CALGRO M3 HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration Number 2005/027663/06)
Share code: CGR ISIN: ZAE000109203
("Calgro M3" or "the Company" or "Group")

TRADING UPDATE

In accordance with paragraph 3.4 of the Listings Requirements of the JSE Limited, a listed company is required to publish a trading statement as soon as it becomes aware, with a reasonable degree of certainty, that the financial results for the next period to be reported on are likely to vary by more than 20% from the previous corresponding period.

Calgro M3 wishes to advise shareholders that the Company's earnings per share ("EPS") and headline earnings per share ("HEPS") for the financial year ending 28 February 2019 is expected to decrease by more than 20% from the previous corresponding period.

EPS for the 12 months ended 28 February 2019, is expected to decrease to between 11.36 cents per share and a loss per share of (7.42) cents per share, compared to 93.91 cents per share reported in the previous corresponding period. This equates to a decrease of between 87.90% and 107.90%.

HEPS for the 12 months ended 28 February 2019, is expected to be a headline loss per share of between (10.56) cents per share and (28.58) cents per share compared to the 90.12 cents per share reported in the previous corresponding period. This equates to a decrease of between 111.71% and 131.71%.

The decline in the earnings is due to a number of effects, some of which are outside of management's control, but others where management has taken action to position the Company for future growth, limit risk, reduce costs and ensure cash preservation in uncertain times.

The Company undertook a Category 2 transaction with SA Corporate Real Estate Limited that was concluded on 15 March 2019 in terms of which the Afhco Calgro M3 residential rental business joint initiative ("Afhco Calgro M3 Consortium") was dissolved. This transaction will only be accounted for in the 2020 financial year and is expected to have a limited impact. Please refer to the SENS announcement released on that date for further details on the transaction.

In addition to the economic and political uncertainty, the dire water shortages resulting from the drought in the Western Cape and the impact of IFRS 15 and 9, as reported on during its interim period ended 31 August 2018, the Group was further negatively impacted by these major occurrences:

1) Illegal occupation of units at the Company's Scottsdene and Fleurhof projects, with continued additional security and repair cost of approximately R70.9 million. Insurance claims have been

submitted to SASRIA and the Company is awaiting the outcome thereof. Accordingly, the insurance claims have not been accounted for yet;
2) Temporary unavailability of electricity on the Fleurhof project, which resulted in costly standing time of approximately R23.3 million;
3) A net realisable value write-down of R54 million was provided for on the sale of the main building in the La Vie Nouvelle Lifestyle & Wellness Estate project. The write-down resulted from specification changes and a higher occupancy requirement by the frail care operator. In addition, the leasing of commercial property is not considered core business and as a result a strategic decision was taken to sell the building to a third party and release working capital for more efficient deployment elsewhere in the Group. This transaction will furthermore benefit all residents in the development and enhance future saleability of units;
4) Cancellation of the 2015 Executive Share Scheme by the Board in order to strengthen the balance sheet in line with reporting at the time, and the corresponding fast-tracked non-cash expense of R44 million.

Some of the above occurrences gave rise to a further slow-down in operations of the Residential Property Development business in the second six months. The main focus to ensure sustainable delivery in the future is risk management, cost containment and cash generation, supported by a healthy balance sheet.

Pro-active project reviews:
During the past 12 months, the Residential Property Development business reassessed numerous sale transactions that had previously been concluded, to ensure all are sound from a delivery and profitability perspective. The following transactions were subsequently cancelled without incurring penalties. New agreements (dealt with below) include sales price escalations to ensure future profitability:

- Belhar student housing private institution sale - 2,200 beds – R411 million
- Belhar units to Afhco Calgro M3 Consortium –1,000 rental units – R447.3 million
- Scottsdene units to Afhco Calgro M3 Consortium – 844 units – R317.1 million
- Fleurhof units to Afhco Calgro M3 Consortium – 828 units – R321.9 million
- Fleurhof shopping centre land to the value of R50 million
- Various open market sales to the value of approximately R100 million

New transactions structured pertaining to these cancellations:

- Belhar:
  - Improved student housing transaction – densified to 2,700 beds with similar selling price per bed, ensuring returns in line with targeted gross margins. Final agreements are being negotiated based on an upfront land payment and monthly construction progress draws;
  - Approximately 300 units originally sold to the Afhco Calgro M3 Consortium were sold on the open market for a price 13% higher than the cancelled transaction.
- Scottsdene:
  - Negotiations on various transactions are ongoing and will be concluded once land invasions on adjacent council land is resolved.

- Fleurhof:
  - All 828 units originally sold to the Afhco Calgro M3 Consortium have been sold to a new buyer at a similar price. The new transaction includes a deposit, already received by Calgro M3, as well as monthly progress draws;
  - Negotiations are underway on a shopping centre stand for a value of roughly 30% higher than the cancelled transaction, due to price escalation resulting from delays on the electrification challenge. Any transaction will however be conditional on final resolution of the electrification challenge.

With approximately 8 000 serviced opportunities still available, the Residential Property Development business remains well positioned to capitalise on the expected upturn in the lower end of the market for both private or public sectors, assisting in the eradication of the housing backlog. This uptick is however only expected post the national elections taking place in early May 2019.

The Memorial Park business continues to excel, and the Company plans to continue this acceleration in revenue and profitability in the year ahead. The Residential Rental Investment business experienced a setback with the dissolution of the Afhco Calgro M3 Consortium as a result of different return and sustainability drivers, however, management is confident that this business will grow in the year ahead.

The financial information on which this trading statement is based has not been reviewed or reported on by the Company’s auditors.

The final results for the year ended 28 February 2019 are expected to be released during the week of 13 May 2019.

Johannesburg
29 March 2019

Sponsor
Grindrod Bank Limited