

REDEFINE PROPERTIES LIMITED

# GROUP RESULTS

## and strategic review

FOR THE YEAR ENDED 31 AUGUST 2015



We're not landlords. We're people.

# OUR CONVERSATION

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**Section 1**    **SCORECARD AND STRATEGY**

Andrew Konig (CEO)

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**Section 2**    **LOCAL PROPERTY PORTFOLIO**

David Rice (COO)

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**Section 3**    **FINANCIAL RESULTS**

Leon Kok (CFO)

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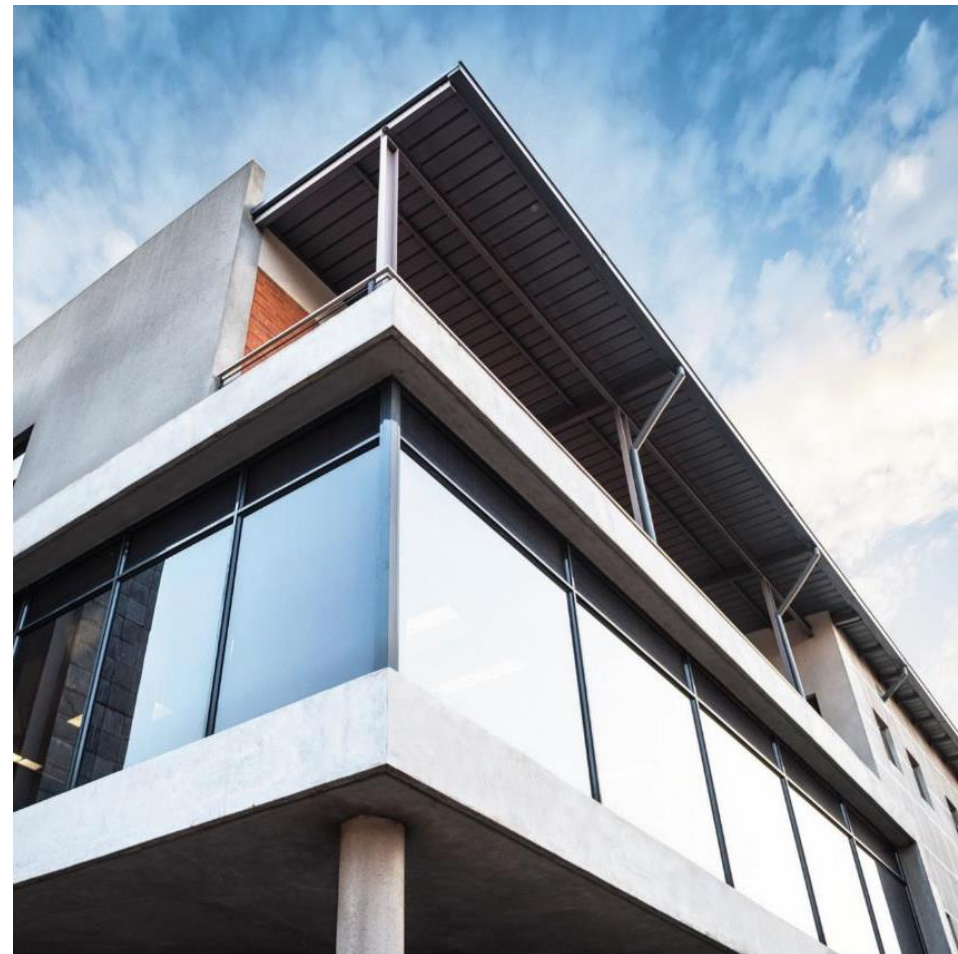
**Section 4**    **CONCLUSION AND PROSPECTS**

Andrew Konig (CEO)

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**Section 5**    **SUPPLEMENTARY INFORMATION**

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# Section 1

SCORECARD AND STRATEGY

Andrew Konig

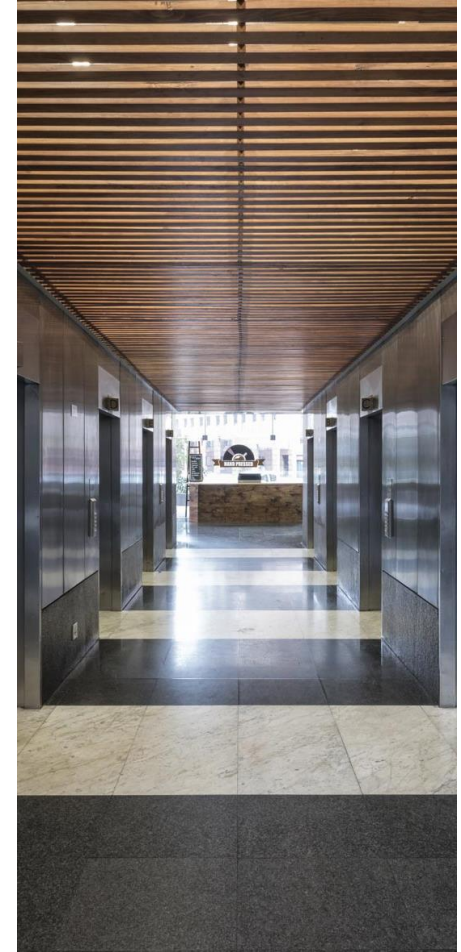


We're not landlords. We're people.

# 2015 LEADING FEATURES

## A redefining year

- Relentless focus on managing the controllable variables
  - revenue protection
  - margin preservation
  - maximising cashflow
  - optimising sources of capital
  - highest and best use of capital
- Continued expansion, improvement, diversification and preservation
  - transformative investments of R13 billion across every asset category
  - Fountainhead merger concluded through issue of R3.8 billion in shares
  - development projects of R3.8 billion in progress
- Restructure largely complete except for sale of government tenanted offices
- Balance sheet strengthened despite merger activity – improved credit metrics
- “We’re not landlords. We’re people”. entrenched in Redefine’s ethos
- Investment profile raised considerably
- ESG and integrated thinking embedded in strategy to achieve sustainability
- BEE-credentials improved



Thibault Square, Western Cape

# STAND OUT ACHIEVEMENTS IN 2015

## Our vision is to be the best SA REIT

- 15th year of listing
- Establishment of the Redefine Empowerment Trust
- 90 Grayston awarded SAPOA's Innovative Excellence in Property Development
- Ranked sixth in EY's Excellence in Integrated Reporting Awards 2015
- Black River Park achieved existing building six star green rating (a first in SA)
- Won the International Sponsorship category of the BASA Awards
- SACSC retail design and development awards for:
  - best shopping centre development over 20 000 m<sup>2</sup> for Matlosana Mall
  - best restaurant design for Nando's at Maponya Mall
- Recognised as a Top Employer for "exceptional" employee offerings
- Redefine included in the JSE's Top 40 index







Matlosana Mall, North West

# 2015 ACTIONS AND 2016 PRIORITIES

## Refine asset allocation and active portfolio management

### 2015 ACTIONS

	Outcome
Introduce specialist sector-specific asset management teams	
Refine master plan for each property	
Implement BEE strategy to improve BEE score	
Introduce energy/electricity supply through alternative means	

### 2016 PRIORITIES

- Continue 2015 “in progress” actions
- Realign staffing structures and improve skills
- Improve market awareness of second tier management and succession planning
- Critical assessment of each property’s investment life cycle
- Deal with the electricity supply crisis
- Increase awareness of physical and IT security threats
- Heighten risk-awareness and sustainable business practices
- Improve tenant mix to bolster market share for existing assets
- Refine BEE-strategy to align with changes in codes and maintain rating








 Complete  In progress



# 2015 ACTIONS AND 2016 PRIORITIES

## Focused and efficient shared services

### 2015 ACTIONS

	Outcome
Refine business processes	
Maintain margins despite continued above inflation increases in rates and utility costs	
Introduce technology-based applications to improve communications with staff	
Introduce electronic communication platforms to serve shoppers / support tenants	
Outsource specialist non-core functions	

### 2016 PRIORITIES

- Entrench Redefine's values, "Walk the Talk"
- Continue to maintain margins and maximise cash flow
- Let vacant space
- Manage tenant credit and concentration risk
- Maintain strong focus on tenant retention and relationships
- Integrate management and property portfolios acquired in 2015
- Improve capability, availability and use of electronic communication platforms
- Increase focus on parking and non-GLA income
- Critically evaluate specialist non-core functions



 Complete  In progress

# 2015 ACTIONS AND 2016 PRIORITIES

## Disciplined growth and diversification of the local property asset base

### 2015 ACTIONS

#### Outcome

Continue to acquire good quality assets and dispose of non-core assets to recycle capital



Ongoing restructure without diluting earnings



Selectively dispose the government tenanted office portfolio (valued at R1.9 billion)



Monitor market for possible takeover targets



Investigate new asset classes outside of the traditional property sectors



### 2016 PRIORITIES

- Continue 2015 “in progress” actions
- Strong focus on enhancing value of core assets
- Reinvest in retail assets to expand and defend their market position
- Dispose non-core office assets (valued at R1.8 billion) to recycle capital
- Invest in assets suitable to logistics and fast moving consumer goods operations
- Diversify exposure to new asset classes outside of the traditional property sectors



 Complete  In progress



# 2015 ACTIONS AND 2016 PRIORITIES

## Prudent management of funding

### 2015 ACTIONS

	Outcome
Spread the debt maturity profile	✓
Broaden funding sources	✗
Improve the loan to value ratio	✓
Restructure expensive debt	✓
Expand presence in debt capital market	✗
Optimise funding of international investments	✓
Close current discount to property sector forward yield	✓

### 2016 PRIORITIES

- Proactive capital management
- Diversify funding sources
- Reduce level of secured assets and debt
- Improve liquidity
- Focus on balance sheet management
- Maintain Moody's credit rating








✓ Complete ✗ In progress

# 2015 ACTIONS AND 2016 PRIORITIES

## Growth and geographic diversification in international real estate markets

### 2015 ACTIONS

	Outcome
Invest in listed offshore securities and direct property at attractive yields	
Gear up the Redefine International and Cromwell holdings	
Increase holding in Cromwell to 26%	
Improve the tax efficiency of the Australian structure	
Consider implementing hedging of income	

### 2016 PRIORITIES

- Expand into markets offering growth and secure income streams
- Support expansion of existing investments in listed securities
- Invest in improving existing directly held assets
- Implement hedging of income
- Improve investor sentiment of international exposure



 Complete  In progress

# 2015 ACTIONS AND 2016 PRIORITIES

## Unlock value-add opportunities to existing properties

### 2015 ACTIONS

	Outcome
Identify yield-enhancing development opportunities around owned properties	
Pursue pre-let/tenant demand-driven development opportunities	
Provide redevelopment services to Fountainhead	
Completion of a number of developments totalling R2.3 billion	
Establish long term master plans for development of key assets	
Explore yield enhancing opportunities in new market segments outside traditional property sectors	
Focus on reducing existing buildings' energy consumption through efficiency improvements	

### 2016 PRIORITIES

- Continue 2015 “in progress” actions
- Refine long-term master plans for development of key assets
- Rollout sustainability interventions on existing buildings
- Heighten market awareness of development capability and capacity
- Alternative uses to be considered before disposal of non-core assets



 Complete  In progress

# STRATEGY

## Primary goal to grow and improve cash flow

- In the end it all comes down to people
- Implementation is more important than strategy itself
- Alignment to the strategy and values, key to implementation
- Our focus is on real estate and related investments, not a particular sector
- We invest where we believe the best opportunities are
- Balance is required between defensive assets and those that can be improved
- South Africa unique, lease escalations are generally higher than inflation
- Local investment philosophy centred on optimising risk and reward
- International markets offer attractive initial yield spreads but with low growth
- International presence and expansion focused on geographic diversification to protect income streams
- The strategy is subject to continuous refinement and is adaptable
- “Property is our commodity but people are our business” is core to Redefine’s approach



Redefine Place, Rosebank

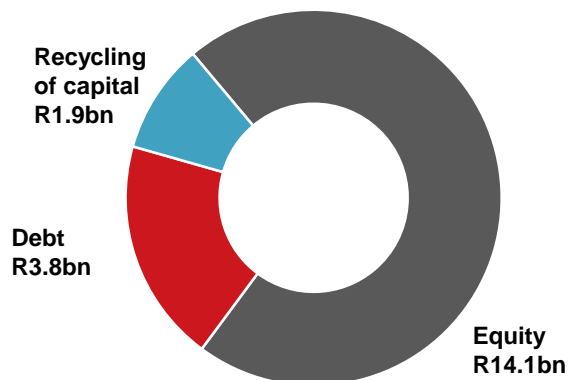
*Refer to annexure for local and international investment criteria*

# SOURCES OF CAPITAL

New environment demands a new approach

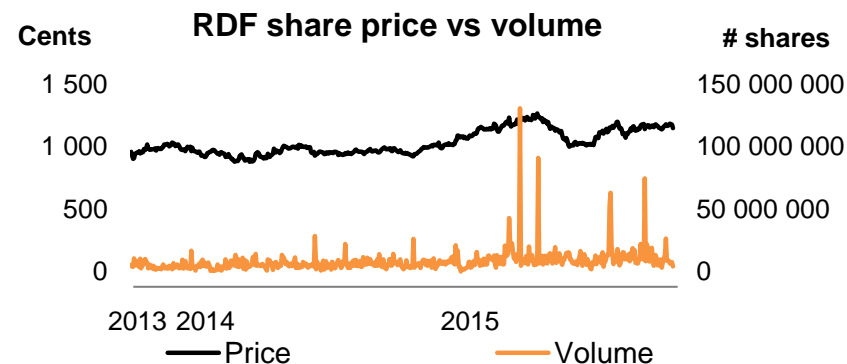
We're not landlords. We're people.

Funding of R19.8 billion raised



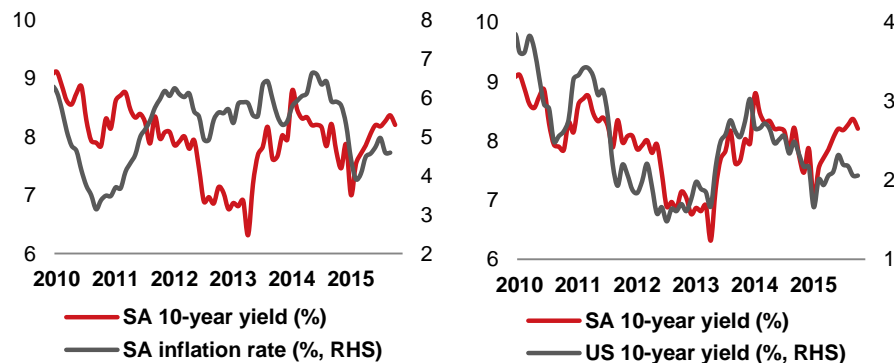
## Equity funding

- Redefine has narrowed the forward yield discount
- Shares in issue increased by 39.4%
- Record daily volume of 131 million shares set in 2015
- All time high of R12.68 reached in April 2015



## Drivers of local interest rate sentiment

- Local growth
- Rising inflation
- Global growth (currency)
- US monetary policy



Source: RMB

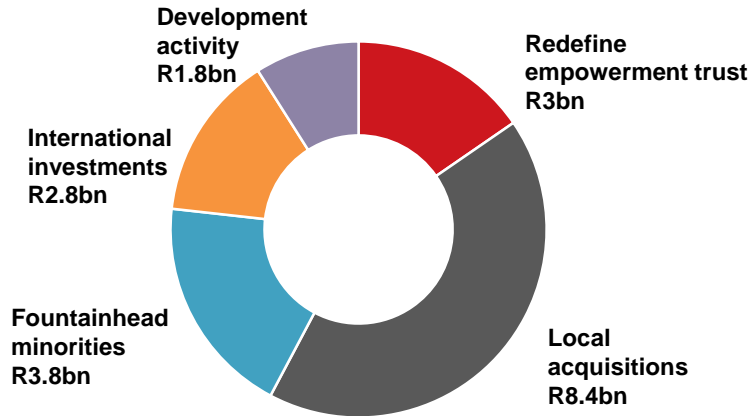
## Debt funding

- Fundamental shift in debt capital markets
- Bank debt landscape evolving from Basel 3 implementation
- Funding sources being broadened
- Local activities mostly equity funded
- International expansion debt funded

# USES OF CAPITAL

Creating a platform that sustains value creation

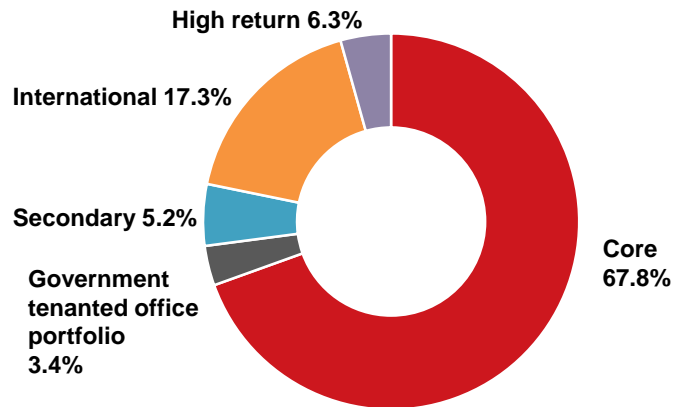
Application of R19.8 billion



## Risk management integral to robust asset management – Top Risks

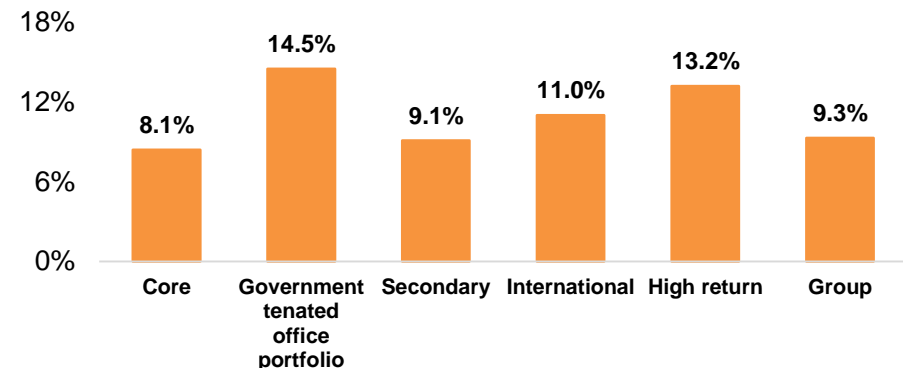
- Sluggish economic growth
- Downgrade of SA Sovereign credit rating
- Rise in interest rates
- Increase in security threats (cyber and property)
- Disruption and failure of property utility services
- Significant increases in administered costs
- Inability to comply with BBBEE requirements
- Tenant concentration
- Human talent – skills attraction and retention
- Property obsolescence
- Increased competition for tenants and property assets

Allocation of R64.5 billion capital



Assets stated at market value

Return on capital

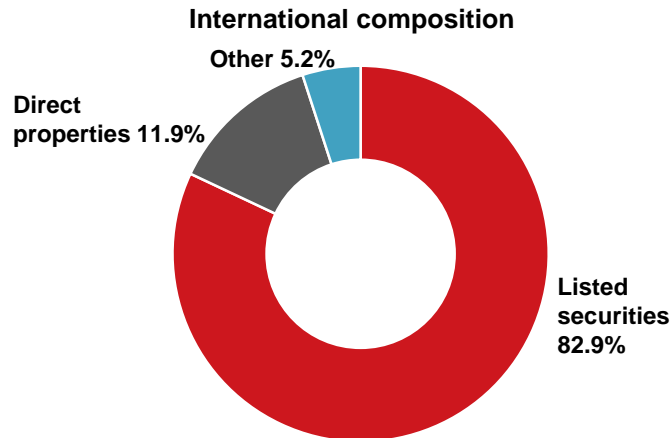


2015 total return based on tangible net asset value 19.6%

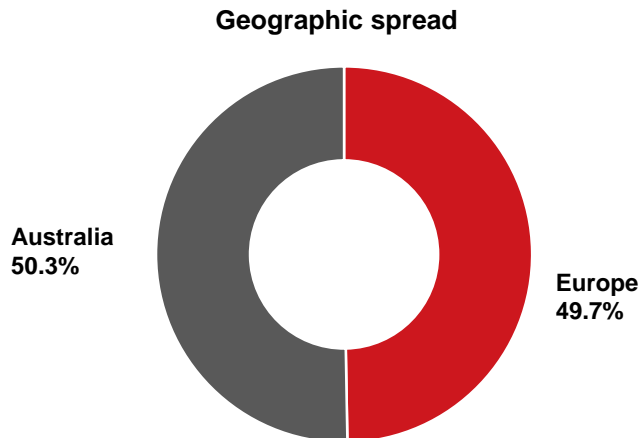
See Annexure for definitions of asset classifications

# INTERNATIONAL REVIEW

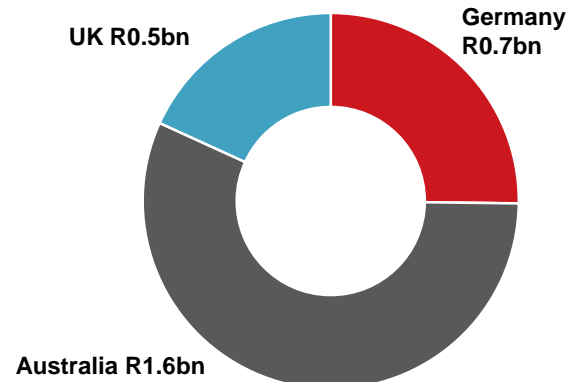
**Redefine is the only SA REIT to have exposure to multiple regions**



- Capital flows have become global
- Strong move to wealth preservation
- Prolonged low oil price and slump in China may curb weight of capital flows
- German portfolio subject to expansion and refurbishment
- Cromwell holding now 25.6% - treated as an associate
- Northpoint redevelopment to cost AUD125 million
- Capital uplift of AUD50 million anticipated post completion of Northpoint
- Financial assistance provided to Redefine International for Aegon acquisition
- Non-binding offer for Australian Industrial REIT did not proceed
- Invested £10 million in International Hotel Group in October
- Establishing tax efficient structures are a major challenge
- We remain on the lookout for expansion opportunities



**2015 international investments of R2.8 billion**



*Note: Redefine International is equity accounted – market value is R749 million higher than carrying value*



# HIGH RETURN INVESTMENTS

## New asset categories to be established

- High return investments (loans and Emira holding) total R3 billion
- Opportunistic investments will be pursued where value can be unlocked
  - Emira presents a recycling opportunity when required
- Diversifying into student residential accommodation (shortage circa 400 000 beds)
  - Initial R201 million investment in Respublica provides platform to expand
  - Redevelopment of Hatfield Square – first Redefine property to be converted
  - Absa Campus (opposite Wits) – next candidate for conversion
  - “Fees must fall” an emerging issue – posing a risk and an opportunity
- Alternative energy (solar) on existing buildings has potential to become another asset class



Black River Park, Western Cape



# Section 2

LOCAL PROPERTY PORTFOLIO  
David Rice



We're not landlords. We're people.

# TOTAL PORTFOLIO REVIEW

<b>Total portfolio value</b>		<b>R51.2bn</b>	
<b>Average property value</b>		<b>R154m</b>	• Highest valued property in each sector is a 2015 acquisition
<b>Acquisitions</b>		<b>R19.8bn</b>	• Yield of 8%
<b>Disposals</b>		<b>R2.2bn</b>	• Non core properties   Yield of 9.3%
<b>Development</b>	<b>Current</b>	<b>R3.8bn</b>	
	<b>Completed</b>	<b>R1.4bn</b>	
<b>Vacancy</b>		<b>7.7%</b> <b>5.4%</b>	• 2014: 5.5% • Excludes properties held for sale or under development
<b>Renewal rental growth</b>		<b>-3.0%</b>	
<b>In force rental escalations</b>		<b>7.5%</b>	
<b>Tenant retention by GLA</b>		<b>87%</b>	

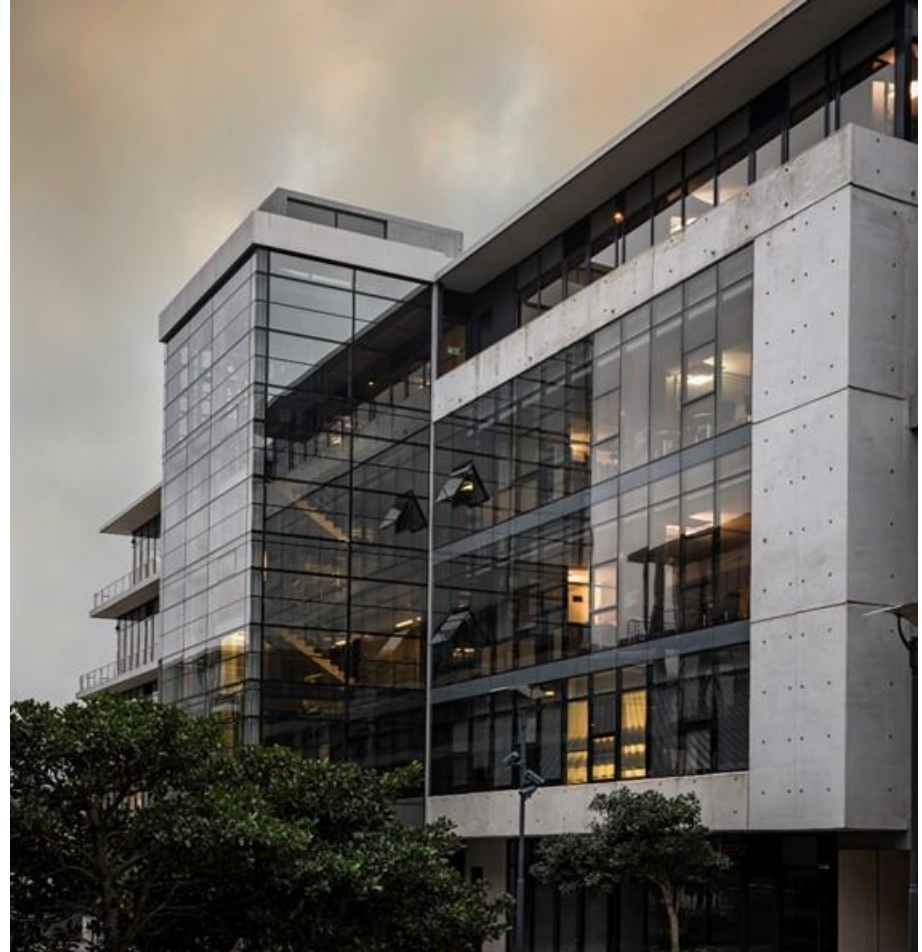
Commerce Square, Gauteng





# PORTFOLIO FOCUS

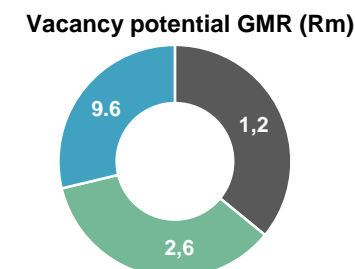
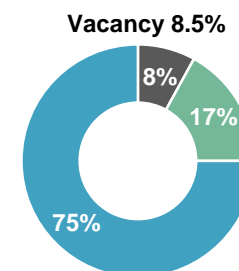
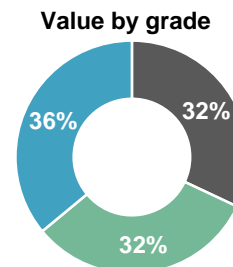
- Core portfolio is valued at R45.6 billion and non-core R5.6 billion
  - intended to dispose of non-core properties over time
  - once all investment alternatives have been exhausted
- Acquire good quality, well located and tenanted retail and industrial properties
- Focus on enhancing the value of the portfolio by implementation of individual property master plans
- Identify yield enhancing development and re-development opportunities within the portfolio
- Committed to creating efficient buildings that adhere to latest environmental responsible technologies
- Focus on letting vacant space, tenant retention and relationships
- Parking is our biggest “tenant”



The Boulevard, Western Cape

# OFFICE PORTFOLIO REVIEW

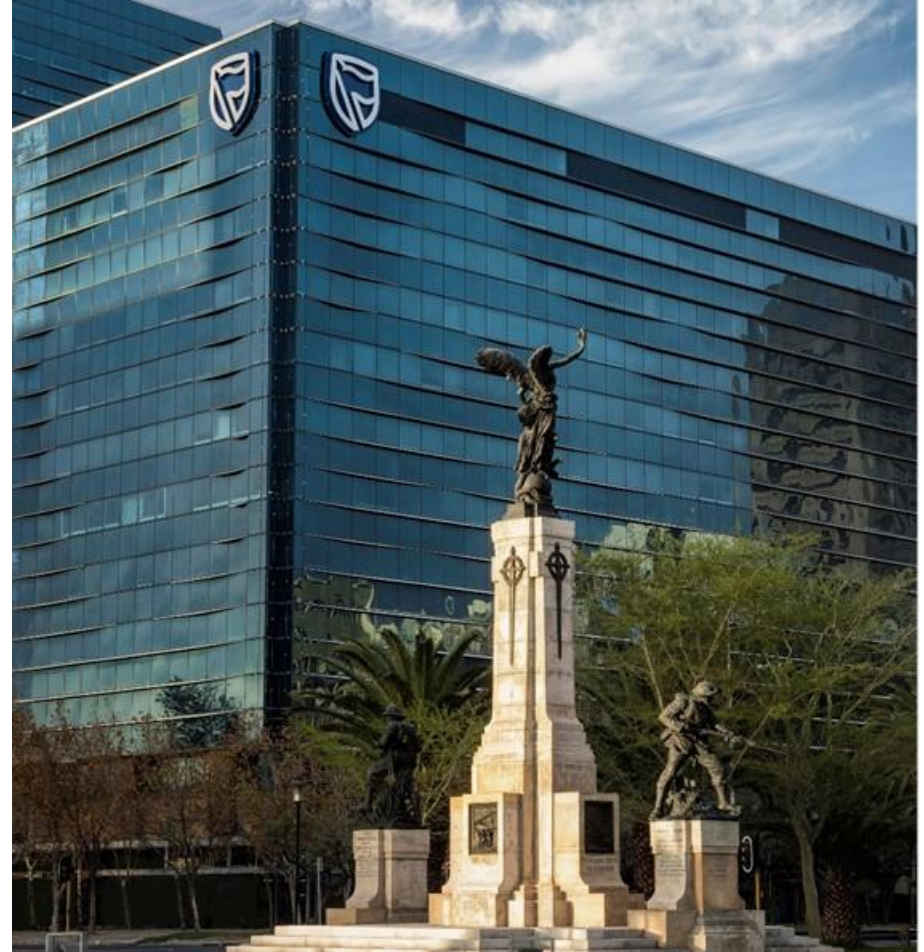
<b>Total portfolio value</b>		<b>R19.5bn</b>	
<b>Average property value</b>		<b>R140m</b>	
<b>Acquisitions</b>		<b>R6.5bn</b>	<ul style="list-style-type: none"> <li>• Leaf Capital portfolio of P and A grade properties</li> <li>• 16 Fredman Drive Sandton (50%)</li> </ul>
<b>Disposals</b>		<b>R816m</b>	<ul style="list-style-type: none"> <li>• 11 non-core properties</li> </ul>
<b>Development</b>	<b>Current</b>	<b>R1.92bn</b>	<ul style="list-style-type: none"> <li>• 90 Rivonia Road Sandton</li> <li>• The Towers Cape Town Foreshore</li> <li>• Rosebank Towers (RDF share: 42.5%)</li> </ul>
	<b>Completed</b>	<b>R119m</b>	<ul style="list-style-type: none"> <li>• Commerce Square Gauteng</li> </ul>
	<b>Pipeline</b>		<ul style="list-style-type: none"> <li>• Rosebank Mews Rosebank</li> <li>• Esher Place Sandhurst</li> </ul>
<b>Vacancy</b>		<b>13.4%</b> <b>8.5%</b>	<ul style="list-style-type: none"> <li>• 2014: 7.2% (SAPOA Q3 2015: 10.6%)</li> <li>• Excludes properties held for sale or under development</li> </ul>
<b>Renewal growth</b>		<b>-8.0%</b>	<ul style="list-style-type: none"> <li>• Negatively impacted by Debeer's Ormonde lease renewal</li> </ul>
<b>In force rental escalations</b>		<b>7.4%</b>	
<b>Tenant retention by GLA</b>		<b>91%</b>	



■ Premium grade ■ A Grade ■ Secondary

# OFFICE PORTFOLIO FOCUS

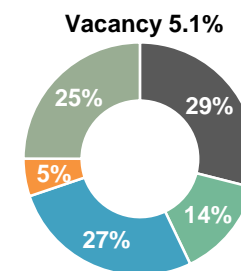
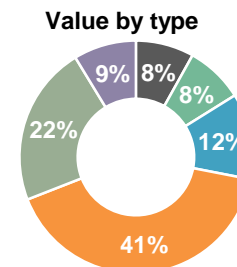
- No intention to acquire office property, unless there is a compelling investment reason
- Efforts continue to dispose of government tenanted properties and other secondary non-core properties
  - certain properties have been sold individually
- Market musical chairs continues with the same tune
- Focus:
  - letting vacant space
  - tenant retention and relationships
  - reducing occupation costs through implementation of green technologies
  - re-development of well located older properties and upgrades to common areas where necessary
  - early renewal of major leases
  - market intelligence
  - broker tenant representative relationships
  - where possible ensuring properties provide facilities such as:
    - data fibre
    - wi-fi
    - gym
    - restaurants
    - green spaces



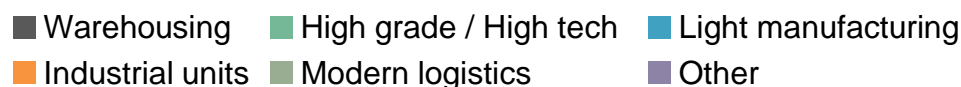
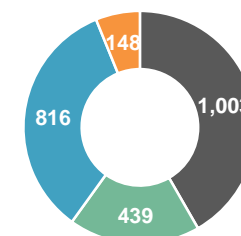
The Towers, Western Cape

# INDUSTRIAL PORTFOLIO REVIEW

<b>Total portfolio value</b>		<b>R10.5bn</b>	
<b>Average property value</b>		<b>R100m</b>	
<b>Acquisitions</b>		<b>R4.1bn</b>	<ul style="list-style-type: none"> <li>Macsteel portfolio</li> <li>S &amp; J Land, off N3 highway, Germiston R312m (45%) 160 hectares developable land</li> </ul> <p>Post August conditional transaction</p> <ul style="list-style-type: none"> <li>Brackengate 2, off R300, Western Cape R108m (50.1%) potential GLA of 450 000 m2</li> </ul>
<b>Disposals</b>		<b>R88m</b>	<ul style="list-style-type: none"> <li>Various non-core properties</li> </ul>
<b>Development</b>	<b>Current</b>	<b>R567m</b>	<ul style="list-style-type: none"> <li>Ushukela mini units Cornubia</li> <li>Fabric Park Midrand</li> <li>Waltloo Industrial Park Pretoria</li> <li>Golf Air park Cape Town</li> <li>21 Wrench Road Isando</li> </ul>
	<b>Pipeline</b>		<ul style="list-style-type: none"> <li>Cornubia KZN</li> <li>S &amp; J Germiston</li> <li>Brackengate 2 Cape Town</li> </ul>
<b>Vacancy *</b>		<b>5.1%</b> <b>3.8%</b>	<ul style="list-style-type: none"> <li>2014: 5.3%</li> <li>Excludes properties held for sale or under development</li> </ul>
<b>Renewal rental growth</b>		<b>-5.0%</b>	<ul style="list-style-type: none"> <li>Due to negative reversions on Buco Honeydew and Le Sel Midrand</li> </ul>
<b>In force rental escalations</b>		<b>7.6%</b>	
<b>Tenant retention by GLA</b>		<b>89%</b>	



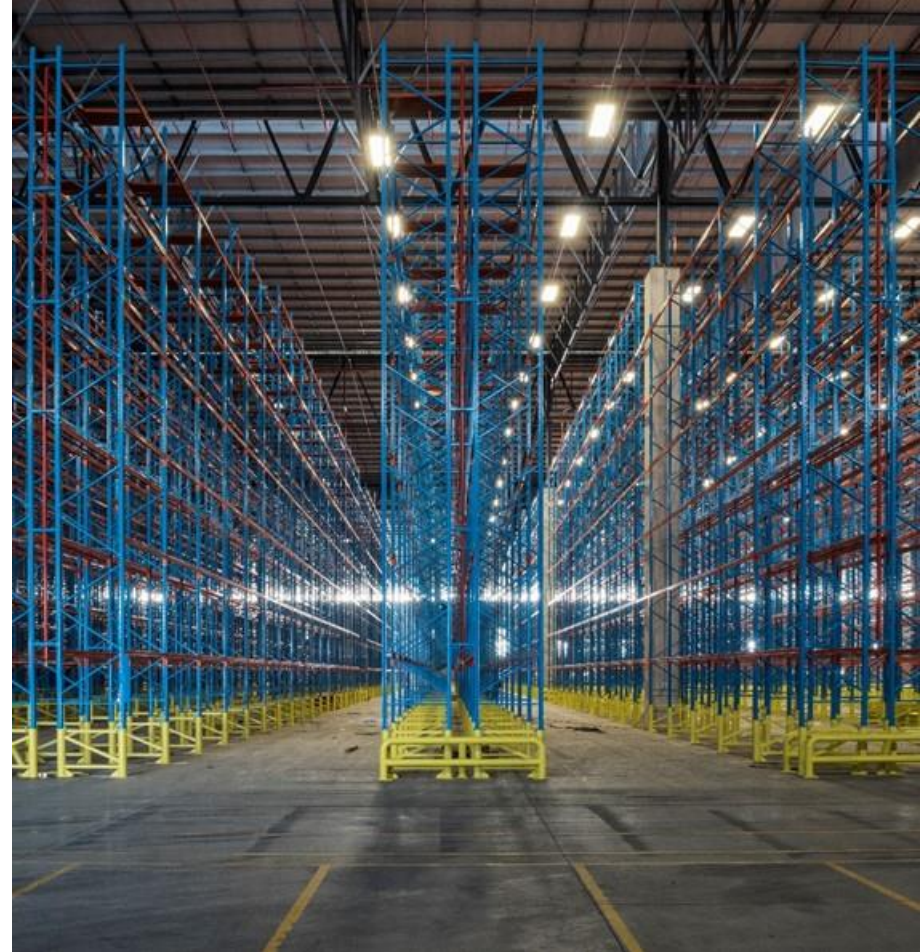
**Vacancy potential GMR (Rm)**





# INDUSTRIAL PORTFOLIO FOCUS

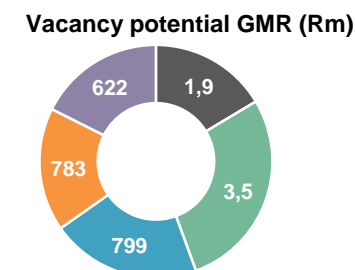
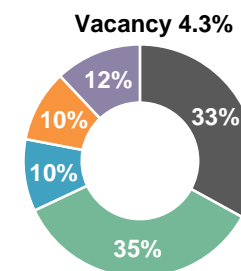
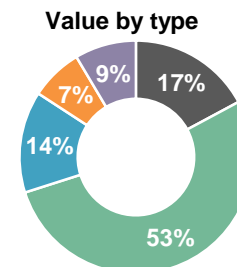
- Further acquisition of high quality, well located, modern properties
- Dispose of non-core, obsolete properties not appropriate for redevelopment
- Development of vacant land with a focus on the logistics and FMCG supply chain industry
  - mid size multi units close to the big boxes for supplementary businesses
  - eg: material handling
- Redevelopment of existing properties
- Tenant retention and relationships
- Early renewal of appropriate leases
- Golf Air Park development pioneers new benchmark for green property sector



Cato Ridge, KwaZulu-Natal

# RETAIL PORTFOLIO REVIEW

<b>Total portfolio value</b>		<b>R20.8bn</b>	
<b>Average property value</b>		<b>R242m</b>	
<b>Acquisitions</b>		<b>R8.8bn</b>	<ul style="list-style-type: none"> <li>• Stoneridge Shopping Centre 52 000m<sup>2</sup></li> <li>• Fountainhead Portfolio</li> </ul>
<b>Disposals</b>		<b>R1.3bn</b>	<ul style="list-style-type: none"> <li>• 14 non-core properties</li> </ul>
<b>Development</b>	<b>Current</b>	<b>R917m</b>	<ul style="list-style-type: none"> <li>• South Coast Mall</li> <li>• East Rand Mall</li> <li>• Centurion Mall</li> <li>• Kenilworth Shopping Centre</li> </ul>
	<b>Completed</b>	<b>R1.1bn</b>	<ul style="list-style-type: none"> <li>• Matlosana Mall</li> </ul>
	<b>Pipeline</b>		<ul style="list-style-type: none"> <li>• Masingita Shopping Centre</li> <li>• Benmore Gardens</li> <li>• Sammy Marks Square</li> <li>• Langeberg Mall</li> </ul>
<b>Vacancy</b>		<b>5.3%</b>	<ul style="list-style-type: none"> <li>• 2014: 3.8%</li> </ul>
		<b>4.3%</b>	<ul style="list-style-type: none"> <li>• Excludes properties held for sale or under development</li> </ul>
<b>Renewal rental growth</b>		<b>4.0%</b>	
<b>In force rental escalations</b>		<b>7.4%</b>	
<b>Tenant retention by GLA</b>		<b>80%</b>	

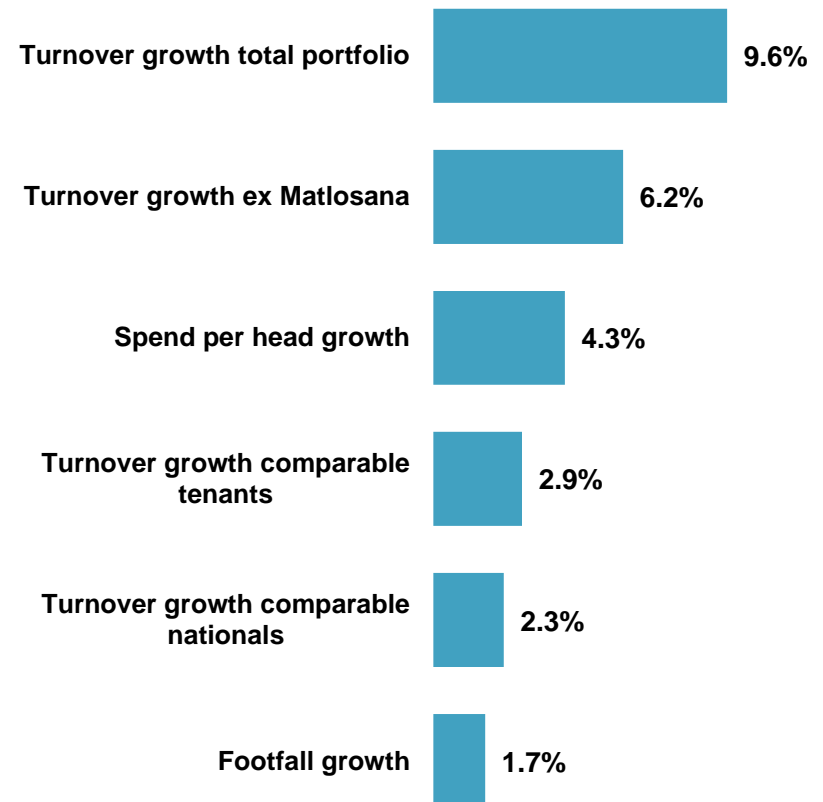


Community centre
  Regional shopping centre
  Small regional centre
  Neighbourhood centre
  Other

# RETAIL PORTFOLIO

- Portfolio performance largely in line with SA retail sales growth
- Development activity a drag on turnover growth this year
- Footfall under pressure, customers visiting less often but spending more per visit
- Edcon remains a drag on the performance of national retailers
- Pharmacy and cash retailers still showing good comparable growth
- Fashion and accessories, health and beauty were the largest contributors to growth this year
- Grocery/supermarket is our biggest category, but growth is largely below inflation

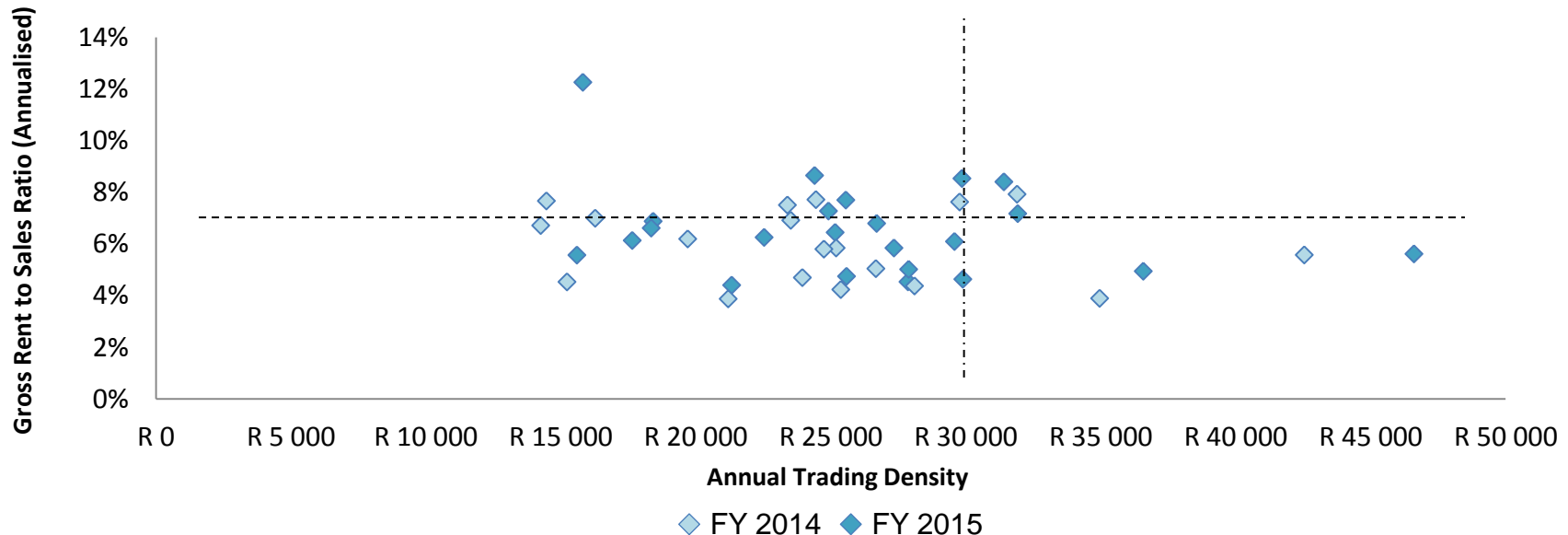
## Key portfolio statistics for 2015



# RETAIL CENTRE FOCUS

- Current densities and rent to turnover ratios are in line with industry averages
- Need to improve densities to drive turnover growth and increase rentals
- Analytics helping us to understand the performance divergence of anchors and line shops as well as categories
- Differentiation of tenant mix and limiting dilution of outperforming tenants/categories
- National retailer consolidation and push back on lease terms
- Generators being installed at all major centres

Centre performance comparison (FY 14 vs FY15)







# Section 3

FINANCIAL RESULTS

Leon Kok

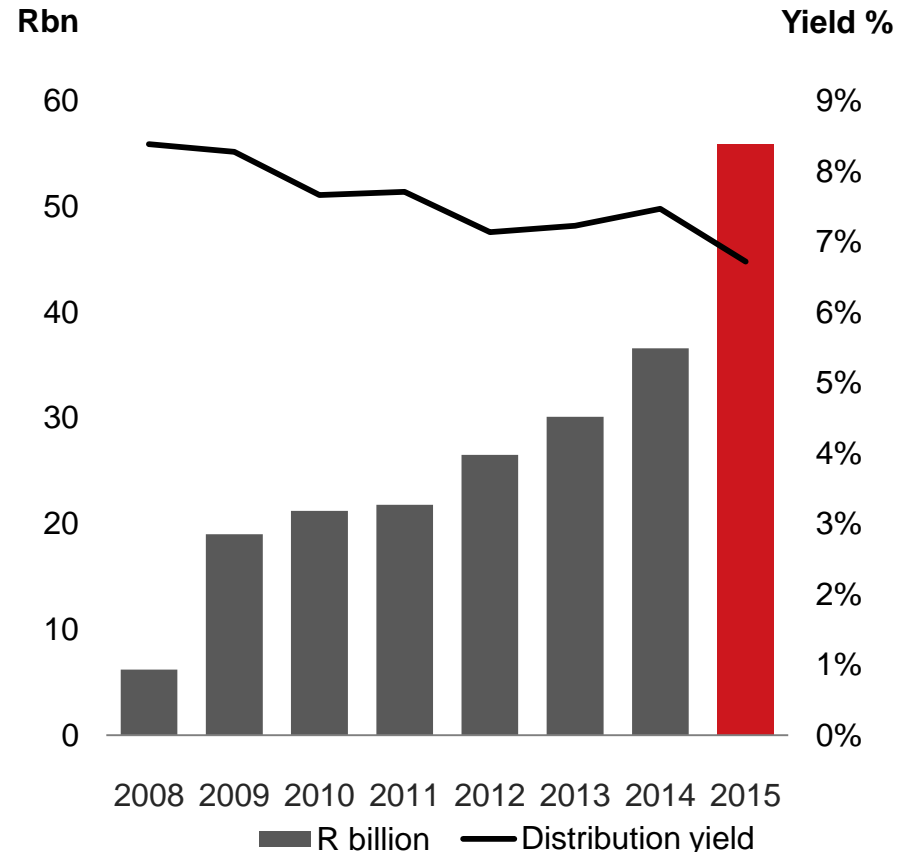


We're not landlords. We're people.

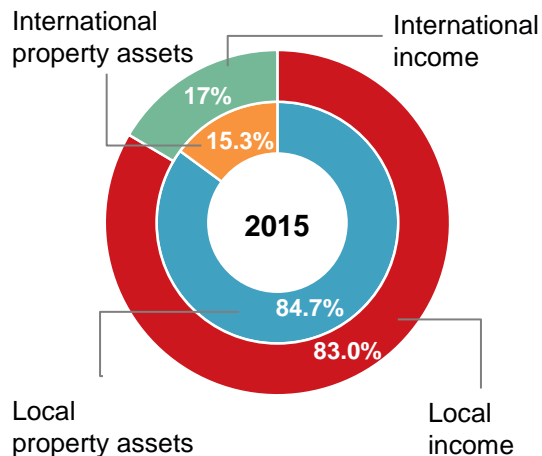
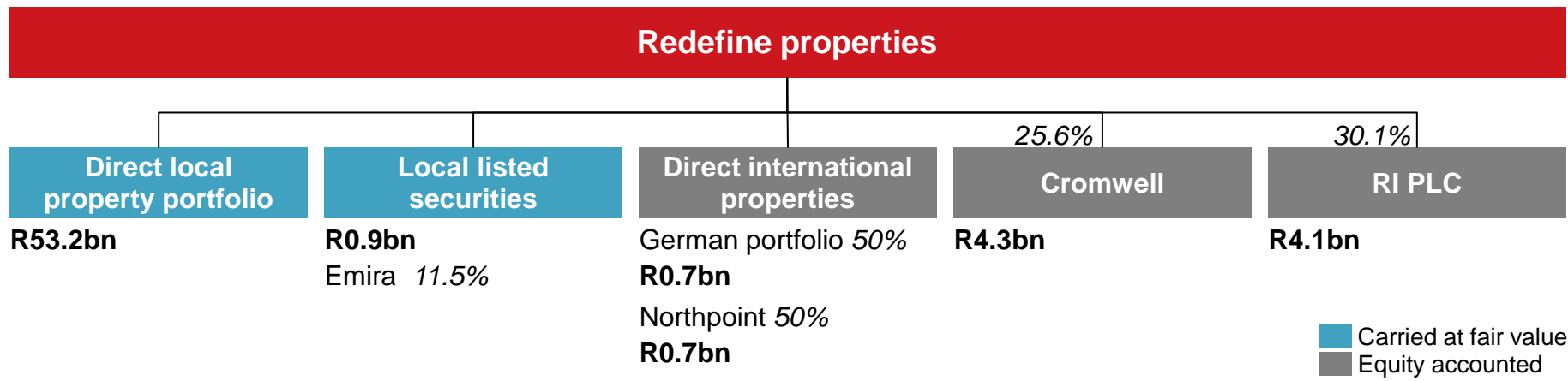
# 2015 FINANCIAL HIGHLIGHTS

- Second half distribution growth of 7.5% to 41 cents
  - full year up 7.3% to 80 cents
- In Rand terms distributable income has grown by 36.3% to R3.3bn
- Income producing assets up by R13bn to R64bn
- Total assets now R70.2bn (first time above R70bn)
- Raised R14.1bn in equity, shares in issue increased by 1.3bn (+39,4%)
- Tangible net asset value up 9.9% to 900.4 cents per share (Net asset value at 1021.0 cents)
- Interest on 81% of debt fixed
- Loan to value ratio at 36.8%
- Weighted average debt maturity at 3.3 years
- Market capitalisation at R54.8bn

## Market capitalisation



# SIMPLIFIED CORPORATE STRUCTURE



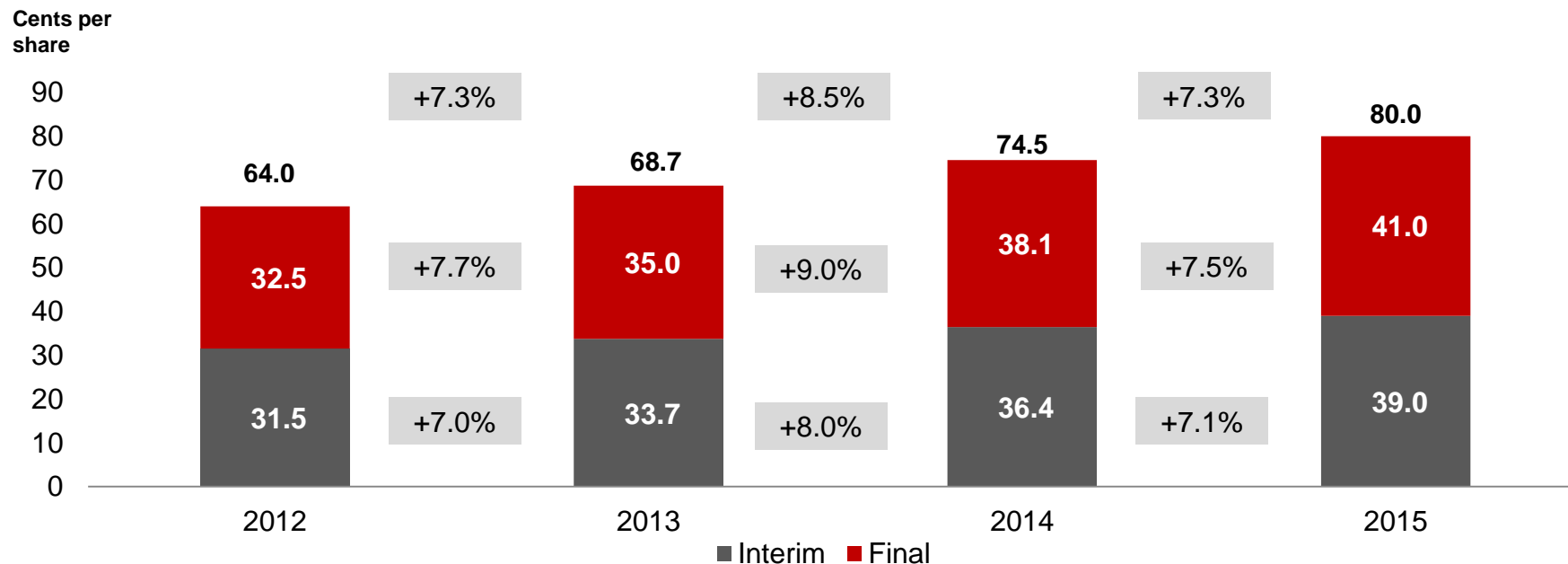
	2015	2014	2013
Average value per property	R154m	R127m	R95m
Average rental per employee	R17m	R17m	R15m
Average rental per tenant	R1 332 777	R964 000	R729 500



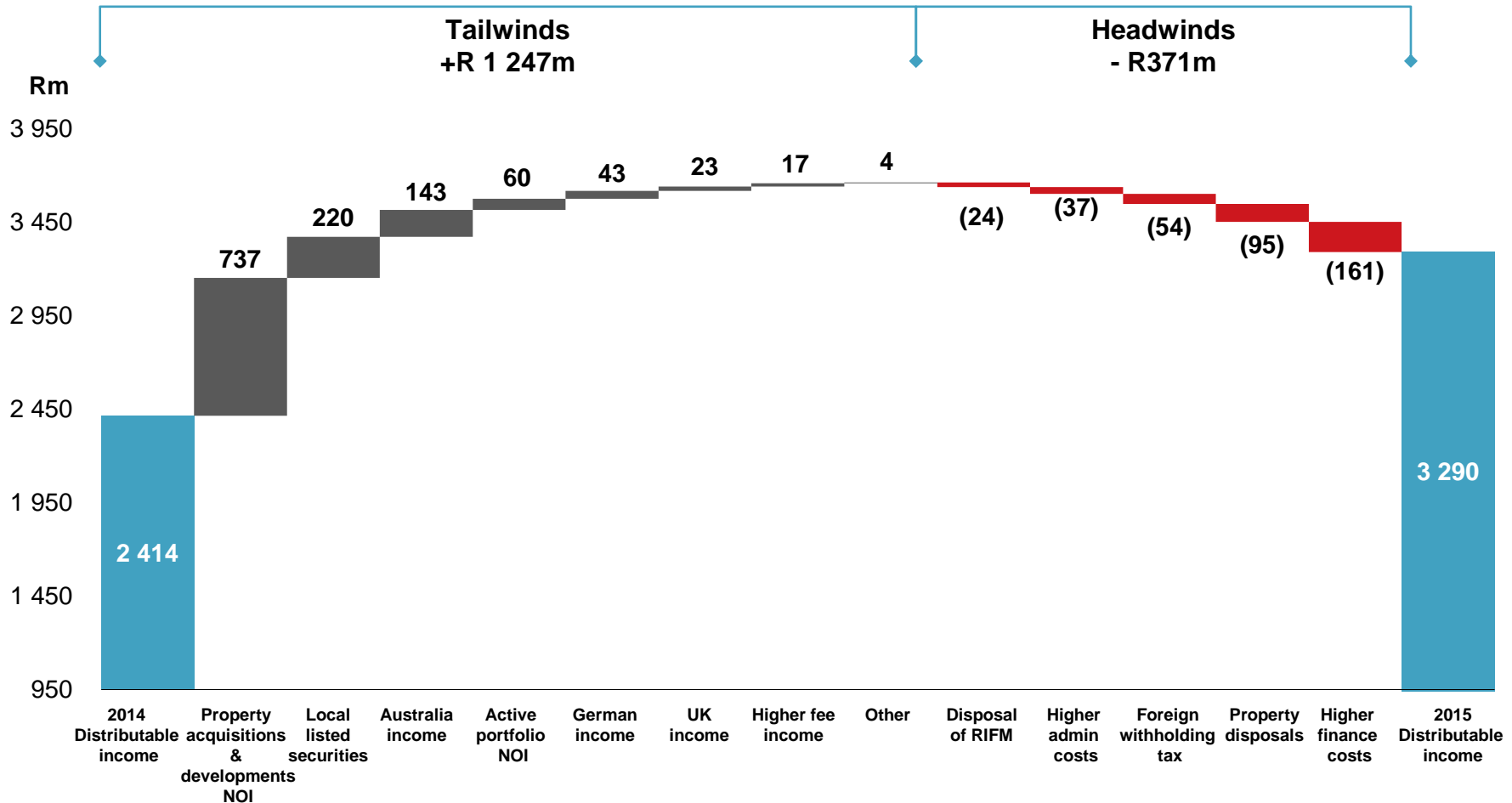
# DISTRIBUTABLE INCOME PER SHARE

Year ended 31 August 2015

	Distributable income (Rm)	Per share (cents)	Y-o-Y change
<b>2014 distributable income</b>	2 414	74.5	
Less dilution arising from new shares		-15.8	
Local growth	731	17.7	
International growth	145	3.6	
<b>2015 actual</b>	<b>3 290</b>	<b>80.0</b>	<b>7.3%</b>



# CONTRIBUTORS TO TRADING



# FOUNTAINHEAD ACQUISITION

## Merger concluded by acquiring minorities' stake for R3,8 billion

- Acquisition approved on 24 July 2015 at a swop ratio of 85 RDF shares for every 100 FPT shares
- Acquisition implemented and 337 million shares issued on 3 August 2015
- Transaction was commercially effective from 1 March 2015
- FPT declared clean out distribution up to implementation date, which RDF assumed liability by issuing cum div shares to FPT minorities
- RDF recognised minorities' portion of FPT's second half distribution of R101 million in distributable earnings
- Dilution of 0.3 cents in distribution per share absorbed in 2015 distributable earnings
- The acquisition resulted in a dilution of 27.9 cents in RDF NAV per share
- Two properties in FPT portfolio classified as specialised (hotel and hospital)



Centurion Mall, Gauteng

# SIMPLIFIED DISTRIBUTABLE INCOME STATEMENT

Year ended 31 August 2015

	2015 (Rm)	2014 (Rm)	Change %
Net operating income from investment properties	3 155	2 453	28.6%
Listed security portfolio	685	465	47.3%
Fee income	107	91	17.6%
Property trading income	(1)	1	-200.0%
<b>Total revenue</b>	<b>3 946</b>	<b>3 010</b>	31.1%
Administration costs	(170)	(139)	22.3%
<b>Net operating profit</b>	<b>3 776</b>	<b>2 871</b>	31.5%
Net finance charges	(1 038)	(857)	21.1%
Taxation	(7)	(14)	-50.0%
<b>South African distributable income</b>	<b>2 731</b>	<b>2 000</b>	36.6%
International distributable income	559	414	35.0%
<b>Distributable income</b>	<b>3 290</b>	<b>2 414</b>	36.3%



Coega, Eastern Cape



Kenilworth Mall, Western Cape

# ACTIVE PORTFOLIO INCOME ANALYSIS

Year ended 31 August 2015

	2015 (Rm)	2014 (Rm)	Change %
Active portfolio revenue*	2 469	2 375	4.0%
Active portfolio costs**	(481)	(447)	7.6%
<b>Property income from active property portfolio</b>	<b>1 988</b>	<b>1 928</b>	<b>3.1%</b>
Net operating income from acquired / developed properties	998	261	282.4%
Net operating income from disposed properties	169	264	(36.0%)
<b>Net operating income from investment properties</b>	<b>3 155</b>	<b>2 453</b>	<b>28.6%</b>
	<b>80.5%</b>	<b>81.2%</b>	

## Active portfolio margin %

\* Properties owned for full period in both years

\*\* Net of recoveries



Convention Towers, Western Cape



Scottsville Mall, KwaZulu-Natal



# ACTIVE PORTFOLIO REVENUE GROWTH

Year ended 31 August 2015

	Office	Retail	Industrial	Total
Active portfolio average rental escalation	7.4%	7.3%	7.6%	7.4%
Renewals plus new lets net of expiries	(4.5%)	(2.4%)	(4.8%)	(3.8%)
Growth in rental income	2.9%	4.9%	2.8%	3.6%
Growth in other income	0.5%	0.8%	(0.9%)	0.3%
<b>Growth in 2015 active portfolio revenue</b>	<b>3.4%</b>	<b>5.7%</b>	<b>1.8%</b>	<b>4.0%</b>
Vacancy August 2014	7.2%	3.9%	5.3%	5.5%
<b>Vacancy August 2015</b>	<b>13.4%</b>	<b>5.3%</b>	<b>5.1%</b>	<b>7.7%</b>
Vacant properties under redevelopment (GLA)	1.4%	0.4%	1.3%	1.1%
Vacant properties held for sale (GLA)	3.5%	0.6%	0.0%	1.2%
<b>Active vacancy August 2015</b>	<b>8.5%</b>	<b>4.3%</b>	<b>3.8%</b>	<b>5.4%</b>



Dawn, Gauteng

# ACTIVE PORTFOLIO EXPENDITURE ANALYSIS

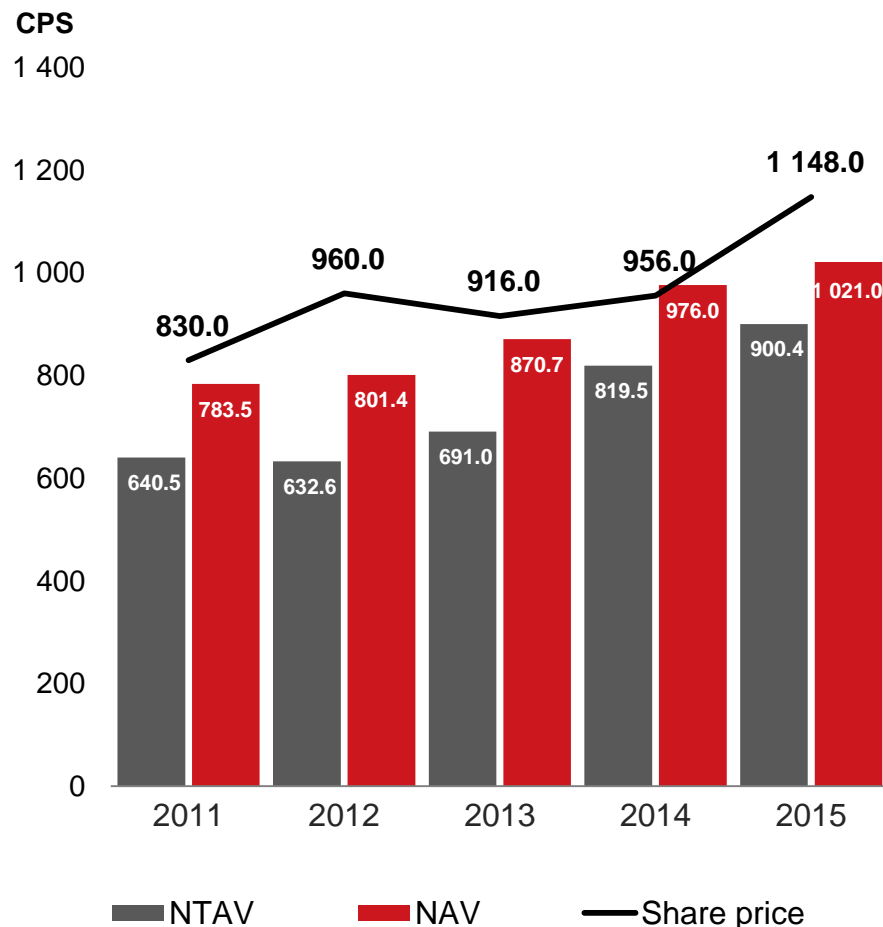
Year ended 31 August 2015

	2015 (Rm)	Change %
<b>2014 Property costs</b>	<b>447</b>	
Net municipal recoveries benefit from rates credits	3	4.2%
Net electricity recoveries worse due to increased tariffs and back bills	7	22.6%
Operating costs increased	17	10.6%
Property management benefiting from cost recoveries	(6)	(5.3%)
Repairs & maintenance across the portfolio	6	12.5%
TI costs are deal driven	1	2.9%
Letting commission is a function of the market	0	(0.3%)
Management fees down due to reduced outsourcing	(3)	(13.6%)
Bad debts up due to economic slow down	9	69.2%
<b>2015 Property costs</b>	<b>481</b>	<b>7.6%</b>
	<b>2015 %</b>	<b>2014 %</b>
Municipal recoveries as a % of municipal charges	73.5	75.4
Electricity recoveries as a % of electricity charges	105.9	108.3



# SIMPLIFIED STATEMENT OF FINANCIAL POSITION

Year ended 31 August 2015

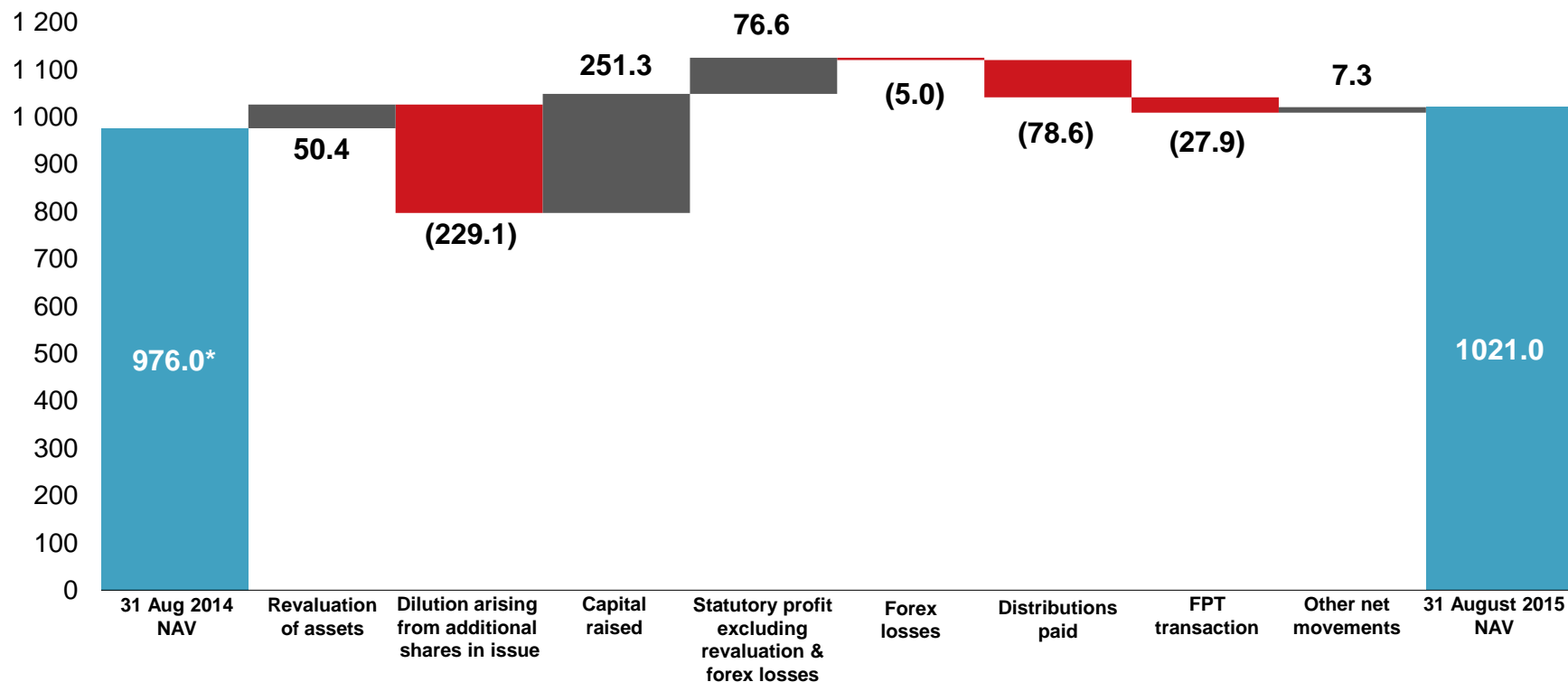


	31 Aug 15 Group (Rm)	31 Aug 14 Group (Rm)
Property assets	63 860	51 068
Goodwill & intangible assets	5 367	5 329
Other assets	951	1 093
<b>Total assets</b>	<b>70 178</b>	<b>57 490</b>
Shareholders interest	45 146	35 736
Interest bearing borrowings	23 582	19 756
<b>Total funding</b>	<b>68 728</b>	<b>55 492</b>
Deferred tax and other liabilities	1 450	1 998
<b>Total equity and liabilities</b>	<b>70 178</b>	<b>57 490</b>

# GROWTH IN NET ASSET VALUE

Year ended 31 August 2015

Cents per share



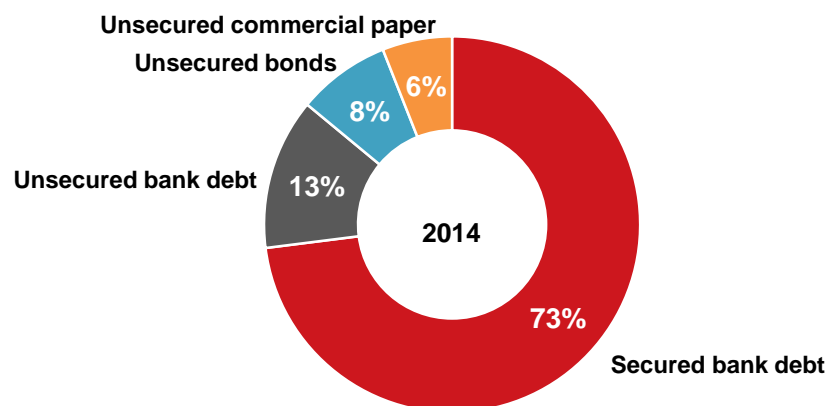
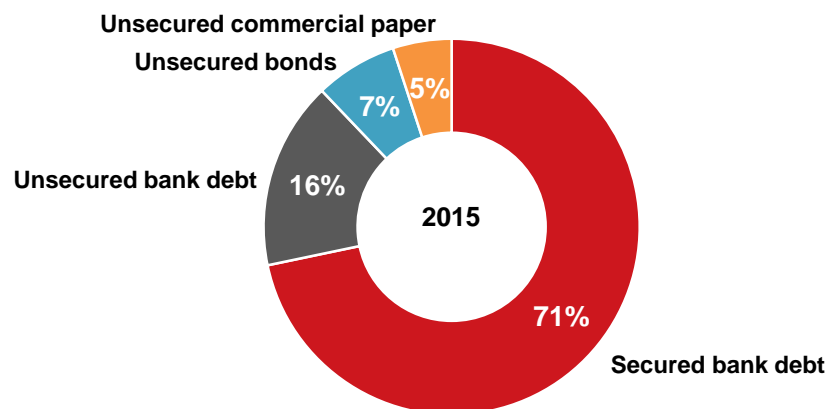
\* No second half distribution deducted due to REIT conversion

	Aug 2014	Aug 2015	
Pro forma	976.0*	1021.0	4.6%
2014 second half distribution	(38.1)	38.1	
2015 second half distribution		(41.0)	
	937.9	1 021.6	8.6%

# FUNDING PROFILE

Year ended 31 August 2015

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## Funding snapshot

	Aug 2015 (Rm)	Aug 2014 (Rm)
Bank borrowings	20 569	16 957
Debt capital markets	3 013	2 800
<b>Total borrowings</b>	<b>23 582</b>	<b>19 757</b>

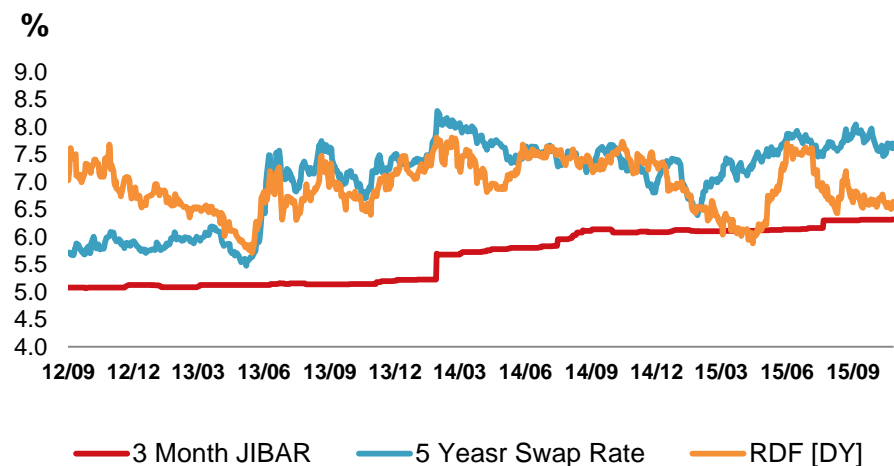
## Key debt statistics

Loan to value (management target 35%) – including held for sale	36.8%	38.0%
Debt capital market funding	12.8%	14.2%
Average term of debt	3.3 years	3.2 years
% of debt secured	71%	73%
% of property assets secured	60%	68%
Equity headroom on total assets (Rbn)	39.8	28.8
Weighted average cost of borrowings (SA)	8.4%	8.2%
% of debt fixed (Management target 75%)	81%	78%
Average term of SWAP's	2.8 years	3.6 years
Undrawn debt facilities – available on demand (Rbn)	2.9	2.0
Interest cover ratio	3.0	3.0

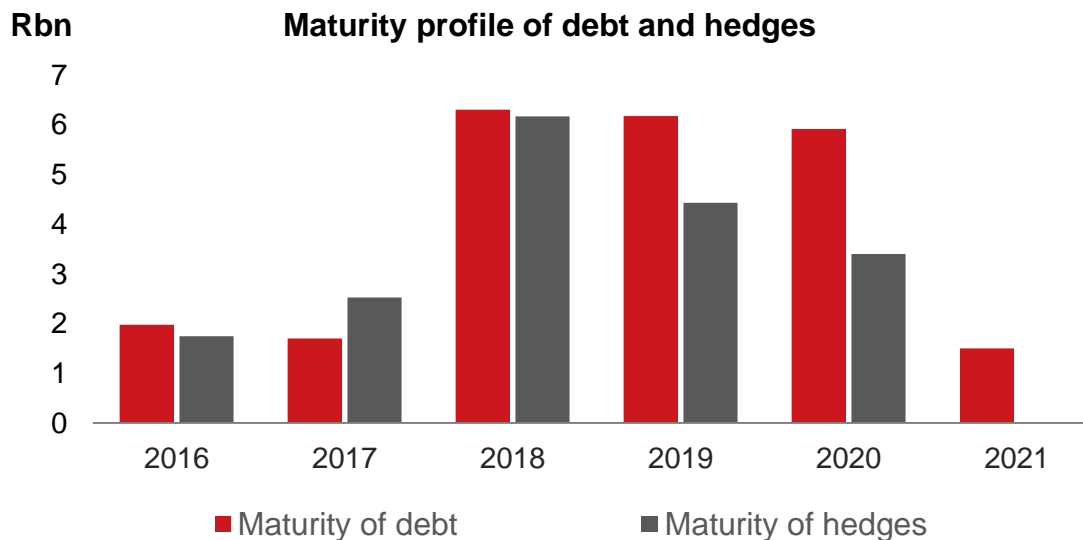
Moody's credit rating was refreshed during August 2015 and remains unchanged

# DEBT AND HEDGING MATURITY PROFILE

Year ended 31 August 2015



	2015 (%)	2014 (%)
<b>Cost of funding (SA)</b>		
Average JIBAR	6.1%	5.5%
Bank margin	1.6%	1.7%
Floating rate	7.7%	7.2%
Cost of fixing	0.7%	1.0%
<b>Average cost of debt</b>	<b>8.4%</b>	<b>8.2%</b>
Yield on equity issued	7.6%	8.1%
<b>Weighted average cost of funding</b>	<b>7.8%</b>	<b>8.2%</b>





# Section 4

CONCLUSION AND PROSPECTS

Andrew Konig



We're not landlords. We're people.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE

## Combining sustainability with ESG builds value

Sustainability		
Environmental	Social	Governance
Our impact on the <b>environment</b> is as important as it's <b>impact on us</b>	Our properties are <b>embedded in the economy and community</b>	We are <b>serious about ethics</b>
<b>Smart meters</b> to manage electricity and water consumption being installed	<b>BEE credentials</b> have been <b>improved</b> through a number of initiatives	<b>Ethics survey</b> conducted and an anonymous <b>whistle blowers hotline</b> promoted amongst all stakeholders
<b>Green</b> is the new black	Blended training methodology applied to <b>upskilling and training</b> staff	<b>Transparency</b> and detailed disclosure practised
<b>Solar PV installations</b> at new office developments and four retail centres	<b>Learnership programme</b> now in the third year, 50% of 2014 class employed full time at Redefine	<b>Culture of accountability</b> engendered through Redefine's values
Black River Park has <b>largest roof – mounted solar PV</b> in South Africa	<b>Stakeholder engagement</b> including effective communication core to Redefine's ethos	Responsibility <b>mandates defined</b>
Eight buildings have <b>green star ratings</b>	Employee <b>engagement survey</b> conducted annually	Executive <b>compensation is fair and market related</b>
Participation in <b>sustainability indices</b> enables benchmarking	<b>Investor surveys</b> guide stakeholder engagement	Balanced approach to <b>risk management</b> and commercial decisions

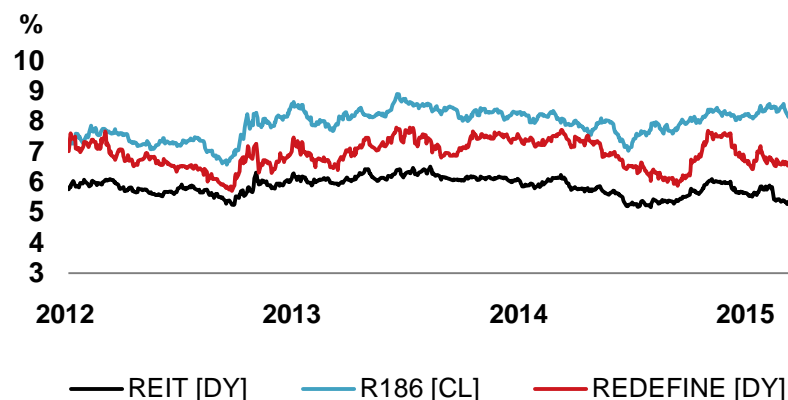
# REDEFINE'S INVESTMENT CASE

A highly liquid opportunity to gain real estate exposure

## What makes the proposition compelling

- Staff aligned with values and strategy
- Hands-on management to be ahead of cycles
- Quality diversified asset platform
- Development capability
- Global diversification – Europe & Australia
- Robust balance sheet
- Agility in the conduct of business
- Platform to execute large scale transactions
- Unique approach to relationships sets us apart

Total return to 31 August 2015	Cents	% return
Change in RDF price	192.0	20.1%
2015 distributions	80.0	8.4%
<b>Total return</b>	<b>272.0</b>	<b>28.5%</b>



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

# 2016 OUTLOOK

A time for flexible, bold and decisive leadership

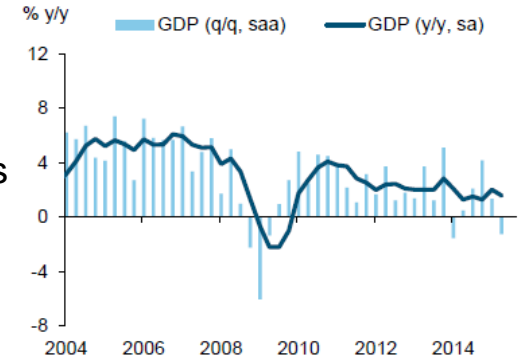
## Looking ahead

- The fundamental picture remains bleak
- No compelling reason to believe that prevailing conditions will change
- Relentless focus on disciplined and decision execution of strategic priorities
- Heightened vigilance on risks and opportunities
- Ability to leverage diversified platform
- Redefine's ethos underpins our success
- Property is a long term asset class necessitating the optimisation of net asset value and returns

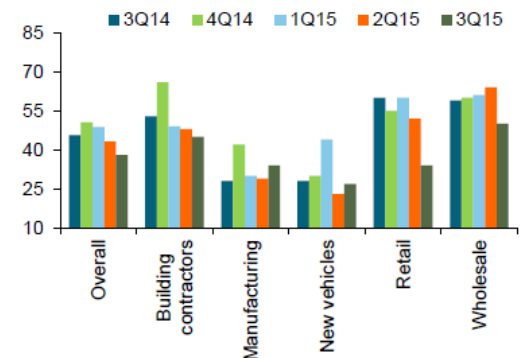
## Prospects

- 1% dilution from Fountainhead absorbed
- Distribution anticipated to grow between 6% and 7% in 2016
- With the right assets, right people and your continued support Redefine will be the best SA REIT

GDP growth at slowest pace since 2009



Business confidence down to end 2011 level



*This forecast has not been reviewed or reported on by Redefine's external auditors*



# Section 5

SUPPLEMENTARY INFORMATION



We're not landlords. We're people.

# IFRS DISTRIBUTABLE INCOME RECONCILIATION

Year ended 31 August 2015

Revenue	Statutory IFRS (Rm)	Income adjustments (Rm)	Distributable income (Rm)	Notes
<b>Property portfolio</b>	<b>6 304</b>	<b>(163)</b>	<b>6 142</b>	
Contractual rental income	6 142	-	6 142	
Straight-line rental income accrual	163	(163)	-	Non cash entry
Listed securities income	344	-	344	
Fee income	45	-	45	
Trading income	(2)	-	(2)	
Insurance proceeds	119	(119)	-	Preservation of capital
<b>Total revenue</b>	<b>6 811</b>	<b>(282)</b>	<b>6 529</b>	
Operating costs	(2 085)	-	(2 085)	
Administration costs	(229)	-	(229)	
<b>Net operating profit</b>	<b>4 497</b>	<b>(282)</b>	<b>4 215</b>	
Changes in fair values	2 242	(2 242)	-	Preservation of capital
Amortisation of intangibles	(63)	63	-	Non cash entry
Equity accounted results of associates	453	(75)	378	Align to receipt
<b>Profit from operations</b>	<b>7 129</b>	<b>(2 536)</b>	<b>4 593</b>	
	<b>(1 377)</b>	<b>-</b>	<b>(1 377)</b>	
Interest paid	(1 683)	-	(1 683)	
Interest received	306	-	306	
Forex exchange gain / (loss)	(223)	234	11	Unrealised gain
<b>Profit before taxation</b>	<b>5 529</b>	<b>(2 302)</b>	<b>3 227</b>	
Taxation	171	(236)	(65)	UK REIT and deferred tax reversal
<b>Profit for the year before distributable income adjustment</b>	<b>5 700</b>	<b>(2 538)</b>	<b>3 162</b>	
Pre-acquisition distribution on listed securities (Cromwell)		7		
Antecedant interest		209	209	
Transaction costs relating to the Leaf & Fountainhead corporate action		5	5	
Emira distribution adjustment		14	14	
Pre-acquisition distribution received from Leaf		15	15	
Fountainhead share of NCI distribution (5 months)		102	102	
<b>Distributable profit for the year</b>	<b>5 700</b>	<b>(2 186)</b>	<b>3 514</b>	
Redefine shareholders	5 425	(649)	3 290	
Non-controlling interests	276	(53)	224	



# ACTIVE PORTFOLIO EXPENSES

Year ended 31 August 2015

	2015 (Rm)	2014 (Rm)	Change %
Net municipal charges	74	71	4,2%
Net electricity recoveries	(24)	(31)	(22.6%)
Operating costs	177	160	10.6%
Property management	107	113	(5.3%)
Repairs and maintenance	54	48	12.5%
TI costs	35	34	2.9%
Letting commission	17	17	(0.3%)
Management fees	19	22	(13.6%)
Bad debts	22	13	69.2%
<b>Property costs</b>	<b>481</b>	<b>447</b>	<b>7.6%</b>

# ABRIDGED STATEMENT OF FINANCIAL POSITION

Year ended 31 August 2015



We're not landlords. We're people.

	2015 Group (Rm)	2014 Group (Rm)
<b>Assets</b>		
Investment properties	49 899	40 906
Listed securities	989	2 751
Goodwill and intangible assets	5 367	5 329
Interest in associates	9 823	4 173
Other non-current assets	1 387	1 848
Current assets	1 423	993
Non-current assets held for sale	1 290	1 490
<b>Total assets</b>	<b>70 178</b>	<b>57 490</b>
<b>Equity and liabilities</b>		
Shareholders' interest	45 145	32 720
Non-controlling interests	-	3 016
Interest bearing borrowings	21 602	14 355
Deferred taxation	275	510
Other non-current liabilities	18	133
Interest bearing borrowings - current	1 980	5 401
Trade and other payables	1 158	1 355
<b>Total equity and liabilities</b>	<b>70 178</b>	<b>57 490</b>

# SUMMARISED CASH FLOW

Year ended 31 August 2015

	Redefine (Rm)	Fountainhead (Rm)	International (Rm)	2015 (Rm)	2014 (Rm)
<b>Opening cash</b>	<b>72</b>	<b>258</b>	<b>21</b>	<b>351</b>	<b>359</b>
Generated from operations	3 705	858	(361)	4 202	3 794
Net interest paid	(1 189)	(173)	(15)	(1 377)	(1 324)
Distributions paid	(2 428)	(696)	-	(3 124)	(2 309)
<b>Surplus cash</b>	<b>160</b>	<b>247</b>	<b>(355)</b>	<b>52</b>	<b>520</b>
Investments	(4 722)	218	(1 868)	(6 372)	(5 845)
Funding raised	4 693	(465)	2 356	6 584	5 558
Translation effects	(1)	-	(133)	(134)	118
<b>Closing cash</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>130</b>	<b>351</b>

# 2016 OUTLOOK

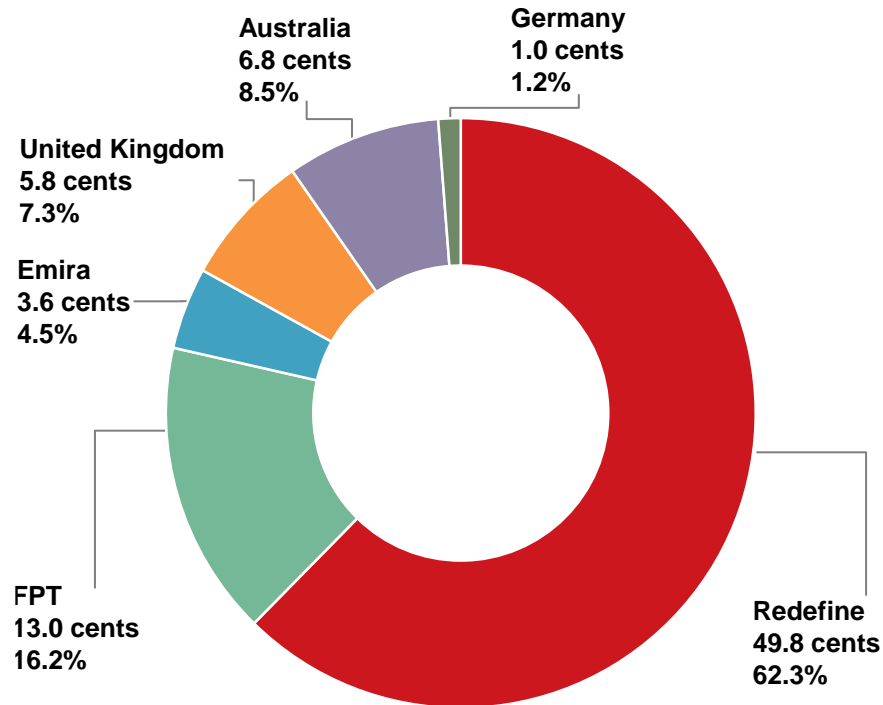
## Sensitivity analysis

	Forecast 2016 impact (cents per share)
Change in vacancy by 10 000m <sup>2</sup>	0.3
Increase in municipal charges by 5%	0.3
Increase in electricity cost by 5%	0.5
Bad debts increase by R5 million	0.1
All acquisitions change by one month	0.1
Change in admin costs by 5%	0.2
Change in interest rate by 50 bps	0.2
Change in Cromwell's distribution by 1%	0.1
Change in Redefine International's distribution by 1%	0.1
Change in ZAR/GBP exchange rate by 25 cents	0.2
Change in ZAR/AUD exchange rate by 25 cents	0.2

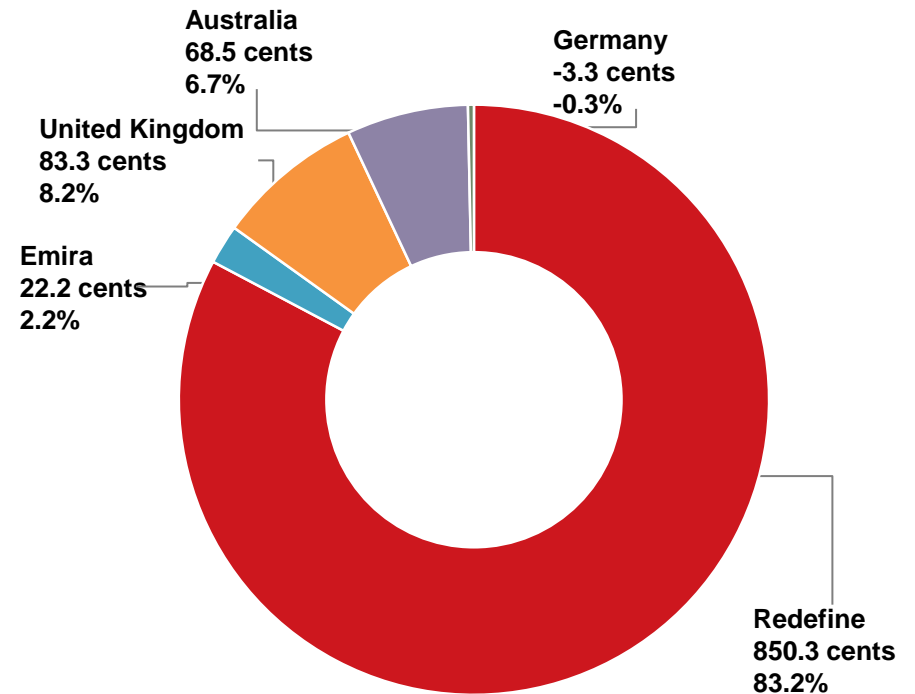
# CONTRIBUTORS TO GROWTH

Year ended 31 August 2015

### Distribution contributors (cents)



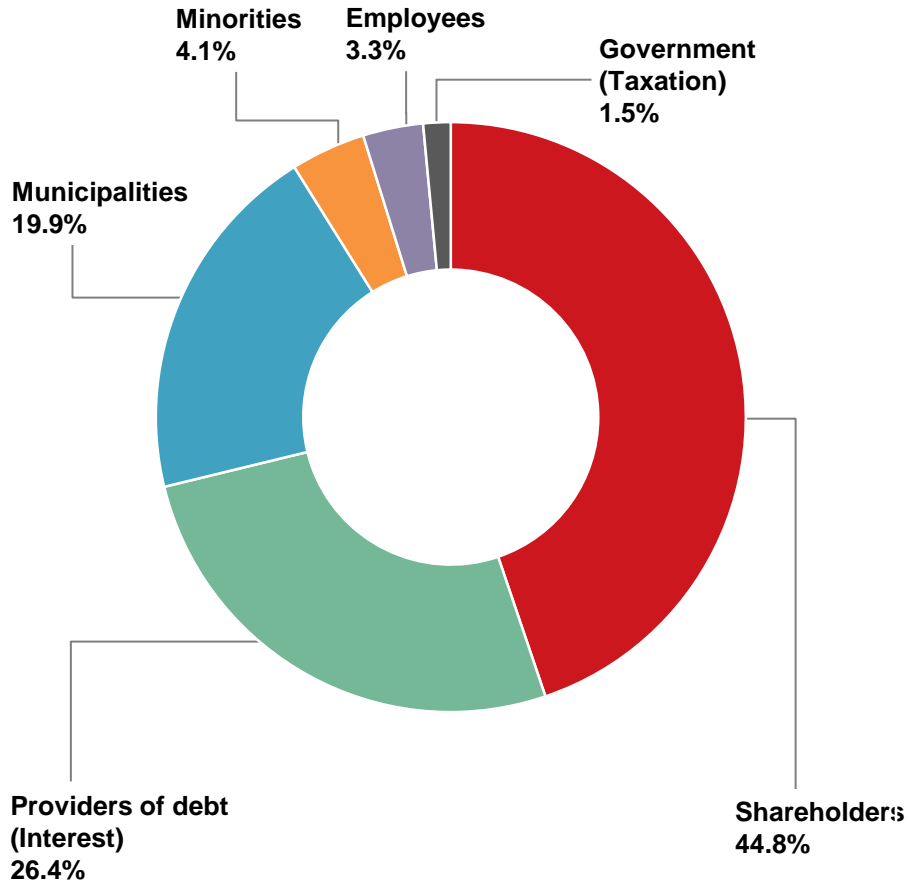
### Net asset value composition (cents)





# THE CASH VALUE CREATED BY REDEFINE

Year ended 31 August 2015



	Rm
Revenue	6 528 520
Interest received	306 229
Equity accounted result of associates	358 862
Property and other operating expenses	(808 534)
<b>Cash value created</b>	<b>6 385 077</b>
Employees	207 940
Providers of debt (Interest)	1 683 064
Government (Taxation)	97 442
Shareholders	2 859 145
Minorities	264 911
Municipalities	1 272 575
<b>Cash value distributed</b>	<b>6 385 077</b>

# PORTFOLIO OVERVIEW

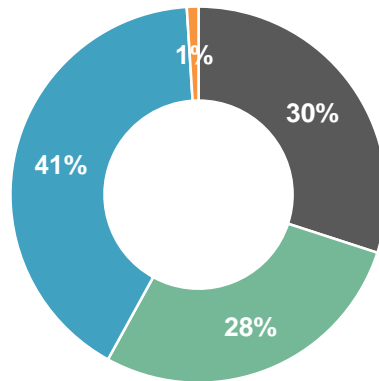
Year ended 31 August 2015

	Office	Retail	Industrial	Specialised	2015 Total	2014 Total
Number of properties	139	86	106	2	333	270
Total GLA (m <sup>2</sup> ) (million)	1.45	1.32	1.96	0.03	4.76	3.60
Portfolio Vacancy (%)	8.5	4.3	3.8	-	5.4	5.4
Asset Value (R billion)	19	21	10	0.4	51	30
Average Property Value (R'm)	141	242	100	198	170	122.7
Valuation per M <sup>2</sup> (excluding undeveloped Bulk)	13 397	15 728	5 367	15 577	50 069	28 650
Value as % of Portfolio	38	41	21	1	100	100.0
Average Gross Rent per m <sup>2</sup>	140	115	42	139	109	83
Tenant Retention Rate % by GLA	91	80	89	-	87	85
Weighted Average Renewal Rental Growth (%)	(8.0)	4.0	(5.0)	-	(3.0)	5.0
Weighted average Portfolio Escalation (%)	7.4	7.4	7.6	-	7.5	7.4
Weighted average lease period by GMR (years)	4.9	6.3	7.7	-	6.0	-

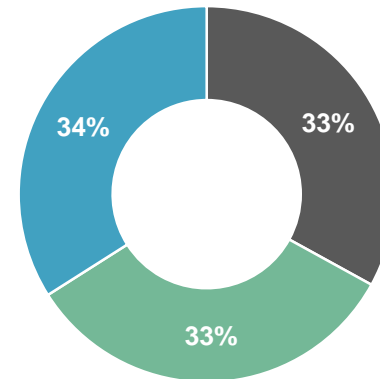
# SECTORAL SPREAD

Year ended 31 August 2015

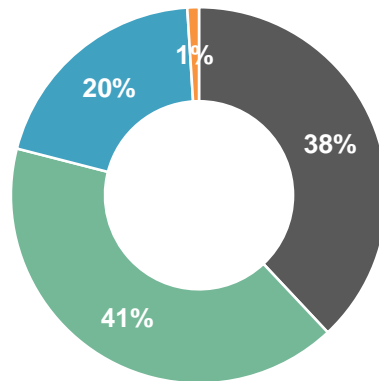
2015  
GLA (%)



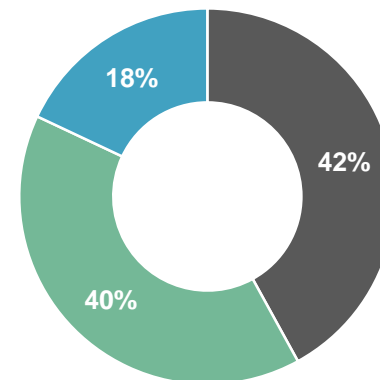
2014  
GLA (%)



2015  
Value (%)



2014  
Value (%)

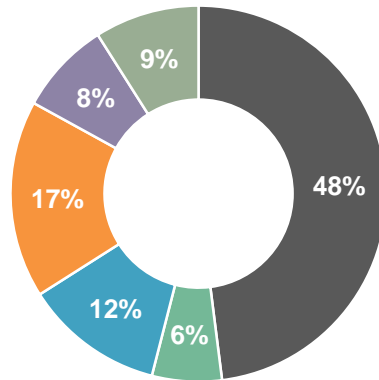


■ Office ■ Retail ■ Industrial ■ Specialised

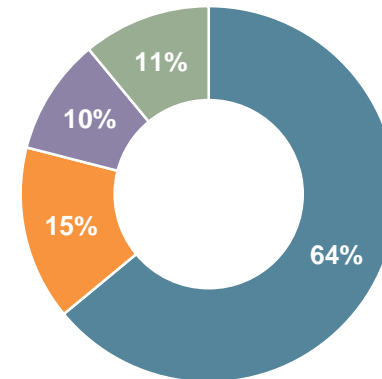
# GEOGRAPHIC SPREAD

Year ended 31 August 2015

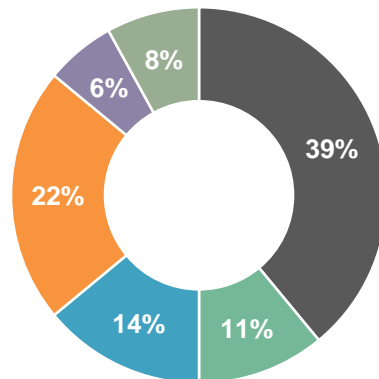
2015  
GLA (%)



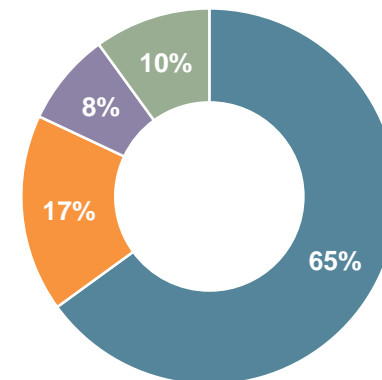
2014  
GLA (%)



2015  
Value (%)



2014  
Value (%)



Greater Jhb
  Sandton
  Pretoria
  Western Cape
  KwaZulu-Natal
  Other
  Gauteng

# SECTOR LETTING ACTIVITY

Year ended 31 August 2015

Portfolio group	Renewals				New leases		Vacates	
	Area reviewed m <sup>2</sup>	Weighted avg expiry rental R/m <sup>2</sup>	Weighted avg achieved rental R/m <sup>2</sup>	Rental growth %	Area let m <sup>2</sup>	Weighted avg achieved rental R/m <sup>2</sup>	Area m <sup>2</sup>	Weighted avg rental R/m <sup>2</sup>
Office	186 299	102	94	-8%	78 337	86	88 480	117
Retail	114 008	130	135	4%	137 081	116	64 686	129
Industrial	210 342	41	39	-5%	122 876	41	170 222	50
Specialised	-	-	-	-	-	-	-	-
<b>Total</b>	<b>510 649</b>	<b>83</b>	<b>81</b>	<b>-3%</b>	<b>338 294</b>	<b>82</b>	<b>323 388</b>	<b>84</b>



# VACANCY PROFILE

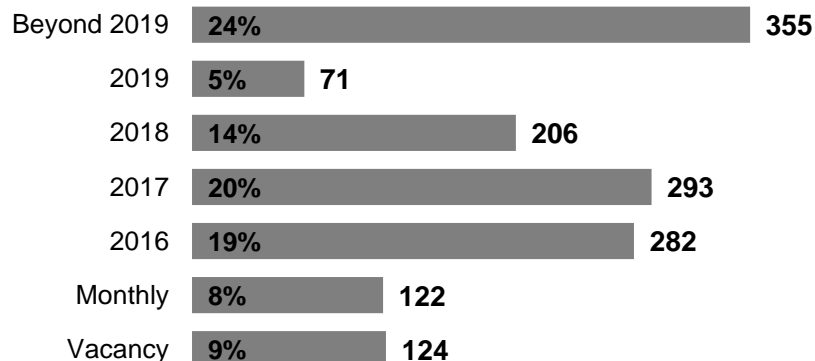
Year ended 31 August 2015

Province	2014 Office GLA m <sup>2</sup>	2015 Office GLA m <sup>2</sup>	2014 Retail GLA m <sup>2</sup>	2015 Retail GLA m <sup>2</sup>	2014 Industrial GLA m <sup>2</sup>	2015 Industrial GLA m <sup>2</sup>	2014 Specialised GLA m <sup>2</sup>	2015 Specialised GLA m <sup>2</sup>	2014 Total GLA m <sup>2</sup>	2015 Total GLA m <sup>2</sup>
Gauteng	66 017	152 131	21 911	34 670	48 980	63 379	-	-	136 907	250 180
Western Cape	6 120	16 080	5 088	6 293	4 598	307	-	-	15 806	22 680
KwaZulu-Natal	5 433	13 223	9 790	7 289	-	26 087	-	-	15 223	46 599
Other	7 577	13 153	9 791	21 578	10 000	10 342	-	-	27 368	45 073
<b>Total</b>	85 146	194 586	46 581	69 830	63 578	100 115	-	*	195 305	364 532
Vacancy %		13.4		5.3		5.1	-	-	5.5	7.7
Vacancy excluding held sale or under development	7.2	8.5	3.9	4.3	5.3	3.8	-	-	-	5.4
<b>Total GLA</b>	1 182 590	1 452 440	1 187 975	1 323 501	1 199 577	1 955 477	-	26 970	3 570 142	4 758 388

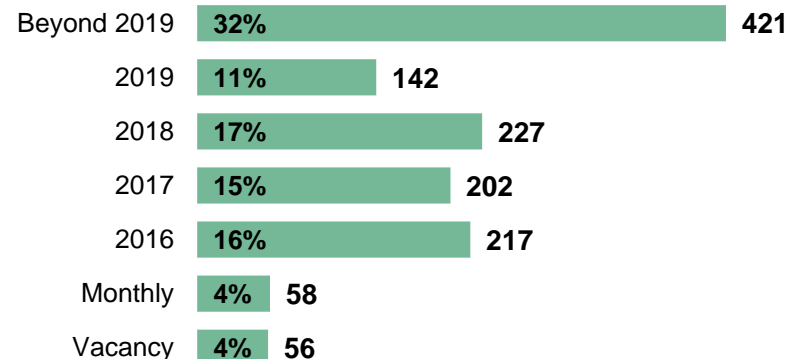
# LEASE EXPIRY PROFILE BY GLA (m<sup>2</sup>'000)

Year ended 31 August 2015

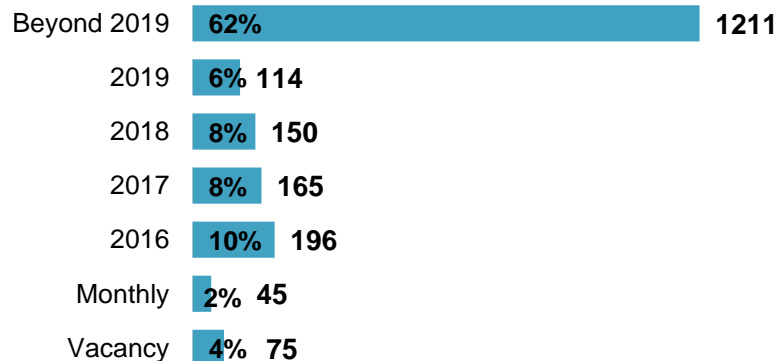
## Office



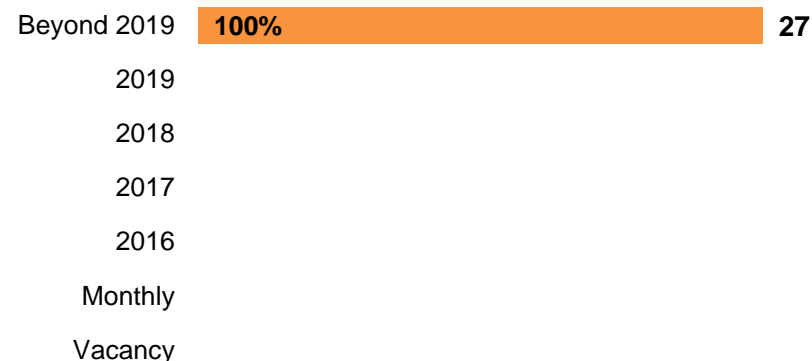
## Retail



## Industrial



## Specialised

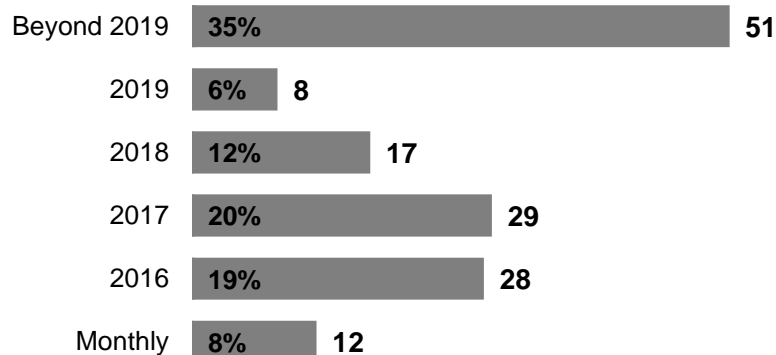


■ Office ■ Retail ■ Industrial ■ Specialised

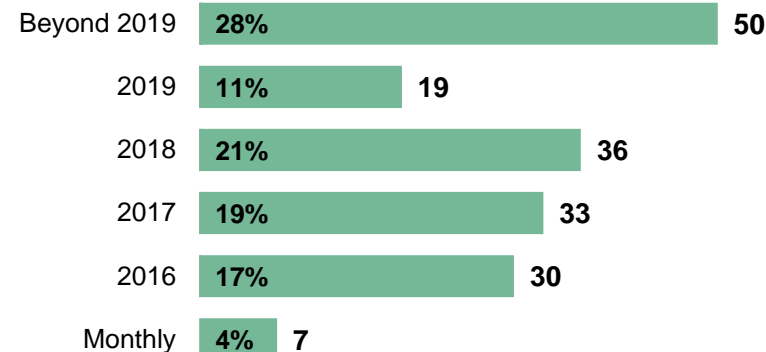
# LEASE EXPIRY PROFILE BY GMR (R'M)

Year ended 31 August 2015

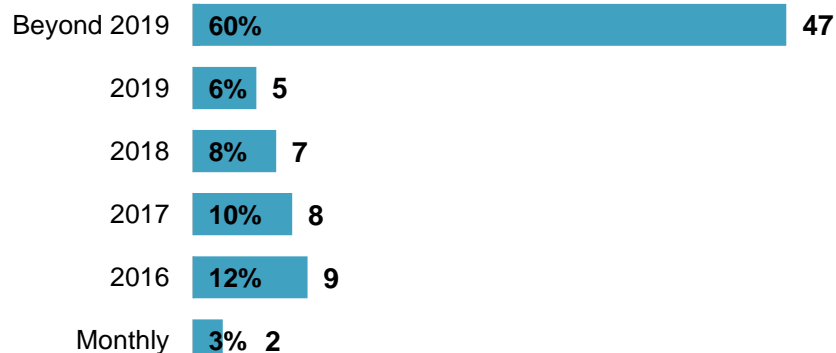
## Office



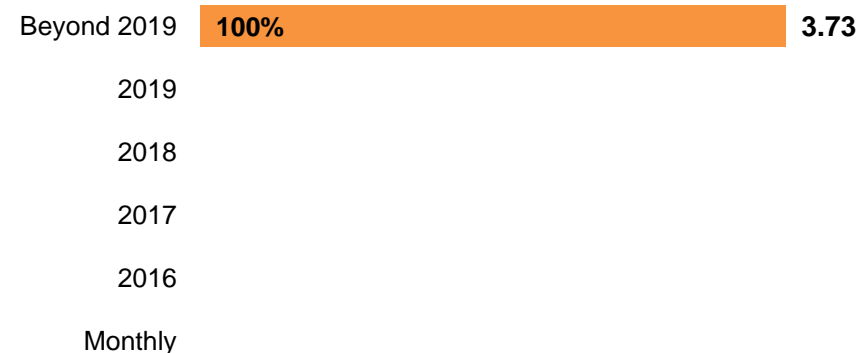
## Retail



## Industrial



## Specialised

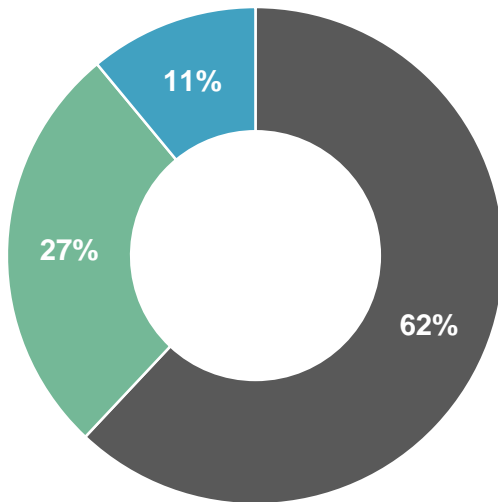


■ Office ■ Retail ■ Industrial ■ Specialised

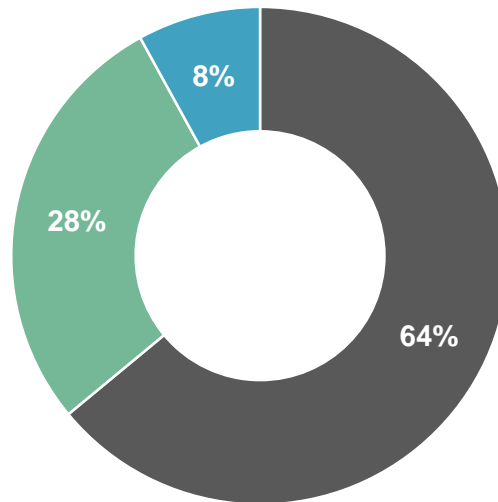
# TENANT GRADE

Year ended 31 August 2015

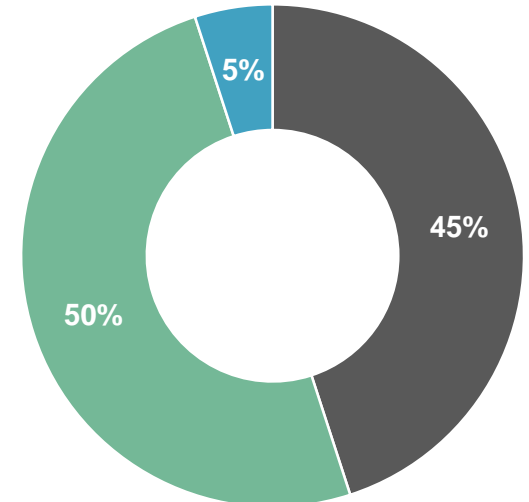
### Office



### Retail



### Industrial



■ A   ■ B   ■ C

# TOP 10 OFFICE PROPERTIES AND TENANTS

Year ended 31 August 2015

Top 10 Office properties	Region	Value (R'000)	GLA m <sup>2</sup>
Black River Office Park	Western Cape	1 054	53
The Towers	Western Cape	878	54
90 Rivonia Road	Sandton	776	36
115 West Street (50%)	Sandton	765	21
155 West Street	Sandton	536	25
90 Grayston Drive	Sandton	482	20
Thibault Square	Western Cape	438	30
Silver Stream Business Park	Sandton	425	21
Convention Tower	Western Cape	401	18
Commerce Square	Sandton	380	17
<b>Total</b>		<b>6 136</b>	<b>293</b>
Balance of portfolio		13 322	1 159
<b>Total portfolio</b>		<b>19 458</b>	<b>1 452</b>
% of total office portfolio		32	20

Top 10 Office tenants	GLA m <sup>2</sup>
Government	338
Discovery Health	54
Alexander Forbes	41
Standard Bank	35
Murray & Roberts	19
Woolworths	19
Amazon Development Centre	18
Vodacom	15
Medscheme	14
ABSA	14
<b>Total</b>	<b>566</b>
Balance of portfolio	692
<b>Total portfolio</b>	<b>1 258</b>
% of total office portfolio	45



# TOP 10 RETAIL PROPERTIES AND TENANTS

Year ended 31 August 2015

Top 10 Retail properties	Region	Value (R'000)	GLA m <sup>2</sup>	Top 10 Retail tenants	GLA m <sup>2</sup>
Centurion Mall	Pretoria	3 885	119	Edcon	127
Blue Route Mall	Western Cape	1 256	56	Shoprite	122
East Rand Mall (50%)*	Greater JHB	1 187	31	Pick 'n Pay	101
Golden Walk	Greater JHB	898	45	Woolworths	48
Matlosana Mall	Other	893	65	Pepkor	38
Kenilworth Centre	Western Cape	869	49	Foshini Group	35
N1 City Mall (58%)*	Western Cape	844	37	Mr Price	34
The Boulders Shopping Centre	Greater JHB	765	49	Ferreiras (Pty) Ltd	26
Maponya Mall (51%)*	Greater JHB	704	36	Government	23
Sammy Marks Square	Pretoria	668	34	Truworths	21
<b>Total</b>		<b>11 968</b>	<b>522</b>	<b>Total</b>	<b>574</b>
Balance of portfolio		8 848	802	Balance of portfolio	679
<b>Total portfolio</b>		<b>20 816</b>	<b>1 324</b>	<b>Total portfolio</b>	<b>1 254</b>
% of total retail portfolio		57	39	% of total retail portfolio	46

# TOP 10 INDUSTRIAL PROPERTIES AND TENANTS

Year ended 31 August 2015

Top 10 Industrial properties	Region	Value (R'000)	GLA m <sup>2</sup>
Pepkor Isando	Greater JHB	730	107
Robor	Greater JHB	617	120
Macsteel Lilianton Boksburg	Greater JHB	502	73
S & J Land Investment	Greater JHB	316	0
Premier Milling – Durban	KwaZulu-Natal	315	38
Ellerines Cato Ridge	KwaZulu-Natal	313	50
Macsteel VRN Roodekop	Greater JHB	297	58
Macsteel Wadeville	Greater JHB	281	53
Wingfield Park	Greater JHB	270	56
<b>Macsteel Tube &amp; Pipe Usufruct</b>	Greater JHB	<b>261</b>	69
<b>Total</b>		<b>3 902</b>	<b>625</b>
Balance of portfolio		6 594	
<b>Total portfolio</b>		<b>10 495</b>	<b>1 955</b>
% of total industrial portfolio		37	32

Top 10 Industrial tenants	GLA m <sup>2</sup>
Macsteel	553
Robor	120
Pepkor	107
Dawn	44
Premier Foods	39
General Motors South Africa	38
Masstores	32
Iliad Africa Trading	29
Edcon	26
Heron Industrial	24
<b>Total</b>	<b>1 012</b>
Balance of portfolio	843
<b>Total portfolio</b>	<b>1 855</b>
% of total industrial portfolio	55

# LOCAL INVESTMENT CRITERIA

- Continued expansion across traditional sectors
- Focus on younger (more efficient), bigger 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 office portfolio
  - management intensive, older, inefficient (mostly office) properties

# INTERNATIONAL INVESTMENT CRITERIA

- Invest in international markets where:
  - we have local partner representation
  - interests with local partners aligned
  - tax regime and rules of law sophisticated
- Co-invest with Redefine International and Cromwell (and other credible partners) where opportunities exceed their risk criteria
- Certainty of income and Rand hedge a trade off with growth

# PROPERTY ASSET CLASSIFICATIONS

- **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 international investment criteria
- **Secondary** are 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 or redevelopment
- **High** return investments represent Redefine's developments and diversification into higher yielding assets outside the traditional sectors i.e student accommodation, loan funding to joint venture partners and residential conversions of secondary properties