GRIT REAL ESTATE INCOME GROUP LIMITED
(Registered by continuation in the Republic of Mauritius)
(Registration number: C128881 C1/GBL)
LSE share code: GR1T
SEM share code: DEL.N0000
JSE share code: GTR
ISIN: MU0473N00036
("**Grit**" or the "**Company**" or the "**Group**")

grit
Real Estate
Income Group

TRADING AND PORTFOLIO PERFORMANCE UPDATE

The board of directors (the "**Board**") of Grit Real Estate Income Group Limited is pleased to provide the following trading and portfolio update ahead of the publication of the Company's results for the year ended 30 June 2020.

The Group's high-quality property assets have a weighted average lease expiry ("**WALE**") of 5.14 years, a weighted average contracted lease escalation of 2.7% per annum and are underpinned by a wide range of blue-chip multi-national tenants across a variety of sectors. Grit's property portfolio comprises a total of 47 assets (including 20 properties held in Letlole La Rona in Botswana) with rentals predominantly collected monthly, of which 94.1% are collected in US$, Euro or pegged currencies.

HIGHLIGHTS

- 72.9% of Grit attributable contracted rental revenue for the month of June 2020 has been collected.
- Short term concessions, primarily in the retail segment, have been agreed on 9.8% of Grit attributable contracted rental revenue due for June 2020.
- Short term payment deferrals have been agreed on 16.1% of Grit's attributable contracted rental revenue due for June 2020 (and are therefore now due in the Company's next financial year), driven primarily by the hospitality sector assets.
- For the period March to June 2020, the Group has collected 90.9% of the value of its contracted revenue, including prepaid rentals of USD$4.6mln. Over this same period it has provided rent concessions on 8.4% and rent deferrals on 12.7% of its Grit attributed contracted rental revenue.
- The Board reaffirms its target to pay a full-year aggregate dividend of at least US$8.75 cps, which equates to 72% of the prior financial year, as announced on 3 June 2020. The interim dividend declared in February 2020 and paid in April 2020 was US$5.25 cps. The Board will continue to monitor the dividend position for the financial year ending 30 June 2020, with the potential to increase the minimum target full year dividend in line with cash rent collections over the coming months.

Bronwyn Corbett, CEO of Grit Real Estate Income Group Limited, commented:

"The Group continues to focus on further strengthening and defending its current position and delivering effectively on its investment strategy over the short and longer term. Although the full impact of COVID-19 remains uncertain, the Company has successfully focused on strong rent collections and tenant initiatives.

Grit's earnings and dividends are underpinned by the Company's secure, diversified and growing index-linked income streams as well as attractive capital appreciation from across our high-quality portfolio. Although there are challenging areas within our portfolio, our commitment to continue paying attractive dividends demonstrates our continuing confidence in our assets, our strong relationships with our multinational tenants and the attractions of select areas of African real estate."

RESILIENT PORTFOLIO PERFORMING WELL AMIDST COVID-19

- The World Health Organisation reports that Africa is the least affected, globally, by the COVID-19 pandemic evidenced in both case load and infection rates per 1 million population.
- Grit's rent collection performance has been strong since the onset of the COVID-19 crisis.

- The corporate accommodation, industrial and office sector assets, which collectively represent approximately 48% of Grit's total net asset value as at 31 December 2019, has seen only limited impact to date.
- The Group's WALE at 30 June 2020 has risen to over 5.1 years (December 2019: 4.73 years) as a result of positive leasing activity and the impact of the Club Med acquisition.
- The Group has experienced some rising vacancy trends in the portfolio over the six-month period to 30 June 2020, predominantly arising in the retail segment which has been accentuated by the uncertainty created by COVID-19 and government-imposed restrictions.

Hospitality sector

- Hospitality assets constituted 18.8% of Grit's total net asset value as at 31 December 2019. The Company does not have direct hospitality exposure as a result of its fully servicing triple net lease rental contracts with international leisure operators and the lease contracts are underwritten by the holding companies of the respective operators.
- Rent collections in Mauritius have been postponed by government legislation until September 2020, at which time normal rentals will resume and the outstanding balances accumulated over the period to September will be collectible over the subsequent 15 months. This is expected to result in slower cash collections to the Group during the current financial year. The Board remains confident in the creditworthiness of the Group's hospitality partners and their respective holding companies given their strong competitive positioning and as a result of strong government support programmes that they are eligible for in Mauritius.

Retail sector

- Notwithstanding the short-term impacts outlined below due to COVID-19, the Group is providing proportional support to its commercial occupiers whose operations are being materially impacted, whilst protecting its own position and its responsibility to Grit shareholders.
- Retail assets constituted 32.1% of Grit's total net asset value as at 31 December 2019, with assets distinctively split between an enclosed shopping mall in Morocco and convenience shopping and service orientated strip malls across the remainder of the retail portfolio. The strip malls have been relatively less affected by COVID-19 related closures.
    - AnfaPlace shopping mall faced severe disruption as a result of its closure on 19 March 2020. Trading resumed on 25 June 2020 with promising footfall statistics since that date. The mall is the largest asset in the portfolio and makes up circa 10% of Grit attributable Group revenue as at 31 December 2019.
    - Moroccan legislation prohibited rent enforceability during the government mandated shutdown, and the three-month closure will result in lower revenues in the Company's current financial year as a result of these rental concessions. The Group is currently investigating claims under its business interruption insurance to partially offset these effects.
    - Grit is further providing a combination of concessions and rent deferrals to tenants for the period through to 31 December 2020, as the centre returns to normalised levels of trade.
    - In February 2020, the Company announced that a small number of non-performing tenants had been evicted. COVID-19 lockdowns have resulted in delays in filling this space, and along with start date delays of new incoming tenants, reported vacancy statistics as at 30 June 2020 will rise from the reported figures at 31 December 2019.
    - The Board remains positive on the prospects for the mall but now expects the recovery trajectory, post its relaunch in September 2019, to be delayed into the Company's next financial year.
    - The Edcon Group ("**Edcon**"), a South African based retailer, entered voluntary business rescue in late April 2020. Although Edcon exposures represent approximately 1.2% of Grit attributable Group revenue, the local asset level impact, specifically on vacancies as a percentage of total GLA, has been larger. The leasing team are currently in the process of executing new leases over this space in four of the malls in the portfolio.
    - Progress on lease renewals in Mukuba Mall, which had a WALE of 0.5 years at December 2019, has been encouraging despite COVID-19 uncertainty. 88% of the centre's leases expired in March 2020, of which 55% have already been released or renewed, and advanced discussions are underway for the remaining space, which also include Edcon replacement GLA.

SOLID BALANCE SHEET

- Grit is continuing to engage with all of its lenders, who have confirmed their continued support.
- As a precautionary measure, the Company has agreed, or is in advanced discussions, with its lenders to extend LTV and interest cover covenants and introduce interest holidays on loans attached to Covid-19 impacted properties.
- Weighted average cost of debt has continued to fall. The Group's current cost of debt at June 2020 is 5.8% (5.98%: 31 December 2019) and is expected to continue falling in line with downward moves in Libor over the previous quarter.
- The Group has a well-financed balance sheet with a 43.9% Group LTV at 31 December 2019, diversified sources of finance, and a weighted average debt maturity of 2.84 years. The Group has accessed revolving credit facilities since the onset of the pandemic, which is expected to take Group LTV above 45% at the financial year end.
- The Group's lowest currently imposed LTV covenant stands at 53%, implying a minimum headroom of US$74.8 million as at 31 December 2019. The Board expects downward pressures in its 30 June 2020 property valuations but expects to maintain sufficient covenant headroom after adjusting for these.
- The Group's lowest imposed EBITDA covenant stands at 2x against 2.29x as at 31 December 2019.
- The Company has no debt maturities before May 2021 save for a US$15 million bullet instalment payment due in October 2020. The Company is progressing well with restructuring this October instalment.

SIGNIFICANT IDENTIFIED PIPELINE OF ATTRACTIVE INVESTMENT OPPORTUNITIES

- The Company has extended the target execution dates on all of its announced pipeline opportunities and is assessing each one of these in the context of market conditions, funding options, return profiles and capital allocation requirements.
- The Company is evaluating the introduction of co-investment partners to projects and is considering a number of alternate funding strategies.
- All potential investments continue to be carefully considered by the Company's investment committee and are consistent with the Company's existing strategy of owning a diversified portfolio of high-quality assets in carefully selected investment grade and high growth African countries underpinned by high quality tenants. Each is being evaluated in light of the current and future impact of the COVID-19 pandemic.

JSE DE-LISTING AND INTENDED MOVE TO THE PREMIUM SEGMENT OF THE MAIN MARKET OF THE LONDON STOCK EXCHANGE AND REDOMICILIATION

- On 11 June 2020, the Company proposed a de-listing from the Main Board of the JSE Limited (the "**JSE**") by means of an offer by the Botswana Development Corporation Limited and Zep-Re (PTA Re-insurance Company) for a consideration of R14.90 per share. Should the Offer become unconditional, the Company will terminate the listing of its shares on the Main Board of the JSE.
- The cost and complexity of being listed on three exchanges do not currently offer commensurate benefits and accordingly erodes shareholder value.
- The Company will retain its listing on the Official Market of the Stock Exchange of Mauritius Ltd (the "**SEM**") and the Main Market of the London Stock Exchange (the "**LSE**").
- The Group is intending to move to the premium listing segment on the LSE in the second half of 2020, following the completion of the proposed JSE de-listing. To facilitate the Group's eligibility for inclusion in the FTSE UK Index Series, the Group is further exploring the possibility of redomiciling its corporate seat to Guernsey.

By Order of the Board

3 July 2020

FOR FURTHER INFORMATION, PLEASE CONTACT:

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NOTES:

Grit Real Estate Income Group Limited is the leading pan-African real estate company focused on investing in and actively managing a diversified portfolio of assets in carefully selected African countries (excluding South Africa). These high quality assets are underpinned by predominantly US$ and Euro denominated long-term leases with a wide range of blue-chip multi-national tenant covenants across a diverse range of robust property sectors.

The Company is committed to delivering strong and sustainable income for shareholders, with the potential for income and capital growth. The Company is targeting net total shareholder return inclusive of NAV growth of 12.0%+ p.a.*

The Company currently holds primary listings on both the Main Market of the London Stock Exchange (LSE: GR1T) and on the Main Board of the Johannesburg Stock Exchange (JSE: GTR), while its listing on the Official Market of the Stock Exchange of Mauritius Ltd is termed as a secondary listing (SEM: DEL.N0000).

Further information on the Company is available at http://grit.group/

* These are targets only and not a profit forecast and there can be no assurance that they will be met. Any forward-looking statements and the assumptions underlying such statements are the responsibility of the Board of Directors and have not been reviewed or reported on by the Company's external auditors.

Directors:

Peter Todd+ (Chairman), Bronwyn Corbett (Chief Executive Officer)*, Leon van de Moortele (Chief Financial Officer)*, Sir Samuel Esson Jonah+, Nomzamo Radebe, Catherine McIlraith+, David Love+ and Bright Laaka (Permanent Alternate Director to Nomzano Radebe).

(* Executive Director) (+ independent Non-Executive Director)

Company secretary: Intercontinental Fund Services Limited

Registered address: c/o Intercontinental Fund Services Limited, Level 5, Alexander House, 35 Cybercity, Ebène 72201, Mauritius

Transfer secretary (South Africa): Computershare Investor Services Proprietary Limited

Registrar and transfer agent (Mauritius): Intercontinental Secretarial Services Limited

UK Transfer secretary: Link Asset Services

JSE sponsor: PSG Capital Proprietary Limited

SEM authorised representative and sponsor: Perigeum Capital Ltd

This notice is issued pursuant to the JSE Listings Requirements, LSE Listing Rules, Article 19 of MAR, SEM Listing Rule 11.3 and Rule 5(1) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007. The Board accepts full responsibility for the accuracy of the information contained in this communiqué.