

ARROWHEAD PROPERTIES LIMITED

(formerly Gemgrow Properties Limited)

Incorporated in the Republic of South Africa)

(Registration number 2007/032604/06)

JSE share code: AHA ISIN: ZAE000275491

JSE share code: AHB ISIN: ZAE000275509

(Granted REIT status with the JSE)

(“Arrowhead” or “the Company”)

OPERATIONAL UPDATE AND TRADING STATEMENT

Arrowhead shareholders are referred to the previous updates published in April and June of this year as well the Company’s interim financial results released on 27 May 2020. In line with the commitment in those announcements, Arrowhead wishes to provide a further update to shareholders on the impact of the COVID- 19 pandemic and national lockdown on its operations and general financial position.

Operational update

Rental relief and collections

In order to accommodate tenants in need of assistance, Arrowhead has up to the end of June 2020, provided over R50 million in rental relief in the form of rental discounts of approximately R42 million and deferrals of approximately R8 million. Rental relief has reduced significantly since July 2020. Engagement with tenants is ongoing, and the Company may be required to provide additional rental relief in respect of COVID-19 related arrears, to tenants that are otherwise in good standing.

Collection levels, as a percentage of contractual rental, before rental relief and ignoring appropriation of deposits, are set out below:

April 2020	May 2020	June 2020	July 2020
77,1%	71,8%	85,2%	87, 7%

This positive trend has continued in August 2020 with collections (measured as a percentage of contractual rental) currently at 87,0%, as compared to 84,0% at the same time last month.

Cash collections (taking into account the appropriation of deposits) between April 2020 and July 2020 (net of COVID-19 relief), exceeded 90%.

Vacancies and letting activity

The headwinds facing the South African rental market earlier this year have worsened significantly as a result of the pandemic. Accordingly, we expect to see continued pressure on rental levels and vacancies, as well as increased costs of retaining and attracting tenants.

Against this backdrop, the performance of the Company’s property portfolio over the three quarters ended 30 June 2020 has been relatively good, with tenant retention increasing from about 83%, to about 87% representing 147 000 m² including new letting of expiring space during the period.

Since July 2020, letting activity has improved which has assisted in bringing vacancies, which peaked at 11% in July 2020, to under 10%.

Balance sheet management

The continued strengthening of the balance sheet, through the sale of selected assets and the reduction of debt remains a key focus of the Company.

Update on sales

In Arrowhead's interim results for the six months ended 31 March 2020, we reported concluded sales of 41 properties for a consideration of R840 million, of which 20 properties worth R394 million had been transferred, with the balance of R446 million still to transfer (after subsequent adjustments). To date, seven properties worth R86 million have transferred, with three assets worth R48 million lodged and awaiting registration.

Delays at the various Deeds Offices remain a key matter of concern and we continue to monitor the progress of transfers closely.

We are pleased to advise that the disposal program is proceeding well. While the value of the R446 million properties still to transfer reduced by R73,5 million as a consequence of COVID-19 and the lockdown, this has been more than compensated for by the sale of a further 15 properties, for approximately R230 million. This takes the overall value of sales to just under R1 billion, at a combined 10,7% forward yield and an overall 4% discount to book value.

All the properties sold to date comprise properties that do not meet Arrowhead's long-term investment criteria. However, as announced in June 2020, in terms of our expanded disposal program, Arrowhead may also pursue the sale of a limited number of larger assets provided that this strengthens the Company's balance sheet.

The sales pipeline remains strong with a number of other sales being subject to successful due diligence, which we hope to be in a position to announce in due course.

Loan facilities

Arrowhead has cash on hand including undrawn facilities of R413 million, which includes a R35 million overdraft facility secured in June 2020, to assist with liquidity and cash flow management should this prove necessary.

Arrowhead's loan to value ratio remains within current covenants. Interest cover ratio (ICR) covenants which are between 2x and 2,5x remain under pressure in the current environment, and we remain in close communication with our funders in order to ensure that this is effectively managed.

The loan facilities of R535 million and R147 million that were expiring in July 2020 and October 2020 respectively, have been successfully refinanced. The refinanced facilities do require certain interim capital repayments, and Arrowhead is confident that it will be able to meet all these obligations as they fall due. There are no other facilities that expire before the 2022 financial year.

Arrow for change COVID-19 relief initiative

Arrowhead has raised over R3 million for the Arrow for Change COVID-19 relief initiative, to support various organisations assisting impoverished communities during the COVID-19 pandemic. Of this approximately R1 million has already been disbursed. Contributions included an amount equivalent to one month's salary from the executive team and amounts from the non-executive directors, staff and suppliers.

Dividend update and trading statement

In its April 2020 update, Arrowhead announced the withdrawal of its dividend per share guidance for the 2020 financial year as well as a deferral of a decision on the payment of an interim dividend, for the six months ended 31 March 2020, until the release of its financial results for the year ended 30 September 2020 (the "2020 results").

Shareholders are advised that Arrowhead's total distributable income for the 2020 financial year is expected to be approximately R340 million. This figure excludes interest on loans to directors and the Arrowhead Charitable Trust and is calculated before any tax on undistributed income and further assumes conservatively that the Company receives no distributions from Indluplace or its other listed investments. This reflects as a reduction of approximately 56% when compared to the distributable income for the year ended 30 September 2019 of R769 million, which includes interest on loans to directors and the Arrowhead Charitable Trust and dividends received from Indluplace and the Company's other listed investments. A comparison between the distributable income for the same period in 2019 determined on the same basis as the total distributable income for the 2020 financial year, equates to a reduction of 34%.

The impact of the reduction in distributable income on dividends per A and B shares for the 2020 financial year will

depend upon the extent of any interim and/or final dividend that the Company elects to declare. As required by the JSE Listings Requirements, once Arrowhead obtains greater certainty in this regard prior to the finalisation of these results, a further trading statement will be published.

Arrowhead will provide stakeholders with a further update on the Company's operational performance if appropriate. Arrowhead's results for the year ended 30 September 2020 are expected to be released on or about 25 November 2020.

The information on which this trading statement has been based has not been reviewed or reported on by Arrowhead's auditors.

26 August 2020

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