
CONCLUSION OF AN EQUITY INVESTMENT AGREEMENT WITH MADISON INTERNATIONAL HOLDINGS VII LLC AND DISPOSAL OF 48.5% EQUITY INTEREST IN EUROPEAN LOGISTICS INVESTMENT B.V.

1. INTRODUCTION AND RATIONALE FOR THE TRANSACTION

- 1.1. Shareholders are advised that Redefine has entered into an agreement with Madison International Holdings VII LLC ("**Madison**") in terms of which Madison will acquire a 46.5% equity interest in Redefine's Polish logistics property portfolio held through European Logistics Investment B.V. ("**ELI**"), of which Redefine Europe B.V. ("**Redefine Europe**"), a wholly-owned subsidiary of Redefine currently holds 95%, with the remaining 5% of ELI currently held by associates of Griffin Real Estate sp. z o.o. ("**Griffin**"). In terms of the agreement, Madison has agreed to a total equity commitment of EUR150 000 000. Griffin has agreed to acquire a further 2% interest in ELI from Redefine Europe and has agreed to a total equity commitment of EUR13 374 000 (the "**Transaction**").
- 1.2. ELI is a real estate company which indirectly holds a portfolio of 10 logistics properties, 6 properties under construction and in addition has acquired 4 properties for future development, located throughout Poland. The introduction of Madison as an equity investor in ELI is in line with Redefine's stated intention to enhance its European logistics property portfolio by the introduction of a leading international real estate private equity firm and to strengthen its balance sheet by improving its loan-to-value ratio.
- 1.3. Following the conclusion of the Transaction, Redefine will continue to hold a 46.5% interest in ELI.
- 1.4. Andrew Konig, CEO of Redefine says, "The deal fits perfectly with our investment strategy and provides us with an opportunity to reduce our loan-to-value ratio. It also means we are able to source additional, well priced capital in order to secure the exclusive priority right to development opportunities with Panattoni over the next three years."

2. TERMS OF THE DISPOSAL

- 2.1. Redefine has entered into a share purchase agreement to dispose of (i) 46.5% of its equity interest in ELI to MIRELF VII S.A.R.L, an associate of Madison ("**Buyer 1**"); (ii) 1% of its equity interest in ELI to Linfield Enterprises Limited ("**Buyer 2**"), an associate of Griffin, and (iii) a further 1% of its equity interest in ELI to Nebil Senman, an associate of Griffin ("**Buyer 3**") (collectively, the "**Buyers**") for a total aggregate sale consideration of EUR87 265 000, with effect from the completion date as further detailed below.
- 2.2. Subject to the fulfilment or waiver (if applicable) of the conditions precedent set out in paragraph 3 hereunder, Redefine Europe will sell:
 - 2.2.1. 46.5% of its interest in ELI, comprising 4 650 shares in ELI, and 46.5% of the existing assets (including land acquired for future developments at cost), as further detailed in paragraph 4 below, to Buyer 1 on or before the fifteenth business day following the date on which the conditions precedent to the Transaction have been satisfied or waived (the "**completion date**") for an initial share purchase price of EUR51 823 000;

- 2.2.2. 1% of its interest in ELI, comprising 100 shares in ELI, and 1% of the of the existing assets (including land acquired for future developments at cost), as further detailed in paragraph 4 below, to Buyer 2 on or before the completion date for an initial share purchase price of EUR1 114 500; and
- 2.2.3. 1% of its interest in ELI, comprising 100 shares in ELI, and 1% of the of the existing assets (including land acquired for future developments at cost), as further detailed in paragraph 4 below, to Buyer 3 on or before the completion date for an initial share purchase price of EUR1 114 500 (the “**Initial Purchase Price**”).
- 2.3. Following completion of the assets under construction (as further detailed in paragraph 4 below) the Buyers agree to pay Redefine Europe an additional consideration in proportion to their shareholding in ELI provided that the aggregate amount to be paid to Redefine Europe in respect of the assets under construction, estimated at EUR31 843 000 in respect of Buyer 1 and EUR685 000 in respect of each of Buyer 2 and Buyer 3 respectively. The estimated consideration is subject to meeting development and leasing targets.
- 2.4. The additional consideration payable in respect of each asset under construction upon completion will be calculated in the relevant shareholding percentage with reference to:
 - 2.4.1. the net operating income generated by the development (assuming 100% leased premises), divided by 7.1% (being the cap rate agreed to between the parties) after deducting an amount relating to 50% of the deferred tax liabilities. This amount is limited to EUR2 500 000 in respect of all the assets under construction, plus;
 - 2.4.2. the working capital and cash amounts available in respect of each development, minus;
 - 2.4.3. any debt amount owed by ELI; minus
 - 2.4.4. any rent reductions agreed to with tenants; minus
 - 2.4.5. any loans granted by the shareholders of ELI for the purposes of financing the developments.
- 2.5. The Buyers have agreed to commit additional equity funding to expand ELI’s property portfolio over the next three years. Buyer 1 has agreed to an equity commitment which is estimated at EUR66 300 000, and Buyer 2 and Buyer 3 have each agreed to an equity commitment estimated at EUR4 882 500. Redefine has agreed to match the equity commitment of Buyer 1 and will reinvest EUR66 300 000 of the proceeds received in terms of the Transaction, over the next three years.
- 2.6. The sale consideration will be settled in cash and the portion of the proceeds of the Transaction received by Redefine and not reinvested in ELI as set out in paragraph 2.4 above will be used to reduce Redefine’s local debt facilities.

3. **CONDITIONS PRECEDENT**

- 3.1. The disposal remains subject to the satisfaction or waiver of the following conditions precedent by 31 March 2020 (“**long stop date**”):
 - 3.1.1. obtaining antimonopoly clearance from the Polish Office for Competition and Consumer Protection in accordance with the Antimonopoly Act of 16 February 2007; and
 - 3.1.2. obtaining the consent of the ELI’s lenders, to the extent applicable.

3.2. If the conditions precedent have not been satisfied or waived (as the case may be) on or before 5:00pm Central European Time on the long stop date, the share purchase agreement shall automatically terminate, unless the parties agree prior to such time in writing that the long stop date be extended.

3.3. The share purchase agreement contains undertakings, warranties and indemnities that are normal for a transaction of this nature.

4. **PROPERTY SPECIFIC INFORMATION**

Details of the properties, including the name, geographical location, sector, gross lettable area (“GLA”), weighted average rental per square metre, the net operating profit, the disposal consideration and the valuations, are set out in the table below:

Existing assets²

	Property name	Geographical location	Sector	GLA (m²)	Weighted average rental per m² (R/m²)	Net operating profit¹ (R)	Value attributed to the property as at 31 August 2019² (R)
1 & 2	Łódź Business Centre II & III	Łódź, Poland	Industrial	63 044	76.31	62 041 375	693 474 000
3	Krakow II	Skawina, Poland	Industrial	15 303	65.22	12 879 380	165 588 060
4	Sosnowiec II	Sosnowiec, Poland	Industrial	64 796	58.62	43 540 936	698 548 200
5	Warsaw Airport I	Sokołów, Poland	Industrial	20 766	64.70	13 820 771	240 178 800
6	Poznań IV	Plewiska, Poland	Industrial	32 221	73.81	20 656 142	380 565 000
7	Krakow III	Skawina, Poland	Industrial	33 713	68.62	22 940 515	383 947 800
8	Bydgoszcz II	Bydgoszcz, Poland	Industrial	45 642	*	34 233 295	478 666 200
9	Bydgoszcz III	Bydgoszcz, Poland	Industrial	37 995	*	23 025 436	377 182 200

* Single tenanted properties weighted average rental rate of R82.70/m²

Assets under construction²

1	Bielsko-Biała Phase I	Bielsko-Biała, Poland	Industrial	25 273	28.46	1 021 018	314 600 400
2	Bielsko-Biała Phase II	Bielsko-Biała, Poland	Industrial	N/A	N/A	N/A	87 141 621
3 & 4	Warsaw Phase I & II	Warsaw, Poland	Industrial	47 148	N/A	(564 740)	470 224 689
5	Lublin Phase I	Lublin, Poland	Industrial	27 701	*	403 748	502 345 800
6	Lublin Phase II	Lublin, Poland	Industrial	N/A	N/A	-	50 572 860

Land acquired for future developments

1	Opole	Opole, Poland	Industrial	7 998	N/A	(143 141)	73 716 608
2	Gdańsk	Pruszcz Gdanski, Poland	Industrial	N/A	N/A	(211 227)	75 168 361
3	Toruń B ⁴	Toruń, Poland	Industrial	N/A	N/A	N/A	-
4	Ruda ⁴	Ruda, Poland	Industrial	N/A	N/A	N/A	-

Notes:

1. Extracted from the 31 August 2019 annual financial statements which was prepared in terms of International Financial Reporting Standards.
2. The properties were valued as at 31 August 2019 by the following professional valuers who are registered members of the Royal Institution of Chartered Surveyors:
3. The Stryków property has been excluded from the above list as it is in the process of being sold separately to another buyer. Should the sale of the Stryków property not be successful, the property will be included in the existing assets, increasing the Initial Purchase Price by EUR7 800 000 and adjusting the equity commitment accordingly.
4. Land was acquired subsequent to 31 August 2019

Valuer	Valuer name (individual expert used)	Valuer qualifications
Savills.pl – Poland	Kamil Kowa	MRICS, RICS registered valuer
Savills.pl – Poland	Karina Szafrńska	MRICS, RICS registered valuer
Savills.pl – Poland	Małgorzata Lińska-Bator	MRICS, RICS registered valuer
Savills.pl – Poland	Tomasz Paszkowski	MRICS, RICS registered valuer
BNP Paribas Real Estate – Poland	Izabela Mucha	MRICS, RICS registered valuer

5. FINANCIAL INFORMATION

- 5.1. As at 31 August 2019, the net asset value of Redefine’s equity interest in ELI was EUR 121 497 273 or R2 055 004 870 (at exchange rate of EUR1:ZAR16.914, being the spot rate on 31 August 2019). The proceeds of the disposal of the ELI shares is EUR 62 027 555 or R994 804 130 (at exchange rate of EUR1: ZAR16.0381, being the spot rate on 20 January 2020).
 - 5.2. The profit after tax attributable to the net assets of ELI for the 12 months ended 31 August 2019 was EUR 22 271 421 or R361 888 319 (at exchange rate of EUR1:ZAR16.249, being the average rate for the 12 months ended 31 August 2019).
 - 5.3. Following the disposal, Redefine will retain a 46.5% interest in ELI, which at 31 August 2019 had a value of EUR 59 469 718 or R953 781 284 (at exchange rate of EUR1:ZAR16.0381, being the spot rate on 20 January 2020).
 - 5.4. The above financial information has been extracted from the audited results of Redefine for the year ended 31 August 2019 which were prepared in terms of Redefine’s accounting policies and International Financial Reporting Standards.
6. In terms of the JSE Listings Requirements, no shareholder approval is required in respect of the Transaction.

21 January 2020

Sponsor

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