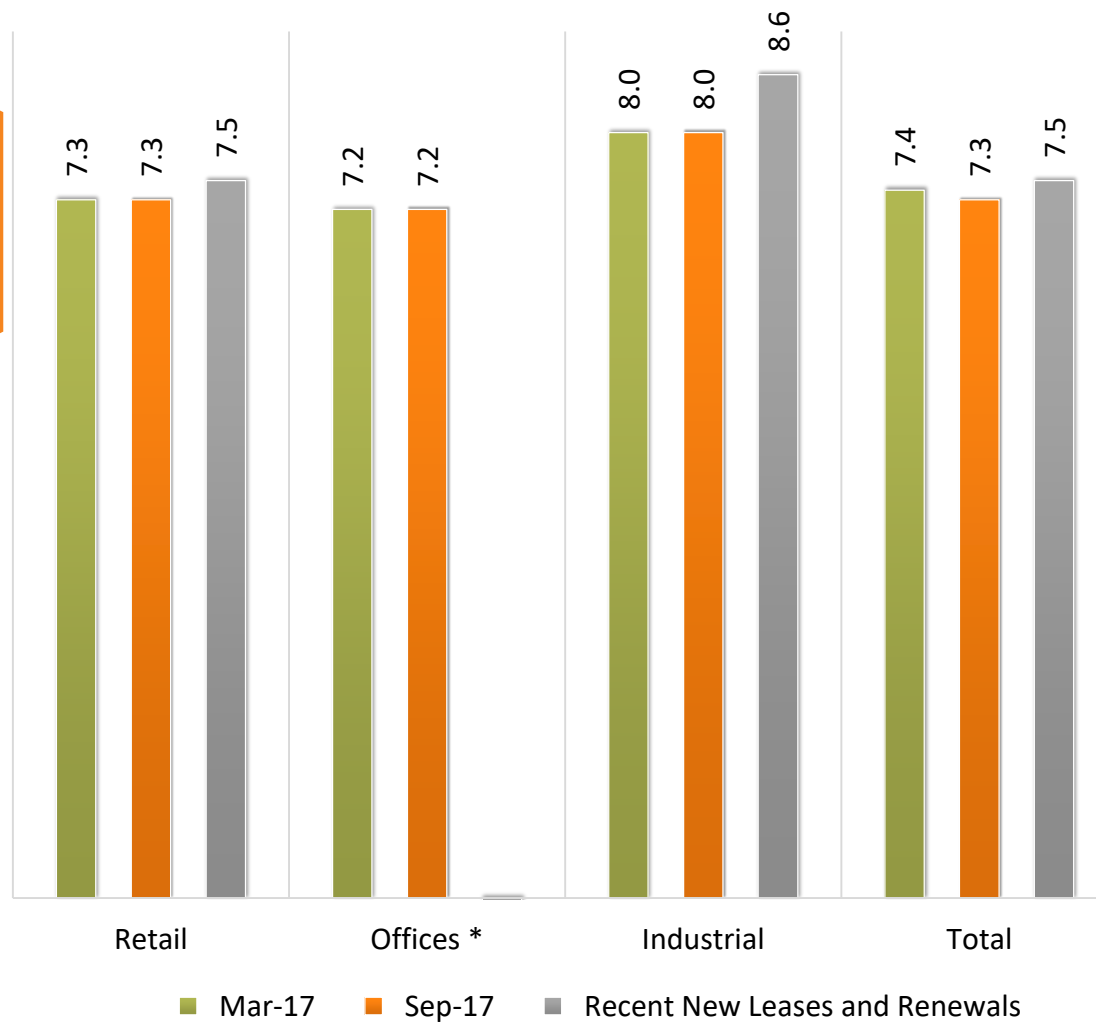
\* No new office leases concluded during the period

# Contracted rental escalation profile

Rental escalations still ahead of inflation



Escalation Percentage

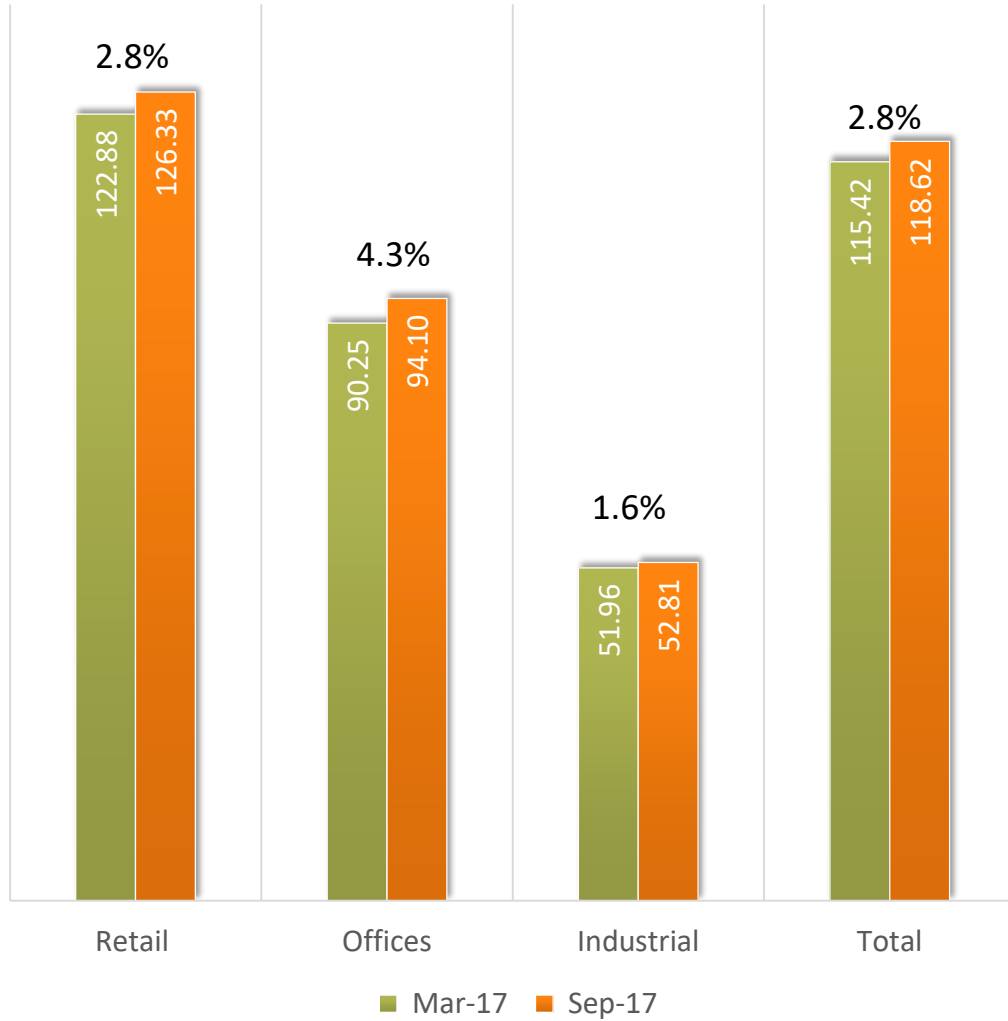


\* No new office leases concluded during the period



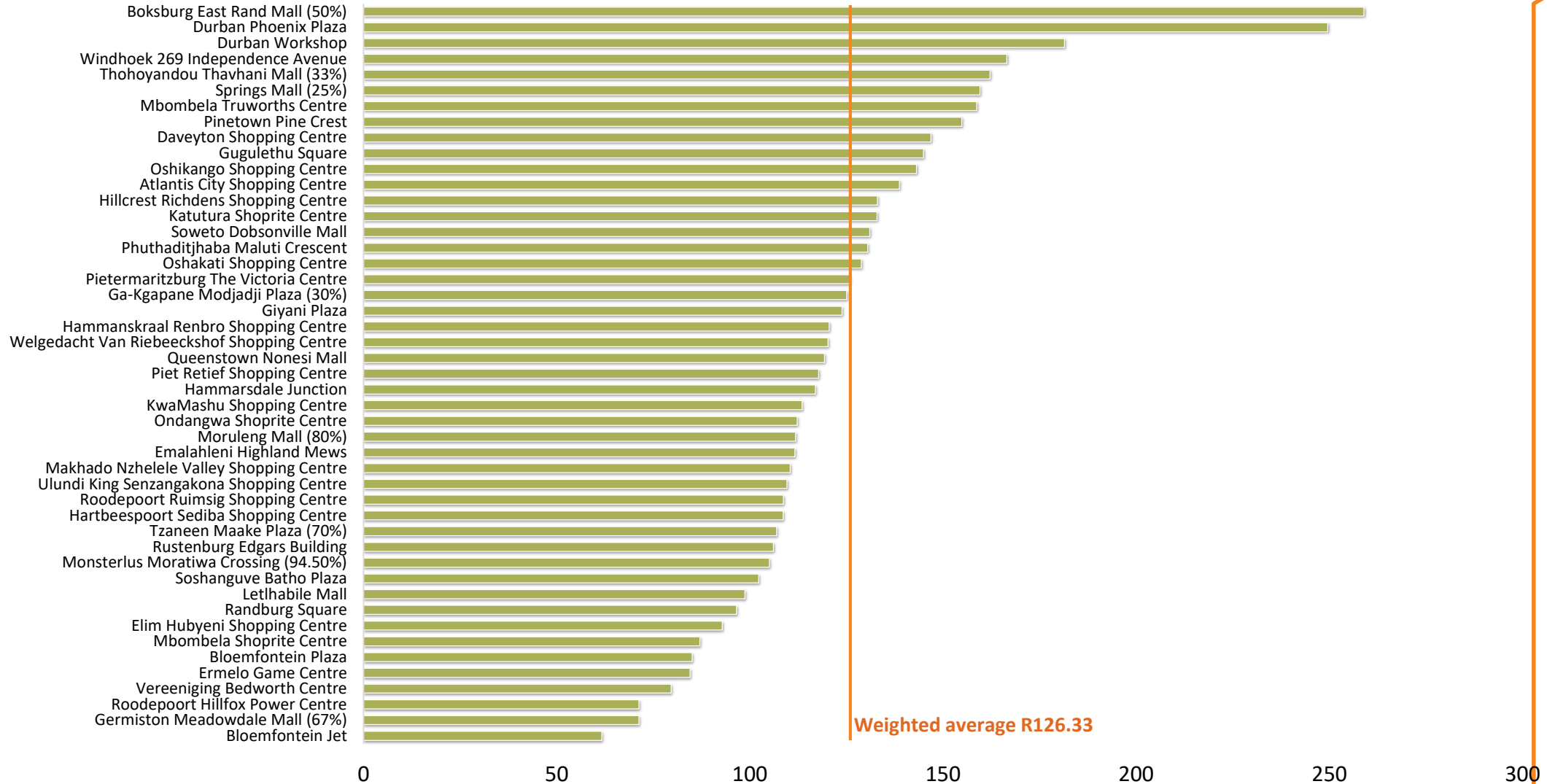
# Weighted average base rentals– R/m<sup>2</sup>

Excluding recoveries



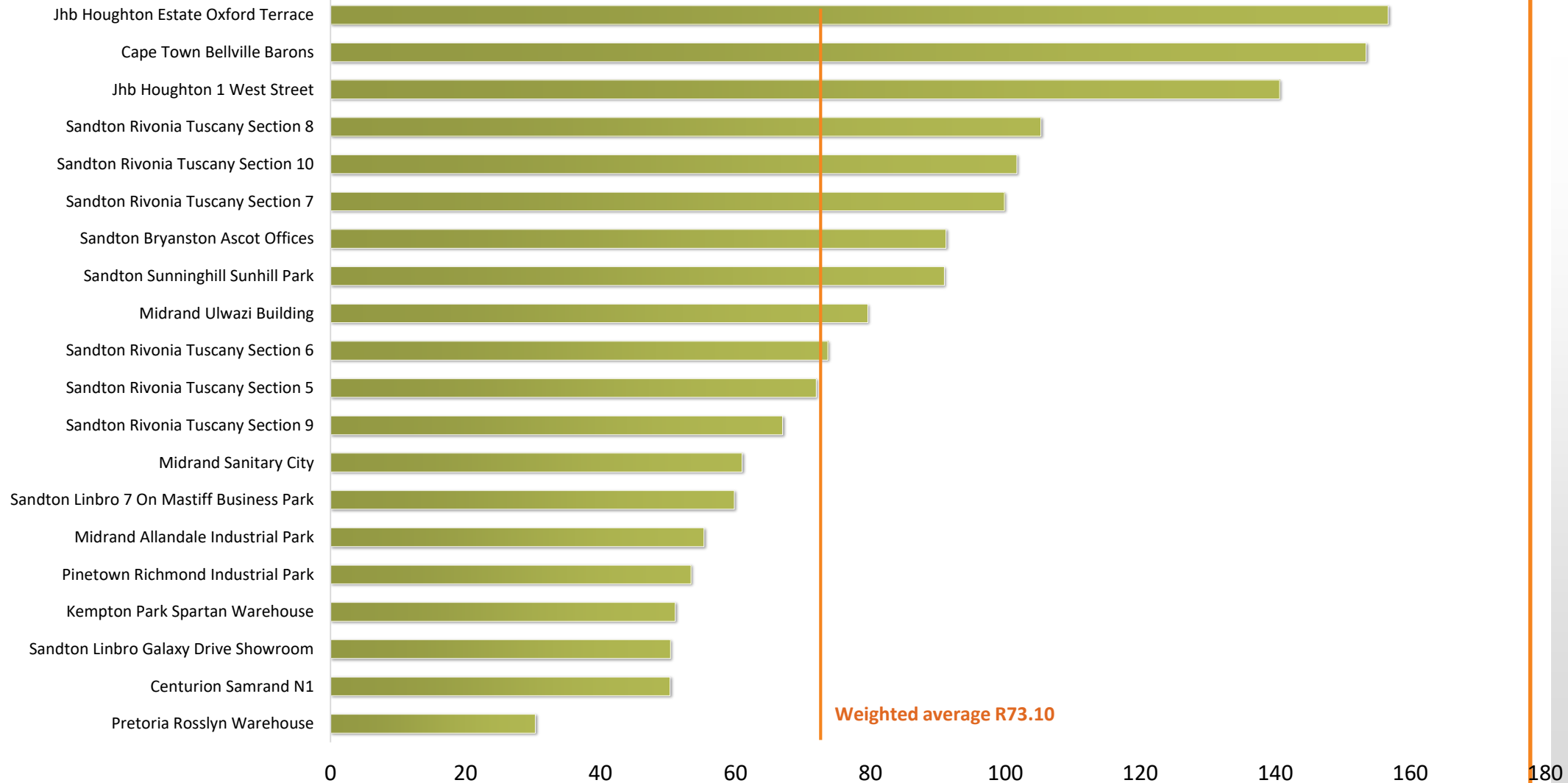
# Weighted average base rentals R/m<sup>2</sup> (excluding recoveries)

## Total Retail portfolio



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

## Total Other portfolio





# Disposals

Transferred during FY2018

Property	Location	Sector	Sale Price [mn]	Date of Sale
Pretoria Lynnwood Erf 493	Gauteng	Land	R2.9	Aug-2017
Pretoria Hatfield 116 Francis Baard Street	Gauteng	Offices	R16.5	Sep-2017
			<b>R19.4</b>	



# Acquisitions

Transferred during FY2018



Property	Location	Sector	GLA	Purchase Price [mn]
Kinépolis Retail Park and Leisure Centre	Granada	Retail	25 877	€41.5
Parque Oeste <sup>(i)</sup>	Madrid	Retail	13 604	€43.0
Parque Principado	Asturias	Retail	16 396	€30.0
Marismas Del Polvorín	Huelva	Retail	20 000	€25.0
La Heredad	Badajoz	Retail	13 447	€17.5
La Serena <sup>(ii)</sup>	Badajoz	Retail	12 405	€14.0
Mejostilla	Cáceres	Retail	7 281	€8.0
Motril	Granada	Retail	5 559	€7.5
Ciudad del Transporte	Castellón	Retail	3 250	€6.5
<b>Total Spanish acquisitions</b>			<b>117 820</b>	<b>€193.0</b>
Jet Bloemfontein	Bloemfotein	Retail	5 516	R38.3
<b>Total South Africa acquisitions</b>			<b>5 516</b>	<b>R38.3</b>

(i) Parque Oetse comprises two adjacent properties that were acquired in two separate companies, but has been treated as a single combined property for reporting purposes

(ii) La Serana comprises two adjacent properties that were acquired in two separate companies, but has been treated as a single combined property for reporting purposes

Note: All data represents 100% of Castellana, Vukile shareholding is 98.3%

# Refurbishments and new developments

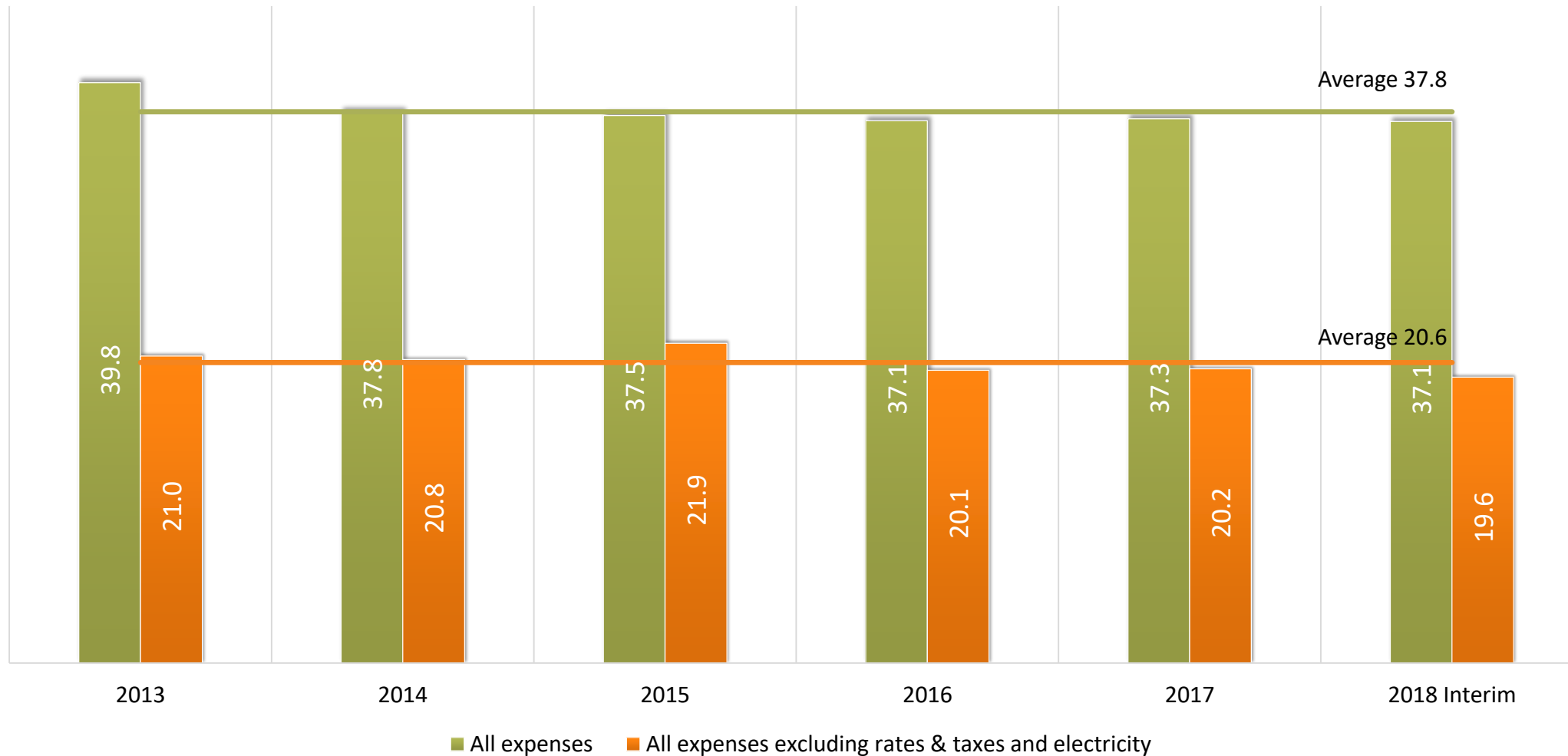
Approved during FY2018



Project	Capex [mn]	Yield	Completion Date
Thohoyandou Thavhani Mall	R350.1	8.0	Aug-17
Phuthaditjhaba Maluti Crescent	R338.0	8.5	Sep-18
Dobsonville Centre Extension	R114.0	9.6	Aug-17
Durban Phoenix Plaza	R35.0	n/a	Sep-17
	<b>R837.1</b>		

# Southern African ratio of gross cost to property revenue

Improvement in cost ratios



\* Stable portfolio excluding recent acquisitions and sales

## Appendix B

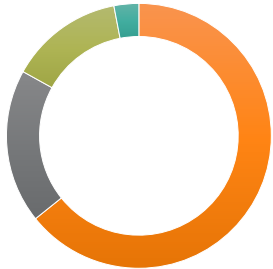
### Financial Results Overview



# Group net income analysis

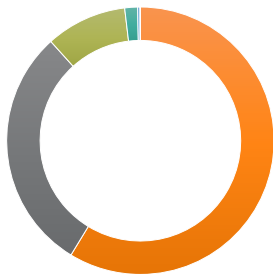
Distributable income > R578 million for H1 FY2018

## Income R1 135.2 million



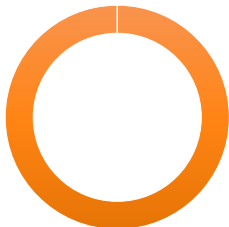
	R'000	%
Rental income	729 334	64.2
Municipal and rates recoveries	213 506	18.8
Investment and other income	158 006	13.9
Income from associate	34 358	3.0

## Expenses R579.3 million



	R'000	%
Property expenses	339 976	58.7
Finance costs	171 601	29.6
Corporate and administrative expenses	56 801	9.8
Taxation	8 986	1.6
Non-controlling interest Castellana and Clidet	1 654	0.3
Other capital items	248	0.0

## Non IFRS adjustments R22.6 million



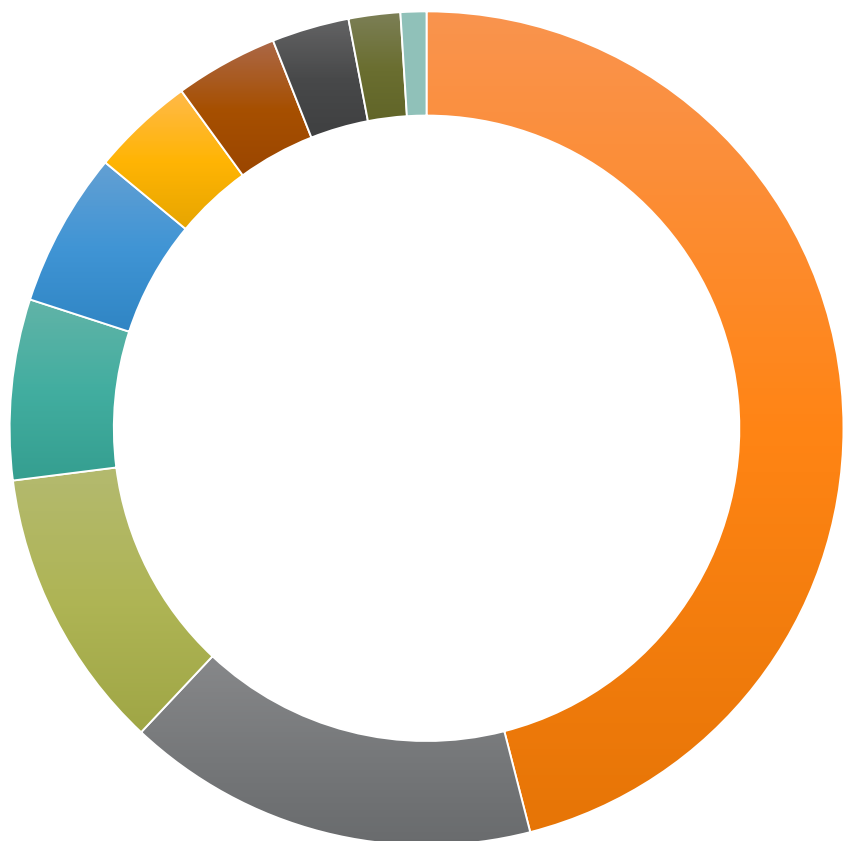
	R'000	%
Shares issued cum dividend	22 588	100.0



# Recurring expenses

80% of costs from top four categories

62% of costs from Government Services and Rates & Taxes with 96% recovery



% of Recurring expenses



Total Portfolio

46

16

11

7

6

4

4

3

2

1

# Bad debt and arrears analysis

## Prudent provisioning policy

- ▶ Tenant arrears amounted to R83 million an increase from 4.3% at March 2017
- ▶ Doubtful debt allowance up to R38 million (March 2017: R32 million)
- ▶ The doubtful debt allowance equates to 1.9% of gross property revenue for the twelve months ended 30 September 2017 (March 2017: 1.8%)

### Impairment allowance 1 April 2017

- Allowance for receivable impairment for the six month period
- Receivables written off as uncollectable

### Impairment allowance at 30 September 2017

### Bad debt write-off per the statement of comprehensive income

Sep-17  
R'000

32 389

13 538

(8 253)

37 674

8 094

