VUKILE PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
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ISIN: ZAE000180865
(Granted REIT status with the JSE)
("**Vukile**")

REAL ESTATE. REAL GROWTH.

ACQUISITION OF ALAMEDA SHOPPING CENTRE AND RETAIL PARK AND SAN PEDRO DEL PINATAR RETAIL PARK

1. INTRODUCTION

In line with Vukile's previously communicated strategy of increasing its exposure in Spain, Vukile's subsidiary Castellana Properties Socimi S.A. ("**Castellana**"), in which Vukile currently has a 98.3% shareholding, has entered into agreements with:

- Alvores Investments S.L ("**Alvores**") (the "**Alvores sale agreement**") to acquire the shopping centre and retail park know as Alameda Shopping Centre and Retail Park ("**Alameda Park**"); and

- Euro- Activ Promociones Integrales De Proyectos Comerciales S.L. & CIA. S.Com. ("**Activ-Group**") (the "**Activ-Group sale agreement**") to acquire the retail park known as the San Pedro Del Pinatar Retail Park ("**Pinatar Park**"),

(collectively, the "**acquisitions**").

2. RATIONALE

In July 2017 Vukile announced the acquisition by Castellana of a portfolio of nine retail parks and the establishment of a strong in-country management team and operational platform. The acquisitions allow Vukile, *via* Castellana, to leverage its operational platform and grow its Spanish portfolio of retail parks. The territories in which Castellana operate continue to experience strong demand for space with limited prime retail park availability. The acquisitions are expected to enhance Castellana's retail offering within its areas of operation.

Alameda Park comprises a shopping centre and retail park with a total gross lettable area ("**GLA**") of 25 456 m^2. The acquisition of Alameda Park provides Castellana with the opportunity to invest in a high-quality retail park and shopping centre with a complimentary tenant mix to its existing Kinepolis Retail Park and Leisure Centre. It has a strong national tenant component of 88%, including Decathlon, Mercadona and Maisons du Monde and a weighted average lease expiry of 17.2 years. Through its ownership of both Alameda Park and Kinepolis Retail Park, Castellana will dominate this premier retail node in Northern Granada. This should position Castellana Castellana to become the landlord of choice in Northern Granada with consequential rental growth opportunities.

Pinatar Park is a newly built modern retail park with a total GLA of 10 637m^2. The centre is anchored by strong retailers on long leases including AKI, Economy Cash and Jysk and has a weighted average lease expiry of 25.7 years. Pinatar Park is constructed adjacent to the Dos Mares shopping centre which allows it to benefit from the footfall generated by the mall.

Following the implementation of the acquisitions, Vukile's shareholding in Castellana will increase to 98.7%.

3. TERMS OF THE ACQUISITIONS

3.1. Alvores sale agreement

3.1.1. The effective date of the acquisition is 5 December 2017.

3.1.2. The purchase consideration (excluding transaction costs) payable for Alameda Park is EUR54 596 000 (the **"Alameda Park purchase consideration**"), which purchase consideration has been determined with reference to the anticipated future net income to be generated by Alameda Park during the first three years following the acquisition, being not lower than:

3.1.2.1. EUR3 494 160 for the first year (guaranteed in 12 monthly payments of EUR291 180);

3.1.2.2. EUR3 564 043.20 for the second year (guaranteed in 12 monthly payments of EUR297 003.60); and

3.1.2.3. EUR3 653 324 for the third year (guaranteed in 12 monthly payments of EUR302 943.67)

(collectively, the "**minimum guaranteed income**")

During the abovementioned three-year term, Alvores has provided an income guarantee to Castellana with monthly top-up payments so that the minimum guaranteed income is equal to the amounts as stated in clause 3.1.2 above (the "**income guarantee**"). To secure payment of the income guarantee, Alvores will deposit an amount of EUR500 000 which will be held in escrow for the full three-year term.

3.1.3. The Alameda purchase consideration will be discharged by Castellana to Alvores in cash on the effective date.

3.1.4. Alvores have provided normal warranties and indemnities for a transaction of this nature.

3.1.5. Completion of the Alvores sale agreement is not subject to any conditions precedent.

3.2. **Activ-Group sale agreement**

3.2.1. The effective date of the acquisition is 5 December 2017.

3.2.2. Pinatar Park comprises the existing retail park ("**Phase I**") and a vacant plot of land adjacent to Phase I on which a 2 750 m^2 extension to Phase I and an additional 80 parking spaces will be developed ("**Phase II**").

3.2.3. The purchase consideration (excluding transaction costs) payable for Phase I is EUR10 715 000 000 (the "**Phase I purchase consideration**"). The Phase I purchase consideration will be discharged in cash on the effective date.

3.2.4. Activ-Group is in the process of acquiring a vacant plot of land ("**Phase II land**"), which is adjacent to Phase I, upon which Phase II will be built. Castellana and Activ-Group have entered into a forward purchase agreement for the acquisition of the completed Phase II development. At the handover date for Phase II, Phase II must be at least 90% let by gross lettable area. The purchase consideration (excluding costs) will be calculated by applying a 7% yield to the achieved net operating income to the signed lease agreements. It is expected that the purchase consideration payable for Phase II will be EUR3 572 000 (the "**Phase II purchase consideration**"). The Phase II purchase consideration will be payable in cash upon registration of transfer of Phase II into Castellana's name.

3.2.5. Should Activ-Group fail to develop the Phase II extension within a period of 12 months of acquiring the Phase II land, Activ-Group will be obliged to transfer the acquisition rights over the plot of land on which Phase II will be built to Castellana.

3.2.6. Activ-Group has undertaken not to develop any real estate project larger than 5 000 m^2 gross lettable area within a 30km radius of Pinatar Park for a period of 10 years. Activ-

Group has also undertaken not to develop any real estate project in the municipality of San Pedro del Pinatar and San Javier for a period of 10 years.

3.2.7. Activ-Group has provided normal warranties and indemnities for a transaction of this nature.

3.2.8. The Activ-Group sale agreement is not subject to any conditions precedent.

3.2.9. Activ-Group has granted Castellana a right of first refusal over all new retail property investment opportunities brought to market by Activ-Group that are above EUR5 million in market value.

4. PROPERTY SPECIFIC INFORMATION

Details of the properties, including the property name, geographical location, sector, GLA and weighted average rental per square metre are set out in the table below:

	Property name	**Geographical location**	**Sector**	**GLA (m^2)**	**Weighted average rental per m^2 (EUR/m^2/month)**	**Purchase consideration (EUR)**
1	Alameda Park	Pulianas, Granada	Retail	25 456	10.97	54 596 000
2	Pinatar Park	San Pedro del Pinatar	Retail	10 637	6.25	10 715 000

The purchase consideration payable for each of Alameda Park and Pinatar Park (the "**properties**") is considered to be its fair market value as determined by the board of directors of Castellana. The directors' assessment of the fair value of the properties is supported by valuation reports on the properties issued by Colliers International Property Consultants Inc as part of Castellana's due diligence process. The directors of Castellana are not independent and are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No 47 of 2000.

5. FINANCIAL INFORMATION

Set out below are the forecast revenue, operational net income, net profit after tax and earnings available for distribution of the acquisition (the "**forecast**") for the year ending 30 November 2018 (the "**forecast period**").

The forecast has been prepared on the assumption that the acquisitions will be implemented on 5 December 2017 and on the basis that the forecast includes forecast results for the duration of the forecast period.

The forecast, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the directors of the company. The forecast has not been reviewed or reported on by independent reporting accountants.

The forecast presented in the table below has been prepared in accordance with the company's accounting policies, which are in compliance with International Financial Reporting Standards.

	Alameda	**Pinatar**	**Total**
	R'000	***R'000***	***R'000***
Property revenue	63 459	13 604	77 063
Straight-line rental income accrual	1 697	472	2 169
Property expenses	(7 762)	(1 646)	(9 408)
Net operating profit	57 394	12 431	69 824
Total comprehensive profit for the period	43 447	9 392	52 840
Profit available for distribution	**42 292**	**9 142**	**51 434**

The forecast incorporates the following material assumptions in respect of revenue and expenses:

1. The forecast is based on information derived from the management accounts, budgets, and rental contracts provided by Alvores and Activ-Group.
2. Property revenue is derived from the forecasts provided to the company by Alvores and Activ-Group.
3. Total comprehensive profit includes the effects of finance costs.
4. Contracted revenue is based on existing lease agreements including stipulated increases, all of which are valid and enforceable.
5. Leases expiring during the forecast period have been forecast on a lease-by-lease basis, and have been assumed to renew at current market rates unless the lessee has indicated its intention to terminate the lease.
6. Of the rental income included as part of property revenue of R77 million (EUR4.8 million), 100% relates to contracted rental and Nil% relates to uncontracted rental. No near-contracted rental income is forecast.
7. Property operating expenditure has been forecast by the property manager on a line-by-line basis based on management's review of historical expenditure, where available, and discussion with the property manager.
8. Interest costs relating to the debt funding procured of R14 622 892 (EUR905 442) at an all-in cost of 2.76% as mentioned in paragraph 1 have been included in the forecast. No assumptions have been applied for fixing the interest rates.
9. No fair value adjustment is recognised.
10. Profit available for distribution is stated net of withholding tax of 2.66%.
11. A EUR:ZAR exchange rate of R16.15 has been assumed for purposes of the forecast.
12. There will be no unforeseen economic factors that will effect any lessee's ability to meet their commitments in terms of existing lease agreements.

6. CATEGORISATION OF THE ACQUISITIONS

The acquisition of Alameda Park is classified as a category 2 transaction in terms of the JSE Listings Requirements. The acquisition of Pinatar Park is not categorizable in terms of the JSE Listings Requirements. Alvores and Activ-Group are not associates of the same person and do not need to be aggregated for purposes of determining the categorisation in terms of the JSE Listings Requirements. Accordingly, the acquisitions are not subject to the approval by shareholders.

6 December 2017

Corporate advisor and JSE sponsor

JAVACAPITAL

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