

Pre-close and ESG update

for the year ending 31 August 2018



Creating value through strategic focus



We're not landlords. We're people.

Our conversation

Section **01** Overview

Section **02** Property asset platform

Section **03** Financial insights

Section **04** Supporting sustainability



Overview

Section 01

Overview

To deliver sustained value creation for stakeholders we focus on what matters most in an integrated manner

- Redefine's purpose is to manage spaces in a way that changes lives
- Our strategic approach remains appropriate for the environment in which we are operating
- We continue to make steady progress to build an asset platform that sustains organic growth through
 - Continuously improving, expanding and protecting our domestic property portfolio
 - Recycling capital through sale of assets at the end of their investment life cycle
 - Unlocking value through active asset management in offshore markets
 - Broadening sustainability to remain relevant
- The risk topography is rapidly evolving with reputational risk now featuring in the Top Ten



Property asset platform

Section 02



Retail portfolio

Creating outstanding places relevant to consumer lifestyles

- Solid trading performance with trading density growth of 2.8% (12 months to June)
- Limited impact from online shopping
- Tenants facing increased cost of occupancy - pressure on rental and escalation growth
- Benmore Centre refurbishment completed and 98% let
- Leroy Merlin to open at Stoneridge Centre end August 2018
- All phases of Centurion Mall redevelopment scheduled for completion in April 2019
- Negotiations concluded with Edcon to reduce exposure from 118 000m² to 76 000m²
- National department stores continue to underperform
- No deterioration in occupancy since last reporting date

Office portfolio

Efficient, modern facilities to enable work life integration

- Tenant consolidations and accommodation compression remains the key driver to current market demand
- Tenant space densification is driving operating cost increases
- P-grade and high end A-grade space still shows demand in key nodes – market however fiercely competitive
- The life cycle of commercial properties is diminishing, necessitating renewed focus on asset management
- Although hot-desking is losing some appeal, flexi time and co-working environments are dictating space requirements
- Significant progress made to reduce vacancy on previously tenanted Discovery buildings
- Rosebank Link 95% let with practical completion in October 2018
- The Advocates (2 Pybus) is 75% pre-let and expected to be completed by December 2018

Industrial portfolio

Location, functionality and efficiency key in cost sensitive market

- Increased development costs due to lengthy town planning processes and at times a lack of available power
- Stagnant rental growth and competition has placed pressure on initial development yields
- Continued declining public service and municipal infrastructure particularly in older suburbs
- Reduced leasing interest however certain nodes continue to attract demand
- Primary focus remains on tenant retention weighed against renewal rental growth and short lease periods
- Occupancy improved with successful letting of 34 Wrench Road
- Hirt & Carter facility completed in August 2018
- S&J Industrial Estate main roads, gatehouse and some infrastructure installed
- Brackengate 2 bulk infrastructure on programme. Plumblink and GEA warehouse completed

International operations and alternative investments

Continued expansion in geographic and sectoral diversification

	United Kingdom	Australia	Poland	Other
Interests	RDI REIT PLC 29.4%	Cromwell Property Group 3% Journal Student Accommodation Fund 90%	EPP 39% European Logistics Investment 95% Chariot Top Group BV 25%	Respublica 53.6% GRIT 4.3% Oanada Wings 37.2%
Second half 2018 activity	Conducted a market sounding exercise with exchangeable bondholders to start planning for the potential refinance in anticipation of the put event in September 2019	The sale of 386.5 million Cromwell shares to ARA Asset Management completed during the first week of June resulting in net proceeds of R3.5 billion. The sale of Northpoint to Early Light Channel completed during the first week of August realising net proceeds of R1.5 billion	The European Logistic Investment transaction was closed during the first week of July To fund the Marcelin acquisition, EPP raised €45 million (R701.8 million) in equity, Redefine was the sole participant therein priced at R19.26 (€1.235) per share, due to an equity undertaking provided by Redefine at the time of concluding the Phase One Metro portfolio	Student accommodation overall occupancy of 88%. Lincoln House (Bloemfontein) opened at beginning of the year (469 beds) and occupancy still low (36%), however not unusual for start-up Developments underway <ul style="list-style-type: none"> • Hatfield Square 1253 beds • Paton House (PMB) 538 beds* • Roscommon (CT) 550 beds • Yale Village (Parktown) 192 beds* <i>(*Development delayed due to community objections)</i>
Key focus areas	Support corporate activity to expand portfolio and recycle secondary assets to secure growth	Develop purpose built student accommodation	Support EPP to become a pure retail play Expand presence through development of logistics pipeline	Build local student accommodation to 10 000 beds by 2019 Discussions continue to recycle the holdings in GRIT and Oanda

Development activity

Expanding and unlocking value through developments

Retail



Benmore Centre, Sandton
R190 million upgrade

Office



Rosebank Link, Rosebank
R712 million construction cost

Industrial



Hirt & Carter, Cornubia
R558 million development

Residential



Park Central, Rosebank
R472 million development

Mixed use



Northpoint, Australia
AUD130 million redevelopment

Student accommodation



Leicester street, Australia
AUD139 million development

Logistics



Strykow, Poland
€48 million development

Retail



Mlociny, Poland
€300 million development

Financial insights

Section 03

Funding

Responsible balance sheet management remains a top priority

- Target is to contain group LTV ratio and to reduce to below 40% over time
- Funding needs have largely been satisfied from recycling secondary assets – R8 billion recycled in 2018
- Cromwell and Northpoint disposal proceeds deployed against local maturing facilities and Polish investments (EPP and industrial portfolio)
- Adequate liquidity levels maintained to be able to react quickly to opportunities and meet unforeseen requirements
- Maintained credit metrics well within Moody's credit rating threshold
- Debt capital market continue to present attractive funding rates and appetite for Redefine credit (local credit rating qualifies Redefine as HQLA)
- In the process of updating Redefine's DMTN programme for legislative requirements and to update definition of LTV, subject to note holders' vote on 23 August 2018

Trading performance for 2018

Focusing on the variables under our control in a challenging business environment

- Emphasis remains on replacing lumpy non-recurring income with recurring income sources
- Domestic trading conditions continue to remain very challenging, necessitating continued focus on
 - Maintaining operational efficiency by optimising variable cost management and recoveries
 - Tenant retention through an intensified tenant engagement strategy
 - Reducing vacancies through innovative lease offers and incentives
 - Reducing utility costs in our buildings through implementation of sustainability interventions aimed at behaviour and demand
 - Increasing new sustainable revenue streams through non-GLA income opportunities and expanding solar PV capacity
- Interest rate and currency volatility absorbed through our interest rate and foreign income hedging strategies – interest rates on debt and net international income are circa 78% and 75% respectively hedged
- We maintain our previous distribution guidance of growth in distribution per share

Supporting sustainability

Section 04

Environmental

Creating a sustainable operating environment

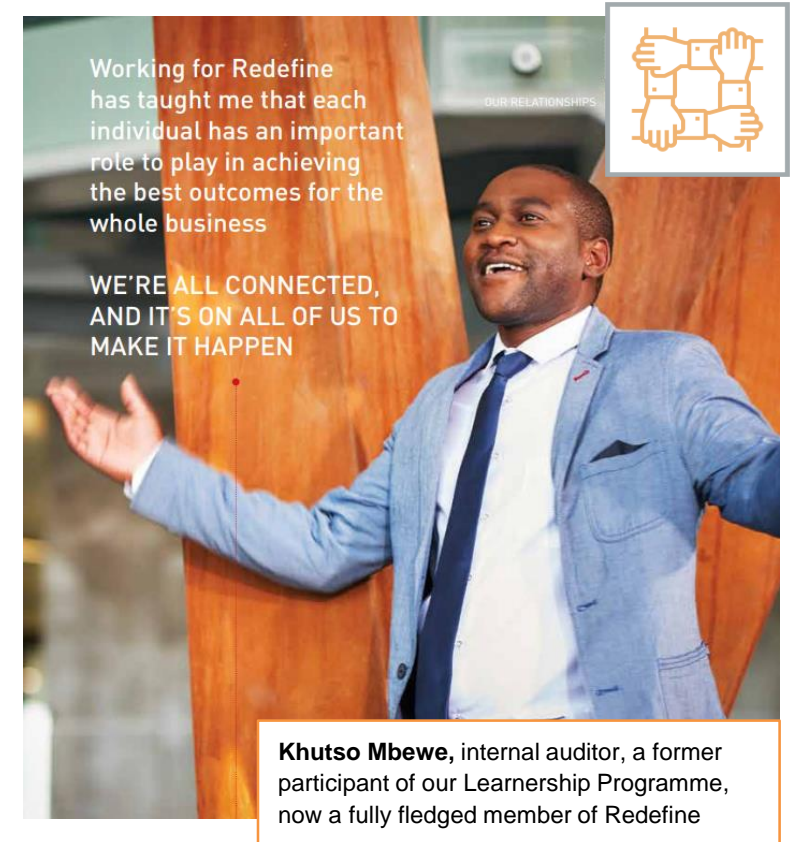
- REIT with largest solar PV footprint in South Africa
- An additional 13 289 kWp of solar PV capacity has been installed in 2018 bringing our total renewable energy capacity to 21 MWp
- The Towers at Merriman Square won the 2017 ILASA Merit Award of Excellence and the ILASA Environmental Sensitivity Award
- Received a gold SAFMA award for solar PV technology implementation
- Water control devices have been installed at all Cape properties and we are rigorously examining current usage practices
- Continue to analyse our waste management footprint and investigate opportunities to reduce to waste-to-landfill
- We benchmark our performance and progress against best practice sustainability standards and participate in the following indices
 - Dow Jones Sustainability Index (DJSI)
 - Global Real Estate Sustainability Benchmark (GRESB)
 - FTSE4Good Emerging Index



Social

Our people centric approach is our key differentiator

- It is likely that a level 4 BBEE contributor status will be maintained
- Transformation at senior and executive level lagging and needs to be addressed
- As part of our evolution as a company, we have refreshed our values : Brave, Ethical, Sustainable, Trustworthy
- Launching an initiative called the “Challenge Revolution” that glues together several major business initiatives like innovation and tenant experience programme, to ensure that we make a real difference to all of our stakeholders, through innovation, skills development initiatives, community engagement and promoting mentorship within Redefine
- Learnership programme well established to expand, deliver value, support youth employment, skills development and transformation (47 learners enrolled in 2018, 50% of 2017 learners retained)



Governance

Sustained value creation is built on ethical leadership

- The Investment Analysts Society awarded Redefine the leader in corporate reporting in the property sector for the 2017 financial year
- Ranked second (with honours) in EY's Excellence in Integrated Reporting Awards 2018
- Appointment of independent non-executive chairman to be announced with year-end results
- Diversity of board to be strengthened by new appointments
- Audit and risk oversight responsibilities to be split into separate board sub-committees
- Succession planning underway to strengthen business continuity and future proof our skills base to changing business demands
- Ongoing focus on deepening awareness around ethical behaviour
- Reviewing remuneration governance practices to uphold principle of fair and responsible remuneration
- No changes made or anticipated to the remuneration policy
- Full disclosure on individual executive Key Performance Areas and Targets

Thank you for engaging with us

