

ARROWHEAD PROPERTIES

Focused on sustainable value

REVIEWED CONDENSED CONSOLIDATED RESULTS for the year ended 30 September 2021

ARROWHEAD 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
(Approved as a REIT by the JSE) | ("Arrowhead" or "the Company" or "the Group")

HIGHLIGHTS

- 5.2% increase in distributable earnings per B share
- 4.1% increase in dividend per A share
- 44.6% increase in dividend per B share
- 216% increase in price per B share
- 37 non-core assets disposed of for R1.047 billion at an 11.5% forward yield and a 2.2% discount to book value
- Gearing reduced to 36.9% (38.2% including derivatives), from 39.3% (42.6% including derivatives) as at the prior year-end
- Capital expenditure of R227 million (excluding Indluplace)
- Active investment in solar power plants: 6.7 megawatts installed or under construction, with over 5% of the portfolio's electricity requirement met at an annual yield of 19.8%
- Vacancies reduced to 8.4% compared with 8.6% in the prior year
- Arrow for Change disbursement of R2.5 million towards 26 projects assisting communities close to Arrowhead assets

Financial indicators

R'000	Reviewed 30 September 2021	Audited 30 September 2020	% Increase / (decrease)
Revenue (excluding straight-line rental income)	2 000 708	2 189 241	(8.6)
Basic earnings / (loss) per combined shares in issue (cents)	17.75	(70.66)	125.1
Diluted earnings / (loss) per combined shares in issue (cents)	17.57	(70.66)	124.9
Headline earnings / (loss) per share (cents)	90.33	(7.00)	1 390.4
Diluted headline earnings / (loss) per share (cents)	89.43	(7.00)	1 377.6
Net asset value per A share at reporting date (cents)	1 169	792	47.6
Net asset value per B share at reporting date (cents)	594	631	(5.9)
Distributable income per A share (cents) for the year ended	120.21	115.46	4.1
Distributable income per B share (cents) for the year ended	47.72	45.39	5.2
Dividend per A share (cents) for the year ended	120.21	115.46	4.1
Dividend per B share (cents) for the year ended	47.72	32.99	44.6

NATURE OF BUSINESS

Arrowhead is a diversified South African Real Estate Investment Trust ("REIT") focused on creating long-term shareholder value.

Arrowhead holds a diverse portfolio of retail, office and industrial (collectively "commercial") properties valued at R8.3 billion (held directly and through subsidiaries). As at 30 September 2021, Arrowhead held a 61.0% interest (2020: 60.0 %) in its subsidiary, Indluplace Properties Limited ("Indluplace"), which owns a portfolio of residential properties.

The average value per direct property held as at 30 September 2021 was R78.2 million (R68.0 million as at 30 September 2020 and R57.2 million at the end of 30 September 2019). The sale of non-core assets over the last 2 years has improved the quality of the core portfolio with the average size of the asset base improving.

In addition, Arrowhead held an 8.6% interest (2020: 8.6%) in Dipula Income Fund Limited ("Dipula") at 30 September 2021.

PAYMENT OF DIVIDENDS FOR THE YEAR ENDED 30 SEPTEMBER 2021

On 26 May 2021 shareholders were advised that the Board had resolved to defer the decision on the payment on an interim dividend for the six months ended 31 March 2021 ("interim dividend") until the end of the financial year.

Given the strength of the balance sheet and liquidity of the Company, the Board has resolved to declare a dividend equal to 100% of the distributable income (FY2020: 76.5% pay-out ratio). The Board has resolved to declare an interim dividend (dividend number 11) of 58.59120 cents per A share and 23.18748 per B share and a final dividend for the six months ended 30 September 2021 ("final dividend") (dividend number 12) of 61.62004 cents per A share and 24.53188 per B share. Accordingly, a combined gross interim and final dividend of 120.21124 cents per A share and 47.71936 cents per B share for the year ended 30 September 2021 will be paid to shareholders in accordance with the timetable set out below:

	2021
Last date to trade cum distribution	Monday, 13 December
Shares trade ex-distribution	Tuesday, 14 December
Record date	Friday, 17 December
Payment date	Monday, 20 December

Share certificates may not be dematerialised or rematerialised between Tuesday, 14 December 2021 and Friday, 17 December 2021, both days inclusive. Payment of the dividend will be made to shareholders on Monday, 20 December 2021. In respect of dematerialised shareholders, the dividend will be transferred to the Central Securities Depository Participant ("CSDP") accounts/broker accounts on Monday, 20 December 2021. Certificated shareholders' dividend payments will be deposited on or about Monday, 20 December 2021 to certificated shareholders' bank accounts.

In accordance with Arrowhead's status as a REIT, shareholders are advised that the dividends meet the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). The distributions on the shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because they are dividends distributed by a REIT. These dividends are, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:

- a) a declaration that the dividend is exempt from dividends tax; and
- b) a written undertaking to inform the CSDP, broker or the Company should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the Company to arrange for the above mentioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted.

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Dividends withholding tax is 20% and accordingly, any dividends received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholders. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders in respect of the interim dividend per A share is 46.87296 cents per A share and in respect of the final dividend is 49.29603 cents per A share.

The net dividend amount due to non-resident shareholders in respect of the interim dividend per B share is 18.54998 cents per B share and in respect of the final dividend is 19.62550 cents per B share. A reduced dividend withholding rate in terms of the applicable DTA, may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker in respect of uncertificated shares, or the Company, in respect of certificated shares:

- a) a declaration that the dividends are subject to a reduced rate as a result of the application of a DTA; and
- b) a written undertaking to inform their CSDP, broker or the Company should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the Company to arrange for the above mentioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted, if applicable.

Shareholders are encouraged to consult their professional advisors should they be in any doubt as to the appropriate action to take.

A-shares in issue at the date of declaration of dividends: 62 718 658

B-shares in issue at the date of declaration of dividends: 951 422 029

Arrowhead's income tax reference number: 9068/723/17/1

PROSPECTS

Arrowhead has made significant progress over the past few years in delivering on its strategy of stabilising its portfolio and strengthening its balance sheet and the Company believes it is now well positioned to deliver sustainable income over the medium to long-term. As previously communicated, the trade off in taking and implementing the decision to strengthen the balance sheet is that, in the current market, disposals typically dilute distributable income, and the full impact of this dilution will be felt in the upcoming financial year to end September 2022. This dilution is likely to be exacerbated by a number of factors including anticipated negative rental reversions in what remains a very difficult office market and a likely reduction in distributions from Dipula (as a consequence of either their recently announced proposed capital restructuring or the potential changes to the distribution policy highlighted in their recent results announcement).

Given the continued uncertainty surrounding the economic environment in which the Company operates and because of the potential impact of the Fairvest initiated merger between Arrowhead and Fairvest (the "Fairvest merger") (if implemented) on the Company's strategy, operations and distribution policy going forward, the Company is not in a position to provide the market with guidance as to its distributable income per share and dividend per share for the year ending 30 September 2022. However, shareholders are advised that, in compliance with the JSE Listing Requirements, the category 1 circular and accompanying revised listing particulars to be made available to Arrowhead shareholders in relation to the Fairvest merger (which is anticipated to be posted in or about December 2021) will include detailed forecasts for the periods ended 30 September 2022 and 2023, prepared in accordance with the relevant JSE Listing Requirements.

REVIEWED CONDENSED CONSOLIDATED RESULTS

The reviewed condensed consolidated results for the year ended 30 September 2021 have been reviewed by the Groups' auditors, BDO South Africa Incorporated. The reviewed condensed consolidated results are available on the Company's website:

<https://arrowheadproperties.co.za/cmsAdmin/uploads/annual-results/afs-2021.pdf>

SHORT FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the Board of directors of the Company. This short-form announcement is a summary of the full announcement released on SENS and published on Arrowhead's website (www.arrowheadproperties.co.za) on 24 November 2021

<https://senspdf.jse.co.za/documents/2021/jse/isse/AHAE/FY2021.pdf>

and does not contain the complete or full announcement details. Any investment decision by investors and shareholders should be based on consideration of the full announcement. The full announcement may be requested from: info@arrowprop.co.za.

By order of the Board

24 November 2021

Directors: G Kinross * (Chairperson), Mark Kaplan (CEO), J Limalia (CFO), T Adler*, A Basserabie*, N Makhoba*, S Mkorosi*

* Independent non-executive. All directors are South African.

Registered office: 3rd Floor, Upper building, 1 Sturdee Avenue, Rosebank, Johannesburg, 2196 | PO Box 685, Melrose Arch, 2076

Transfer secretaries: JSE Investor Services Proprietary Limited

Sponsor: Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Company secretary: Vicki Turner

Website: www.arrowheadproperties.co.za