VUKILE PROPERTY FUND

REAL ESTATE. REAL GROWTH.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020 (the period)

HIGHLIGHTS

Sustained performance in tough Southern African trading environment

> Retail vacancies well contained at 3%
> Rent collection rate of 95%
> Footfall at 86% of prior year
> Like-for-like trading density growth of 1.3%
> Retail retention rate at 92% with reversions contained at -2%

Spanish portfolio holding up very well

> Vacancies reduced to 1.5%
> Rent collection rate of 90%
> Footfall at 84% of prior year
> Sales at 95% of prior year
> Completed redevelopment projects with 91% of GLA let
> Portfolio WALE of 13.9 years

Strong balance sheet and well diversified funding base

> Debt reduced by R1.5 billion
> LTV reduced to 44.3% (FY20 46.1%)
> 100% of FY21 maturing debt repaid or extended
> Undrawn debt facilities increased to R2.3 billion
> Interest cover ratio (ICR) of 3.7 times

Extensive tenant relief provided in Southern Africa and Spain

> Negotiation and administration of COVID-19 lockdown rental relief programmes completed
– In Southern Africa, rental relief of R133 million granted to tenants
– In Spain, rental relief of €15 million granted to tenants
> Primary focus on the health and wellbeing of our customers, tenants and staff

FINANCIAL PERFORMANCE

Revenue and operating profit reduced relative to the prior period, largely due to COVID-19 rent concessions granted to tenants, both in Southern Africa and Spain. Gross property revenue for the period decreased from R1.8 billion as at 30 September 2019 to R1.4 billion at 30 September 2020. Operating profit before finance costs decreased to R731 million (30 September 2019: R1 341 million), the loss for the year attributable to owners of the parent amounted to R206 million (30 September 2019: R830 million profit), resulting in basic earnings per share decreasing to -21.52 cents per share (30 September 2019: 87.00 cents per share). Headline earnings reduced to 27.99 cents per share in the six-month period (30 September 2019: 82.99 cents per share). The decrease in headline earnings per share was primarily due to COVID-19 rent concessions. The board decided not to declare an interim distribution for the six months ended 30 September 2020 (30 September 2019: 80.84).

The group's net asset value per share at 30 September 2020 equated to 1724 cents per share, down from 1834 cents per share at 31 March 2020.

The group's direct property investments amounts to R35.1 billion at 30 September 2020 (31 March 2020: R35.7 billion), located in South Africa, Namibia and Spain.

Total indirect property holdings (listed property investments) reduced to R0.6 billion at 30 September 2020 (31 March 2020: R2.1 billion), following the sale of Vukile's interest in Atlantic Leaf for R1.1 billion. Listed investments comprise investments in Fairvest Properties Limited and Arrowhead Properties Limited.

The onset of the COVID-19 pandemic, and ensuing hard lockdowns in Southern Africa and Spain, coincided with our March financial year-end and a significant portion of the anticipated financial stress owing to the pandemic was experienced in the first half of the current financial year, as reported in this set of results. As such, readers are cautioned not to assume that the second half of the financial year will mirror, to a large degree, the first half results as is usually the case in a REIT. In the absence of further hard lockdowns in Spain and/or Southern, we would expect the second half results to show an improvement.

PROSPECTS FOR THE GROUP

The COVID-19 crisis has had a negative impact on the global property market and on retail real estate companies in particular. Our specialist retail focus has contributed towards the negative market sentiment towards Vukile, which has been further exacerbated by our exposure to Spain, which was one of the first countries to be affected by the pandemic and resultant lockdown of the economy.

While the Spanish economy will be hard hit in 2020, current forecasts anticipate a strong rebound in 2021. Spain is a key European economy, underpinned by strong fundamentals providing Vukile shareholders with diversification into a country with a healthy structural retail real estate environment. In particular, Castellana's geographically diversified portfolio and high-quality tenant profile, made up of 93% international and national tenants, should provide a very solid recovery platform.

In South Africa, the economy will not only have to deal with the impact of the pandemic, but also the effects of the credit downgrades in March and November and ongoing macro-economic challenges, led by a growing fiscal deficit that needs to be urgently and decisively dealt with by government.

The COVID-19 crisis has also shone the spotlight on the future of retail as a real estate asset class. As predicted, it is very clear that the retail landscape will change over time and while we will continue to experience a rise in online shopping, quality retail centres will have a critical role in any economy, as part of an ongoing evolution to a world of omnichannel retailing. The changes in retail must be embraced and both Vukile and Castellana are very well positioned to capitalise on an era of greater specialisation, which is needed to thrive in a changing retail environment.

Vukile has the key ingredients to ensure that it continues to provide great spaces that meet customers' needs, including building closer tenant relationships, increasing focus on customer centricity and the agility to adapt quickly. When deployed effectively, these elements translate into our nodally dominant centres being very profitable spaces for tenants to operate from. Our business and decision making is nimble and willing and able to adapt to a changing consumer environment.

Our balance sheet remains solid and the business is very cash generative, with healthy interest cover ratios and the ability to comfortably meet all debt servicing requirements. We are happy with the progress made in the past six months in reducing our LTV and will continue with plans to reduce it further over time. Both Vukile and Castellana have enjoyed tremendous support from their well-diversified funding base.

Having successfully navigated through the past six months, which would probably represent the most severe period of the COVID-19 crisis, Vukile's management is exceptionally happy with the way the portfolio has performed. We remain confident that the strength of our business and the portfolios in both Southern Africa and Spain will continue to be evident and set up a solid foundation from which to re-establish the profitability achieved in prior years. The board and management have used this unique crisis to critically evaluate Vukile's business model, and remain committed to its stated strategy and focus.

The spectre of further COVID-19 waves, as experienced in Spain and potentially in South Africa, creates further economic uncertainty. The board, consistent with guidance given previously, has decided not to pay an interim dividend for the first half of the 2021 financial year. Rather, we believe it is prudent to retain cash and assess the evolution of the pandemic for the remainder of the financial year, before deciding on a final dividend.

As highlighted in our FY20 results, Vukile will adopt a variable payout ratio going forward and any dividends paid will be based on a 75% payout ratio.

Vukile remains very well positioned to navigate the current uncertain environment and ensure long-term sustainability for all stakeholders. Until such time as the broader impacts of the COVID-19 pandemic become clearer, we will continue to adopt a more conservative inward-looking approach, focusing on operational excellence and balance sheet strength.

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 SENS on 30 November 2020, 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 on the company's website (https://www.vukile.co.za/cmsAdmin/uploads/interim_results2021.pdf) and on the JSE website at https://senspdf.jse.co.za/documents/2020/jse/isse/vke/HY2021.pdf. Copies of the full announcement may be requested by emailing Johann Neethling, at Johann.Neethling@Vukile.co.za or the company's sponsor, Java Capital at sponsor@javacapital.co.za from Monday, 30 November 2020 to Tuesday, 8 December 2020.

On behalf of the board

NG Payne
Chairman

LG Rapp
Chief executive officer

Houghton Estate

30 November 2020

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)
Non-executive directors: NG Payne (chairman), PS Moyanga, SF Booysen, RD Mokate, H Ntene, HM Serebro, B Ngonyama, GS Moseneke
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