

REDEFINE PROPERTIES LIMITED

# GROUP RESULTS

FOR THE YEAR ENDED 31 AUGUST 2016

2016 A YEAR OF ALIGNMENT



We're not landlords. We're people.

# OUR CONVERSATION

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Section **01** **SALIENT FEATURES**  
Andrew Konig (CEO)

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Section **02** **LOCAL PROPERTY PORTFOLIO**  
David Rice (COO)

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Section **03** **FINANCIAL RESULTS**  
Leon Kok (CFO)

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Section **04** **STRATEGY AND CONCLUSION**  
Andrew Konig (CEO)

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Section **05** **SUPPLEMENTARY INFORMATION**

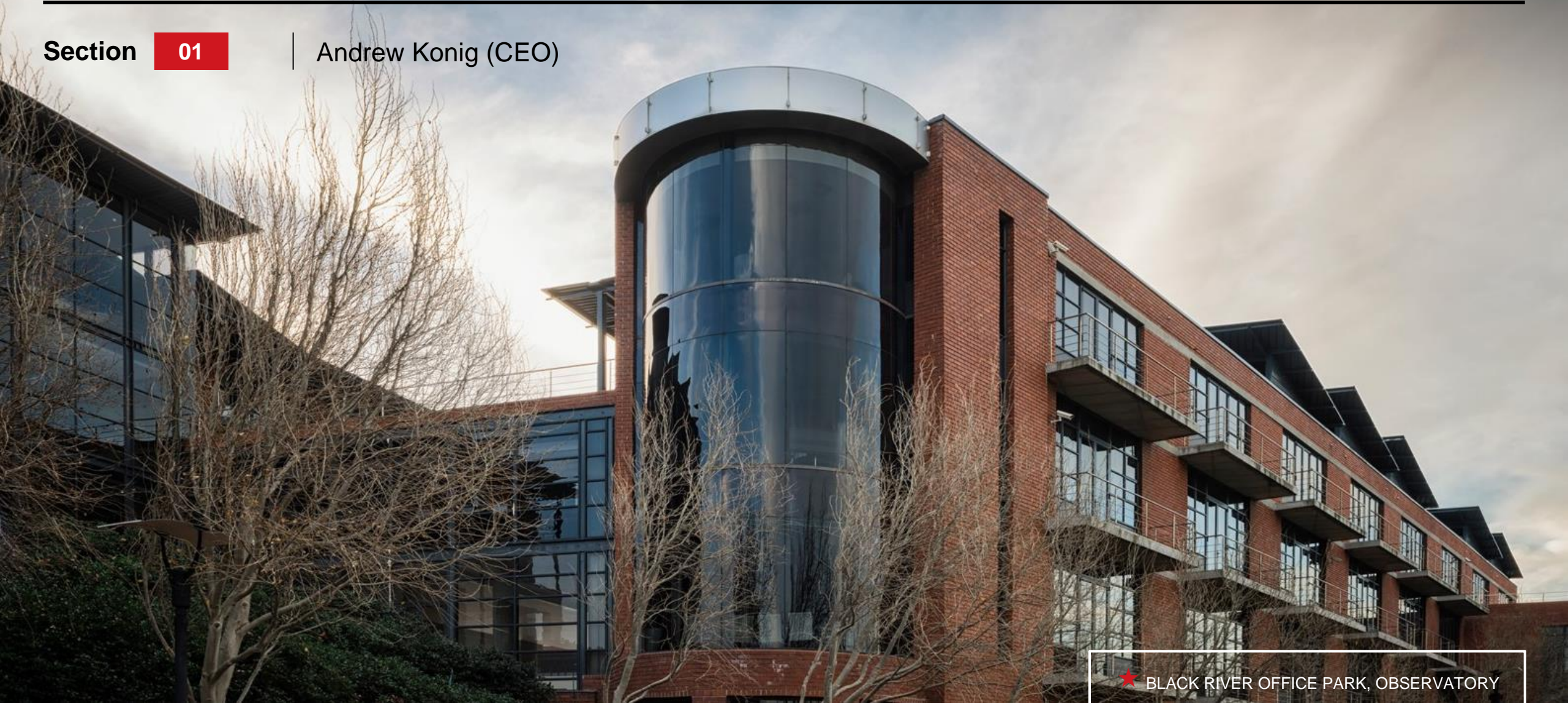
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# SALIENT FEATURES

Section **01**

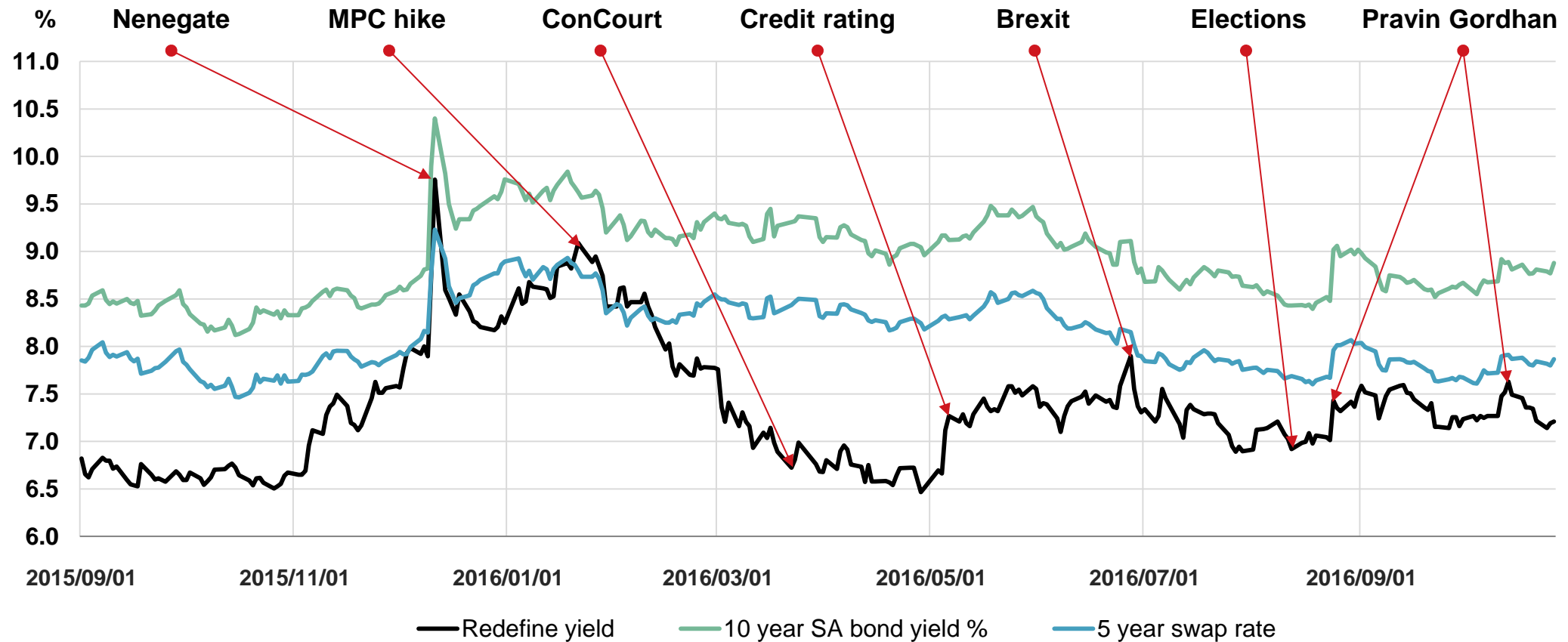
Andrew Konig (CEO)



★ BLACK RIVER OFFICE PARK, OBSERVATORY

# MACRO ENVIRONMENT

## THE KNOWN'S OUTWEIGHED BY THE UNKNOWN'S



# 2016 KEY FEATURES

## FOCUSING ON WHAT MATTERS MOST



### Operate efficiently

**Operating margin maintained at 80%**

Integrated 2015 acquisitions

Aligned structure to strategic priorities

Improved tenant retention rates and occupancies

Refined business processes



### Invest strategically

**Property assets expanded by R8.2 billion to R72.7 billion**

Expanded geographic diversification

Continued focus on local portfolio quality

Recycling of secondary local assets exceeded acquisitions

Offer to acquire Pivotal advances local strategy in 2017



### Optimise capital

**LTV maintained below 40%**

Broadened quality-rated funding sources

Maintained strong credit metrics

Adopted policy of hedging of international income

Replaced EPP bridge facility with long term and cheaper funding



### Engage talent

**Certified as a Top Employer 2017**

Promoted values-driven culture

Deepened staff engagement

Refined key performance areas

Expanded learnership programme now in third year



### Grow reputation

**Most empowered REIT**

Entrenched tag-line at all levels

Instilled culture of consistent and ethical behaviour

5<sup>th</sup> in EY Excellence in Integrated Reporting 2016

Introduced co-ordinated approach to retail marketing

# CAPITAL MANAGEMENT

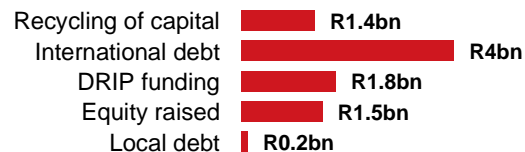
OUR MISSION IS TO DELIVER SUSTAINED VALUE TO STAKEHOLDERS

## Sources

Access to multiple funding sources

Market capitalisation R58.1 billion, up R3.3 billion

### Raised R8.9 billion



Volumes in Redefine's shares traded significantly up – 70% of shares in issue traded

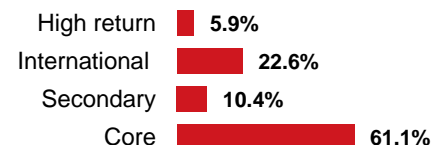
Liquidity and competitive pricing return to debt capital markets

## Allocation

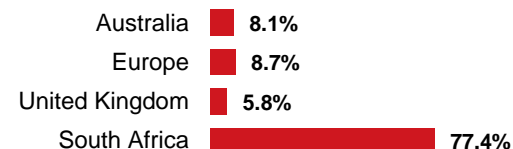
Highest and best use of capital

Market value of property assets R72.7 billion

### Allocation of R72.7 billion



### Geographic split



### Return on equity

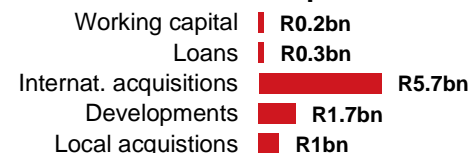


## Deployment

Invest where best market opportunities lie

Asset base has grown by R8.2 billion

### Uses of capital



Local focus on protection, expansion, redevelopment and improvement

International diversification widened through expansion into Poland

## Management

Human capital is Redefine's strategic differentiator

Striving to be the best in all aspects of what we do

382 skilled property and financial professionals

Living Redefine's values

Hands-on to be ahead of cycles

# INTERNATIONAL REVIEW – NO PLAN TO EXPAND GEOGRAPHICAL FOOTPRINT

## GEOGRAPHICALLY EXPOSED TO A BLEND OF HARD CURRENCY MARKETS

	United Kingdom	Australia	Europe
<b>Redefine's interests</b>	Redefine International PLC 30.1% International Hotel Properties Ltd 27.5%	Cromwell Property Group 25.5% Joint venture with Cromwell	Echo Polska Properties 44.9% JV with and through Redefine International PLC in Germany
<b>Exposed to</b>	35% retail   33% offices   24% hotels   8% industrial	97% offices   3% retail	77% retail   23% offices
<b>Share of assets under management</b>	GBP 380 million ≈ R7.2 billion	AUD 821 million ≈ R8.9 billion	EUR 696 million ≈ R11.2 billion
<b>See through LTV</b>	59%	62%	91%
<b>Key operational highlights</b>	Completion and integration of Aegon UK acquisition	Integration of Vallad acquisition and redevelopment of Northpoint	EPP listed in September to broaden capital base
<b>Redefine activity in 2016</b>	Supported Redefine International capital raise for Aegon UK	Acquired well-located site in Melbourne for student accommodation	A major acquisition in 2016
<b>Strategy</b>	Leverage our holding to fund international expansion	Expand exposure to student accommodation	Continue to expand in Euro denominated growth market - Poland

# HIGH RETURN INVESTMENTS

## OPPORTUNISTIC INVESTMENTS PURSUED WHERE VALUE CAN BE UNLOCKED

### Student accommodation

R439 million investment in Respublica

Fees must fall a risk and opportunity

Provides opportunity to recycle well-located secondary offices

Hatfield Square and ABSA campus conversions of R834 million to provide 3 530 beds

By the end of 2017 expect to have circa 10 000 beds

Ultimate intention is to list as a specialist play

### Local listed securities

Portfolio market value of R2.1 billion

Emira was and remains an opportunistic investment

Arrowhead and Delta stakes acquired from recycling activity

Not long term holdings

Available to support liquidity

Redefine has a seat at the table in the event of corporate action

### Other

Loans of R0.9 billion to joint venture partners

Solar PV projects totalling R68 million in progress

Non GLA income opportunities to be exploited – such as connectivity and in-mall media

Residential play in Rosebank a one-off - highest and best use of site

New developments incorporate Solar PV

Complying with REIT status limits non property income



# TRANSFORMATION SCORECARD

## REMAINING RELEVANT IN THE SOCIETIES IN WHICH WE OPERATE

### Successes

#### Level 3 BBBEE status

Full marks on ownership – 100%

Skills development – 87%

Preferential procurement – 82%

Enterprise development – 100%

Economic development – 84%

Level 3 contributor - recognition level 110%

### Improvements required

#### Under new codes hard to maintain status

Black female representation on board of directors

Employment equity amongst top management

Employment equity and gender diversity amongst senior and middle management

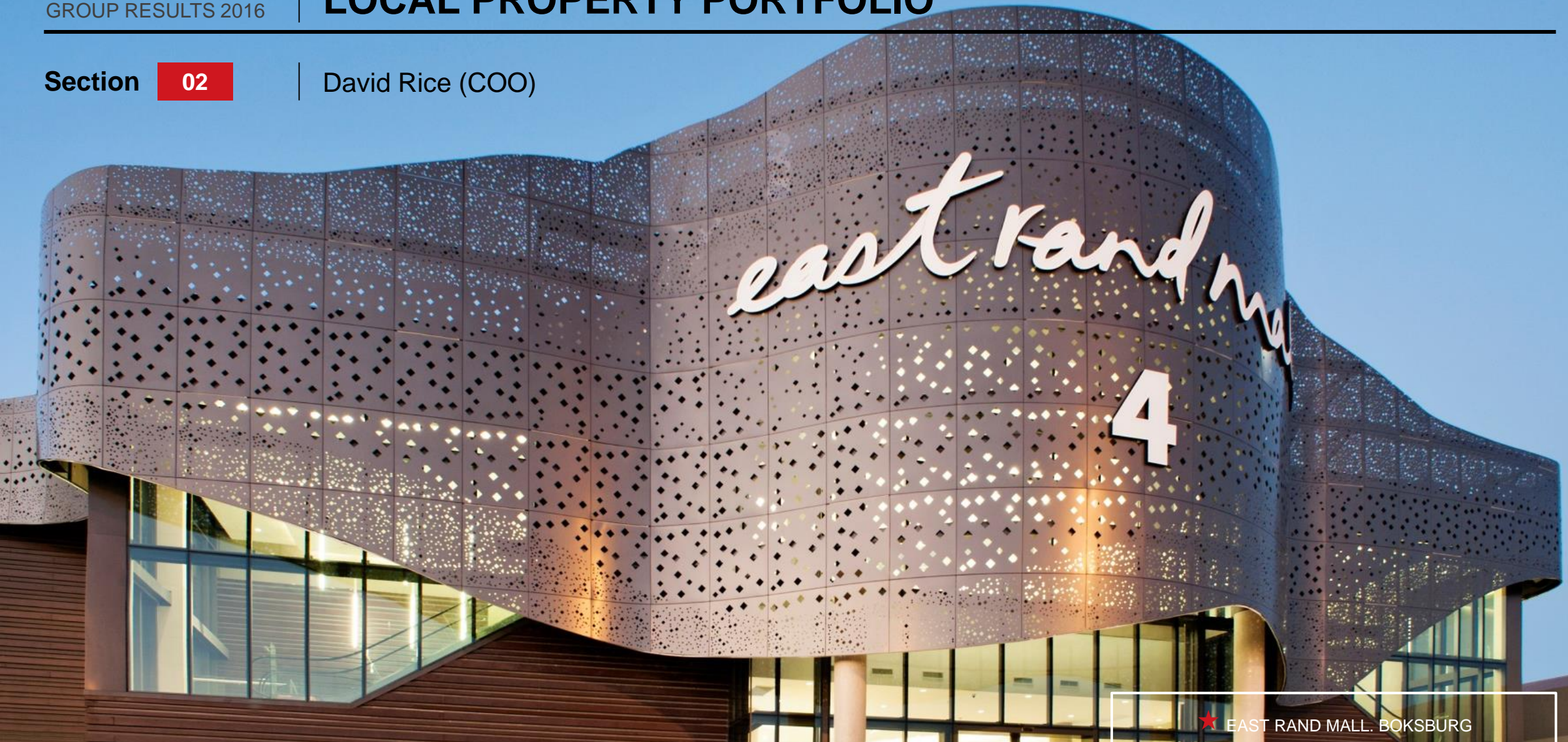
Socio economic development – 1% of NPAT is the target

Obtain clarity on status of proposed alignment to new codes

Develop long term strategy to implement sustainable interventions

Section **02**

David Rice (COO)



★ EAST RAND MALL, BOKSBURG



## Manage

Value R51.6 billion  
GLA 4.5 million m<sup>2</sup>

Space 2 Spec leasing campaign

Total vacancy 4.9% (2015: 5.4%)  
excluding properties held for sale  
and under development

REACH broker incentive

Total renewal rental growth 5.1%  
Leases covering 490 000m<sup>2</sup>  
were renewed

New website property portal

Tenant retention by GLA 92%

Non GLA is an active income  
stream



## Enhance

### Developments

Completed totalling  
R2.5 billion (Yield: 7.5%)

In progress  
Redevelopment projects  
R1.1 billion (Yield 6.4%)  
New developments R2.2 billion  
(Average yield: 9%)

Total development activity  
R5.8 billion (Average yield: 8.1%)

Pipeline R1.7 billion  
(Projected yield: 9.9%)

### Acquisitions

4 properties valued at R228  
million (Yield: 9.4%)  
3 development properties for  
R286 million

### Disposals

16 non core properties valued at  
R1.4 billion (Yield: 8.5%)  
Delta portfolio at R1.23 billion

### Disposals post August

8 properties valued at  
R363 million  
(Yield: 8.2%)



## Manage

Value R18.7 billion  
GLA 1.3 million m<sup>2</sup>

Vacancy 8.7% (8.5%: 2015)  
>50% B & C Grade properties

Renewal rental growth 3.3%

Tenant retention by GLA 89% however the cost of retaining tenants is high

New lease rentals > rentals on vacated premises



## Trends

Market competitive however the right product is attracting interest

Demand exists for P-Grade space in Sandton, Rosebank and Waterfall

Approximately 350 000m<sup>2</sup> currently under construction in Sandton with 40 000m<sup>2</sup> speculative development

Sandton Portfolio GLA 180 000m<sup>2</sup>  
Vacancy 10 700m<sup>2</sup>  
90 Rivonia Road 90% let  
Rosebank Portfolio GLA 60 000m<sup>2</sup>  
Vacancy 500m<sup>2</sup>

Defined rental bands have developed

Flexible workspace solutions offer leasing opportunities



## Enhance

### Completed developments

The Towers (Cape Town) and 90 Rivonia Road  
R1.5 billion

6 smaller properties renovated to enhance leasing

### Development pipeline

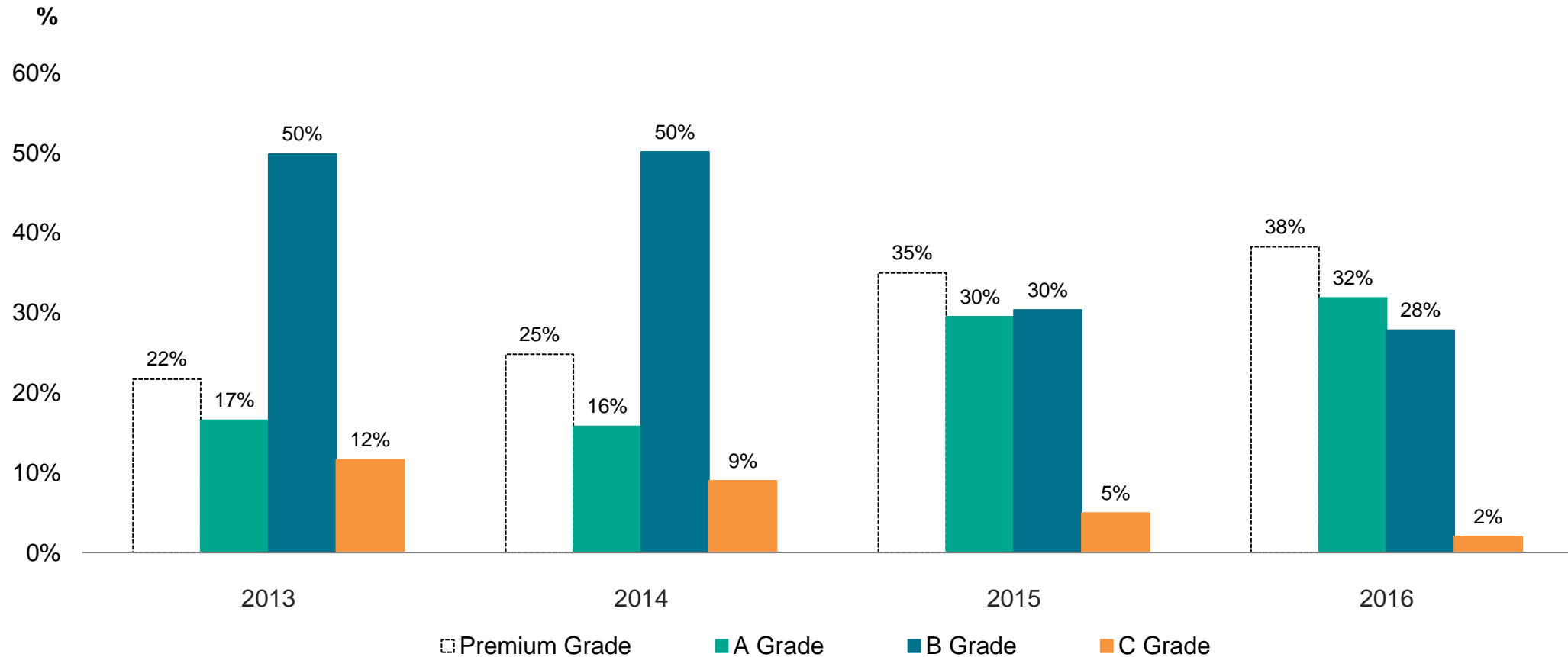
- Rosebank Mews
- 2 Pybus Road
- The Galleria, Rosebank

13 Green Star SA certified buildings

Continued improvement in portfolio quality

# OFFICE SECTOR VALUE PER GRADE

## IMPROVING THE QUALITY OF OUR PORTFOLIO



## Improving



### Rosebank Link

Development 18 000m<sup>2</sup>

4 Star Green rated P Grade offices

Completion Dec 2018

## Protecting



### Various upgrades to smaller properties

Sandhurst Office Park

Sturdee Avenue

Outspan building

## Expanding



### The Towers, Cape Town

Development of parking garage and upgrade to common areas completed



### 2 Pybus Road, Sandton

P Grade office development

13 200m<sup>2</sup>

50% pre-let



### Thibault Square, Cape Town

B Grade offices 24 800m<sup>2</sup>

Poor letting options, conversion to residential apartments under review



### Rosebank Towers

4 Star Green rated 25 600m<sup>2</sup> offices

90% let

Redefine new head office



## Manage

Value R11 billion  
GLA 1.93 million m<sup>2</sup>

Vacancy 3.4% (2015: 3.8%)  
50% of vacancy from secondary non core properties

Renewal rental growth 3.5%  
Average achieved rental R51.60/m<sup>2</sup>  
New lets achieved higher rentals than vacated units

Cato Ridge 100% let

Tenant retention by GLA was 93%



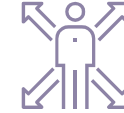
## Trends

Market activity has picked up – warehousing and adequate power remain leasing drivers

Vacant land improved interest due to surrounding road infrastructure development

Focus is to increase exposure to modern logistics, warehousing and industrial units

Proving to be defensive sector with long lease profile



## Enhance

### Completed developments

uShukela Industrial Park (Cornubia) mini units  
27 660m<sup>2</sup> (47% let and in advanced stage of negotiations)

### Current developments

- Golf Air Park, Airport Industrial (Western Cape) 13 900m<sup>2</sup>
- 34 Wrench Road (Isando) 24 300m<sup>2</sup>
- Fabric Park (Midrand) 13 000m<sup>2</sup>

### Acquisitions post August

Brackengate Land (R300 Cape Town) 50.1%  
450 00m<sup>2</sup> developable GLA  
Cornubia Land Portion ERF28 for 35 000m<sup>2</sup> development

## Improving



### Golf Air Park, Airport Industria CT

Midi units totalling 14 000m<sup>2</sup>

Completion Q1 2017

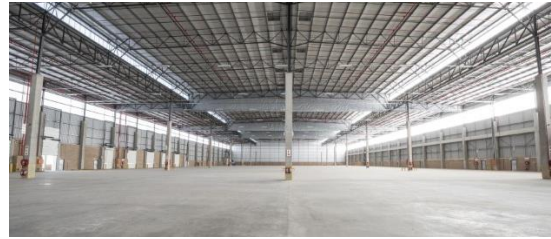


### Midway Park, Midrand

14 000m<sup>2</sup> warehousing

70% let

## Protecting



### Waltloo

Premier Milling Silos – unlettable

Demolished and developed 25 700m<sup>2</sup>

Warehouse fully let



### 190 Barbara

Functionally obsolete office and warehouse

Structure redeveloped 15 500m<sup>2</sup>

Warehousing fully let

## Expanding



### S & J Land

Developable GLA 800 000m<sup>2</sup>

Infrastructure project underway

Development from Q1 2017



### Brackengate

Development of vacant land

Total GLA 450 000m<sup>2</sup> in 3 phases

Mainland infrastructure and on-off ramps R300 to Bottellary Road completion Q1 2017





## Manage

Value R21.5 billion  
GLA 1.25 million m<sup>2</sup>

Vacancy 3.6% (2015: 4.3%)

Renewal rental growth 6.4%

Tenant retention by GLA 91%

Trading density growth 5.4% (like for like)  
excluding development properties 7.3%

7 Centres > R11 billion in turnover

Rent ratio to turnover is 7.3%

Footfall increase of 1%  
Seeing small declines at development sites



## Trends

Changing dynamic in food with PnP change in strategy

Effect of international clothing retailers evident

Shopping centre trend for entertainment hubs – location dependant

Edcon results show continued under performance – await improved store management and supply chain impact

Continued pressure to negotiate turnover based rentals or inflation linked escalations

SACSC Conference – strong focus on customer service and experience

New leasing strategy

Parking remains a topic of debate

Civil unrest has impacted shopping centres

No exposure to Stuttafords



## Enhance

### Completed developments

R425 million (Yield 7.8%)

South Coast Mall Phase 1

Centurion Mall Phase 1

### Current redevelopments

R885 million (Yield: 6.4%)

→ Kenilworth

→ Centurion Mall Phase 2

→ East Rand Mall Phase 2

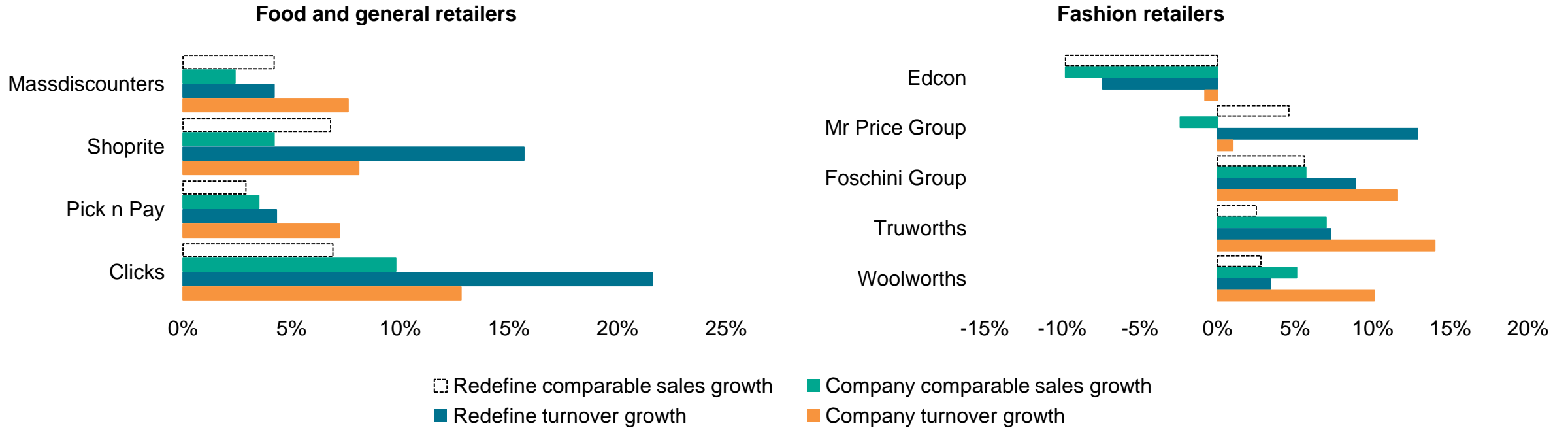
→ Benmore Gardens

### Development pipeline

Stoneridge R240 million (Yield: 9%)

# BENCHMARKING THE PERFORMANCE OF NATIONAL RETAILERS

## TURNOVER GROWTH



- Portfolio performance compares well to national reported numbers
- Monitoring Edcon and Massdiscounters, as well as signs of cannibalisation in Woolworths
- Evidence of outperformance where nationals are upgrading stores

## Improving



### South Coast Mall

Installation of Food Lovers, Dis-Chem and enlargement of Checkers and Clicks



### Stoneridge

Upgrade to mall and restaurant area  
Re-tenanting and development of 17 000m<sup>2</sup> for international do-it-yourself retailer  
Bought from Hyprop for R445 million  
Improvement cost R37 million  
Current valuation R556 million

## Protecting



### Benmore Gardens

Offices to retail, Woolworths expansion and re-tenanting



### Kenilworth Centre

Extension and termination of cinema lease at low rentals, increased parking and improved circulation  
Further extension under consideration

## Expanding



### East Rand Mall

Extension and re-modelling for international clothing retailer (no food anchor)



### Centurion Mall

Mall upgrade, Woolworths extension, Dis-Chem, Checkers, entertainment and resolution to clean up the Lake

# FINANCIAL RESULTS

Section **03**

Leon Kok (CFO)



★ 90 RIVONIA ROAD, SANDTON

# 2016 FINANCIAL HIGHLIGHTS

Second half distribution growth of 8.0% to 44.3 cents. Full year distribution up 7.5% to 86 cents

In Rand terms distributable income has grown by 21.9% to R3.9bn

Operating margins maintained at 80%

International income contribution of 25.9%

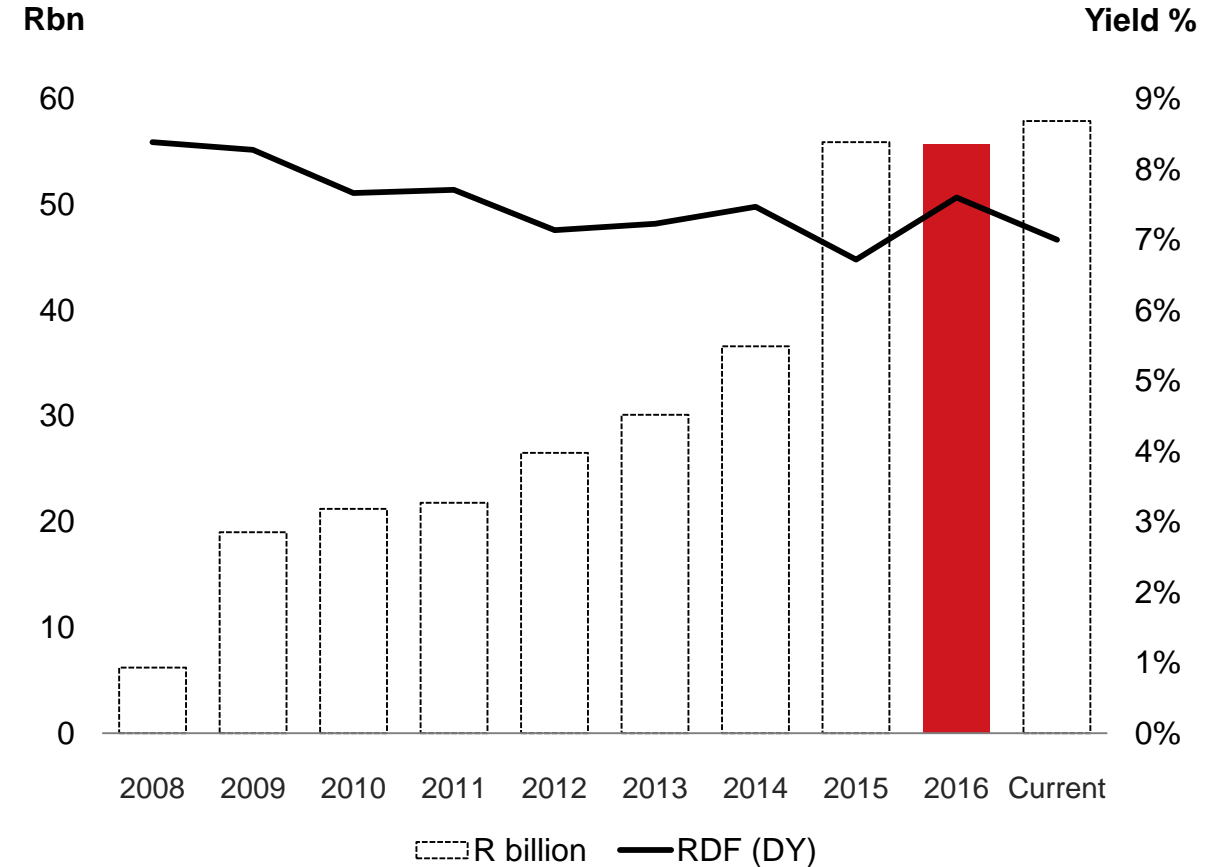
Total assets now R79.8bn – up R9.3bn

Strong credit metrics maintained

Interest on 82% of debt fixed

Market capitalisation at R58.1 billion

### Market capitalisation

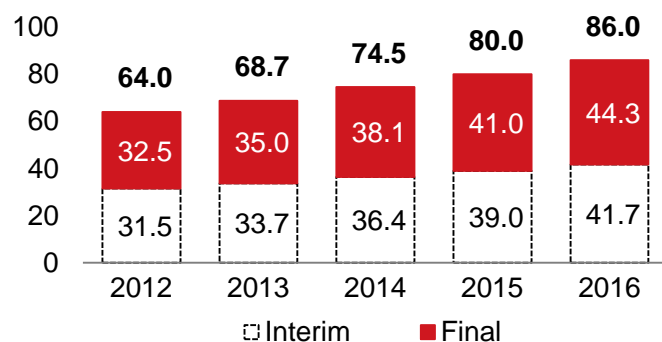


# SIMPLIFIED DISTRIBUTABLE INCOME STATEMENT

YEAR ENDED 31 AUGUST 2016

	2016 Rm	2015 Rm	Change %
<b>Net operating income from investment properties</b>	<b>4 244</b>	<b>3 154</b>	<b>34.6%</b>
Listed security portfolio	163	685	-76.2%
Fee income	32	107	-70.1%
<b>Total income</b>	<b>4 439</b>	<b>3 946</b>	<b>12.5%</b>
Administration costs	(180)	(170)	5.9%
<b>Net operating profit</b>	<b>4 259</b>	<b>3 776</b>	<b>12.8%</b>
Net finance charges	(1 330)	(1 063)	25.1%
Taxation	2	(7)	-129.0%
<b>South African distributable income</b>	<b>2 931</b>	<b>2 706</b>	<b>8.3%</b>
International distributable income	1 024	539	90.0%
<b>Distributable income</b>	<b>3 955</b>	<b>3 245</b>	<b>21.9%</b>

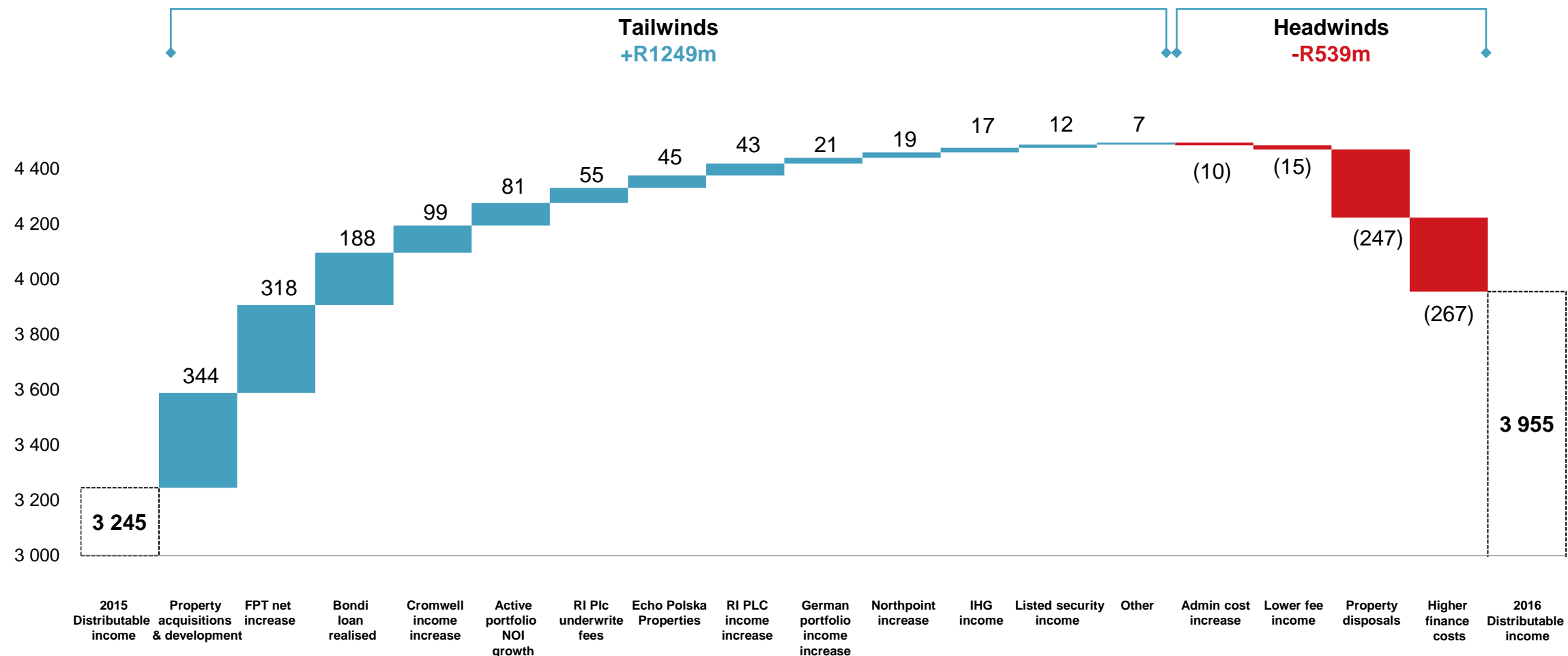
CPS



	Distributable Income Rm	Cents per Share	Y-O-Y Change %
<b>2015 distributable income</b>	<b>3 245</b>	<b>80.0</b>	
Less dilution arising from new shares		(9.4)	-11.8%
Local growth	225	4.9	6.1%
International growth	485	10.5	13.2%
<b>2016 distributable income</b>	<b>3 955</b>	<b>86.0</b>	<b>7.5%</b>

# CONTRIBUTORS TO TRADING

YEAR ENDED 31 AUGUST 2016



# ACTIVE PORTFOLIO INCOME ANALYSIS

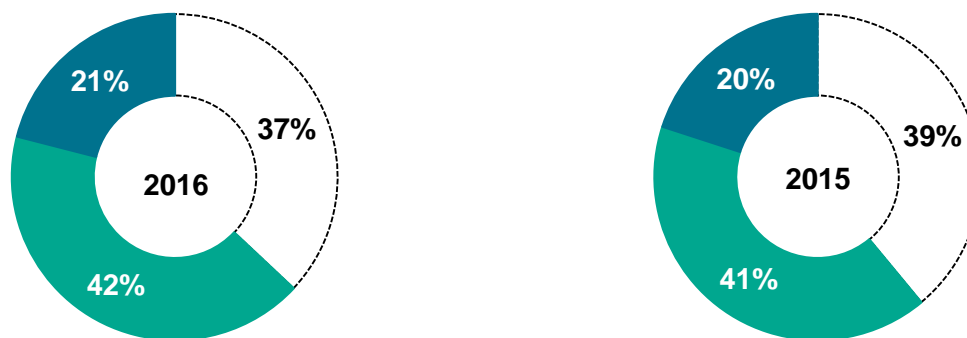
YEAR ENDED 31 AUGUST 2016

	2016 Rm	2015 Rm	Change %
Active portfolio revenue*	2 546	2 436	4.5%
Active portfolio costs**	(507)	(479)	5.8%
<b>Property income from active property portfolio</b>	<b>2 038</b>	<b>1 958</b>	4.1%
Net operating income from acquired/development properties	1 986	730	172.0%
Net operating income from disposed properties	219	467	-53.0%
<b>Net operating income from investment properties</b>	<b>4 224</b>	<b>3 154</b>	34.5%
Active portfolio margin	80.1%	80.4%	

\* Properties owned for 12 months in both years

\*\* Net of recoveries

Active portfolio NOI contribution



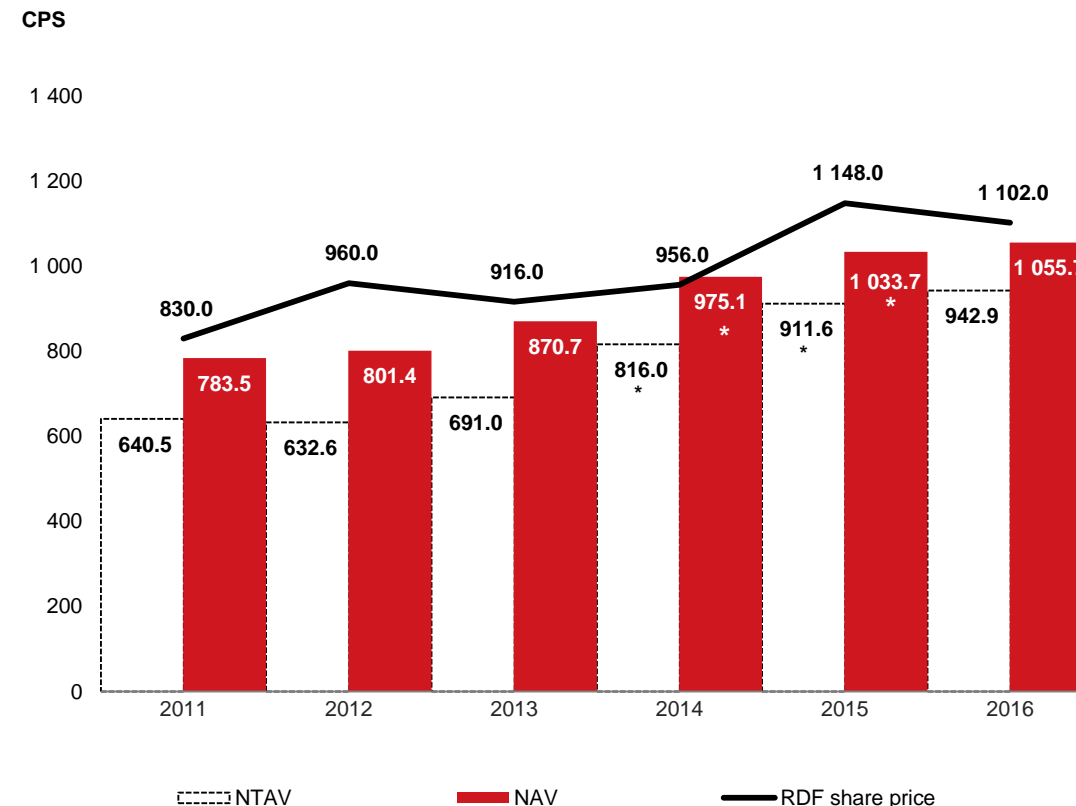
□ Active Office NOI ■ Active Retail NOI ■ Active Industrial NOI



# SIMPLIFIED STATEMENT OF FINANCIAL POSITION

YEAR ENDED 31 AUGUST 2016

	31 Aug 16			31 Aug 15		
	Local (Rm)	Internat. (Rm)	Group (Rm)	Local (Rm)	Internat. (Rm)	Restated Group (Rm)
Property assets	54 733	17 954	72 687	52 802	11 016	63 821
Goodwill & intangible assets	5 304	-	5 304	5 367	-	5 367
Other assets	1 821	-	1 821	1 301	-	1 301
<b>Total assets</b>	<b>61 858</b>	<b>17 954</b>	<b>79 812</b>	59 470	11 019	70 489
Shareholders interest	49 641	-	49 641	45 137	-	45 137
Interest bearing borrowings	18 815	9 375	28 190	19 339	4 243	23 582
<b>Total funding</b>	<b>68 456</b>	<b>9 375</b>	<b>77 831</b>	64 477	4 243	69 720
Deferred tax and other liabilities	1 981	-	1 981	1 769	-	1 769
<b>Total equity and liabilities</b>	<b>70 437</b>	<b>9 375</b>	<b>79 812</b>	66 246	4 243	70 489



\* Restated

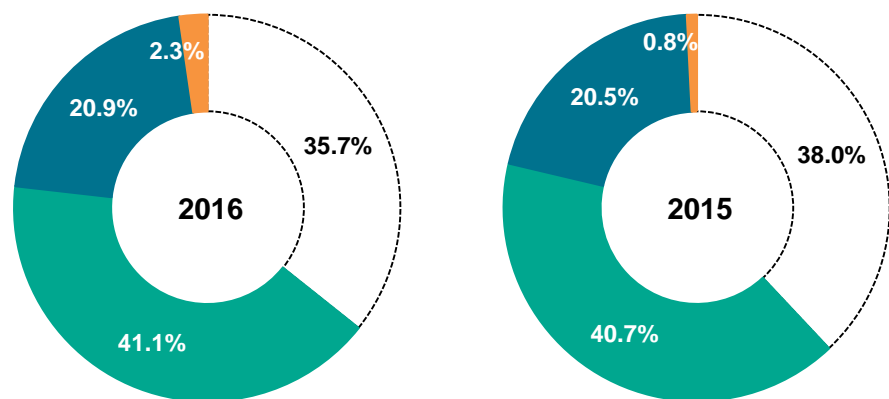
# DIVERSIFIED PROPERTY ASSET PLATFORM

## Redefine Properties

Direct local property portfolio			Local listed securities			Direct international properties			International listed securities		
Property portfolio	100%	R52.7bn	Emira	11.5%	R0.8bn	German portfolio	50%	R0.8bn	Redefine International PLC	30.1%	R5.0bn
Respublica	51%	R0.2bn	Arrowhead	2.4%	R0.2bn	Northpoint	50%	R0.8bn	Cromwell	25.5%	R5.5bn
Loans receivable	100%	R0.9bn	Delta	22.8%	R1.6bn			<b>R1.6bn</b>	EPP	44.9%	R3.9bn
		<b>R53.8bn</b>			<b>R2.6bn</b>				International Hotel Properties Ltd	27.5%	R0.3bn
											<b>R14.7bn</b>

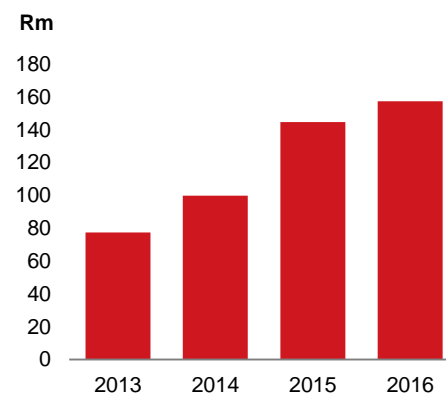
■ Carried at fair value  
■ Equity accounted

Sectoral allocation of local property portfolio

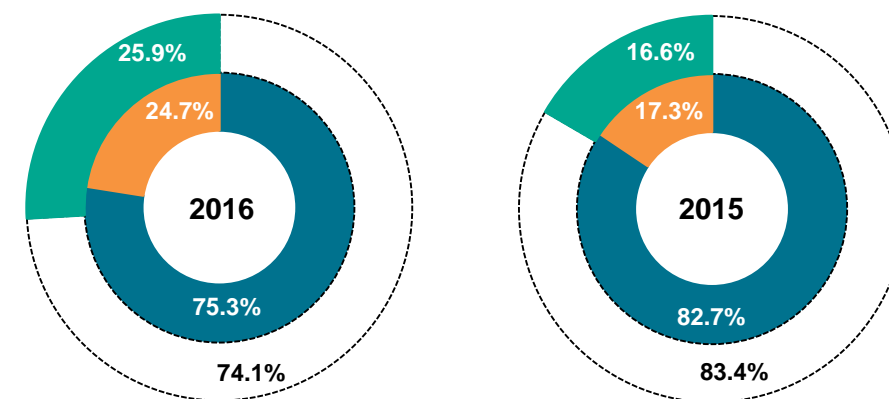


□ Office  
 ■ Retail  
 ■ Industrial  
 ■ Specialised

Average value per local property



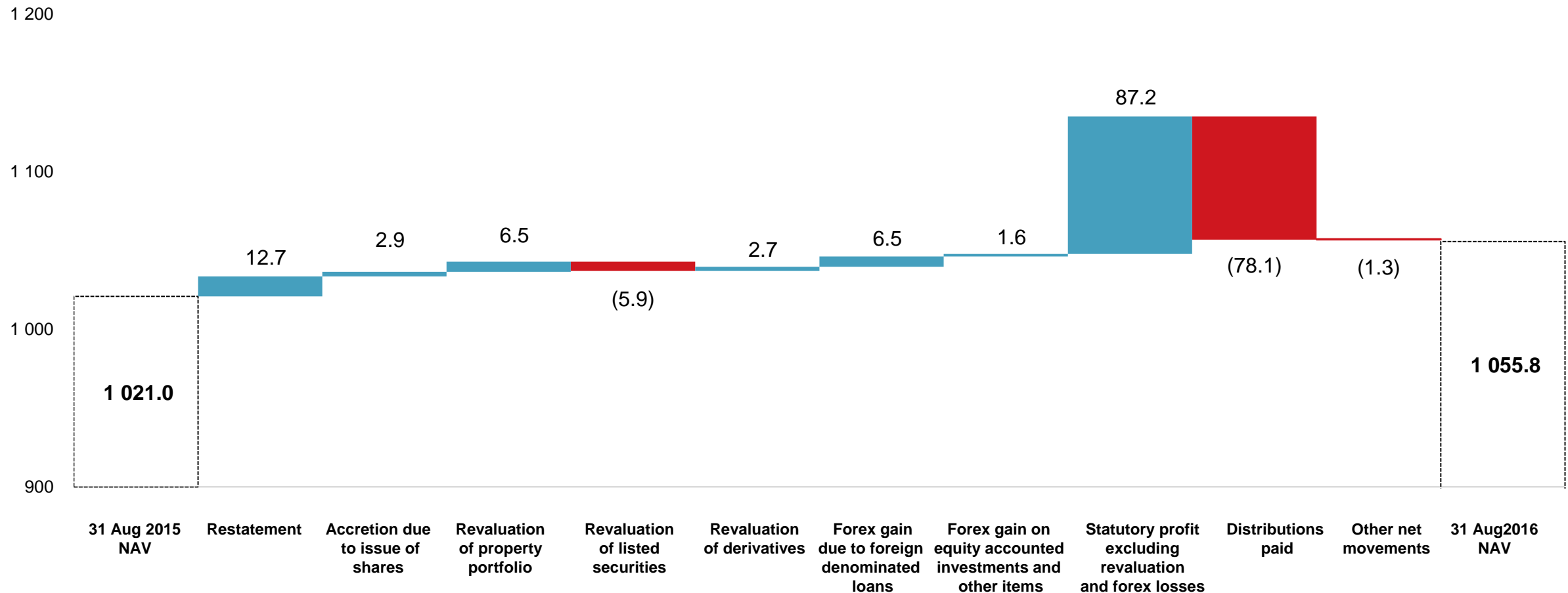
Geographic contribution / allocation



□ Local income  
 ■ International income  
■ Local property assets  
 ■ International property assets

# GROWTH IN NET ASSET VALUE

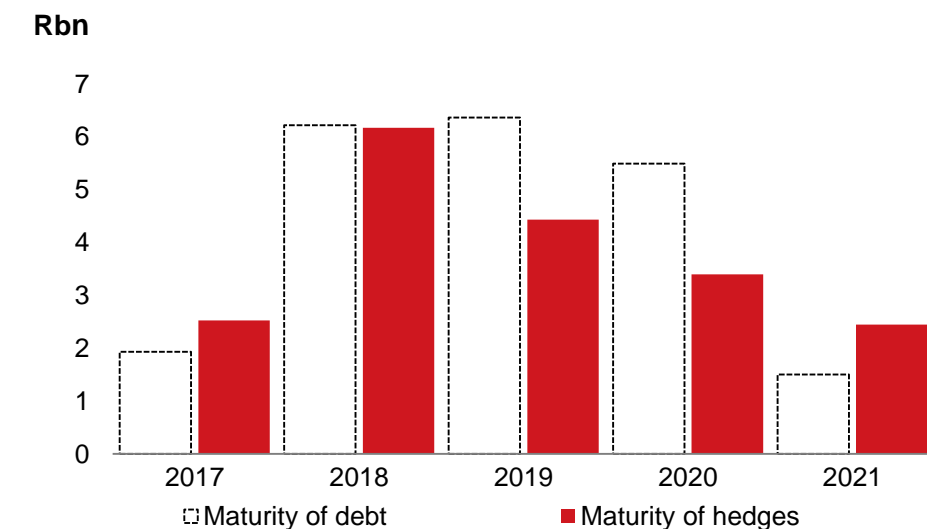
YEAR ENDED 31 AUGUST 2016



# FUNDING PROFILE

YEAR ENDED 31 AUGUST 2016

Cost of funding (SA)	2016	2015
Average JIBAR	6.9%	6.1%
Bank margin	1.6%	1.6%
Floating rate	8.5%	7.7%
Cost of fixing	0.3%	0.7%
Weighted average cost of debt	8.8%	8.4%
Yield on equity issued	7.6%	7.6%
Weighted average cost of funding	8.1%	7.8%



Funding snapshot	Aug 2016 Rbn	Aug 2015 Rbn
Bank borrowings	25.2	20.6
Debt capital markets	2.9	3.0
<b>Total borrowings</b>	<b>28.1</b>	<b>23.6</b>
<b>Key debt statistics</b>		
Loan to value – including held for sale	38.5%	36.9%
Average term of debt*	2.5 years	3.3 years
% of debt secured	57%	71%
% of property assets secured	56%	60%
Equity headroom on total assets	R43.7bn	R39.0bn
% of debt fixed	82%	81%
Average term of SWAP's	2.2 years	2.8 years
Undrawn debt facilities – available on demand	R3.4bn	R2.9bn
Interest cover ratio	4.3	3.4

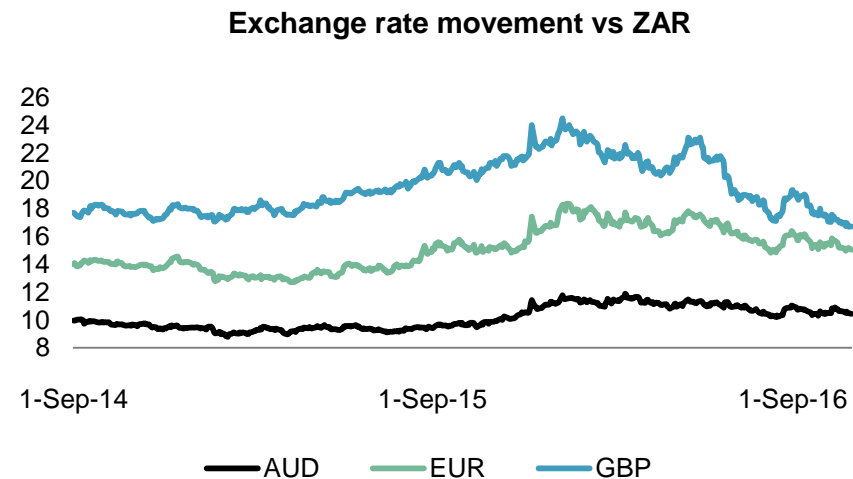
Moody's credit rating refreshed during July 2016, affirmed Baa3/stable outlook rating

\* SA debt only

# INTERNATIONAL FUNDING

## YEAR ENDED 31 AUGUST 2016

	Average term of debt (years)	Aug 2016 Rbn	Aug 2015 Rbn
Euro debt	3.5	0.9	0.8
AUD debt	2.7	2.9	2.6
GBP debt	4.2	1.5	0.8
Euro bridge facility*	0.6	4.1	-
<b>Total international debt</b>		<b>9.4</b>	4.2



\* Status on refinancing of bridge facility

- In September 2016 issued €150 million secured exchangeable bonds, exchangeable into RI PLC shares, coupon of 1.5% and redeemable on 16 September 2021
- Balance of bridge facility to be refinanced through a combination of secured 3 year Euro bank term funding and cross currency swaps

Section **04**

Andrew Konig (CEO)



★ 82 MAUDE, SANDTON

# THE PIVOTAL DEAL

## TICKS ALL OUR BOXES WHERE IT MATTERS MOST



### Operate efficiently

Quality tenants

Long lease maturity profile

7% to 8% lease escalations

High occupancies

Efficiencies from leveraging off Redefine's purchasing power



### Invest strategically

Quality assets

Well located

Low age profile

Facilitates recycling of Redefine's secondary offices of R7.2 billion

Attractive development pipeline R2.4 billion



### Optimise capital

All-share deal

Opportunity to lower cost of debt

Level of debt lowered through Africa disposal

First step to creating liquidity for EPP

LTV neutral



### Engage talent

70 property and financial professionals

Diverse skills base

Deepens Redefine's bench

Integration complimented by similar values

Adds no burden to Redefine's resource base



### Grow reputation

Sustained growth prospects

Broadens shareholder and relationship base

Consolidation of interests in jointly owned properties

Brand identity consolidated on co-owned developments

Unique opportunity to acquire well leased modern properties in a single transaction

# THE MARRIAGE OF A REIT TO A DEVELOPMENT COMPANY

## CRISIS BRINGS OPPORTUNITY

### The offer

Scheme of arrangement

Swop 460 million Redefine's for Pivotal's shares in issue

Pivotal's EPP shares to be distributed

Abreal management contract to be terminated except for developments and co-owned properties

All affected staff to transfer to Redefine

Subject to shareholder, senior lender and usual regulatory approvals

Implementation first week of January 2017 (if successful)

### Pivotal shareholder

#### Abridged net assets

	R' billion
Property assets	11.8
Debt	(6.3)
Other net assets	0.2
<b>Scheme net assets</b>	<b>5.7</b>
NTAV per Pivotal share	*R17.30
Pivotal share price	R16.71
<b>Market value of offer</b>	<b>R17.34</b>
1.38537 Redefine shares	<b>R15.25</b>
0.09382 EPP shares	<b>R2.09</b>
<b>Offer premium</b>	
To Pivotal's NTAV	0.2%
To Pivotal's share price	3.7%

Irrevocable support from 32.7% of investors

Acceleration of shareholders participation in a large diversified REIT

### Redefine impact

Retail bias maintained

30% of Redefine's offices will be in Sandton

Industrial exposure diluted to circa 18%

Earnings neutral due to developments

Redefine's NTAV 2.8% up

LTV – post deal 40.3% – disposal of Africa and settlement of EPP funding reduces LTV to 39.6%

Return on equity 8.2%

\*Restated for EPP distribution, deferred tax writeback, goodwill write off and the acceleration of potential future rights to subscribe for shares



# REDEFINE'S INVESTMENT PROPOSITION

## A HIGHLY LIQUID OPPORTUNITY TO GAIN DIVERSIFIED REAL ESTATE EXPOSURE

### Redefine's vision is to be the best SA REIT

- Staff aligned with Redefine's values
- Hands-on management ahead of cycles
- Quality diversified asset platform
- Development capability with sustained pipeline
- Global diversification
- Robust balance sheet
- Agility in the conduct of business
- Platform to execute large scale transactions
- Integrated approach to strategic priorities

	Per Redefine share (Rand)	Forward yield %
<b>Sum of the parts valuation</b>		
Redefine's clean price	11.00	8.4%
Less market value of listed securities	(3.00)	8.1%
<b>Value of Redefine's core</b>	<b>8.00</b>	<b>8.5%</b>
Redefine's core NTAV	7.41	
Premium to NTAV	8.0%	
<b>50 basis points improvement in Redefine's core forward yield</b>		
Value of Redefine's core value per share	8.50	
Value uplift - per share	0.50	
- market cap	R2.5bn	

International ownership	2008	2009	2010	2011	2012	2013	2014	2015	2016*
% held	1.4%	6.0%	10.1%	12.2%	14.9%	15.9%	17.5%	22.4%	24.0%
Value	R86.8m	R1.1bn	R2.2bn	R2.7bn	R3.9bn	R4.8bn	R6.3bn	R12.6bn	R13.6bn

\*Declined from 26.1% in May 2016

# REDEFINE'S GAME PLAN

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## OUR PRIMARY GOAL IS TO SUSTAIN GROWTH THROUGH IMPROVED CASH FLOW

- Quality earnings (cashflow) underpin sustained growth
- Our focus is on real estate and related investments – not a particular sector
- We are opportunistic and invest where we believe the best market opportunities lie
- A balance is required between defensive assets and those that can be improved
- The acquisition of Pivotal will largely complete our drive to improve quality
- We will continue to protect, expand and improve existing properties as well as recycle secondary assets
- Given the low growth in the UK and Australia our exposure is continually reviewed
- Poland is a market that holds great promise for growth through acquisition, development and extensions
- Our strategy is aligned to long term trends and is tweaked for opportunities and risks

# OUTLOOK

## GETTING USED TO BEING UNCOMFORTABLE

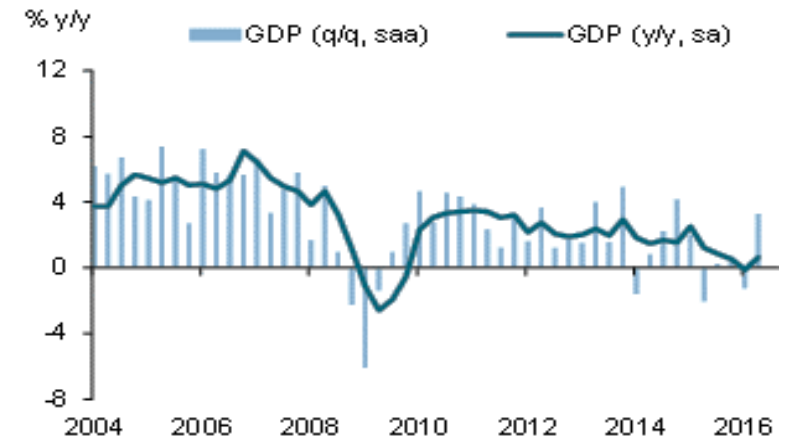
### In summary

- Our diversified asset platform has been structured to sustain the creation of value at low risk
- We are aligned and focused on disciplined execution of what matters most
- Tepid growth, volatile financial markets, political disruptions and rating downgrade threats will persist

### Prospects

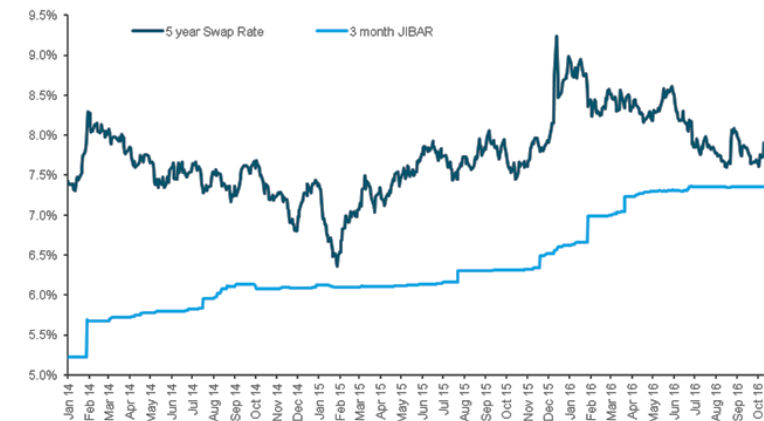
- Distribution anticipated to grow between 7.5% to 8.5%
- The unknowns will be testing our mettle and create opportunities for Redefine
- With the right assets, the right people and your continued support we will realise our vision

GDP growth



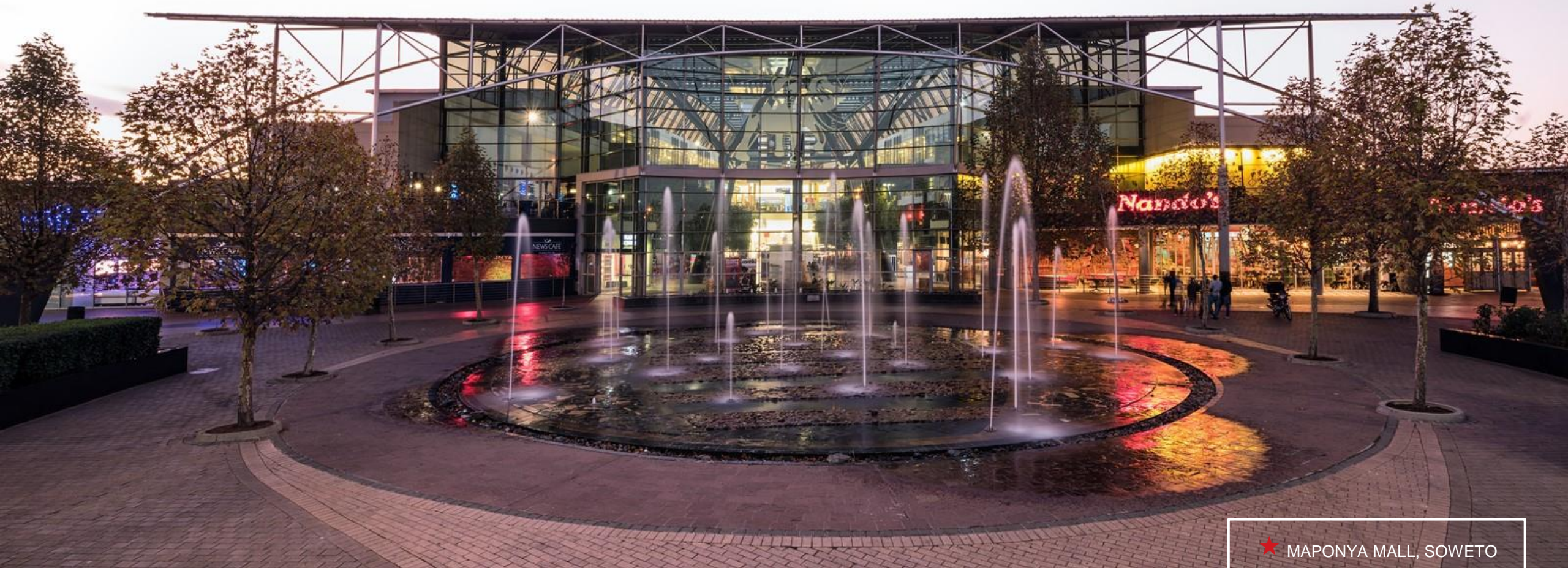
Source : RMB

Cost of carry



Source : ABSA

Section **05**



★ MAPONYA MALL, SOWETO

# IFRS DISTRIBUTABLE INCOME RECONCILIATION

YEAR ENDED 31 AUGUST 2016

Revenue	Statutory IFRS Rm	Income adjustments Rm	Distributable income Rm	Notes
Property portfolio	6 548	(38)	6 510	
Contractual rental income	6 510	-	6 510	
Straight-line rental income accrual	38	(38)	-	Non cash entry
Investment income	98	-	98	
<b>Total revenue</b>	<b>6 646</b>	<b>(38)</b>	<b>6 608</b>	
Operating costs	(2 241)	-	(2 241)	
Administration costs	(210)	-	(210)	
<b>Net operating profit</b>	<b>4 195</b>	<b>(38)</b>	<b>4 157</b>	
Other gains	80	-	80	
Changes in fair values	168	(168)	-	Preservation of capital
Amortisation of intangible assets	(63)	63	-	Non cash entry
Impairment of financial assets	(14)	14	-	Non cash entry
Equity accounted results of associates	1 406	(382)	1 024	Align to distributable earnings
<b>Profit from operations</b>	<b>5 772</b>	<b>(511)</b>	<b>5 261</b>	
Net finance costs	(1 390)	-	(1 390)	
Interest paid	596	-	596	
Interest received	(1 986)	-	(1 986)	
Forex exchange gain	310	(243)	67	Unrealised gains
<b>Profit before taxation</b>	<b>4 692</b>	<b>(754)</b>	<b>3 938</b>	
Taxation	(88)	(6)	(94)	Deferred tax reversal
<b>Net profit after taxation</b>	<b>4 604</b>	<b>(760)</b>	<b>3 844</b>	
Profit from discontinued operations	6	(6)	-	
<b>Profit for the year before distributable income adjustment</b>	<b>4 610</b>	<b>(766)</b>	<b>3 844</b>	
Antecedent distributable income	-	83	83	
REIT listed securities adjustment	-	3	3	
Transaction costs relating to acquisitions	-	4	4	
Other gains	-	36	36	
Distributable profit for the year	4 610	(640)	3 970	
Redefine shareholders	4 565	(610)	3 955	
Non-controlling interests	45	(30)	15	

# ABRIDGED STATEMENT OF FINANCIAL POSITION

YEAR ENDED 31 AUGUST 2016

	2016 Group Rm	2015 Restated Group Rm
<b>ASSETS</b>	<b>R'm</b>	
Investment properties	51 729	49 899
Listed securities	975	989
Goodwill and intangible assets	5 304	5 367
Interest in associates and joint ventures	17 954	10 434
Other non-current assets	1 067	1 076
Current assets	1 613	1 434
Non-current assets held for sale	1 170	1 290
<b>Total assets</b>	<b>79 812</b>	<b>70 489</b>
<b>EQUITY AND LIABILITIES</b>		
Shareholders' interest	49 360	45 137
Non-controlling interests	281	-
Interest bearing borrowings	28 190	23 582
Other non-current liabilities	35	70
Deferred taxation	269	275
Current liabilities	1 491	1 424
Non-current liabilities held-for-sale	185	-
<b>Total equity and liabilities</b>	<b>79 812</b>	<b>70 489</b>

# CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

YEAR ENDED 31 AUGUST 2016

	2016 Rm	2015 Rm
Cash generated from operations	4 495	4 240
Interest received	596	306
Interest paid	(2 125)	(1 623)
Taxation paid	(112)	(97)
Net cash inflow from operating activities	2 854	2 825
Net cash outflow from investing activities	(7 359)	(6 372)
Net cash inflow from financing activities	4 737	3 460
Net movement in cash and cash equivalents	233	(87)
Cash and cash equivalents at beginning of year	130	351
Translation effects on cash and cash equivalents of foreign operations	(154)	(134)
Cash and cash equivalents at end of year	208	130

# ACTIVE PORTFOLIO EXPENDITURE ANALYSIS

YEAR ENDED 31 AUGUST 2016

	2016 Rm	Change %
<b>2015 Property costs</b>	<b>479</b>	
Property admin increase due to greater staff complement	22	20.4%
Operating costs increase	12	7.1%
Repairs and maintenance across the portfolio	9	17.3%
Management fees up due to reallocation of portfolios	4	15.4%
Net municipal recoveries benefitting from rates credits and improved recovery	3	3.9%
Net electricity recoveries maintained	-	-
TI costs are deal driven	(1)	-3.2%
Letting commission is a function of the market	(2)	-13.3%
Bad debt provision down of a high base	(19)	-86.0%
<b>2016 Property costs</b>	<b>507</b>	<b>5.8%</b>
	2016 %	2015 %
Municipal recoveries as a % of municipal charges	74.8	73.6
Electricity recoveries as a % of electricity charges	104.5	105.2



# ACTIVE PORTFOLIO REVENUE GROWTH

YEAR ENDED 31 AUGUST 2016

Growth analysis	Office	Retail	Industrial	Total
Active portfolio average rental escalation	7.6%	7.4%	7.3%	7.4%
Renewals plus new lets net of expiries	-8.3%	-1.6%	1.9%	-3.5%
Growth in rental income	-0.7%	5.8%	9.2%	3.9%
Growth in other income	0.2%	0.3%	1.7%	0.6%
<b>Growth in 2016 property revenue</b>	-0.5%	6.1%	10.9%	<b>4.5%</b>
Vacancy August 2015	13.4%	5.3%	5.1%	7.7%
<b>Vacancy August 2016</b>	<b>14.1%</b>	<b>5.1%</b>	<b>4.4%</b>	<b>7.4%</b>
Vacant properties under redevelopment	-3.3%	-1.1%	-0.4%	-1.4%
Vacant properties held for sale	-2.1%	-0.5%	-0.6%	-1.0%
<b>Active vacancy August 2016</b>	<b>8.7%</b>	<b>3.6%</b>	<b>3.4%</b>	<b>4.9%</b>

# PORTFOLIO OVERVIEW

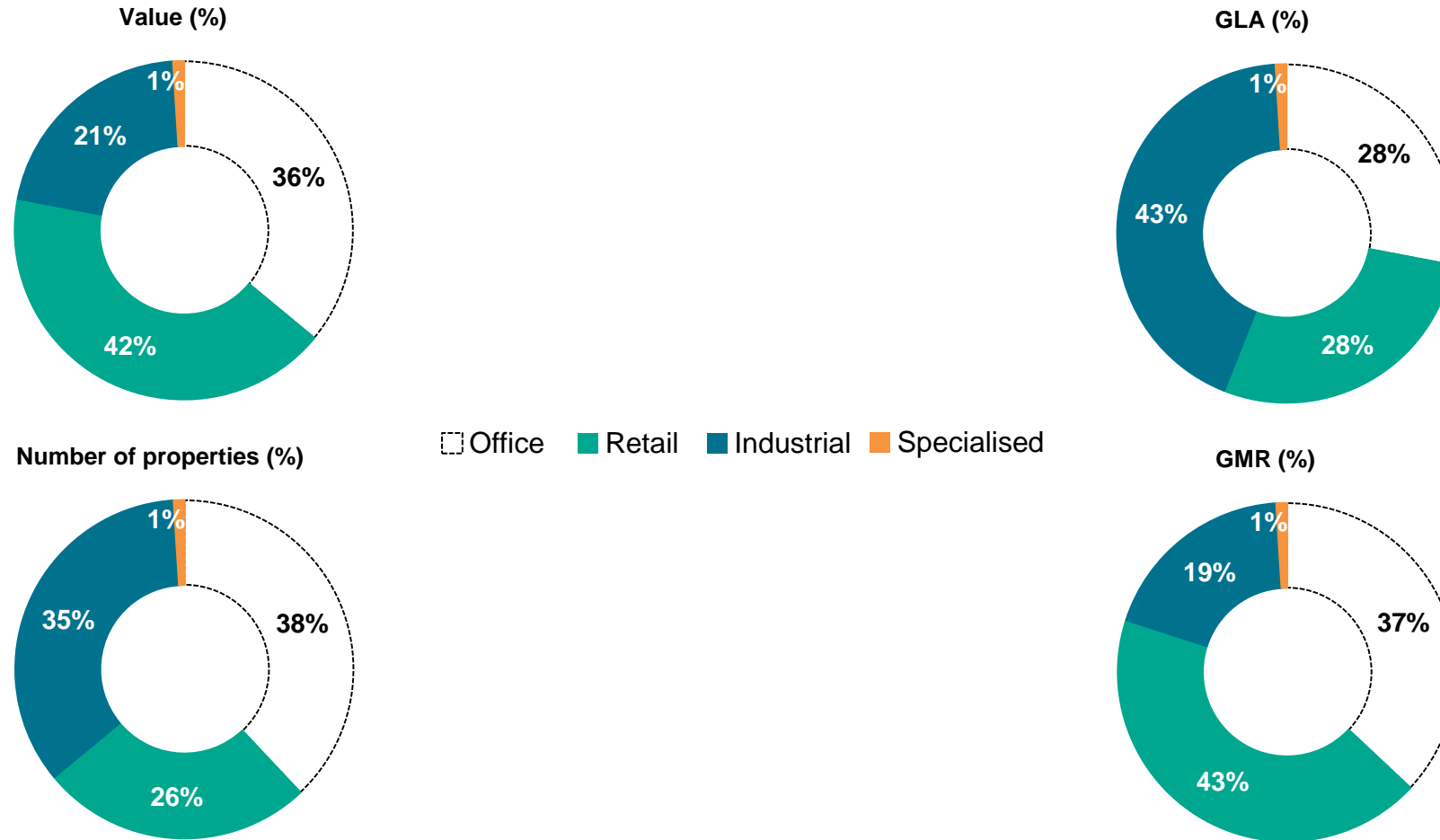
YEAR ENDED 31 AUGUST 2016

	Office	Retail	Industrial	Specialised	Total
Number of properties	119	82	109	2	312
Total GLA (m <sup>2</sup> )	1 286 760	1 259 844	1 930 188	26 970	4 503 761
Vacancy (%)	14.1	5.1	4.4	-	7.4
Asset value (R billion)	18.7	21.5	10.9	0.4	51.5
Average property value (Rm)	156	262	100	205	181
Valuation per m <sup>2</sup> (Rm) (excluding undeveloped bulk)	14 054	16 644	5 608	15 217	11 206
Value as % of portfolio	36	42	21	-	100
Average gross rent per m <sup>2</sup>	118	141	42	147	92
Tenant retention rate % by GLA	89	91	94	100	92
Weighted average renewal rental growth (%)	3.4	6.5	3.5	-	4.5
Weighted average portfolio escalation (%)	7.6	7.5	6.5	8.4	7.8
Weighted average lease period by GMR (years)	3.3	3.1	5.7	4.8	3.8

\* Vacancy excludes properties held for sale or under development

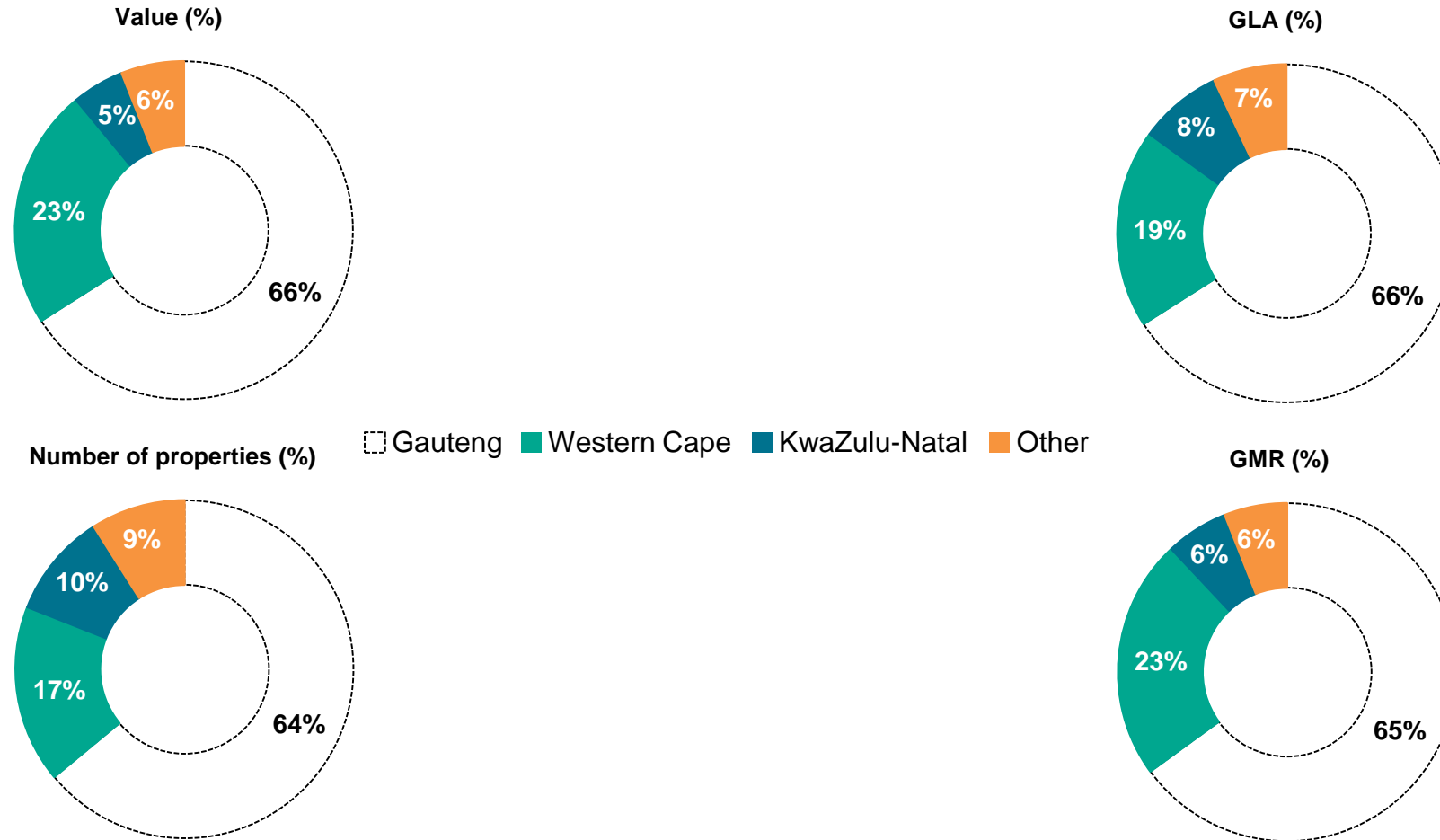
# SECTORAL SPREAD

YEAR ENDED 31 AUGUST 2016



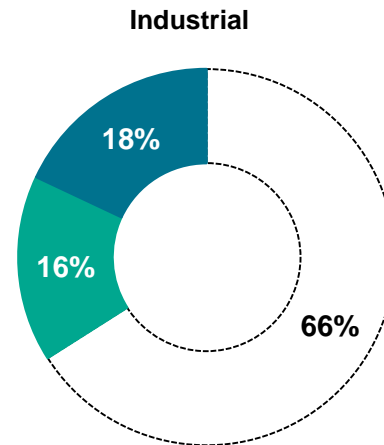
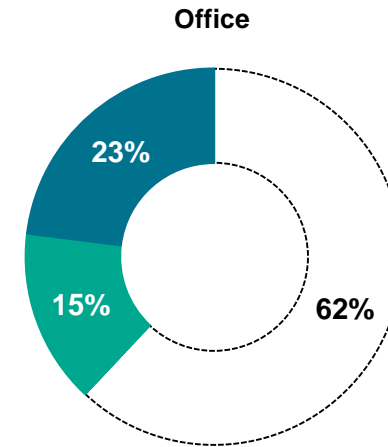
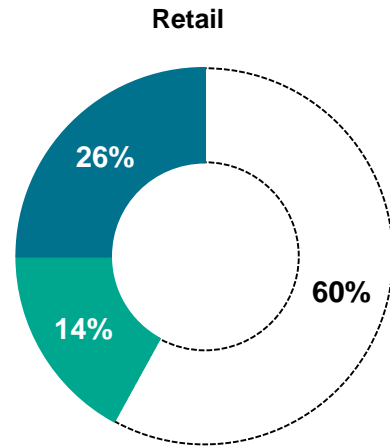
# GEOGRAPHIC SPREAD

YEAR ENDED 31 AUGUST 2016



# TENANT GRADING

YEAR ENDED 31 AUGUST 2016



■ A Grade ■ B Grade ■ C Grade

# RENEWAL REVERSIONS

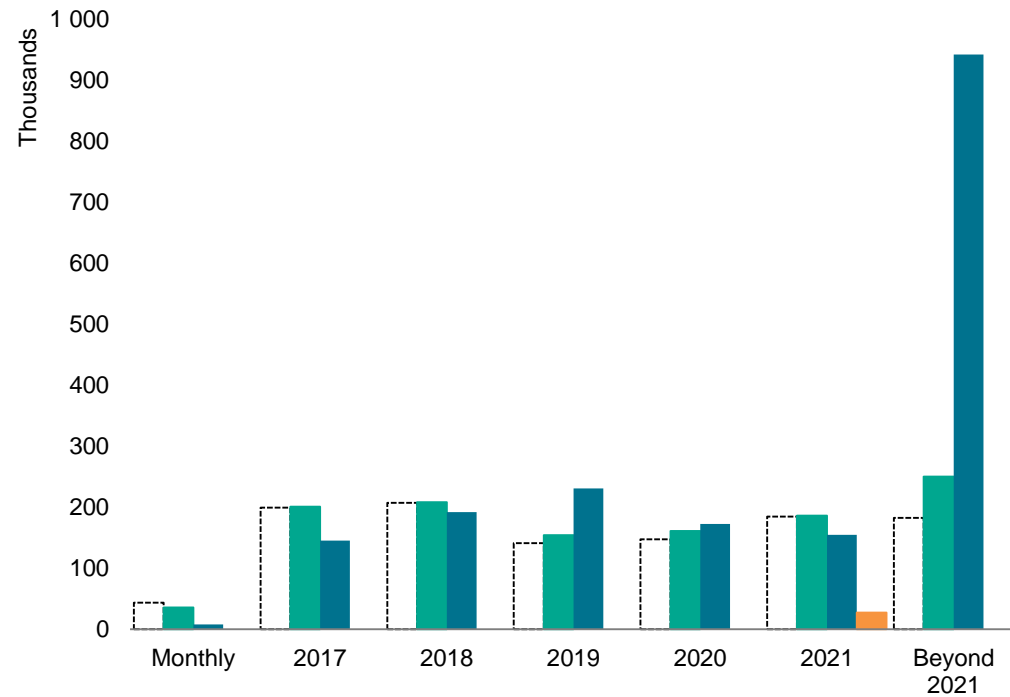
YEAR ENDED 31 AUGUST 2016

Sector	Renewals				New leases		Vacates	
	Area renewed m <sup>2</sup>	Avg expiry rental R/m <sup>2</sup>	Avg achieved rental R/m <sup>2</sup>	Rental growth % on Rate/m <sup>2</sup>	Area renewed m <sup>2</sup>	Avg achieved rental R/m <sup>2</sup>	Area m <sup>2</sup>	Loss of rental R/m <sup>2</sup>
Office	195 071	124	128	3%	115 432	118	115 387	124
Retail	167 446	151	161	6%	129 750	162	108 259	156
Industrial	129 609	50	52	4%	155 946	45	115 779	43
Specialised	-							
<b>Total</b>	<b>492 126</b>	<b>108</b>	<b>113</b>	<b>4%</b>	<b>401 128</b>	<b>108</b>	<b>339 425</b>	<b>107</b>

# LEASE EXPIRY PROFILE

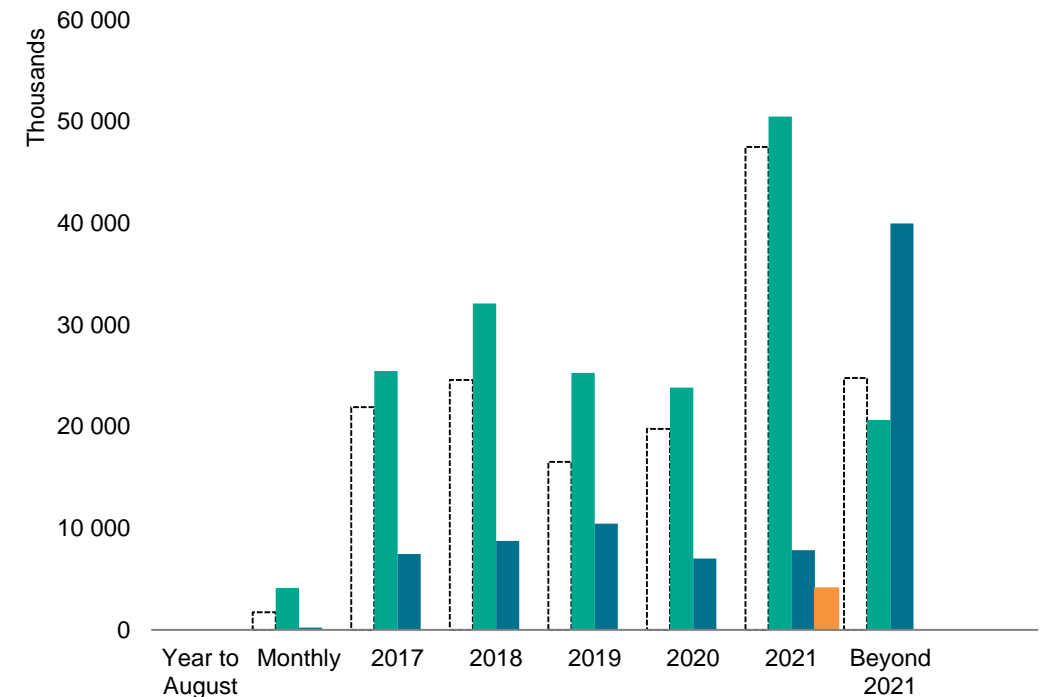
YEAR ENDED 31 AUGUST 2016

GLA



Office Retail Industrial Specialised

GMR



Office Retail Industrial Specialised

# TOP 10 OFFICE PROPERTIES AND TENANTS

YEAR ENDED 31 AUGUST 2016

Top 10 Office properties	Region	Value R'000	GLA m <sup>2</sup>	Top 10 Office tenants	GLA m <sup>2</sup>
Black River Office Park	Western Cape	1 061 000	52 605	Government	163 604
The Towers	Western Cape	924 000	62 028	Discovery Health	52 701
90 Rivonia Road	Gauteng	895 000	39 276	Alexander Forbes	41 091
115 West Street (50%)*	Gauteng	800 000	20 546	Webber Wentzel	34 884
155 West Street	Gauteng	558 500	24 501	Standard Bank	29 638
90 Grayston Drive	Gauteng	483 200	19 867	Sumgeni Proprietary	20 155
Thibault Square	Western Cape	447 000	30 480	Murray & Roberts	19 166
Convention Tower	Western Cape	431 000	17 896	Woolworths	15 914
Silver Stream Business Park	Gauteng	391 000	20 666	Vodacom	14 746
Observatory Business Park	Western Cape	383 400	18 739	Medscheme	14 397
<b>Total</b>		<b>6 374 100</b>	<b>306 604</b>	<b>Total</b>	<b>406 295</b>
Balance of Portfolio		12 328 469	980 156	Balance of Portfolio	880 464
<b>Total Portfolio</b>		<b>18 702 569</b>	<b>1 286 760</b>	<b>Total Portfolio</b>	<b>1 286 760</b>
% of total office Portfolio		34	24	% of total office Portfolio	32

\* Redefine share



# TOP 10 RETAIL PROPERTIES AND TENANTS

YEAR ENDED 31 AUGUST 2016

Top 10 Retail properties	Region	Value R'000	GLA m <sup>2</sup>	Top 10 Retail tenants	GLA m <sup>2</sup>
Centurion Mall	Gauteng	4 060 000	120 202	Shoprite	122 284
Blue Route Mall	Western Cape	1 326 000	55 496	Edcon	113 524
East Rand Mall (50%)*	Gauteng	1 313 570	31 257	Pick 'n Pay	90 613
Kenilworth Centre	Western Cape	1 157 861	48 575	Massmart	47 796
Matlosana Mall	North West	1 017 000	64 968	Woolworths	45 967
Golden Walk	Gauteng	968 000	45 129	JDG	39 574
N1 City Mall (50%)*	Western Cape	881 600	37 241	Pepkor	32 190
The Boulders Shopping Centre	Gauteng	809 000	48 697	Foschini	29 715
Maponya Mall (51%)*	Gauteng	761 507	35 741	Mr Price	22 956
Sammy Marks Square	Gauteng	734 000	34 718	Government	21 757
<b>Total</b>		<b>13 028 538</b>	<b>522 024</b>	<b>Total</b>	<b>566 375</b>
Balance of Portfolio		8 496 006	737 821	Balance of Portfolio	693 468
<b>Total Portfolio</b>		<b>21 524 544</b>	<b>1 259 844</b>	<b>Total Portfolio</b>	<b>1 259 844</b>
% of total Retail Portfolio		61	41	% of total Retail Portfolio	45

\* Redefine share

# TOP 10 INDUSTRIAL PROPERTIES AND TENANTS

YEAR ENDED 31 AUGUST 2016

Top 10 Industrial properties	Region	Value R'000	GLA m <sup>2</sup>	Top 10 Industrial tenants	GLA m <sup>2</sup>
Pepkor Isando	Gauteng	785 500	107 017	MacSteel	552 641
Robor	Gauteng	616 800	120 277	Pepkor	124 574
Macsteel Lilianton Boksburg	Gauteng	551 630	73 071	Robor	120 277
Macsteel VRN Roodekop	Gauteng	323 670	57 645	Dawn	44 138
Macsteel Coil Processing Wadeville	Gauteng	320 400	52 886	General Motors South Africa	38 000
Macsteel Tube & Pipe Usufruct	Gauteng	300 310	68 822	Massmart	32 227
S & J Industrial	Gauteng	300 000	-	BUCO Honeydew	27 000
Cato Ridge DC	KwaZulu-Natal	292 097	50 137	Edcon	26 071
Dawn (50)*	Gauteng	280 000	22 069	Ferreiras	25 732
Macsteel Trading Germiston South	Gauteng	272 150	56 495	CIBA Packaging	23 803
<b>Total</b>		<b>4 042 557</b>	<b>608 419</b>	<b>Total</b>	<b>1 014 462</b>
Balance of Portfolio		6 908 087	1 321 769	Balance of Portfolio	915 726
<b>Total Portfolio</b>		<b>10 950 644</b>	<b>1 930 188</b>	<b>Total Portfolio</b>	<b>1 930 188</b>
% of total Industrial Portfolio		37	32	% of total Industrial Portfolio	53

\* Redefine share

# VACANCY PROFILE











YEAR ENDED 31 AUGUST 2016


	Office GLA m <sup>2</sup>	Retail GLA m <sup>2</sup>	Industrial GLA m <sup>2</sup>	Specialised GLA m <sup>2</sup>	Total GLA m <sup>2</sup>
Gauteng	147 916	39 080	39 331	-	226 327
Western Cape	14 225	5 548	4 945	-	24 718
KwaZulu-Natal	5 053	4 669	30 746	-	40 468
Other	14 205	15 104	10 342	-	39 651
Total	181 399	64 401	85 364	-	331 164
Vacancy %	14.1	5.1	4.4	-	7.4
Vacancy excluding held for sale or under development	8.7	3.6	3.4	-	4.9
<b>Total GLA</b>	<b>1 286 760</b>	<b>1 259 844</b>	<b>1 930 188</b>	<b>26 970</b>	<b>4 503 762</b>

\* Vacancy excludes properties held for sale or under development

# TOP RISKS – THE LANDSCAPE IS SUBSTANTIALLY CHANGING

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- 1  Downgrading of South African sovereign rating
- 2  Sluggish or negative economic growth
- 3  Non-achievement of forecasted guidance and / or future growth
- 4  Damage to property and security related issues
- 5  Increased competition for tenants, capital and property assets
- 6  Inability to achieve BBBEE compliance
- 7  Failure to comply with local and international laws and regulations
- 8  Utility supply failure
- 9  Property obsolescence
- 10  Tenant concentration

 Risk decreased since last assessment

 Risk ranking unchanged since last assessment

 Risk increased in rank since last assessment

 New risk

# LOCAL PROPERTY PORTFOLIO

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## CENTRED ON OPTIMISING RISK AND REWARD

### Investment criteria

- Continued expansion across traditional sectors
- Focus on younger (more efficient), bigger, well located and better quality projects
- Diversify into higher yielding non-traditional asset classes
- Opportunistic investments will be pursued where value can be unlocked or for a strategic foothold
- Adding value through redevelopments high on the agenda
- Speculative developments limited to no more than 5% of property assets
- Non core (incapable of alternative use) assets to be disposed of include
  - Government tenanted offices
  - Management intensive, older, inefficient (mostly office and outlying) properties

### Focus areas for 2017

- Continued improvement of the quality of the portfolio
- Lowering the age profile across all sectors
- Longer leases from good quality tenants with market related escalations (7% to 8%)
- Recycling of secondary assets on an ordinary basis to minimise dilution in distribution
- Bulk of development activity on logistic/warehousing sector
- Some speculative development where risk is justified

# INTERNATIONAL PROPERTY ASSETS

---

## CENTRED ON GEOGRAPHIC DIVERSIFICATION AND POSITIVE INITIAL YIELD SPREADS

### Investment criteria

- Invest in international markets where:
  - We have local partner representation with aligned interests
  - Opportunities for scale
  - Tax regime and rules of law sophisticated
  - Growth abounds from redevelopments, asset management and expansion
- Co-invest with Redefine International, EPP and Cromwell (and other credible partners) where return exceeds indirect holding
- Certainty of income and Rand hedge (long term) a trade off with organic growth

### Focus areas for 2017

- Exposure to Australia and UK under constant review given low growth
- Optimise international funding arrangements
- Invest further into Poland where growth prospects by way of acquisitions, developments and extensions hold great promise
- No plans to expand geographical footprint

# PROPERTY ASSET CLASSIFICATIONS

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- **Core** represents local property assets that meet Redefine's investment criteria with strong lease covenants to be held long term
- **International** is listed and direct offshore real estate investments that provide reliable income streams with a Rand hedge in line with Redefine's investment strategy
- **Secondary** are listed securities and local properties that are high yielding (in line with their risk profile) which are nearing the end of their investment life cycle and are candidates for recycling by way of disposal, redevelopment or corporate action
- **High** return investments represent Redefine's diversification into higher yielding assets outside the traditional sectors i.e student accommodation, loan funding to joint venture partners and residential conversion of secondary properties

# 2016 A YEAR OF ALIGNMENT



We're not landlords. We're people.