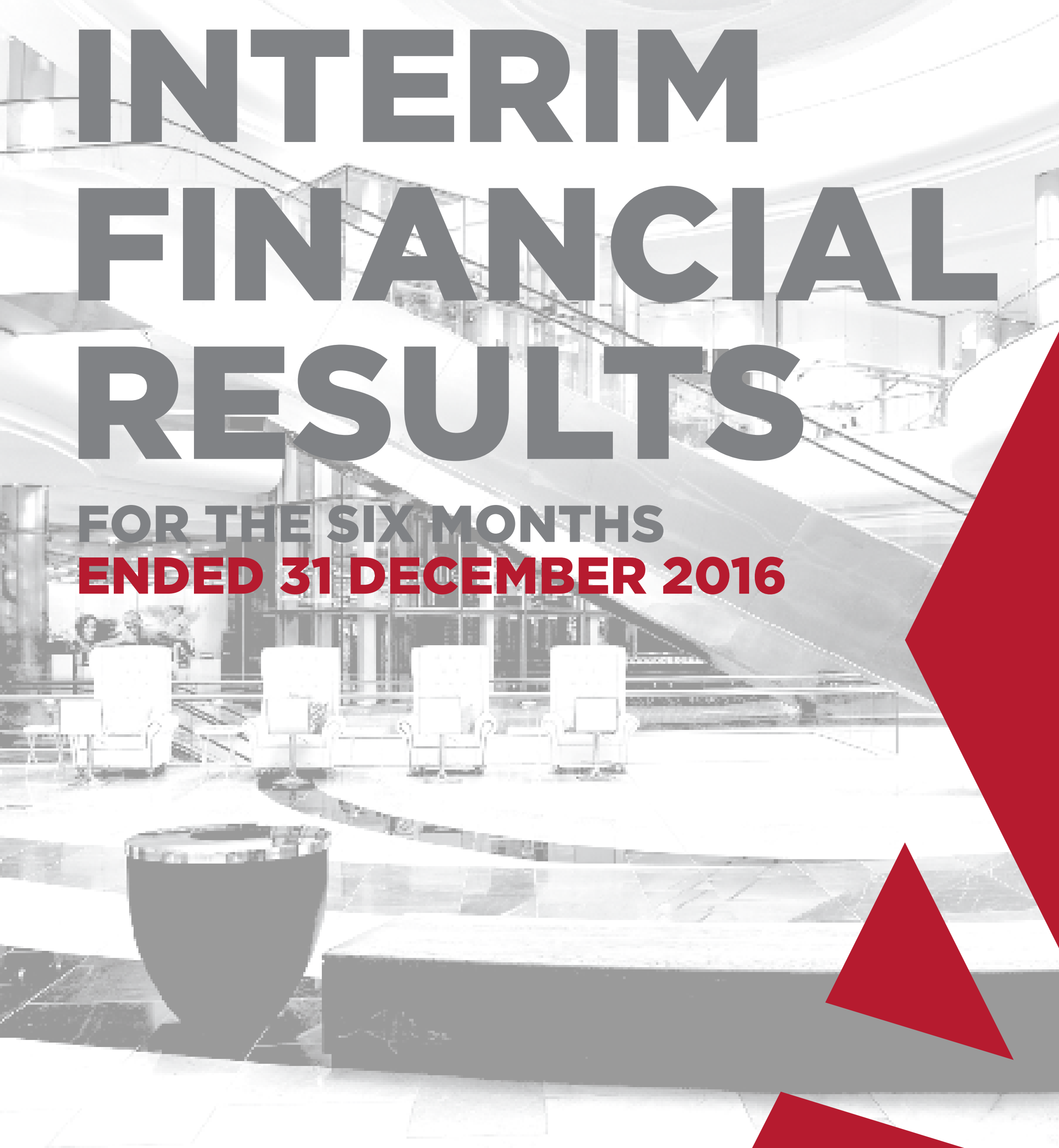
ATTACQ

INVEST • DEVELOP • GROW

CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 December 2016 R'000	Unaudited 31 December 2015 R'000	Audited 30 June 2016 R'000
Assets			
Non-current assets			
Property, plant and equipment	48 078	10 620	33 925
Investment properties	18 880 950	17 521 479	18 043 192
Per valuation	19 600 881	18 077 984	18 644 041
Straight-line lease debtor	(719 931)	(556 505)	(600 849)
Straight-line lease debtor	719 931	556 505	600 849
Deferred initial lease expenditure	8 327	7 658	6 539
Intangible assets	302 617	334 540	312 599
Goodwill	67 774	67 774	67 774
Investment in associates	3 524 896	3 091 557	3 126 328
Other financial assets	253 163	327 716	222 651
Other investments	191 866	440 280	408 339
Deferred tax assets	16 562	21 761	24 627
Total non-current assets	**24 014 164**	**22 379 890**	**22 846 823**
Current assets			
Taxation receivable	2 529	–	2 411
Trade and other receivables	221 154	280 178	290 579
Deferred initial lease expenditure	606	–	–
Loans to associates	1 755 028	2 386 559	2 302 472
Other financial assets	186 824	1 229 461	100 266
Cash and cash equivalents	211 554	303 055	437 281
Total current assets	**2 377 695**	**4 199 253**	3 133 009
Non-current assets held for sale	733 498	536 572	1 649 845
Total assets	**27 125 357**	**27 115 715**	**27 629 677**
Equity and liabilities			
Equity			
Stated capital	6 454 839	6 442 805	6 442 805
Distributable reserves	5 964 563	5 811 556	5 891 513
Available-for-sale reserve	781 464	900 574	847 499
Share-based payment reserve	114 938	97 943	100 453
Foreign currency translation reserve	(7 722)	433 017	318 734
Acquisition of non-controlling interests reserve	(116 483)	(129 483)	(116 483)
Equity attributable to owners of the holding company	**13 191 599**	**13 556 412**	13 484 521
Non-controlling interests	(16 673)	41 614	(13 201)
Total equity	**13 174 926**	**13 598 026**	**13 471 320**
Non-current liabilities			
Long-term borrowings	10 787 800	9 565 069	10 445 221
Deferred tax liabilities	1 829 870	1 697 902	1 892 145
Other financial liabilities	65 260	1 772	50 705
Cash-settled share-based payments	1 268	–	787
Provisions for liabilities relating to associates	–	1 079	–
Finance lease obligation	80 401	73 864	77 745
Total non-current liabilities	**12 764 599**	**11 339 686**	**12 466 603**
Current liabilities			
Other financial liabilities	121 128	299 113	109 400
Finance lease obligation	–	1 304	–
Loans from associates	4 150	323 572	2 880
Taxation payable	9 458	1 334	2 260
Cash-settled share-based payments	1 589	–	5 172
Trade and other payables	393 073	370 105	557 662
Provisions	2 888	2 121	2 081
Short-term portion of long-term borrowings	304 647	1 066 304	265 276
Total current liabilities	**836 933**	**2 063 853**	**944 731**
Liabilities directly associated with non-current assets held for sale	348 899	114 150	747 023
Total liabilities	**13 950 431**	**13 517 689**	**14 158 357**
Total equity and liabilities	**27 125 357**	**27 115 715**	**27 629 677**
The following information does not form part of the statement of financial position:			
Net asset value per share (cents)	1 877	1 933	1 923
Net asset value per share adjusted for deferred tax (cents)	2 135	2 172	2 189

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 31 December 2016 R'000	Unaudited 31 December 2015 R'000	Audited 30 June 2016 R'000
Gross revenue	**1 037 305**	**769 456**	**1 621 018**
Rental income	916 718	689 671	1 472 656
Straight-line lease income adjustment	120 587	79 785	148 362
Property expenses	(368 757)	(238 427)	(502 745)
Net rental income	**668 548**	**531 029**	**1 118 273**
Other income	34 411	569 871	448 579
Operating and other expenses	(531 509)	(121 744)	(347 315)
Operating profit	**171 450**	**979 156**	**1 219 537**
Amortisation of intangible asset	(9 982)	(9 982)	(19 964)
Fair value adjustments	246 957	635 703	1 041 553
Investment properties	274 130	426 805	1 074 224
Other financial assets and liabilities	(28 524)	229 568	(32 452)
Other investments	1 351	(20 670)	(219)
Gain on available-for-sale financial assets	–	–	507 524
Share of profit of associates	45 223	87 286	35 098
Investment income	106 775	74 191	235 785
Finance costs	(495 526)	(403 895)	(839 975)
Profit before taxation	**64 897**	**1 362 459**	**2 179 558**
Income tax expense	4 681	(332 125)	(794 559)
Profit for the period / year	**69 578**	**1 030 334**	**1 384 999**
Attributable to:			
Owners of the holding company	73 050	995 972	1 387 828
Non-controlling interests	(3 472)	34 362	(2 829)
Other comprehensive (loss) income			
Items that will be reclassified subsequently to profit and loss			
(Loss) gain on available-for-sale financial assets	(79 785)	153 734	315 813
Taxation relating to components of other comprehensive income	13 750	64 261	93 720
Realisation of available-for-sale financial assets	–	–	(507 524)
Other comprehensive (loss) income for the period / year net of taxation	**(66 035)**	**217 995**	**(97 991)**
Total comprehensive income for the period / year	**3 543**	**1 248 329**	**1 287 008**
Attributable to:			
Owners of the holding company	7 015	1 213 967	1 289 837
Non-controlling interests	(3 472)	34 362	(2 829)
Earnings per share			
Basic (cents)	10.4	142.0	197.9
Diluted (cents)	10.3	141.6	196.7

RECONCILIATION BETWEEN EARNINGS AND HEADLINE EARNINGS

	Unaudited 31 December 2016 R'000	Unaudited 31 December 2015 R'000	Audited 30 June 2016 R'000
Profit for the period / year	**73 050**	**995 972**	**1 387 828**
Headline earnings adjustments	(33 640)	(617 789)	(1 303 490)
Profit on disposal of associates	(190)	(145 019)	(116 734)
Profit on disposal of other investments	–	(1 994)	(30 862)
(Profit) loss on disposal of investment property	(25 282)	9 364	(836)
Impairment of associates and other investments	268 850	43 706	53 880
Realisation of other comprehensive income	–	–	(507 524)
Impairment of intangible asset	–	–	11 960
Fair value adjustments	(246 957)	(635 703)	(1 041 553)
Share of profit of associates	(45 223)	(87 286)	(35 099)
Loss on disposal of subsidiary	–	–	6 033
Tax effect of adjustments	9 335	173 811	369 517
Non-controlling interests' share	5 827	25 332	(12 272)
Headline earnings	**39 410**	**378 183**	**84 338**
Number of shares in issue*	702 665 224	701 395 224	701 395 224
Weighted average number of shares in issue*	702 000 822	701 382 181	701 388 667
Diluted weighted average number of shares in issue*	707 306 634	703 265 640	705 418 136
Headline earnings per share			
Basic (cents)	5.61	53.9	12.0
Diluted (cents)	5.57	53.8	12.0

* *Adjusted for 46 427 553 treasury shares (December 2015 and June 2016: 46 427 553)*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 31 December 2016 R'000	Unaudited 31 December 2015 R'000	Audited 30 June 2016 R'000
Cash flow generated from (utilised in) operating activities	**58 644**	**(108)**	**140 551**
Cash generated from operations	396 257	307 303	837 693
Investment income	34 436	118 641	336 949
Finance costs	(344 382)	(403 895)	(839 975)
Taxation paid	(27 667)	(22 157)	(194 116)
Cash flow generated from (utilised in) investing activities	**136 607**	**(1 923 647)**	**(1 166 362)**
Cash flow (utilised in) generated from financing activities	**(420 978)**	**1 499 014**	**735 296**
Total cash movement for the period / year	(225 727)	(424 741)	(290 515)
Cash at the beginning of the period / year	437 281	727 796	727 796
Total cash at the end of the period / year	**211 554**	**303 055**	**437 281**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Distributable reserves R'000
Audited balance at 1 July 2015	**6 439 419**	**4 815 584**
Total comprehensive income	–	995 972
Profit for the period	–	995 972
Other comprehensive income	–	–
Foreign currency translation reserve	–	–
Issue of shares	3 386	–
Recognition of non-controlling interests reserve	–	–
Recognition of share-based payments reserve	–	–
Unaudited balance at 31 December 2015	**6 442 805**	**5 811 556**
Total comprehensive income	–	391 856
Profit for the period	–	391 856
Other comprehensive income	–	–
Foreign currency translation reserve	–	–
Derecognition reserves and non-controlling interests due to sale of subsidiaries	–	(311 899)
Modification of equity-settled share-based payments	–	–
Recognition of share-based payment reserve	–	–
Audited balance at 30 June 2016	**6 442 805**	**5 891 513**
Total comprehensive income	–	73 050
Profit for the period	–	73 050
Other comprehensive income	–	–
Foreign currency translation reserve	–	–
Issue of shares	12 034	–
Recognition of share-based payment reserve	–	–
Unaudited balance at 31 December 2016	**6 454 839**	**5 964 563**

	Available-for-sale reserve R'000	Share-based payment reserve R'000	Foreign currency translation reserve R'000	Acquisition of non-controlling interests reserve R'000	Equity attributable to owners of the holding company R'000	Non-controlling interests R'000	Total equity R'000
	682 579	**90 359**	**45 740**	**(116 483)**	**11 957 198**	**7 252**	**11 964 450**
	217 995	–	–	–	1 213 967	34 362	1 248 329
	–	–	–	–	995 972	34 362	1 030 334
	217 995	–	–	–	217 995	–	217 995
	–	–	387 277	–	387 277	–	387 277
	–	–	–	–	3 386	–	3 386
	–	–	–	(13 000)	(13 000)	–	(13 000)
	–	7 584	–	–	7 584	–	7 584
	900 574	**97 943**	**433 017**	**(129 483)**	**13 556 412**	**41 614**	**13 598 026**
	(315 986)	–	–	–	75 870	(37 191)	38 679
	–	–	–	–	391 856	(37 191)	354 665
	(315 986)	–	–	–	(315 986)	–	(315 986)
	–	–	44 029	–	44 029	–	44 029
	262 911	–	(158 312)	13 000	(194 300)	(17 624)	(211 924)
	–	(9 035)	–	–	(9 035)	–	(9 035)
	–	11 545	–	–	11 545	–	11 545
	847 499	**100 453**	**318 734**	**(116 483)**	**13 484 521**	**(13 201)**	**13 471 320**
	(66 035)	–	–	–	7 015	(3 472)	3 543
	–	–	–	–	73 050	(3 472)	69 578
	(66 035)	–	–	–	(66 035)	–	(66 035)
	–	–	(326 456)	–	(326 456)	–	(326 456)
	–	–	–	–	12 034	–	12 034
	–	14 485	–	–	14 485	–	14 485
	781 464	**114 938**	**(7 722)**	**(116 483)**	**13 191 599**	**(16 673)**	**13 174 926**

CONDENSED SEGMENTAL ANALYSIS

Business segment	Notes	Unaudited 31 December 2016 Revenue R'000	Net profit (loss) R'000	Investment properties R'000	Net asset value R'000
Brooklyn Bridge Office Park	1	36 757	9 912	615 657	311 606
Great Westerford*	2	–	–	–	–
Lynnwood Bridge – Offices		54 673	20 097	846 436	484 809
Aurecon Building		49 641	17 780	671 575	308 577
Newtown Junction – Offices		40 403	12 768	637 210	117 842
Majestic Offices		9 592	1 175	134 108	31 191
PwC Sunninghill		22 797	(66 702)	287 903	(96 413)
Waterfall – Altech	1	3 228	1 524	44 746	31 957
Waterfall – Cell C Campus		65 388	8 273	776 582	450 938
Waterfall – Group Five		36 923	17 241	573 317	264 713
Waterfall – Maxwell Office Park – Phase I, II and III*		29 109	17 334	510 455	279 664
Waterfall – Novartis		13 847	3 766	212 770	95 583
Waterfall – Allandale Building		9 945	21 594	384 201	163 767
Office and mixed-use		**372 303**	**64 762**	**5 694 960**	**2 444 234**
Glenfair Boulevard Shopping Centre		27 651	17 923	436 698	239 378
Lynnwood Bridge – Retail		24 376	11 270	335 495	193 897
Newtown Junction – Retail		37 236	(8 046)	643 160	41 914
Garden Route Mall		76 469	28 127	1 296 907	556 071
Brooklyn Mall#		39 154	15 127	764 288	344 023
MooiRivier Mall		61 188	11 356	1 122 667	470 696
Eikestad Mall Precinct^		57 694	17 787	824 330	356 858
Waterfall – Mall of Africa^		231 632	104 676	3 844 967	2 337 610
Waterfall – Waterfall Corner		17 273	(5 947)	200 205	69 830
Waterfall – Waterfall Lifestyle		11 962	3 571	118 119	47 209
Retail		**584 635**	**195 844**	**9 586 836**	**4 657 486**
Waterfall – Angel Shack	2	–	–	–	–
Waterfall – Medtronic	2	–	–	–	–
Waterfall – Cummins*	2	–	–	–	–
Waterfall – Dräger	2	–	–	–	–
Waterfall – Massbuild		19 644	5 476	258 608	93 891
Waterfall – Torre		5 249	15 601	123 666	49 416
Waterfall – Dimension Data		3 737	11 908	83 578	24 789
Waterfall – Amrod		–	255	340 902	201 562
Waterfall – Westcon	2	–	–	–	–
Waterfall – Hilti	2	–	–	–	–
Waterfall – Servest	2	–	–	–	–
Waterfall – Stryker	2	–	–	–	–
Light industrial		**28 630**	**33 240**	**806 754**	**369 658**
Newtown Junction – City Lodge		7 126	1 651	110 568	24 236
Lynnwood Bridge – City Lodge		28 823	10 045	169 173	104 914
Waterfall – City Lodge		6 785	5 697	99 983	52 983
Hotel		**42 734**	**17 393**	**379 724**	**182 133**
Le Chateau		–	(1)	5 000	2 753
Waterfall – Development rights		–	23 562	1 059 720	1 059 724
Waterfall – Infrastructure and services		–	(5 427)	1 100 556	804 287
Vacant land		**–**	**18 134**	**2 165 276**	**1 866 764**

Notes:
1. Held for sale at 31 December 2016
2. Sold during the prior year
*Represents Attacq's undivided share in the property: *50% #25% ^80% ~75%*

Unaudited 31 December 2015				Audited 30 June 2016			
Revenue R'000	Net profit (loss) R'000	Investment properties R'000	Net asset value R'000	Revenue R'000	Net profit (loss) R'000	Investment properties R'000	Net asset value R'000
38 561	20 942	624 768	299 206	80 683	4 472	636 999	308 217
19 405	14 385	284 822	273 382	33 904	10 792	–	–
42 201	29 418	823 854	464 215	100 565	39 666	825 629	483 448
49 464	16 699	650 641	254 639	98 556	26 705	662 560	281 201
45 741	(8 961)	639 511	138 816	68 852	(1 024)	626 693	196 487
11 233	(7 038)	124 907	23 272	21 136	(1 652)	132 510	29 687
25 518	(1 080)	346 041	(48 001)	45 533	(2 154)	345 199	(44 001)
(1 487)	2 674	48 500	24 192	6 431	4 546	43 944	29 991
71 120	22 231	761 717	390 691	135 372	65 671	794 486	396 015
30 725	1 726	536 577	198 566	71 570	36 430	562 318	238 546
18 550	19 545	381 774	190 127	43 170	37 334	486 240	290 359
12 628	3 894	200 461	55 594	25 247	9 443	207 963	63 930
–	–	–	–	–	–	–	–
363 659	**114 435**	**5 423 573**	**2 264 699**	**731 019**	**230 229**	**5 324 541**	**2 273 880**
27 506	22 166	404 462	203 604	56 849	27 256	419 044	222 217
28 300	3 917	311 350	165 785	44 858	21 616	335 267	175 244
32 609	19 675	677 525	173 873	83 465	(40 331)	637 826	(56 580)
66 692	31 938	1 221 072	475 849	139 701	56 848	1 247 711	502 504
37 857	20 800	701 064	277 496	75 601	49 971	740 972	330 398
59 811	8 573	1 055 221	418 786	119 751	51 998	1 106 356	459 450
50 320	36 886	822 800	337 909	104 153	63 512	851 983	380 957
–	–	–	–	79 675	528 840	3 730 216	2 125 461
14 980	5 638	191 822	57 680	29 268	18 503	204 741	136 623
10 920	6 149	114 567	37 451	21 142	464	116 153	40 125
328 995	**155 742**	**5 499 883**	**2 148 433**	**754 463**	**778 677**	**9 390 269**	**4 316 399**
1 559	3 290	35 794	27 922	2 587	3 546	36 692	27 505
7 842	10 005	118 614	56 134	9 434	11 741	137 800	55 670
6 179	8 416	86 437	30 286	9 074	9 187	94 740	34 339
4 712	2 050	72 562	31 678	5 663	1 626	75 294	31 073
18 555	9 003	252 297	84 430	39 793	16 486	256 380	87 619
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
6 542	4 429	102 228	40 489	8 718	2 990	106 068	39 501
1 991	(32)	52 615	25 716	4 591	3 148	59 276	28 978
6 185	14 406	148 271	69 052	11 999	12 581	157 013	69 180
2 026	4 352	59 659	28 127	4 511	2 820	61 314	24 896
55 591	**55 919**	**928 477**	**393 834**	**96 370**	**64 125**	**984 577**	**398 761**
–	–	93 401	24 506	5 298	11 894	109 484	23 015
10 329	5 684	174 431	90 736	21 042	14 089	180 838	91 234
7 687	5 241	101 907	45 081	12 897	(1 858)	94 526	44 980
18 016	**10 925**	**369 739**	**160 323**	**39 237**	**24 125**	**384 848**	**159 229**
–	(2)	17 000	14 754	–	(12 004)	5 000	2 753
–	(155 053)	1 188 704	1 188 708	–	(178 510)	1 174 018	1 174 022
–	(13 543)	733 803	467 897	–	(24 502)	1 115 750	832 447
–	**(168 598)**	**1 939 507**	**1 671 359**	**–**	**(215 016)**	**2 294 768**	**2 009 222**

		Unaudited 31 December 2016			
Business segment	Notes	Revenue R'000	Net profit (loss) R'000	Investment properties R'000	Net asset value R'000
Waterfall – PwC Tower and PwC Annex˜		–	21 952	705 873	175 063
Waterfall – Gateway West		–	6 874	183 183	183 183
Waterfall – K101 Warehouse		–	660	18 747	18 747
Newtown – Carr Street		–	–	–	–
Waterfall – Allandale Building		–	–	–	–
Waterfall – Mall of Africa^		–	–	–	–
Waterfall – Maxwell Office Park – Phase IV*		–	–	–	–
Waterfall – Torre Industries		–	–	–	–
Waterfall – Amrod		–	–	–	–
Waterfall – Dimension Data		–	–	–	–
Developments under construction		**–**	**29 486**	**907 803**	**376 993**
MAS Real Estate Inc.		–	(11 916)	–	2 377 696
Atterbury Cyprus Limited		–	39 379	–	802 842
Atterbury Africa Limited		–	(180 096)	–	(21 465)
Stenham European Shopping Centre Fund Limited		–	(155 617)	–	180 568
Atterbury Serbia B.V.		–	(41 966)	–	171 231
Gruppo Investment Nigeria Limited (Ikeja City Mall)		–	(21 324)	–	292 495
The Grove Mall of Namibia		–	8 378	–	173 845
Bagapop Limited	2	–	–	–	–
Other international		–	(6 350)	–	155 170
International		**–**	**(369 512)**	**–**	**4 132 382**
Corporate		**9 003**	**14 196**	**–**	**(854 724)**
Total		**1 037 305**	**3 543**	**19 541 353**	**13 174 926**

Notes:
1. Held for sale at 31 December 2016
2. Sold during the prior year
*Represents Attacq's undivided share in the property: *50% #25% ^80% ˜75%*

Unaudited 31 December 2015				Audited 30 June 2016			
Revenue R'000	Net profit (loss) R'000	Investment properties R'000	Net asset value R'000	Revenue R'000	Net profit (loss) R'000	Investment properties R'000	Net asset value R'000
–	41 145	271 388	150 692	–	13 106	463 401	170 114
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	15 519	15 521	–	–	27 577	27 418
–	16 015	174 991	121 108	–	52 542	322 095	242 397
–	319 789	3 006 156	1 748 338	–	–	–	–
–	5 868	41 730	44 903	–	–	–	–
–	3 846	46 222	46 222	–	7 003	78 301	50 108
–	7 725	114 162	114 162	–	12 490	261 942	131 537
–	–	23 454	23 454	–	4 879	59 345	34 868
–	**394 388**	**3 693 622**	**2 264 400**	**–**	**90 020**	**1 212 661**	**656 442**
–	(10 050)	–	3 121 169	–	192 968	–	2 722 460
–	216 946	–	967 950	–	124 060	–	891 980
–	115 103	–	132 008	–	(1 685)	–	13 380
–	90 963	–	386 170	–	43 747	–	380 803
–	49 842	–	38 427	–	(557)	–	34 237
–	30 983	–	360 813	–	(23 396)	–	324 751
–	24 828	–	168 314	–	36 521	–	163 049
–	145 019	–	146 975	–	145 019	–	–
–	(27 994)	–	25 117	–	5 633	–	104 369
–	**635 640**	**–**	**5 346 943**	**–**	**522 310**	**–**	**4 635 029**
3 195	**49 878**	**–**	**(651 965)**	**(71)**	**(207 462)**	**–**	**(977 642)**
769 456	**1 248 329**	**17 854 801**	**13 598 026**	**1 621 018**	**1 287 008**	**19 591 664**	**13 471 320**

COMMENTARY

Introduction

Attacq is a capital growth company in the real estate sector, founded in 2005 and listed on the Johannesburg Stock Exchange ("**JSE**") since October 2013. Attacq's vision is to be the premier property company in South Africa and pursues this vision through its strategic pillars of Invest, Develop and Grow. Attacq has a total asset value of R27.1 billion at 31 December 2016 and strives to deliver capital growth to investors. Since inception to 31 December 2016 Attacq has achieved a Compound Annual Growth Rate ("**CAGR**") of 27.7% for net asset value per share adjusted for deferred tax ("**Adjusted NAVPS**").

Attacq has a creative approach to real estate investments and developments. The investment portfolio is geographically diversified and consists of quality commercial and retail property investments, with investments in South Africa and selected emerging and developed markets. Attacq's development portfolio is focused in Waterfall, Gauteng. Development in Waterfall is a strategic priority for Attacq as an infill development that is easily accessible and centrally located between Johannesburg and Pretoria. The concept behind Waterfall is to create a new lifestyle city where people can live, work and play. It includes the Mall of Africa, a key retail development and a catalyst for growth in Waterfall; as well as mixed-use, office and light industrial developments.

Attacq has a multi-disciplinary team which includes skills and experience in property, asset management and property development.

Performance comments

Attacq's interim results for the six months ended 31 December 2016 were negatively impacted by market fluctuations and impairments on certain assets, some of which are non-core.

Notwithstanding restrained trading conditions, the South African portfolio performed at a satisfactory level with the newly opened Mall of Africa trading densities exceeding expectations. Significant progress has also been made at Waterfall through new developments and increased bulk.

The international portfolio consisting of East European and Cyprus property investments delivered sound results at trading level, offset to some extent by losses due to the volatility in exchange rates.

Our investment in Mas Real Estate Inc. ("**MAS**") continues to show promise as MAS rolls out its strategy, including promising joint ventures with Prime Kapital Limited ("**Prime Kapital**") focusing on new developments and investments in Central and Eastern Europe.

Our African portfolio has stood up well under the circumstances of difficult economic conditions in the countries of operation.

Highlights

- Adjusted NAVPS CAGR for the three years ended 31 December 2016 of 14.4%
- Net rental income increased by 25.9% to R668.5 million over the last six months
- The crown jewel, Mall of Africa, generated a monthly average trading density of R2 777 per m^2 and achieved more than 1.1 million visitors per month since opening on 28 April 2016
- Total operating cost is 0.46% of gross assets
- Four buildings were completed in Waterfall, increasing the total directly held portfolio to 694 770 m^2 primary gross lettable area
- Internalised the development team to take control of the Waterfall development
- Secured jointly with Sanlam Properties (a division of Sanlam Life Insurance Limited) ("**Sanlam Properties**") a further 665 425 m^2 bulk in the prestigious Waterfall development
- MAS' revised strategy is well progressed and the company is positioned for income and distribution per share growth

Adjusted NAVPS and net asset value per share ("NAVPS")

Adjusted NAVPS decreased by 1.7% year-on-year from R21.72 to R21.35 and NAVPS decreased by 2.9% from R19.33 to R18.77.

Restructuring of Eikestad Precinct properties

Sale of 20.0% undivided share in Andringa Walk

Attacq entered into a sale agreement with the existing co-owner, Key Capital Property Holdings Proprietary Limited, in which it sold a 20.0% undivided share in Andringa Walk for an amount of R37.0 million. The effective date of the sale transaction was 1 July 2016. The sale transaction was concluded to create alignment on the entire Eikestad precinct with the local Stellenbosch partner and to create further value from this dominant retail centre in the heart of Stellenbosch.

Disposals

Waterfall industrial properties – joint venture with Equites Property Fund Limited ("Equites")

Attacq and Equites have established a joint venture, EA Waterfall Logistics JV Proprietary Limited ("**EAJV**"), in respect of a portfolio of industrial properties at Waterfall with effect from 1 July 2016. The following eight completed industrial properties were transferred on 31 August 2016 into EAJV: Angel Shack, Cummins (50.0% undivided share), Dräger, Hilti, Medtronic, Servest, Stryker and Westcon. Equites has subscribed for an 80.0% shareholding in EAJV, for a subscription consideration of R292.7 million. Attacq holds the remaining 20.0% of EAVJ. This partnership aligns Attacq and Equites, a Cape Town-based industrial property focused company, which has strong relationships with industrial tenants.

Waterfall Access Park (Land Parcel 3 and 24) – two joint ventures with Sanlam Properties

Attacq entered into an agreement for the disposal of its development rights in respect of Land Parcel 24, Waterfall, on loan account for R86.4 million, to a new joint venture company, Winter Robin Investments 26 Proprietary Limited ("**WRI**"). The shareholding in WRI is 20.0% held by Attacq and 80.0% by Sanlam Properties. Attacq has an option to increase its shareholding in WRI to 50.0%. As part of the transaction, WRI acquired additional light industrial development rights from a Mia affiliate company for R371.6 million. Attacq advanced R16.9 million on loan account to WRI to part fund the acquisition. The balance of the acquisition was funded by Sanlam Properties. After conclusion of the transaction, the total development rights in WRI amount to 635 425 bulk m^2. The effective date of the transaction was 1 July 2016.

In addition, Attacq has contracted to dispose of its 15 000 m^2 retail development rights on Land Parcel 3 to a separate joint venture company with Sanlam Properties titled AWIC Pocket 3 JVCO Proprietary Limited ("**P3JV**"). Attacq disposed of the retail rights for R28.3 million, which amount remains outstanding on loan account. P3JV also acquired the remaining retail development rights on the same land parcel from a Mia affiliate company for R28.3 million. Attacq and Sanlam Properties each hold 50.0% in P3JV. The effective date of the transaction was 1 July 2016.

Attacq was appointed developer and asset manager for both of these joint ventures.

Financial position

Investment properties (excluding non-current asset held for sale)

	31 December 2016 R'000	31 December 2015 R'000	30 June 2016 R'000
Completed buildings	16 527 802	12 444 855	15 282 887
Developments under construction	907 803	3 693 622	1 185 084
Development rights	1 059 720	1 188 704	1 059 298
Infrastructure and services	1 100 556	733 803	1 111 772
Vacant land	5 000	17 000	5 000
Per valuation	**19 600 881**	**18 077 984**	**18 644 041**
Straight-line lease debtor	(719 931)	(556 505)	(600 849)
Total	**18 880 950**	**17 521 479**	**18 043 192**

Buildings completed during the period

During the six months ended 31 December 2016 the following four buildings, totalling 70 424 m^2 in attributable primary gross lettable area ("**PGLA**"), were completed in Waterfall:

Property	Sector	Completion date*	PGLA (m^2)	Occupancy %
Allandale Building	Office	August 2016	15 266	>70
Dimension Data	Industrial	August 2016	8 291	100
Torre Industries	Industrial	October 2016	8 930	100
Amrod	Industrial	December 2016	37 937	100
Total			**70 424**	**>94**

* *Practical completion date*

Developments under construction

The following properties were under development at 31 December 2016. Attacq's attributable share of the total of 67 637 m² PGLA is 56 331 m².

Property	Sector	Anticipated completion date	PGLA (m²)*	% pre-let
Waterfall				
PwC Tower and Annex˜	Office	January 2018	45 223	100
Gateway West	Office	November 2017	13 891	–
K101 warehouse	Industrial	September 2017	8 523	–
Total			**67 637**	**>67**

* *Estimated PGLA for 100% of development. Subject to change upon final re-measurement post completion*
˜ *Attacq has an undivided share in the property of 75%*

Development rights

Development rights relate to the contractual rights held by Attacq Waterfall Investment Company Proprietary Limited to develop certain land parcels in Waterfall. These rights form a material element of the overall land valuation. As at 31 December 2016, 1.2 million m² (30 June 2016: 1.3 million m²) of Waterfall's total bulk of 1.9 million m² (30 June 2016: 1.9 million m²) remains available for development. This excludes the development rights relating to the Sanlam Properties joint ventures. A roll-out development period of up to a maximum of 13 years was incorporated in the development rights valuation process.

Infrastructure and services

The value increase in infrastructure and services, from 31 December 2015, is a result of the costs incurred to service the Waterfall land. While this asset generates no cash return, it creates the platform for future economic benefits from top structure developments.

Investments in and loans to associates

MAS

As at 31 December 2016, Attacq held a 38.6% shareholding in MAS (30 June 2016: 41.4%). Attacq's equity-accounted investment in MAS decreased by 11.1% from R2.7 billion as at 30 June 2016 to R2.4 billion as at 31 December 2016, mainly as a result of the 12.7% strengthening of the Rand against the Euro. The market value of Attacq's 146.8 million shares is R3.3 billion as at 31 December 2016 (30 June 2016: R2.9 billion) and the annualised economic return to Attacq through dividends and share price appreciation was 25.4%.

MAS' adjusted NAVPS decreased by 4.7% from 118.5 Euro cents per share as at 31 December 2015 to 112.9 Euro cents per share as at 31 December 2016. The 5.6 Euro cents per share reduction is the sum of 4.5 Euro cents per share distributed to the shareholders, and 1.1 Euro cents per share due to a 29.3% increase in MAS' issued number of shares over the period, as well as foreign exchange losses from the strengthening of the Euro against the Sterling.

MAS has extended the scope of its relationship with Prime Kapital in Central and Eastern Europe ("**CEE**") to include an investment joint venture to complement its existing Prime Kapital development joint venture. The investment joint venture focuses on accretive acquisitions with value add potential. During the period, the investment joint venture acquired its first property, the 32 580 m² Nova Park Shopping Centre in Gorzów, Poland. The intention is to expand the mall by a further 6 800 m². The development joint venture has made significant progress in securing a number of large-scale retail-focused development opportunities in Romania and Slovenia.

During the period, MAS successfully completed Phase I of its New Waverley development, located on the historic Royal Mile in Edinburgh, Scotland. The final component of Phase I, the Adagio hotel, was completed in December 2016, on time and within budget. Phase II, which includes the development of the office and mixed-use components of the development will commence soon as MAS has been selected by the British government to develop 19 000 m² of prime office space on the site. Detailed design and leasing agreements are in the process of being finalised and construction is expected to commence in March 2017 for completion in mid-2019. Pre-letting discussions for the balance of the site are also underway.

*Atterbury Serbia B.V. ("**Atterbury Serbia**")*

On 12 August 2016, Attacq invested a further R100.3 million into Atterbury Serbia to part fund Atterbury Serbia's increase in shareholding in BreAtt B.V. ("**BreAtt**") from 33.0% to 50.0%. Attacq's effective shareholding in BreAtt increased from 8.3% to 12.5%. As at 31 December 2016, Attacq's investment into Atterbury Serbia amounted to R465.1 million (30 June 2016: R367.1 million).

BreAtt is the owner of a portfolio of six operational Serbian retail properties with a gross asset value of €263.3 million, including Serbia's largest mall, Ušće Shopping Centre, located in Belgrade. A seventh Serbian property was acquired post the reporting period, details of which are included in subsequent events.

*Artisan Development Partners Limited ("**ADP**")*

During the reporting period, Attacq invested a total of R68.8 million into ADP for investments into two UK-based development opportunities located in Kent, England and Edinburgh, Scotland. ADP's investment focus is on acquiring properties and land for re-zoning and development.

African assets

Attacq's African investments are held via its 31.3% shareholding in AttAfrica Limited ("**AttAfrica**"), which is invested into retail properties in Ghana and Zambia, and via its 25.0% shareholding in Gruppo Investment Nigeria Limited ("**Gruppo**"), the owner of Ikeja City Mall, located in Lagos, Nigeria.

The poor economic and operating conditions in sub-Saharan Africa continued on the back of weaker commodity prices, volatile exchange rates and rising local interest rates. Nigeria in particular is experiencing significant economic pressures due to continued low global oil prices, a lack of USD liquidity and high inflation, which placed severe pressure on tenants and consumers.

As at 31 December 2016, the Group's investment in AttAfrica, through its shareholder loan, amounted to R791.6 million (30 June 2016: R877.4 million) and its investment into Ikeja City Mall totalled R292.5 million (30 June 2016: R326.7 million). As a result of the unfavourable economic conditions, impairments totalling R111.8 million have been recognised on these investments in the current period.

The remaining development under construction, Kumasi City Mall located in Kumasi, Ghana, is due to open in March 2017, completing AttAfrica's retail portfolio.

At 31 December 2016, the Group's underlying African assets were as follows:

Property	Location	Owner	PGLA (m^2)	Attacq's effective interest %
Completed buildings				
Manda Hill Mall	Lusaka, Zambia	AttAfrica	40 561	15.9
Accra Mall	Accra, Ghana	AttAfrica	21 230	15.0
West Hills Mall	Accra, Ghana	AttAfrica	27 558	14.3
Achimota Mall	Accra, Ghana	AttAfrica	14 662	23.9
Ikeja City Mall	Lagos, Nigeria	Gruppo	22 223	25.0
Development under construction				
Kumasi City Mall*	Kumasi, Ghana	AttAfrica	18 000	23.9

* *Estimated completion date of March 2017*

Other financial assets

The year-on-year decrease in other financial assets is as a result of the prior period settlement of the MAS Karoo agterskot in March 2016 as well as the settlement of the loan account to Atterbury for the acquisition of their 20.0% undivided share in the Mall of Africa. The amount due by Atterbury in respect of 18.8% of the Mall was settled on completion of the Mall, with the balance of 1.2% to be settled based on the 30 June 2017 fair market value of the Mall, as determined by an external independent valuer.

Other investments

Attacq's 19.9% interest in Stenham European Shopping Centre Fund Limited ("**Stenham**"), the owner of the Nova Eventis regional shopping centre in Leipzig, Germany, is included in other investments at a value of R180.6 million (30 June 2016: R380.8 million). Following a protracted disposal process, Stenham concluded a conditional agreement to dispose of the intermediary holding company which owns Nova Eventis at net asset value determined with reference to a valuation of €208.5 million for the shopping centre. The disposal is subject to, inter alia, the merger clearance from the European Commission and shareholder approval. Included in the results for this reporting period relating to Stenham is a foreign exchange loss of R30.4 million, and a negative fair value adjustment of R169.8 million.

Assets held for sale

Brooklyn Bridge Office Park

Attacq management considers Brooklyn Bridge Office Park to no longer be a core asset. This property is therefore classified as a non-current asset held for sale.

50.0% undivided share in the Altech Building

Altech has been sold as management considers the asset to be non-core. The sale is subject to Competition Commission approval which is currently underway.

*Atterbury Pemba Properties Limited ("**Pemba**")*

Attacq's 33.3% shareholding in Pemba and its shareholder loan are included under assets held for sale as at 31 December 2016. Subsequent to period end, the shareholding has been disposed of at a nominal value with the shareholder loan proceeds to be received on or before 31 March 2017.

Borrowings

Total net interest-bearing borrowings increased by 1.9% compared with 30 June 2016 due to additional debt being incurred to fund the growing property portfolio.

Gearing, calculated as total interest-bearing debt less cash on hand as a percentage of total assets, increased from 39.9% as at 30 June 2016 to 41.4% as at 31 December 2016. In order to mitigate interest rate risk, approximately R11.0 billion or 80.0% of total committed facilities as at 31 December 2016 (30 June 2016: R11.0 billion or 79.5%) were hedged by way of fixed interest rate loans and interest rate swaps. This is within the 70.0% minimum interest hedge policy set by the Attacq Board. The weighted average cost of funding increased slightly over the last six months from 9.2% at 30 June 2016 to 9.4% as at 31 December 2016.

Approximately 5.7% (R653.5 million) of the Group's debt is due for repayment over the next 12 months, which includes R348.9 million (31 December 2015: R114.2 million) relating to non-current assets held for sale. None of the Group's interest rate swaps or fixed-rate loans are maturing over the next 12 months.

Financial performance

Net rental income

Net rental income, which includes straight-line lease income adjustments, increased by 25.9% to R668.5 million compared with the prior comparative period. A year-on-year comparison of net rental income is less meaningful, due to four buildings that were completed during the current reporting period (31 December 2015: six buildings) as well as the completion of the Mall of Africa in April 2016. The weighted average lease expiry profile is 6.5 years as at 31 December 2016 (31 December 2015: 6.8 years).

Vacancies

Overall portfolio vacancies, measured in terms of PGLA, have decreased by 2 086 m^2 compared with 31 December 2015. Vacancies comprise mainly of portions of the newly completed Allandale Building as well as Brooklyn Bridge Office Park. Both the industrial and hotel sectors do not have any vacancies.

	31 December 2016		31 December 2015		30 June 2016	
Sector	Vacancy %	Vacant GLA m^2	Vacancy %	Vacant GLA m^2	Vacancy %	Vacant GLA m^2
Retail	0.7	4 729	1.1	6 728	1.0	7 070
Office and mixed-use	1.9	13 384	2.3	13 471	1.4	9 203
Portfolio vacancy	**2.6**	**18 113**	**3.4**	**20 199**	**2.4**	**16 273**

Property expenses

Property expenses increased by 54.7% mainly due to the additional properties that were added to the portfolio. Property expenses on a like-for-like basis, adjusted for municipal charges, as a percentage of the adjusted rental income, increased from 14.0% to 15.9% for the six month period ended 31 December 2016. This is a result of increased repairs, maintenance and security costs.

Other income

Other income of R34.4 million mainly relates to the profit on disposal of the 25.0% interest in the new PwC property. Included in the December 2015 figure are unrealised foreign exchange gains of R420.4 million and a profit of R145.0 million on the disposal of the interest in Bagaprop Limited and Mall of Mauritius at Bagatelle Limited.

Operating and other expenses

Operating and other expenses consist of operating expenses of R77.2 million (December 2015: R58.0 million) and other expenses of R454.3 million (December 2015: R63.8 million). The 33.1% increase in operating expenses is largely due to internalisation of the development manager as well as a R14.5 million (December 2015: R7.6 million) share-based payment expense.

The material increase in other expenses is primarily attributable to the R173.1 million foreign exchange loss due to the Rand strengthening, as well as R268.9 million impairments on the AttAfrica loan account and the Nova Eventis and Ikeja City Mall investments.

Fair value adjustments

Compared with the corresponding prior period, fair value adjustments on investment properties decreased by 35.8% to R274.1 million and are made up as follows:

	6 months ended 31 December 2016 R'000	6 months ended 31 December 2015 R'000	12 months ended 30 June 2016 R'000
Completed buildings	165 620	221 931	557 949
Developments under construction	78 147	420 226	758 314
Development rights	30 363	(215 352)	(230 039)
Vacant land	–	–	(12 000)
Total	**274 130**	**426 805**	**1 074 224**

Property valuations for the interim reporting period are directors' valuations which are in the main, supported by external desktop valuations performed by Jones Lang LaSalle Proprietary Limited, Old Mutual Investment Group: South Africa and Mills Fitchet Magnus Penny & Wolffs. The directors have made adjustments in respect of completed buildings for the straight-lining of leases as required by the International Financial Reporting Standards ("**IFRS**"), and cost to complete in the case of developments under construction.

The directors' valuation in respect of Waterfall's development rights is based on an external desktop valuation performed on a freehold basis. The desktop valuation is then adjusted downward by management to take into account, inter alia, the nature of the contractual rights and the estimated future rental obligations attached to the development rights. In the current reporting period, a positive fair value adjustment of R30.4 million was accounted for as additional bulk was secured.

Over the last six months the mark-to-market value of the interest rate swaps decreased by R28.5 million (December 2015: increase of R229.6 million) as a result of improved interest rate expectations and the recovery of the Rand.

Investment income

Investment income in the current period relates to interest income of R106.8 million (December 2015: R64.4 million exclusive of dividend income of R9.8 million).

Finance costs

The increase in finance costs of 22.7% (from R403.9 million in December 2015 to R495.5 million in December 2016) is attributable to the four buildings (31 December 2015: two buildings) completed over the last six months, resulting in the finance costs post completion being expensed and no longer capitalised to the specific development.

Change in directors

There were no changes in directors during the reporting period.

Subsequent events

Further investment into Atterbury Serbia

On 31 January 2017, the Group invested a further R23.9 million in Atterbury Serbia to fund its share of the acquisition by BreAtt in the seventh retail property, Borca Retail Park, a 13 000 m² convenience shopping centre located in Belgrade.

Further investment into ADP

On 9 February 2017, an amount of R50.3 million was invested into APD to part fund an office property located in Glasgow, Scotland. The intention is to apply for planning consent to convert the property into a hotel. The property will be fully occupied until such time as the conversion, if approved, is undertaken.

Future developments

Waterfall Corporate Campus Office Park – Land Parcel 10B

Attacq and Zenprop Property Holdings Proprietary Limited have established a 50/50 joint venture to develop the Corporate Campus Office Park, with an approximate total development cost of R875.9 million. The development comprises of six multi-tenanted office buildings in Waterfall with an estimated total PGLA of 34 068 m². The first tenant has been secured and development of Phase I has commenced.

Waterfall Point Office Park – Land Parcel 15

Waterfall Point is a P-Grade office park which will be situated opposite Waterfall Corner along the R55 in Waterfall. The office park will consist of four similar office buildings that will be offered for sale on a sectional title basis. The total development cost is estimated at R225.7 million. Each building is estimated to consist of 2 396 m² of saleable area and the total saleable area is estimated at 9 584 m².

Mixed-use development with the Barrow Group – Land Parcel 10

Attacq and the Barrow Group have established a 50/50 joint venture to develop a mixed-use precinct adjacent to the Mall of Africa comprising two office buildings and one residential tower with approximately 120 apartments that will be held for rental and one hotel to be sold. The total development cost is estimated at R981.5 million.

Prospects

In South Africa, Attacq has strategically invested in Waterfall, with the objective of developing Gauteng's new lifestyle city built around the newly completed Mall of Africa. The node continues to grow, with four new buildings completed during the period under review adding 70 424 m² PGLA.

Waterfall is the ideal location for corporate consolidation due to its central location and ease of access to the rest of Gauteng. Tenants who have relocated to take advantage of the location include Premier Foods, Group Five, Novartis, Schneider Electric and Cell C. In addition PwC will be consolidating in Waterfall on completion of the PwC Tower in 2018.

Waterfall's location between Johannesburg and Pretoria, within close proximity of major highways and transport routes, makes it a natural location for distribution centres and other light industrial activity. The recently secured joint venture with Sanlam Properties has increased the land available for these types of developments.

Approximately 609 000 m² of Waterfall bulk is already serviced and ready for roll-out. The Mall of Africa's trading is expected to increase as Waterfall City and its surrounds continue to densify, extracting further value from Mall of Africa in the years to come.

Outside of Waterfall, Attacq will continue to optimise and extract further value from its South African portfolio of high quality properties, including its portfolio of regional malls. On an international front, Attacq's strategic investment in MAS is expected to benefit from MAS' revised strategy of focusing on distributable income growth underpinned by its attractive income-generating and development pipelines and expansion into CEE.

Attacq is confident in meeting its rolling three year Adjusted NAVPS CAGR target of at least 15.0% and will continue to focus on capital allocation and recycling existing capital into higher return opportunities.

Basis of preparation

The condensed unaudited consolidated interim financial statements for the six months ended 31 December 2016 have been prepared in accordance with IFRS, IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa. This report was compiled under the supervision of M Hamman CA(SA), Chief Financial Officer of Attacq.

The accounting policies applied in the preparation of the condensed unaudited consolidated interim financial statements are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated financial statements, with the exception of the adoption of new and revised standards which became effective during the period.

The Group's investment properties are valued internally by the directors at interim reporting periods and externally by independent valuers for year-end reporting. In terms of IAS 40: Investment Property and IFRS 7: Financial Instruments: Disclosure, the Group's investment properties are measured at fair value and are categorised as level 3 investments. In terms of IAS 39: Financial Instruments: Recognition and measurement and IFRS 7, the Group's interest rate derivatives are measured at fair value through profit or loss and are categorised as level 2 investments. In terms of IAS 39, listed investments are measured at fair value being the quoted closing price at the reporting date and are categorised as level 1 investments. Unlisted investments are categorised as level 3. There were no transfers between levels 1, 2 and 3 during the period. The valuation methods applied are consistent with those applied in preparing the previous consolidated financial statements.

The directors are not aware of any matters or circumstances arising subsequent to 31 December 2016 that require any additional disclosure or adjustment to the financial statements. The condensed interim financial statements have not been audited or reviewed by Attacq's auditors.

On behalf of the Board

P Tredoux
Chairman

MC Wilken
Chief Executive Officer

28 February 2017

NOTES

Directors

P Tredoux#* (Chairman)
MC Wilken (CEO)
M Hamman (CFO)
MM du Toit#*
HR El Haimer#*
KR Moloko#*
BT Nagle#*
S Shaw-Taylor#*
JHP van der Merwe#*
LLS van der Watt*
 # Independent
** Non-executive*

Company Secretary

T Kodde

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