VUKILE PROPERTY FUND

REAL ESTATE. REAL GROWTH.

"With the strong benefits of geographic and macro-economic diversification becoming increasingly evident, and the ongoing focus on driving operational performance, Vukile reaffirms the guidance for growth in dividends of between 3% to 5% for the full year."

Laurence Rapp – Chief executive officer

Condensed unaudited interim results for the six months ended 30 September 2019 (the period)

HIGHLIGHTS

- **3.5% increase in dividends in line with guidance to 80.84 cents per share**
- **Outstanding retail performance in Spain**
  - Investment property increased to **€1 028 million** from €916 million
  - Acquisition of Puerta Europa Mall for **€56.8 million** and additional El Corte Ingles units for €37 million
  - Reduced vacancy to **1.4%** for the period with **6.7% positive reversions** and **21% growth** on new leases
  - Maintaining a rent collection rate of **over 99%**
  - EPRA NAV increased by **3.14%** to **€594 million** equating to €6.89 per share
- **Continued strong operational results from defensive portfolio in southern Africa**
  - Retail vacancies reduced to **2.8%** with **82%** retail tenant retention
  - Like-for-like growth in net income of **6.1%**
  - **3.5%** like-for-like trading density growth, and rent-to-sales ratio down to **5.9%**
  - Cost-to-income ratio well contained at **16.9%** of all expenses
  - Acquired Mdantsane Shopping Centre for **R516.5 million** in November 2019
- **Robust balance sheet leading to upgraded credit rating**
  - Corporate long-term credit rating upgraded to **AA-$_{(ZA)}$**
  - Interest cover ratio of **6.4 times**
  - Loan-to-value ratio of 40.8% with **86.5%** of debt hedged
- **47% of earnings now generated in Spain**
  - Acquired additional stake in Castellana for **€38.9 million**, increasing total interest to 82.5%

FINANCIAL PERFORMANCE

Total revenue for the period increased from R1.2 billion to R1.8 billion.

Headline earnings per share amounted to 82.99 cents per share (30 September 2018: 65.98 cents per share). Profit available for distribution increased from R713 million to R847 million. Cash flow from operating activities comfortably covered the dividend to be paid for the period under review. Dividends per share for the six months ended 30 September 2019 increased by 3.5% to 80.83610 cents per share (30 September 2018: 78.10251 cents per share). Earnings per share for the six months ended 30 September 2019 amounted to 87.00 cents per share (30 September 2018: 101.77 cents per share). The group's net asset value per share at 30 September 2019 equated to 2000 cents per share, down from 2026 cents per share at 31 March 2019.

The group's direct property investments were valued at R32.9 billion at 30 September 2019 (31 March 2019: R30.5 billion) located in South Africa, Namibia and Spain.

The value of listed investments at 30 September 2019 was R2.3 billion (31 March 2019: R2.6 billion.) Listed investments comprise investments in Atlantic Leaf Properties, Fairvest Properties Limited and Arrowhead Properties Limited.

PROSPECTS FOR THE GROUP

Southern Africa

Due to the persistent macro-economic challenges which require structural changes over time, we expect the current challenging conditions to last into the next reporting period.

At an industry level, it is a welcomed development to see the national greenfield shopping centre development pipeline slow down. It is our view that dominant A grade malls should continue to show growth over time as the market consolidates into these sites due to slowing supply.

Operational efficiencies and efficient capital deployment will continue to be our primary goal into the next reporting cycle. The operational efficiency focus will help absorb the top line pressure of challenged sales growth.

We expect the portfolio's full year like-for-like growth to be in line with the first half of the year. We also expect to gain more traction with regards to decreasing vacancies across the portfolio. On the downside, further pressure on escalations and lease duration will most likely persist. However, Vukile is well positioned with low vacancies and reduced exposure to high-risk tenants. We will continue to engage with our major tenants to ensure mutually acceptable reversions, space optimisation, and containment of administrative costs.

Spain

Castellana's retail portfolio is well placed to deliver sustainable returns. Castellana's strategy is to keep growing the portfolio through organic growth, value-added asset management initiatives and accretive acquisitions.

The Castellana team is resolutely focused on the delivery of the value-add projects in Los Arcos, Bahía Sur and El Faro which will transform the three assets in terms of an improved tenant mix, greater dominance in their catchment areas and better experience with leisure and food and beverage activities. We expect to complete those projects within the next 12 months and anticipate that it will change the outlook of the portfolio by increasing NOI over time, but most of all it will further demonstrate the Castellana team's ability to deliver enhanced and growing income. On the retail park portfolio there are several projects taking place that will enhance the tenant mix. The team is working hard to continue to reduce exposure to electronics, mostly by replacing these shops with other operators in the sports, fashion and household sectors.

The Spanish retail real estate market is forecast to be less active this year as investors have turned to other asset classes. As a result, many opportunities are coming to Castellana as shown by the large pipeline. Our investment strategy will remain focused on enhancing and adding value to our portfolio of low-risk, dominant retail assets that produce predictable and sustainable income streams.

While capital values and yields are stabilising, we expect rentals to keep growing at healthy rates.

We believe the time is right for a different approach to soft services, repairs and maintenance in the Spanish shopping centre environment. We are challenging our property managers to keep developing innovative solutions that offer us better value in the year ahead.

We are well on our way to positioning Castellana at the top end of the market with our quality retail portfolio, highly skilled team and significant opportunities for value enhancement.

Group dividend guidance

With the strong benefits of geographic and macro-economic diversification becoming increasingly evident, and the ongoing focus on driving operational performance, Vukile reaffirms the guidance for growth in dividends of between 3% to 5% for the full year. The guidance assumes no material adverse change in trading conditions or large corporate failures. Forecast rental income is based on contracted escalations, market-related renewals and on the successful conclusion of certain transactions currently in progress. The forecast has not been reviewed or reported on by the company's auditors.

PAYMENT OF DISTRIBUTION

The board has approved and notice is hereby given of a final distribution of 80.83610 cents per share for the six months ended 30 September 2019. An announcement relating to the salient dates and tax treatment of the distribution payment will be released separately on SENS.

www.vukile.co.za

ABOUT THIS ANNOUNCEMENT

This short-form announcement is the responsibility of the directors of the company. The announcement is only a summary of the full announcement, released on the JSE website at **https://senspdf.jse.co.za/documents/2019/jse/isse/vke/HY2020.pdf** on 2 December 2019, and does not contain full or complete details. Any investment decision by investors and/or shareholders should be based on consideration of the full announcement.

The full announcement is available for inspection at the registered offices of the company (4th Floor, 11 Ninth Street, Houghton Estate, 2198), on the company's website (**www.vukile.co.za/cmsAdmin/uploads/HY2020.pdf**) and at the offices of the sponsor, Java Capital (6A Sandown Valley Crescent, Sandown, 2196) at no charge during normal business hours from Monday, 2 December 2019 to Monday, 9 December 2019.

On behalf of the board

NG Payne	**LG Rapp**
Chairman	Chief executive officer
Houghton Estate	2 December 2019

VUKILE PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2002/027194/06)
JSE share code: VKE ISIN: ZAE000056370
Debt company code: VKEI
NSX share code: VKN
(granted REIT status with the JSE)
(Vukile or the group or the company)

JSE sponsor: Java Capital
NSX sponsor: IJG Group, Windhoek, Namibia
Executive directors: LG Rapp (chief executive), LR Cohen (chief financial officer), IU Mothibeli (managing director: southern Africa), GS Moseneke
Non-executive directors: NG Payne (chairman), PS Moyanga, SF Booysen, RD Mokate, H Ntene, HM Serebro, B Ngonyama
Registered office: 4th Floor, 11 Ninth Street, Houghton Estate, 2198
Company secretary: J Neethling
Transfer secretaries: Link Market Services South Africa (Pty) Ltd, Braamfontein, Johannesburg
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