FAIRVEST
PROPERTY HOLDINGS

SUMMARISED CONSOLIDATED RESULTS AND CASH DIVIDEND DECLARATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

HIGHLIGHTS

DISTRIBUTION FOR THE PERIOD INCREASED BY
9.53%
TO 9.806 cents per share

TOTAL PROPERTY PORTFOLIO INCREASED BY
27.1%
TO R2.8 billion

LIKE FOR LIKE ANNUALISED NET PROPERTY INCOME INCREASED BY
11.8%

NET ASSET VALUE INCREASED BY
2.8% to
224.19 cents per share

VACANCIES REDUCED TO
3.2%
OF TOTAL LETTABLE AREA

MAINTAINED ARREARS AT
2.4%
OF REVENUE

TENANT RETENTION REMAIN HIGH AT
88.5%

DISTRIBUTION GROWTH OF
9% to 10%
FOR THE YEAR ENDED 30 JUNE 2018 EXPECTED

SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited 31 Dec 2017 R'000	Unaudited 31 Dec 2016 R'000	Audited 30 Jun 2017 R'000
ASSETS			
NON-CURRENT ASSETS	**2 996 190**	2 137 887	2 263 812
Investment property	**2 750 636**	2 041 370	2 157 747
Investment property under development	**31 242**	–	–
Loans receivable	**167 237**	57 255	61 603
Investments	**2 196**	2 115	2 154
Office equipment	**345**	414	343
Operating lease asset	**44 534**	36 733	41 965
CURRENT ASSETS	**66 430**	35 833	54 110
Loans receivables	**5 362**	1 482	5 476
Trade and other receivables	**46 860**	25 727	36 000
Cash and cash equivalents	**14 208**	8 624	12 634
TOTAL ASSETS	**3 062 620**	2 173 720	2 317 922
EQUITY AND LIABILITIES			
SHAREHOLDERS' INTEREST	**1 930 436**	1 603 058	1 723 218
Share capital	**465 353**	310 619	327 951
Retained earnings	**1 465 083**	1 292 439	1 395 267
Non-controlling interest	**90 414**	1 287	4 454
TOTAL EQUITY	**2 020 850**	1 604 345	1 727 672
NON-CURRENT LIABILITIES	**590 063**	513 703	309 366
Interest-bearing borrowings	**531 866**	477 110	272 339
Amounts owing to minorities	**44 010**	24 720	23 756
Derivative financial instrument	**4 279**	3 080	4 404
Other non-current liabilities	**9 405**	8 182	8 395
Deferred taxation	**503**	611	472
CURRENT LIABILITIES	**451 707**	55 672	280 884
Interest-bearing borrowings	**398 098**	6 017	224 652
Trade and other payables	**53 609**	49 655	56 232
TOTAL EQUITY AND LIABILITIES	**3 062 620**	2 173 720	2 317 922

SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited six months to 31 Dec 2017 R'000	Unaudited six months to 31 Dec 2016 R'000	Audited 12 months to 30 Jun 2017 R'000
GROSS REVENUE	**186 878**	162 204	331 142
Rental income – contractual	**183 071**	157 416	320 431
– straight-line accrual	**3 807**	4 788	10 711
Property expenses	**(66 562)**	(59 198)	(121 690)
Net profit from property operations	**120 316**	103 006	209 452
Corporate administrative expenses	**(11 323)**	(9 848)	(19 393)
OPERATING PROFIT	**108 993**	93 158	190 059
Fair value adjustment to investment properties	**69 132**	61 915	159 348
Fair value adjustment to derivatives	**125**	(1 135)	(2 459)
Fair value adjustment to investments	**42**	51	90
Finance cost	**(32 589)**	(29 476)	(53 091)
Investment revenue	**6 730**	3 164	9 420
PROFIT BEFORE CAPITAL EXPENSES	**152 433**	127 677	303 367
Capital expenses	**(4 260)**	(557)	(557)
PROFIT BEFORE TAXATION	**148 173**	127 120	302 810
Taxation	**(22)**	(330)	(191)
COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS	**148 151**	126 790	302 619

SUMMARISED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

	Unaudited six months to 31 Dec 2017 R'000	Unaudited six months to 31 Dec 2016 R'000	Audited 12 months to 30 Jun 2017 R'000
Profit and total comprehensive income attributable to:			
– Owners of the parent	**143 901**	126 574	299 234
– Non-controlling interest	**4 250**	216	3 385
	148 151	126 790	302 619
Reconciliation between profit attributable to shareholders, distributable earnings and headline earnings per share			
Comprehensive income attributable to owners of the parent	**143 901**	126 574	299 234
Fair value adjustment to investment properties (attributable to owners of the parent)	**(66 086)**	(61 159)	(157 283)
Headline profit attributable to shareholders	**77 815**	65 415	141 951
Distributable earnings calculation			
Net profit from property operations	**120 316**	103 006	209 452
Straight-line rental income accrual	**(3 807)**	(4 788)	(10 711)
Corporate administrative expenses	**(11 323)**	(9 848)	(19 393)
Finance cost	**(31 072)**	(29 201)	(52 673)
Investment revenue	**6 730**	3 164	9 420
Share issued cum distribution	**4 249**	7 717	8 267
Non-controlling interest share of distribution	**(654)**	(216)	(443)
Distributable earnings	**84 439**	69 834	143 919
Distribution	**84 439**	69 834	143 919
DISTRIBUTION (Dividend)			
Interim dividend per share (cents)	**9.806**	8.953	8.953
Final dividend declaration per share (cents)	**–**	–	9.380
Total distribution per share (cents)	**9.806**	8.953	18.333
EARNINGS PER SHARE			
Basic and diluted earnings per share (cents)	**17.66**	18.26	40.53
Headline and diluted headline earnings per share (cents)	**9.55**	9.43	19.23
Net asset value per share (cents)	**224.19**	205.52	218.18
Share statistics			
Shares in issue	**861 100 145**	780 010 521	789 836 312
Treasury shares	**(12 067)**	–	(12 067)
Effective shares in issue	**861 088 078**	780 010 521	789 824 245
Weighted average number of shares	**814 665 426**	693 363 896	738 319 633

SUMMARISED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited six months to 31 Dec 2017 R'000	Unaudited six months to 31 Dec 2016 R'000	Audited 12 months to 30 Jun 2017 R'000
Cash generated from operations	**91 981**	103 142	182 446
Finance costs	**(26 283)**	(28 490)	(50 786)
Investment income	**971**	1 564	1 631
Dividend paid	**(74 370)**	(55 656)	(125 136)
Cash (outflow)/inflow from operating activities	**(7 701)**	20 560	8 155
Acquisitions of and improvements to investment properties	**(202 426)**	(129 630)	(151 265)
Development costs capitalised	**(31 703)**	–	–
Acquisition of subsidiary	**(81 554)**	–	–
Office equipment acquired	**(65)**	11	–
Cash outflow to investing activities	**(315 748)**	(129 619)	(151 265)
Interest-bearing borrowings advanced/(repaid)	**268 441**	(92 085)	(78 004)
Amounts owing to minorities raised	**18 941**	442	8 291
Advances to loans receivable	**(99 761)**	(5 877)	(7 078)
Proceeds from issue of shares	**137 402**	205 287	222 642
Acquisition of treasury shares	**–**	–	(23)
Cash inflow from financing activities	**325 023**	107 767	145 828
Net increase/(decrease) in cash and cash equivalents	**1 574**	(1 292)	2 718
Cash and cash equivalents at beginning of period	**12 634**	9 916	9 916
Cash and cash equivalents at end of period	**14 208**	8 624	12 634

SUMMARISED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital R'000	Retained earnings R'000	Shareholders' interest R'000	Non-controlling interest R'000	Total Equity R'000
Balance at 1 July 2016	105 332	1 221 747	1 327 079	1 081	1 328 160
Shares issued	206 677	–	206 677	–	206 677
Capital issue expenses	(1 390)	–	(1 390)	–	(1 390)
Total comprehensive income for the period	–	126 574	126 574	216	126 790
Dividends paid and declared	–	(55 882)	(55 882)	(10)	(55 892)
Balance at 31 December 2016	310 619	1 292 439	1 603 058	1 287	1 604 345
Shares issued	17 817	–	17 817	–	17 817
Capital issue expenses	(462)	–	(462)	–	(462)
Acquisition of treasury shares	(23)	–	(23)	–	(23)
Total comprehensive income for the period	–	172 660	172 660	3 169	175 829
Dividends paid and declared	–	(69 832)	(69 832)	(2)	(69 834)
Balance at 30 June 2017	327 951	1 395 267	1 723 218	4 454	1 727 672
Shares issued	**138 423**	**–**	**138 423**	**–**	**138 423**
Capital issue expenses	**(1 021)**	**–**	**(1 021)**	**–**	**(1 021)**
Acquisition of subsidiary	**–**	**–**	**–**	**82 154**	**82 154**
Total comprehensive income for the period	**–**	**143 901**	**143 901**	**4 250**	**148 151**
Dividends paid and declared	**–**	**(74 085)**	**(74 085)**	**(444)**	**(74 529)**
Balance at 31 December 2017	**465 353**	**1 465 083**	**1 930 436**	**90 414**	**2 020 850**

OTHER SEGMENTAL INFORMATION

	Unaudited 31 Dec 2017	Unaudited 31 Dec 2016	Audited 30 Jun 2017
Regional profile based on lettable area			
KwaZulu-Natal	**24.9%**	22.5%	22.4%
Gauteng	**22.4%**	15.5%	15.5%
Western Cape	**17.9%**	20.6%	20.9%
Free State	**13.1%**	15.5%	15.4%
Northern Cape	**7.6%**	9.2%	9.2%
Eastern Cape	**7.1%**	8.4%	8.3%
Limpopo	**5.0%**	5.9%	5.9%
Mpumalanga	**2.0%**	2.4%	2.4%
Vacancy profile based on gross lettable area			
Gross lettable area in metres squared as at end of the period	**229 175**	193 580	194 311
Properties held	**43**	41	41
Vacant area in metres squared	**7 245**	7 844	9 094
Vacant area as % of gross lettable area	**3.2%**	4.1%	4.7%
Regional vacancy profile (m²)			
(regions where vacancies are located)			
Gauteng	**3 096**	1 642	2 327
Free State	**1 683**	1 022	2 425
KwaZulu-Natal	**1 108**	1 462	1 467
Western Cape	**601**	2 591	1 690
Northern Cape	**542**	87	483
Mpumalanga	**160**	–	50
Limpopo	**50**	1 040	652
Eastern Cape	**6**	–	–

CONDENSED CONSOLIDATED SEGMENT REPORT

	KwaZulu Natal	Western Cape	Gauteng	Free State	Northern Cape	Limpopo	Eastern Cape	Mpumalanga	Reconciling items/ (Eliminations)	Total
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017										
Revenue – external customers	**49 290**	**36 798**	**24 736**	**27 432**	**19 586**	**10 143**	**10 495**	**4 591**	**–**	**183 071**
Operating profit	**34 913**	**22 526**	**18 012**	**17 039**	**10 516**	**6 443**	**7 907**	**2 960**	**(11 323)**	**108 993**
Total assets	**803 880**	**512 910**	**669 654**	**316 970**	**207 825**	**135 992**	**148 284**	**64 904**	**202 201***	**3 062 620**
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016										
Revenue – external customers	34 626	31 246	22 180	25 424	17 776	9 928	11 206	5 030	–	157 416
Operating profit	27 242	21 726	11 771	14 904	9 076	6 501	8 719	3 067	(9 848)	93 158
Total assets	568 620	445 559	279 645	294 012	185 010	126 430	136 850	64 114	73 480	2 173 720
FOR THE YEAR ENDED 30 JUNE 2017										
Revenue – external customers	70 689	66 944	44 794	47 737	37 415	20 089	21 191	11 572	–	320 431
Operating profit	56 307	45 265	24 713	27 208	19 845	14 045	16 144	5 925	(19 393)	190 059
Total assets	603 980	477 613	296 230	311 473	200 229	131 543	142 918	63 940	89 996	2 317 922

*Corporate assets not allocated to a segment.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The preparation of these summarised consolidated financial statements was supervised by the Chief Financial Officer, BJ Kriel CA(SA).

The accounting policies applied in the preparation of these summarised consolidated results for the six months ended 31 December 2017, which are based on reasonable judgements and estimates, are in accordance with International Financial Reporting Standards ("**IFRS**") and are consistent with those applied in the annual financial statements for the year ended 30 June 2017. Any other new and amendments to IFRS and IFRIC interpretations did not impact on the financial position or performance of the company but has resulted in additional disclosures. These summarised consolidated results, as set out in this report, have been prepared in accordance and containing the information required by IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Council, the Companies Act of South Africa, No 71 of 2008, as amended ("**Companies Act**") and the Listings Requirements of JSE Limited.

In terms of IAS 39: Financial Instruments: Recognition and measurement and IFRS 7, the group's interest rate derivatives are measured at fair value through profit or loss and are categorised as level 2 investments. Interest rate derivatives are valued using discounted cash flow techniques and observable market interest rates off the interest rate yield curve. There were no transfers between levels 1, 2 and 3 during the period. The valuation methods applied are consistent with those applied in preparing the annual consolidated financial statements.

The revaluation of investment property requires judgement in the determination of future cash flows from leases. An appropriate capitalisation rate which varies between 9.0% and 11.0%, with a discount rate of between 14.0% and 16.0% was used.

Changes in the capitalisation and discount rates are attributable to changes in market conditions and can have a significant impact on the property valuations. A 25 basis points decrease in the capitalisation rate will increase the value of investment property by R45.3 million. A 25 basis points increase in the discount rate will decrease the value of investment property by R27.9 million.

These summarised consolidated results for the six months ended 31 December 2017 have been prepared in accordance with the historic cost basis, except for the measurement of investment properties and certain financial assets and financial liabilities which are stated at fair value.

The financial results are presented in Rands, which is Fairvest's functional and presentation currency and have been prepared on a going-concern basis.

These summarised consolidated financial results have not been reviewed or audited by the company's auditors BDO South Africa Inc.

ESTIMATES AND CRITICAL JUDGEMENTS

Except for the measurement of investment properties, and certain financial assets and financial liabilities, the financial statements do not include any material estimates.

BUSINESS COMBINATION

Shareholders are referred to the detailed SENS announcement on 19 December 2017 regarding the subscription of shares by the company in Bara Precinct Proprietary Limited ("**Bara Precinct**"). On 18 December 2017, the company subscribed for 50.17% of the shares in Bara Precinct, obtaining control and Bara Precinct became a subsidiary of the company.

Bara Precinct owns five and leases two immovable properties in Diepkloof, Soweto. The transaction is in line with Fairvest's strategy of acquiring assets servicing the lower living standards measure (LSM) market, located in non-metropolitan areas, as well as rural, convenience and community shopping centres located in high-growth nodes, close to commuter networks, with a view to providing shareholders with attractive returns and distinctive, diversified opportunities.

The subscription consideration to the value of R82.5 million was cash paid on 18 December 2017.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Bara Precinct at the date of acquisition were:

	Fair value at acquisition R'000
ASSETS	
Investment property	322 435
Trade and other receivables	181
Cash and cash equivalents	983
TOTAL ASSETS	**323 599**
LIABILITIES	
Interest-bearing borrowings	157 698
Trade and other payables	1 210
TOTAL LIABILITIES	**158 908**
Total identifiable net asset value	164 691
Non-controlling interest	(82 154)
Goodwill	–
Subscription consideration paid 18 December 2017 in cash	**82 537**
Cashflow on acquisition	
Net cash acquired with subsidiary	983
Cash paid	(82 537)
Net cash outflow on acquisition	**(81 554)**

The initial accounting for this acquisition has been reported on a provisional basis and will be finalised before 30 June 2018.

Transaction costs of R4.9 million were incurred on the acquisition and have been reflected in the statement of comprehensive income.

The fair value of the investment properties and the non-controlling interest at acquisition were calculated utilising the capitalisation rate method.

From the date of acquisition, the Bara Precinct transaction contributed R1.4 million to contractual rental income and R5.5 million to the comprehensive income attributable to shareholders. If the acquisition had taken place at the beginning of the period, rental income would have been R17.3 million and comprehensive income attributable to shareholders for the group would have been R7.3 million for the six-month period.

COMMENTARY

INTRODUCTION

Fairvest is a Real Estate Investment Trust ("**REIT**"), with a unique focus on retail assets weighted predominantly toward non-metropolitan and rural shopping centres, as well as convenience and community shopping centres servicing the lower LSM market, in high-growth nodes, close to commuter networks. The Fairvest property portfolio consists of 43 properties, with 229 175m² of lettable area and valued at R2.80 billion.

REVIEW OF RESULTS

Fairvest board of directors are pleased to announce an interim dividend distribution of 9.806 cents per share for the six months ended 31 December 2017, which is a 9.53% increase from the previous period, again maintaining distribution growth within the guidance, issued of 9% to 10%.

Distribution history	Interim	Final	Total
Jun-14	6.750	6.970	13.720
Jun-15	7.427	7.679	15.106
Jun-16	8.171	8.489	16.660
Jun-17	8.953	9.380	18.333
Jun-18	9.806		

Revenue increased by 15.2% to R186.9 million, the result of income growth in the historic portfolio as well as the acquisitions during the period. Net profit from property operations increased by 16.8% to R120.3 million, while corporate administration expenses increased by 15.0% to R11.3 million. Distributable earnings increased by 20.9% to R84.4 million.

A strong focus remains on cost containment and efficient recoveries of municipal charges, which improved the net property expense ratio (expenses net of utility recoveries) to 13.7% compared to 15.5% for the previous financial year. Certain municipal expenses provided for in previous financial years, where actual charges were lower than anticipated, also contributed to the pleasing improvement. Gross cost to income ratio reduced from 37.6% to 36.2%. Like for like annualised net property income increased by 11.8% compared to the previous period.

Gross rentals across the portfolio trended upwards, with a 6.2% increase in the weighted average rental to R110.46/m² at 31 December 2017 compared to R103.99/m² at 30 June 2017, with the weighted average retail rental at R108.92/m². The weighted average contractual escalation for the portfolio increased marginally from 7.4% as at 30 June 2017 to 7.5% at 31 December 2017. A strong focus on arrears management assisted to keep arrears low at 2.4% of revenue.

The net asset value increased by 12.0% to R1.93 billion compared to R1.72 billion at 30 June 2017. On a per share basis, this equates to 224.19 cents per share, or an increase of 2.8%.

Net asset value and market capitalisation	Market capitalisation R'million	Net asset value R'million	Net assetvalue per share (cents)
Jun-14	733.4	838.9	159.00
Jun-15	1 079.0	1 105.4	184.40
Jun-16	1 020.3	1 327.1	201.60
Jun-17	1 540.2	1 723.2	218.18
Dec-17	1 636.1	1 930.4	224.19

PROPERTY PORTFOLIO

The total property portfolio increased by 27.1% from R2.20 billion at 30 June 2017 to R2.80 billion. The growth is attributable to acquisitions to the value of R494.9 million, as well as capital expenditure incurred of R28.8 million. The historic portfolio increased by 4.0% compared to 30 June 2017. Asset quality continued to improve, with the average value per property increasing by 21.1% to R65.1 million, and the average value per square meter increased by 7.7% to R12 223/m².

Portfolio valuation history	Valuation R'million	Average value per property R'million	Value per m² R
Jun-14	1 109.1	34.7	8 836
Jun-15	1 361.8	40.1	9 780
Jun-16	1 925.1	49.4	10 355
Jun-17	2 204.4	53.8	11 345
Dec-17	2 801.1	65.1	12 223

As in previous interim reporting periods, the directors valued the group's investment property portfolio. The properties are valued using the five-year discounted cash flow method, consistent with previous periods. Assumptions are made on the discount rates used to determine the present value of the cash flows and on the capitalisation rate on an assumed sale after five years. The accounting policy of the group is to value at least a third of the portfolio by independent external valuers annually at 30 June. All properties are valued by independent external valuers at least every three years. The weighted average discount rate and capitalisation rate used remained unchanged compared to 30 June 2017 at 15.0% and 10.2% respectively.

ACQUISITIONS

Shareholders are referred to Fairvest's various SENS announcements, regarding acquisitions by the company. Two new properties were acquired during the period.

Properties acquired during the period

Property	Location	GLA (m²)	Purchase price R'000	Anchor tenant	Date of transfer
Shoprite Empangeni *	KwaZulu-Natal	13 660	172 500	Shoprite	18 Jul 17
Bara Precinct **	Gauteng	22 221	322 435	Cambridge Food, Pick n Pay	18 Dec 17

* The property was acquired in a newly incorporated wholly-owned subsidiary FPP Property Ventures 102 Proprietary Limited.

** Fairvest subscribed for 50.17% of the shares in Bara Precinct Proprietary Limited and the company became a subsidiary.

DEVELOPMENT OF SOUTHVIEW SHOPPING CENTRE

As communicated to shareholders on 8 November 2017, Fairvest entered into a strategic relationship with Abland Proprietary Limited ("**Abland**") in a newly incorporated subsidiary, South View Shopping Centre Proprietary Limited, of which Fairvest owns 50%. A vacant plot of land was acquired in Soshanguve, Gauteng to develop a 7 602m² shopping centre, anchored by Shoprite. Abland will guarantee a 10% commencement yield on the development, for five years escalating at 7% annually. During the period, the total development cost on the project amounted to R31.2 million and further development cost of R58.9 million is estimated for the remainder of the financial year. The shopping centre is expected to open on 30 June 2018.

VALUE EXTRACTION

We continued with various value extraction projects on the current portfolio during the period and R29.5 million was spent on these capital enhancement projects. The largest project was at St George's Square and Middestad Mall. At St George's Square we rebranded the centre to its original name, Paddagat and upgraded the centre, attracting various new tenants and letting some of the vacancies. At Middestad Mall we completed phase one of the redevelopment, upgrading the lighting, ceilings and walkways on the ground-floor retail section, with phase two of the redevelopment in the planning stage. The Macassar Shoprite extension is expected to be completed before the end of the financial year.

PORTFOLIO COMPOSITION, LETTING AND VACANCIES

Tenant grade as a percentage of GLA

A-grade tenants	74.1%
B-grade tenants	9.0%
C-grade tenants	16.9%

A – Anchor and national tenants (48.5% are occupied by the top 10 largest tenants)
B – Franchise, professional and large tenants
C – Other

The portfolio remains well diversified across South Africa, with the four largest provinces, KwaZulu-Natal, Western Cape, Free State and Gauteng contributing 74.3% of revenue. The high national tenant component of 74.1% of the portfolio provides shareholders with a low risk investment profile, with national grocer retailers occupying 33.8% of the portfolio.

Vacancies decreased from 4.7% to 3.2% or 7 245m² during the period, mainly as a result of letting of vacancies at Middestad Mall, Paddagat (previously St Georges Square), Richmond Shopping Centre and Clubview Corner. This improvement was partly offset by new vacancies at Bara Precinct.

Lease expiry profile	Based on rentable area	Based on gross rental
Vacant	3.1%	0.0%
Monthly	6.6%	6.2%
Jun-18	10.5%	10.5%
Jun-19	13.8%	16.0%
Jun-20	20.3%	22.8%
Jun-21	12.2%	12.7%
After Jun-22	33.5%	31.8%

During the period under review, 62 new leases were concluded with a total GLA of 6 996m². Fairvest successfully renewed 15 842m² of leases with a positive reversion achieved of 6.1%. Tenant retention for the period was 88.5%, an improvement from the 72.8% for the previous financial year. The weighted average lease term decreased from 38 to 36 months.

CAPITAL RAISING ACTIVITIES

On 2 November 2017 Fairvest placed 58 974 359 new ordinary shares through a combination of a vendor consideration placement and a general authority to issue shares for cash at an issue price of R1.95 per share, raising R115.0 million of new equity.

Shareholders are referred to the company's SENS announcement dated 9 October 2017, regarding the placement of 12 289 474 new ordinary shares which were issued through the dividend reinvestment alternative. The shares were issued at R1.90591 per share resulting in the retention of R23.4 million of equity.

BORROWINGS

The loan to value ("**LTV**") ratio at 32.6%, increased from 22.4% at 30 June 2017 as a result of the acquisitions during the period, which was partially offset by the capital raised. LTV is calculated as total interest-bearing debt divided by total property assets of the debt. 46.5% was fixed either through swaps or fixed rate loans as at 31 December 2017, with a weighted average expiry for the fixed debt of 12 months. During February 2018, various swaps were extended at favourable rates, which improved the weighted average maturity to 23 months.

The weighted average all-in cost of funding decreased to 9.24% compared to 9.46% at 30 June 2017. The weighted average maturity of debt increased from 15 months to 21 months. Discussions on the renewal of various expiring facilities are in progress with funders and we expect the maturity profile of debt to improve further and available facilities to increase by 30 June 2018.

PROSPECTS

The company will continue to provide shareholders exposure to retail assets servicing the lower LSM market. As the outlook for South Africa improves, we expect to see improved trading performance from tenants. With a low-risk tenant base and low vacancies, the portfolio remains well positioned to continue to achieve strong property growth. We will remain conservatively geared and endeavour to continue to improve the fixed portion of debt to minimise the impact of interest rate increases. Management remains confident that Fairvest should be able to achieve the communicated distribution growth of between 9% and 10% for the full 2018 financial year.

This view assumes no material deterioration in the macroeconomic environment relative to current levels, that no major corporate failures will occur and that tenants will be able to absorb increases in municipal and utility costs. Forecast rental income is based on contractual lease terms and anticipated market related renewals. This forecast is the responsibility of the board of Fairvest and has not been reviewed or reported on by the auditors.

DIVIDEND WITH ELECTION TO REINVEST

The board has approved and declared an interim gross distribution, made out of income reserves, of 9.806 cents per share for the six-month period ended 31 December 2017, payable to shareholders registered as such at the close of business on Friday, 6 April 2018.

Shareholders will be entitled, in respect of all or part of their shareholdings, to elect to reinvest the cash dividend of 9.806 cents per share, in return for new Fairvest ordinary shares ("**Reinvestment Alternative**"), failing which they will receive the cash dividend.

Further details regarding the dividend and Reinvestment Alternative, including the tax treatment and a detailed timetable, will be included in a separate SENS announcement, to be released today, 1 March 2018.

In accordance with Fairvest'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 dividends on the shares will be deemed to be taxable dividends for South African tax purposes in terms of section 25BB of the Income Tax Act.

SUBSEQUENT EVENTS

The directors of Fairvest are not aware of any material matters or circumstances arising between 31 December 2017 and this report which may materially affect the financial position of the group or the results of its operation.

APPRECIATION

We extend our appreciation to our directors, management and staff for their valued efforts as well as our advisers and shareholders for their continuing belief in and support of Fairvest.

For and on behalf of the board

Fairvest Property Holdings Limited
1 March 2018
Cape Town

Executive directors
DM Wilder (Chief executive officer)
BJ Kriel (Chief financial officer)
AJ Marcus (Chief operating officer)*
* Alternate to DM Wilder

Non-executive directors
JF du Toit (Chairman)
LW Andrag (Lead independent director)#
KR Moloko#
N Mkhize#
JD Wiese#
TJ Cohen#
\# Independent

Company Secretary
SecCorp Secretarial Services Proprietary Limited

Registered office
8th Floor, The Terraces, 34 Bree Street, Cape Town, 8001
Postnet Suite 30, Private Bag X3, Roggebaai, 8012

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg, 2196
PO Box 61051, Marshalltown, 2107

Auditor
BDO South Africa Incorporated
Registered Auditors

Sponsor
PSG Capital Proprietary Limited