

HYPROP INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1987/005284/06)

JSE share code: HYP ISIN: ZAE000190724

JSE bond issuer code: HYPI

(Approved as a REIT by the JSE)

(“Hyprop” or “the Company” or “the Group”)



UPDATE ON COVID-19 IMPACT ON HYPROP'S BUSINESS

Further to the SENS announcement by Hyprop issued on 1 April 2020, Hyprop wishes to update shareholders regarding the impact of Covid-19 on its South African, European and African operations and other relevant information prior to its year-end on 30 June 2020 and entering its closed period.

The Group continues to apply the measures required by the countries in which it operates to mitigate the spread of Covid-19. Our top priority remains the health, safety, and well-being of our tenants, customers and personnel.

Balance sheet and capital management

The Group's liquidity is strong and stable, notwithstanding the difficult trading environment.

On 31 May 2020, Hyprop had R1 billion of cash in South Africa. Furthermore, the Company has secured a R500 million revolving credit facility from a local bank (which is in the final stages of implementation), and has raised R100 million through the private placement of a bond under its Debt Capital Market program. Taking the above into account, the Company has a total of R1.6 billion in available cash resources.

Hyprop is in regular contact with its bankers in all jurisdictions and has made good progress on refinancing upcoming debt maturities.

The HILB06 bond of R425 million, which matures in July 2020, will be settled from available cash resources.

Two US Dollar denominated loans (\$45 million maturing in August 2020 and \$52 million maturing in October 2020) in Mauritius will be refinanced through two new Rand denominated loans with the same lender, the terms of which have been agreed. This will significantly reduce the Group's dollar denominated borrowings and associated currency risk.

The average cost of borrowing for the new facilities is less than 7% per annum, which is favourable when compared to Hyprop's historic average cost of borrowings of 9.3%.

At 31 December 2019 the Group reported a see-through loan-to-value ratio (“**LTV**”) of 34.2% (as measured by the majority of the Company's lender banks) and an interest cover ratio (“**ICR**”) of 3.8 times. Whilst the rent relief given to tenants since the start of the Covid-19 lockdown will result in a reduction of the Group's profit for the 2020 financial year, all ICR covenants should be met for this reporting period.

The Company's independent property valuers have indicated that the impact of Covid-19 will be treated as a once off valuation adjustment, and not as a permanent devaluation, of the Company's South African property portfolio. Market rentals and exit cap rates may come under pressure due to the deteriorating economic environment prior to the advent of Covid-19. Certain of these impacts were however taken into account in the property valuations at 31 December 2019. Subject to no further devaluation of the Rand against the Dollar and the Euro, LTV covenants should be met at 30 June 2020.

South Africa

The impact of the Covid-19 lockdown on the retail sector, and the resultant trading restrictions, was severe. Only stores providing essential products and services were allowed to trade during Lockdown Level 5 from 27 March 2020 to 30 April 2020. With the easing to Lockdown Level 4 from 1 May 2020, more categories of stores were permitted to trade. Under Lockdown Level 3 (effective 1 June 2020) all tenants are able to trade, other than cinemas, entertainment and personal care tenants. Restaurants may only provide deliveries and take-aways, provided all health and safety measures are adhered to. We have worked closely with our tenants to make trading possible and are optimistic that all retailers will be able to trade in the near future.

As at 30 April 2020 the retail vacancy was 2% and the total average monthly foot-counts at Hyprop's malls for March, April, May, and June, compared to the same months last year, were as follows:

March 2020	Down 24%
April 2020	Down 71%
May 2020	Down 39%
June 2020 (seven days)	Down 24%

The percentage of tenants trading in the first week of June 2020 at the malls, ranged from 67% to a high of 97%, as set out below:

Capegate	89%
Canal Walk	85%
Somerset Mall	92%
The Glen	85%
Rosebank Mall	76%
Clearwater Mall	88%
Atterbury Value Mart	97%
Hyde Park Corner	67%
Woodlands Mall	85%

We are currently negotiating rent relief packages with 86 of our national and larger retailer groups, and have concluded 37% of the negotiations with 63% in process. Our core focus in these discussions is tenant retention. Rent collections are improving as these negotiations are concluded with individual tenants and should return to normal levels once all are finalised. Cash collections for April and May 2020 were as follows:

- April 2020 – 43.6% of monthly billings; and
- May 2020 – 54.6% of monthly billings.

Due to strict cashflow management, the South African operations were cashflow neutral for April and May 2020.

Edcon Limited (“Edcon”)

On Monday, 8 June 2020, the Joint Business Rescue Practitioners (“**BRP**”) of Edcon published its Business Rescue Plan which outlines the conditions that need to be fulfilled for the Business Rescue Plan to become effective, and be implemented.

Hyprop's Edcon exposure has reduced from 50 199m² to 47 762m² due to the sale of CNA after our interim reporting period. The reduced exposure equates to 6.7% of Hyprop's South Africa GLA. Of the total current Edcon exposure by GLA, only 976m² has been identified by the BRP as onerous and 1 360m² has been identified as non-viable space.

We have leasing strategies in place for this space as well as for any additional vacancies resulting from the Business Rescue process. The vacancies will create an opportunity for Hyprop to introduce other uses and/or new retailers into our malls, and accelerate the repositioning of the portfolio.

Eastern Europe

All six of the Hystead malls re-opened in the first half of May after approximately six weeks of lockdown. Most tenants are trading normally, apart from cinemas and restaurants in some of the regions. Certain foodcourt tenants are only allowed to serve take-aways whilst others are allowed limited seating. Tenants in the sport, electronics and health and beauty categories are performing well, with the fashion category lagging, save for large international stores such as Inditex, Peak & Cloppenburg, C&A and H&M.

Rent relief negotiations were successful with 91% of tenants accepting our proposals. In most cases tenants will pay turnover based rent and service charges for up to three months after re-opening of the malls. Thereafter normal lease terms will apply. As compensation for these concessions, lease periods have been extended. Different relief packages were agreed with the large international anchor tenants.

On average, in excess of 90% of the total Hystead GLA is currently trading, as follows:

The Mall, Sofia	85%
Skopje City Mall	88%
Delta City Podgorica	90%
City Centre One East (Zagreb)	94%
City Centre One West (Zagreb)	99%
Delta City Belgrade	89%

Hystead shareholders

PDI Investment Holdings (the 40% shareholder in Hystead) has provided €40 million in bank guarantees directly to one of Hystead's lender banks, and have ceded €46,8 million of collateral (comprising cash, bank guarantees and listed shares) to Hyprop as "back-to-back" security for the guarantees of €360 million provided by Hyprop on behalf of Hystead. The listed shares are marked-to-market on a monthly basis and the security has been maintained at the required level throughout the Covid-19 pandemic. The shareholders are in discussions regarding their future relationship and further details will be provided in due course.

Sub-Saharan Africa

Ghana (Accra Mall, West Hills Mall, Kumasi City Mall)

The lockdown introduced in Ghana on 30 March 2020 was lifted on 21 April 2020. All centres are operational and almost all tenants are trading, save for the cinemas. Restrictions in respect of physical distancing and social gatherings remain in place and although restaurants are allowed to trade, restrictions on the number of customers allowed in restaurants and eateries are hampering the ability of food tenants to trade optimally.

The GLA trading in Ghana as a percentage of pre-lockdown GLA is detailed below:

Accra Mall	91%
Kumasi City Mall	86%
West Hills Mall	88%

The minority shareholders in AttAfrica have been bought out by Hyprop and Attacq Limited ("**Attacq**"), who are now joint shareholders, ranking *pari passu*, in AttAfrica,

Nigeria (Ikeja City Mall)

In Nigeria a lockdown was implemented on 30 March 2020 and lifted on 4 May 2020. Borders and ports remain closed. Ikeja City Mall is operational with 83% of pre-lockdown GLA trading, however, all food operators may offer take-aways only, with no in-dining allowed. All health and hygiene protocols remain in place.

We are engaging with a buyer for Ikeja City Mall on an exclusive basis and will make an announcement should the negotiations complete.

Good progress is being made on restructuring the in-country US Dollar denominated debt which should result in interest savings.

Staff and business partners

The health and safety of our staff, business partners and customers is of utmost importance and we continue to adhere to strict hygiene and physical distancing measures. Our staff have returned to work on a rotational basis to lower the risk of the possible spread of the Covid-19 virus. We continue to work closely with all our business partners and are pleased to report that we have transitioned through the different lockdown levels without any major incidents.

Social impact

Hyprop, through its partnership with Gift of the Givers, has collected 110 trolleys of food which has been distributed through Gift of the Givers' national food intervention programme to the most distressed and vulnerable citizens affected by the lockdown. Through this initiative we have mobilised our resources, together with our tenants and customers, to provide for fellow South Africans during a very difficult time.

In closing

Our vision remains to create safe environments for people to connect and have authentic and meaningful experiences. A number of our tenants are reviewing their business models in light of the Covid-19 pandemic and we are working closely with them to design a collective offering that appeals to shoppers who frequent our malls. These initiatives are expected to improve trading densities. Our malls play an important role in their communities, and we believe they will continue to do so, beyond the current circumstances.

Hyprop withdrew its distribution guidance for the year ending 30 June 2020 on 1 April 2020 and delayed the distribution of its interim dividend to October 2020.

Despite the significant challenges that face our economy in general, and consumers specifically, our balance sheet and liquidity position remain adequate to withstand the challenges posed by Covid-19.

Hyprop's final results for the year ending 30 June 2020 will be released during the last week of September 2020. A final date will be published on our website (www.hyprop.co.za) in due course.

10 June 2020

Sponsor

JAVACAPITAL