PRESS RELEASE FROM VUKILE PROPERTY FUND

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Vukile outperforms market with 7.5% full-year dividend growth

Vukile Property Fund today reported 7.5% growth in dividends to 181.48 cents a share for its full-year to 31 March 2019.

Vukile's full-year returns deliver on its market guidance and represent 15 years of uninterrupted dividend growth for Vukile investors. Its dividend is fully covered by the cash flow from its operations.

The impressive set of results reflect the significant benefits of Vukile's growing international diversification and value-adding asset management in Spain. They are also underpinned by a solid operational performance from its southern African portfolio, its robust balance sheet and capital market support.

Laurence Rapp, CEO of Vukile Property Fund, notes this has been Vukile's strongest and most transformative year yet. Vukile is now a high-quality low-risk retail REIT with just under half of its R28.7bn direct property investments in Spain.

Rapp comments, "As a business, Vukile really matured and came into its own this year. We have a clear vision, structure and strategy. The business is in excellent shape operationally and strategically, and well positioned for good, sustainable growth in both South Africa and Spain."

Vukile's financial year was highlighted by the strong growth in its Spanish asset base, which tripled in value from EUR308 to EUR916 through the acquisition of five high-quality shopping centres. Vukile's listed Spanish subsidiary, Castellana Properties SOCIMI SA, is the ninth biggest REIT in Spain by market capitalisation.

Rapp adds, "With 45% of our assets in Spain, Vukile has added the serious advantages of macroeconomic diversification for investors, which also benefits all levels of our business. Vukile offers Rand-denominated exposure to high-quality properties and tenants in the fastest growing economy in western Europe."

Castellana delivered a strong operational performance and high-impact asset management interventions that are paying off handsomely. All nine of its original retail parks are now fully let, and Castellana is achieving positive reversions on expiring and new rentals of nearly 11%, with like-for-like rental growth of 3,5% compared with a 1.2% inflation rate in Spain.

A case in point is Castellana's three adjacent properties in Granada, which were integrated into a single precinct. The successful redevelopment and leasing of the EUR 5.5m Granaita Leisure Centre was achieved at a 10.8% development yield and relaunched in July 2018 with occupation improved from 48% to 100%. The long-term, value-adding initiative has added EUR595,000 to Castellana's annual net

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operating income and ensured that at 104,000sqm, Granaita is the biggest shopping precinct in its city and province.

Rapp says; "Our Spanish business has matured exceptionally quickly given that it is only two-years-old, and we are delighted with its performance and positioning. It has a solid pipeline of deal-making and asset management opportunities. Castellana's loan-to-value ratio has decreased to 46%, and we'll continue to reduce it."

Vukile's South African business delivered sound performance in an extremely difficult economy. It achieved positive retail rental reversions at 4.5% and reduced vacancies to 3% with 87% tenant retention.

In SA, Vukile continued to grow its portfolio size and quality by buying Kolonnade Retail Park in Pretoria for R470.6m and investing in core assets with upgrades, redevelopments and expansions. Vukile's R392m redevelopment of Maluti Crescent opened on 21 March to become the dominant centre in Phuthaditjhaba. In addition, its R200m major renovation of the Pine Crest in Pinetown opens in July.

The launch of the Vukile Academy was an exciting highlight this year. Designed to make a tangible difference to transformation, it kicked off with more than 50 bursaries to help young black university students and eight hands-on internships at Vukile with mentorship from its skilled team. Rapp says, "The Vukile Academy is a game-changer for us. We believe it will help to transform the industry in the future."

Efficient operations were a priority in both Vukile's portfolios. "We are seeking different and better ways to operate in all areas of the value chain to be more efficient and protect future value. Vukile is building a sustainable business, and our management team is vigilant in avoiding the traps of short-termism. With this mindset, we are focusing on what shopping centres will be like in future and preparing our business to flourish with the necessary skill sets and core competencies. It all boils down to how well you know and understand your customer, and adapt to their needs. By putting the consumer at the centre of everything we do, we are building a customer-centric business and shopping centres that exemplify this."

Vukile continued to benefit from a strong balance sheet and capital market support during the year. Exhibiting extremely healthy cash flows, its interest rate cover ratio (ICR) is 6 times, which is significantly ahead of covenant levels. Its loan-to-value ratio reduced to a pleasing 37% with 96% of debt hedged, and its corporate long-term credit rating was upgraded to A+(za). Vukile also enjoyed strong support from the equity market, raising R2.6bn during the year and a further R700m after year-end, in oversubscribed book builds. Vukile raised R1.24bn in corporate bonds.

Vukile had several transactions in progress at year-end, designed to recycle capital from its non-core assets into its SA and Spanish retail strategies, including selling its remaining non-retail assets in SA to a BEE group and disposing of its Namibian portfolio. After year-end, Vukile reached a still highly-conditional agreement to acquire three assets from Rebosis Property Fund. The assets are completely aligned with Vukile's strategy of retail property investment in high-density markets

“Keeping in mind we are currently in negotiations on a number of transactions with timing that still needs to be finalised, Vukile expects dividends to grow between 3% and 5% in FY20, assuming no major economic or market shocks.,” concludes Rapp.

Reaching the end of a management era, Vukile’s FD Mike Potts and SA MD Ina Lopion, both stalwarts of the property sector respected for their quiet professionalism and exceptional delivery, are retiring on 30 June 2019. The company’s successful succession planning has ensured its seamless transition to a new executive team from 1 July 2019, with Laurence Cohen as CFO and Itumeleng Mothibeli as MD of the South African business.

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