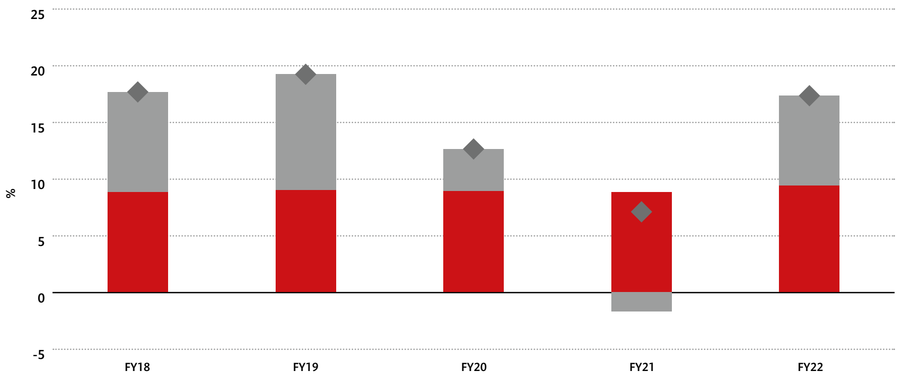
CHIEF EXECUTIVE OFFICER'S REPORT

ANDREA TAVERNA-TURISAN
CHIEF EXECUTIVE OFFICER

TOTAL RETURNS



SUSTAINED GROWTH

Logistics properties globally continue to outperform, supported by sustained demand in the tenant and investor markets.

The UK market is especially strong and has set new records across all metrics, including a record low vacancy rate, a surge in market rental growth, and a significant increase in land values. Our partnership with Newlands is capitalising on this valuable opportunity where there is a significant imbalance between demand and supply in the market, which will continue to create substantial value for Equites' shareholders.

In SA, the combination of the potential pipeline of developments and rental growth expectations has created unprecedented prospects, with the national vacancy rate for A-grade warehousing at an all-time low and an increased focus on supply chain optimisation.

THE HIGHLIGHTS OF THE YEAR UNDER REVIEW INCLUDE:

- Delivered a total return (dividends and change in NAV per share) of 17.3%, achieving its targeted double-digit total return.
- NAV per share increased by 7.9% over the financial year from R17.25 to R18.61.
- DPS increased by 5.2% to 163 cents.
- LTV ratio of 31.5%, demonstrating a conservative capital structure.
- Cash and undrawn facilities of R1.8 billion at year-end.
- Like-for-like portfolio valuations were relatively flat in SA and increased by 13% in the UK.
- As of May 2022, the SA portfolio of 1.2 million m^2 is fully occupied.

DELIVERING ROBUST TOTAL RETURNS

RESULTS STRENGTHENED BY A STRONG LOGISTICS PROPERTY MARKET ON A GLOBAL SCALE

Supply chain disruptions and the fierce competition in the online retail market have forced businesses to strengthen their logistics and fulfilment capabilities, resulting in prodigious demand for warehousing space.

Structural trends will drive demand for prime logistics real estate given the shift of supply chains towards operations that are larger in size (increased stock holdings in event of demand surges), faster, more resilient, technologically advanced, and closer to end-consumers to reduce delivery times and carbon emissions.

We believe that fulfilment will be the key factor that differentiates winners from losers in the increasingly competitive world of e-commerce. Fulfilment needs to be quick, efficient and economically viable, and successful retailers will be those who prioritise their supply chain capabilities.

Numerous cities are undertaking climate change initiatives that aim to reduce the number of vehicles in city centres or constrain carbon emissions, which creates further demand for delivery of goods but is impeded by a lack of warehouse space, an inability to demolish and rebuild, and an overloaded road infrastructure system.

In London, fleets will have to be zero-emission by 2025, which will result in shorter supply chains to decrease the distance of the "last mile", which is the most expensive component of the entire supply chain.

The global demand/supply imbalance is resulting in record levels of market rental growth in the logistics property sector (including EMEA, Americas and the Asia Pacific), exacerbated by planning constraints and a scarcity of land, as evidenced in both the UK and SA logistics property markets.

JSE MARKET PERFORMANCE

Equites delivered a 24.6% total return (change in share price plus dividends) during the financial year, marginally outperforming the South African Property Sector which delivered a total return of 22.4%. This brings the total return since listing (18 June 2014) to 17.0%, on an annualised basis, significantly outperforming the sector which delivered a 1.0% annualised return over the same period.

The market capitalisation of the Group increased by 42% from R11.5 billion to R16.4 billion over the period, supported by a 15% increase in share price from R18.26 to R21.05 and equity capital raised of R2.7 billion during the period, through dividend reinvestment alternatives and two bookbuilds, which were well supported by institutional investors.

PROPERTY FUNDAMENTALS

Our property fundamentals continue to be industry-leading across major metrics; our weighted average lease expiry (WALE) is 13.7 years, 97.2% of income is derived from A-grade tenants and the SA portfolio is fully occupied as of 1 May 2022. Except for an ancillary unit of 1 104m^2, the UK portfolio is also fully occupied. This brings the overall portfolio to an occupancy rate of 99.9%, which demonstrates the demand for our properties in both jurisdictions.

SA PROPERTY MARKET

The logistics property market continued to be one of the top-performing property sectors in South Africa, as numerous occupiers increased their focus on supply chain optimisation.

Technology and Artificial Intelligence ("AI") are now playing a greater role in modern warehouses, requiring scale to justify the capital expenditure. We believe this trend will continue to support the demand for big-box warehouses and distribution campuses.

Consequently, we see the continuation of the imbalance of demand over supply in the top-end of the SA logistics property market, evident from a record-low vacancy rate. To date, the robust demand in the market was supported by new developments on large tracts of land in Cape Town, Johannesburg and Durban. However, securing land for large-scale developments (greater than 40 000m^2) is now proving to be significantly more difficult to source in key logistics nodes.

The structural shift in the supply chain models of major retailers to hold more stock at a warehouse level and less at a retail store level is a further factor driving the demand for warehousing space.

The lack of suitable land, an increase in construction cost inflation and a record-low vacancy rate should bode well for market rental growth in SA over the medium term.

In the context of our business, Equites is currently marketing new developments at rentals that are between 15% and 30% higher compared to rentals marketed in 2021, which will create evidence of market rental growth upon finalisation of lease agreements with tenants.

We remain of the view that supply chain optimisation, which includes a focus on resilient supply chain networks, is the key factor driving demand for warehousing space in South Africa.

The growth in e-commerce does not yet appear to influence real estate decisions. We believe a tipping point will be reached when online sales begin to exceed 10% of total retail sales, which will then drive a rapid increase in occupational demand for warehousing space.

UK PROPERTY MARKET

The UK logistics market has broken all records during 2021, including the take-up of warehousing space, market rental growth, record low acquisition yields, the lowest ever-recorded vacancy rate, the highest growth in land values, and the largest transactional volumes.

The key driver of the exceptional performance of the UK logistics property market is the immense demand in the occupier market, as take-up reached a new annual record of 55.1 million sq. ft (5.1 million m^2) in 2021, 7% higher than a strong 2020 and 86% higher than the long-term average. Although dedicated internet retailers and logistics operators accounted for 50% of the take-up, the other 50% was broad-based, ranging from fashion, food and homeware to manufacturing businesses.

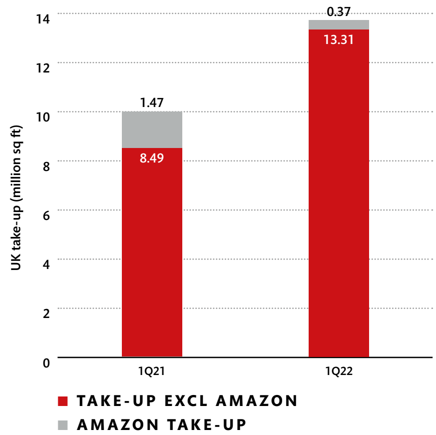
Construction inflation is currently being passed on to tenants through higher rentals, as demand continues to outstrip supply. Market rental growth is expected to be 12% in 2022 on a national level according to Gerald Eve, which bodes well for Equites' UK property valuations over the next financial year.

In our core UK portfolio of £300 million (R6.0 billion), we estimate that market rentals are at least 25% higher compared with current passing rentals, supporting embedded growth in our earnings, which will be unlocked as each property reaches its five-year rent review cycle over the next few years.

Subsequent to year-end, Amazon stated that they currently hold excess warehousing space in some of their key markets. The announcement resulted in a 15% to 20% slump in the share price of logistics-focused property companies globally, driven by the belief that some companies may have invested in too much warehousing space during Covid-19. In the UK logistics market, we expect take-up for modern facilities to continue, due to the following key reasons:

- **Take-up is broad-based.** To put things in perspective, the take-up of space in Q1 2021 was 10 million square feet, which grew to over 14 million square feet in Q1 2022, with Amazon only accounting for 2.7% (1Q21: 14.8%) of the total space that was transacted during 1Q 2022. Based on these numbers, Amazon's take-up declined by 75%, whilst the rest of the market's take-up increased by 57%. The strong take-up, seen against a record-low national vacancy rate, implies the UK market remains under-supplied in terms of warehousing space.
- **Covid-19 and Brexit.** These two events are dismantling the traditional model of just-in-time and are evolving into just-in-case, which will continue to structurally change the warehousing market in the UK. This is supported by reshoring (bringing manufacturing back to the UK) and a focus on resilient supply chains (shorter supply chains and higher inventory levels).
- **Sustainability.** Newlands Developments, in partnership with Avison Young, estimated that 80% of the total stock of industrial space in the UK was developed in the 20th century. The fact that such a high proportion of logistics facilities are outdated has caused industry-wide concerns regarding environmental performance and suitability. We believe Equites Newlands Group Limited ("ENGL") will be a large beneficiary of the demand for new builds, where modern and sustainable facilities will be a key priority for all businesses operating in the UK logistics market.

UK TAKE-UP INCREASED BY 57% YOY, EXCLUDING AMAZON



Source: Savills

CHIEF EXECUTIVE OFFICER'S REPORT
CONTINUED

PIPELINE IN SA

The Group continues to execute on attractive opportunities in the top-end of the South African logistics property market.

The key transaction which the Group completed during the financial year was the acquisition of the DSV Campus in Gauteng for R2.05 billion, in partnership with Eskom Pension and Provident Fund ("EPPF"). This acquisition presented a compelling investment case, and the partnership unlocked an alternative source of equity for further expansion. Equites further enhanced the quality of the portfolio through developments, completing a state-of-the-art logistics campus let to Sandvik Mining RSA in Gauteng with a capital value of R317 million.

Developments currently under construction will add a further 110 000m^2 to the portfolio with a capital value of R1.1 billion, during the next financial period.

Over and above the ongoing developments, the pipeline of development opportunities has increased substantially. Numerous large multinational and national tenants are expanding their distribution footprint across SA, with consolidation and resilient supply chains driving the decision making.

Equites have recently reached an agreement with TFG to develop a new 50 000m^2 world-class distribution facility in Witfontein, Gauteng. The Group also recently agreed terms with another national retailer to develop an 85 000m^2 modern logistics warehouse on the remainder of the site in Witfontein, with a total capital value of R1 billion. These development agreements are testament to Equites' ability to unlock the value embedded in these land parcels.

In addition to the development agreements outlined above, Equites is currently in the final stages of negotiating the terms and conditions of five new developments across SA, which is estimated to add a further 160 000m^2 of prime logistics space to the portfolio over the next two years, with a combined capital expenditure in excess of R1.8 billion.

Our view is that South Africa is severely under-warehoused, and retailers and logistics companies will continue to expand their warehousing footprint to strengthen their supply chain capabilities.

PIPELINE IN THE UK

The investment landscape in the UK logistics property market continues to be frenetic, as the weight of capital chasing investment opportunities compressed initial yields to record levels – now at 3.25%.

Equites' decision to partner with Newlands Developments, a best-in-class development team, allows Equites to expand in the premium sector of the UK logistics market at a discount to open market values, thereby meeting the required hurdle rates.

Equites has embarked on a hybrid strategy of concluding pre-let development agreements with blue-chip tenants on long-term leases – which Equites will retain as long-term investments – as well as turnkey development agreements for third parties (including land sale agreements), which will crystalise profits, support growth in NAV per share and generate capital internally for further investments.

Equites estimates that the value of the total potential pipeline of opportunities through the Newlands venture will be more than £1 billion (R20 billion) over the next five years and could total £3 billion (R60 billion) over the next decade.

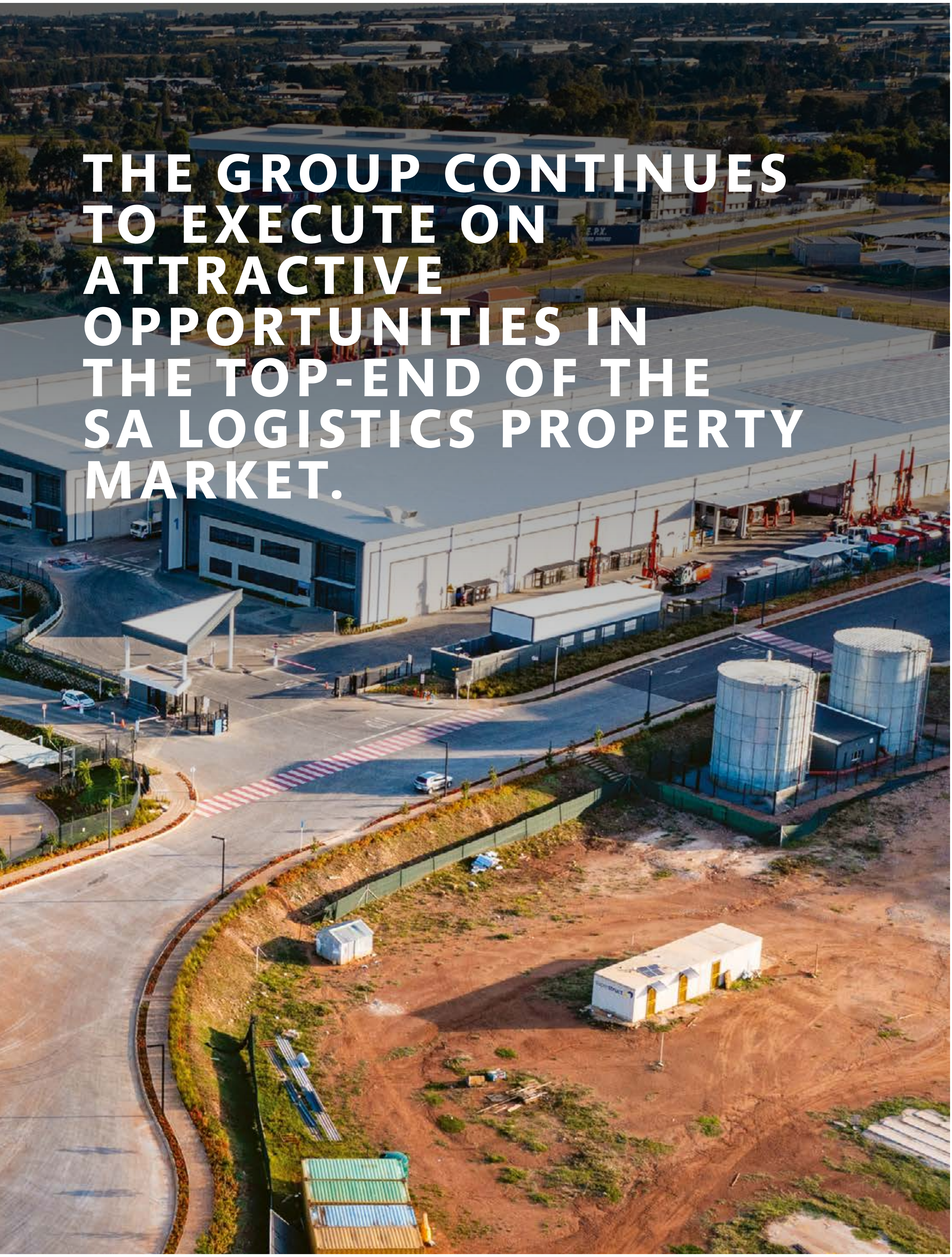
To this end, the ENGL Group entered three transactions which form part of our Trading Properties segment, effectively unlocking the full value of our land holdings in Barnsley and Basingstoke. The total after-tax profits generated from these three transactions are forecast to be more than R700 million, which will be reinvested in the UK pipeline of investment opportunities.

THE UTILISATION OF LAND HOLDINGS

At the start of the year Equites held 112 hectares of land, which reduced to 93 hectares as of February 2022, driven by developments in Lords View, Jet Park, Saxdowne and a land disposal in KZN. The Group has further earmarked 66 hectares of land for near-term developments, with two large-scale developments at Witfontein utilising 43 hectares of land. We expect current SA land available for further development to decrease to 27 hectares, which will equate to R300m to R400m – only 1% to 2% of the overall portfolio.

This demonstrated that the Group utilised 75% of its land holdings in SA over two years.

EQUITES PARK – RIVERFIELDS, GAUTENG



THE GROUP CONTINUES TO EXECUTE ON ATTRACTIVE OPPORTUNITIES IN THE TOP-END OF THE SA LOGISTICS PROPERTY MARKET.

CHIEF EXECUTIVE OFFICER'S REPORT
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STRATEGIC TENANT RELATIONSHIPS

Tenant relationships are the cornerstone of the growth of our business, as we become a trusted developer of choice specialising in the premium end of the logistics property market.

There are many examples of how our relationships with tenants resulted in repeat business, with TFG being a prime example. Equites developed a modern distribution facility of 22 000m^2 for the retailer in 2016, and Equites is now extending this facility by more than 16 000m^2. Furthermore, Equites finalised an agreement with the retailer to develop a world-class warehouse in Witfontein with a capital value of R550 million, with the potential to extend this facility from 50 000m^2 to over 90 000m^2 over the medium term. Due to the relationship with TFG as a tenant, Equites had a deep understanding of the client's warehousing requirements and supply chain ambitions, which underscored the success of our submission that formed part of an open bidding process.

Another example is the partnership entered into with Shoprite at the end of 2020, where we created a partnership with the retailer (Retail Logistics Fund) – rather than a once-off transaction – which we believe will create significant development opportunities for Equites in the medium term.

The tenant-driven approach of Equites creates a solid foundation for building trust with clients, transforming once-off development projects or deals into long-term mutually beneficial relationships.

SUSTAINABILITY

Equites made significant strides towards its ESG framework and implementation thereof, which included the appointment of a dedicated ESG officer.

Equites avoided 6,101 tCO_2e greenhouse gas emissions through solar PV installations during the financial year, and all Equites' new builds will continue to be rated by both the Green Building Council South Africa (GBCSA) and EDGE in South Africa and BREEAM in the UK.

Equites will continue to be a beneficiary of the global shift towards ESG, as the type of product that Equites develops and owns supports the sustainability requirements of multinational and national companies in SA and the UK.

PROSPECTS

Given the attractive pipeline of development opportunities in SA and the UK, a high percentage of A-grade tenants with a WALE of 13.7 years, a strong capital structure with an LTV ratio of 31.5%, and various sources of capital, the Group is well-positioned to capitalise on a strong underlying logistics property market.

We are of the view that the interest rate cycle and construction cost inflation will further drive rental growth, in both markets where we operate.

Equites is guiding between 4% and 6% distribution growth per share for the next financial year. Management is also expecting positive net asset value per share growth for FY23, predominantly supported by the development pipeline within the Newlands JV, and therefore forecasts a total return of between 15% and 20% for FY23.

ACKNOWLEDGEMENTS

I want to take this opportunity to express my gratitude to the Chairman and the Board for their support, guidance and advice.

A big thank you to all our business partners for their support.

Finally, I also want to thank my fellow executives, Riaan Gous and Laila Razack, and all employees, for all their hard work and dedication.

ANDREA TAVERNA-TURISAN
CHIEF EXECUTIVE OFFICER

THE TENANT-DRIVEN APPROACH OF EQUITES CREATES A STRONG FOUNDATION FOR BUILDING TRUST WITH OUR CLIENTS.

EQUITES PARK – RIVERFIELDS, GAUTENG