

HERIOT REIT LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 2017/167697/06)
(Approved as a REIT by the JSE)
JSE share code: HET ISIN: ZAE000246740
("Heriot" or "the Company" or the "Group")



SHORT-FORM ANNOUNCEMENT: UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

NATURE OF BUSINESS

Heriot is a property holding and investment company that is listed in the "Diversified REITs" sector on the Alternative Exchange of the JSE Limited ("JSE"). The Group is primarily invested in retail and industrial properties situated in areas with high growth potential. At the reporting date, the property portfolio was valued at R5,291 billion. The Group's primary objective is to grow and streamline Heriot's asset base through the acquisition of high-quality properties, the redevelopment of existing properties and the disposal of assets identified as non-core. Further, Heriot continues to pursue greenfield development opportunities that will create perpetual growth in distributions.

KEY FINANCIAL HIGHLIGHTS

	Unaudited for the 6 months ended 31 Dec 2022	Unaudited for the 6 months ended 31 Dec 2021	Change %
Distribution per share (cents)	52.04	50.42	3,2
Total assets (R'm)	6,013.21	5,263.76	14,3
Net asset value per share (cents)	1,329.55	1,166.61	14,0
Gross revenue (R'm)	305.51	282.32	8,2
Net profit after taxation (R'm)	255.69	185.59	37,8
Earnings per shares (cents)	97.25	70.94	37,1
Headline earnings per shares (cents)	47.64	49.50	(3,8)

Financial results

Distributable earnings of the Group for the six months ended 31 December 2022 (the "Reporting Period") of R132,9 million, or 52.04 cents per share, are 3,2% ahead of distributable earnings of 50.42 cents per share for the comparable period in 2021. Distribution per share remains Heriot's measure of performance.

Net property operating income ("NOI") grew by 11,1%. While NOI from the retail and specialised portfolio has grown through normal rental escalations of 6% to 8%, the industrial portfolio has significantly improved as a result of reducing vacancies together with rental increases on lease renewals. The residential portfolio has benefitted from enhanced rentals achieved through short term lettings. However, the office sector is still suffering the effects of the Covid pandemic with challenges in filling vacancies and reduced rentals on lease renewals.

While the group achieved double digit growth from its property operations, distributions for the reporting period were severely affected by the cumulative 225 bps increase in the repo rate during the Reporting Period as all of the group debt is linked to floating facilities. As a result, the average cost of borrowings increased by 1,34%, from 6,39% in the comparable period to 7,73%, reducing distributable earnings growth to 3,2%.

The Group's continued effective cash management and strong cash flows support the payment of 100% of distributable earnings as a dividend and on this basis, the Company is declaring an interim dividend of 52.04 cents per share.

Heriot's net asset value per share increased by 3,55% from R12,84 at 30 June 2022 to R13,30 at 31 December 2022. This increase is mainly attributable to an increase of R130,7 million in the valuation of the property portfolio, which is supported by the positive rental reversions achieved on renewals and re-lets across the portfolio during the period.

PROSPECTS

Heriot's results for the reporting period demonstrate the resilience of its portfolio and in particular, the durability of its emerging market retail and industrial properties. The current local and global macro-economic conditions have created difficult trading conditions for the Company in the short to medium term. Future prospects are inherently linked to the Group's operating environment and to significant macro issues facing the Company. The board is committed to a proactive yet conservative approach to mitigate the effects of elevated interest rates, increasing costs of fuel, electricity shortages, unprecedented levels of unemployment and high levels of inflation.

Heriot will continue to explore strategic opportunities that will extract value from its existing portfolio while continuing to grow its asset base through the acquisition of high yielding properties in its target markets. Furthermore, given the strength of Heriot's cash flows, the board has resolved to maintain the 100% pay-out ratio of distributable earnings.

Despite difficult trading conditions, management is pursuing growth of 3,0% to 7,0% in the distribution per share for the year ending 30 June 2023.

The forecast in support of this guidance has been prepared using the following key assumptions:

- Forecast property income is based on contractual rental escalations and market-related renewals;
- Adequate allowance has been made for vacancies and rent reversions;
- No further major corporate and tenant failures will occur; and
- Interest rates will increase by no more than 50 bps during the six months ending 30 June 2023, excluding the 25bps increase that was announced in January 2023.

This guidance has not been reviewed or reported on by the Company's auditors.

PAYMENT OF FINAL DIVIDEND

The board has declared an interim gross cash dividend of 52.04000 cents per share out of the Company's distributable income for the period ended 31 December 2022.

The dividend is payable to Heriot shareholders in accordance with the timetable set out below:

	2023
Last date to trade <i>cum</i> dividend	Monday, 3 April
Shares trade <i>ex</i> dividend	Tuesday, 4 April
Record date	Thursday, 6 April
Payment date	Tuesday, 11 April

Share certificates may not be dematerialised or rematerialised between Tuesday, 4 April 2023 and Thursday, 6 April 2023, both days inclusive. The dividend will be transferred to dematerialised shareholders' CSDP/broker accounts on Tuesday, 11 April 2023. Certificated shareholders' dividend payments will be posted or paid to certificated shareholders' bank accounts on or about, Tuesday, 11 April 2023.

In accordance with Heriot's status as a REIT, shareholders are advised that the dividend meets 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 dividend 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 it is a dividend distributed by a REIT. This dividend is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that such shareholders provide the following forms to their Central Securities Depository Participant ("**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, as the case may be, 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, as the case may be, to arrange for the abovementioned 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 an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Any distribution 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 shareholder. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 41.63200 cents per 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, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:

- a) declaration that the dividend is 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, as the case may be, 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, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted, if applicable.

Shares in issue at the date of the dividend: 255,395,858 (excluding 900,000 treasury shares)

Heriot’s income tax reference number: 9541295185

Where the transfer secretaries do not have the banking details of any certificated shareholders, the cash dividend will be held in trust by the transfer secretaries pending receipt of the relevant certificated shareholder’s banking details where after the cash dividend will be paid via electronic transfer into the personal bank accounts of certificated shareholders.

ABOUT THIS ANNOUNCEMENT

This short-form announcement is the responsibility of the directors of Heriot and the contents were approved by the board on 14 March 2023. This short-form announcement is only a summary of the full announcement released on SENS on 14 March 2023 and does not include full or complete details. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement published in SENS and on Heriot’s website as a whole. The short-form announcement has not been audited or reviewed by the company’s external auditors.

The full announcement is available on the Company’s website at www.heriotreit.com and can be accessed using the following JSE link: <https://senspdf.jse.co.za/documents/2023/JSE/isse/HETE/HETHY2023.pdf>.

The full announcement is available for inspection at the registered offices of the company or its sponsor, at no charge, during office hours from Tuesday, 14 March 2023.

By order of the board

14 March 2023

COMPANY SECRETARY

CIS Company Secretaries Proprietary Limited

REGISTERED OFFICE

Suite 1, Ground Floor, 3 Melrose Boulevard, Melrose Arch, Johannesburg, 2196
PO Box 652737, Benmore, 2010

DIRECTORS

SB Herring (Chairperson)*, RL Herring (CEO), D Snoyman (CFO), JA Finn*, SJ Blieden*†, R Lockhart-Ross*†, N Ngale*†

*Non-executive †Independent

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

DESIGNATED ADVISOR

Java Capital, 6th Floor, 1 Park Lane, Wierda Valley, Sandton, 2196