EQUITES PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2013/080877/06)
Share code: EQU ISIN: ZAE000188843
JSE alpha code: EQUI
(Approved as a REIT by the JSE)
("**Equites**" or the "**Company**" or the "**Group**")

SALE OF LAND AND TURNKEY DEVELOPMENTS FOR PANATTONI IN NEWPORT PAGNELL, ENGLAND

1. INTRODUCTION

Shareholders are advised that Equites Newlands (Land) Limited ("**ENLL**"), a subsidiary of Equites that forms part of the Equites Newlands group of companies ("**ENGL**"), has concluded the following agreements:

- Sale of land agreement, in terms of which ENLL will sell undeveloped, vacant land at Caldecote Farm, Willen Road, Newport Pagnell MG16 0JJ ("**the Property**") to CP Logistics UK Milton Keynes Propco Limited ("**Purchaser**"), ("**Sale Agreement**"); and
- Development agreement, in terms of which ENLL is appointed by the Purchaser, as developer, to develop two distribution centres for the Purchaser on the Property, which developments will be owned and funded by the Purchaser ("**Development Agreement**"),

for a consideration of £59,800,000 (ZAR 1,435 million),

together the ("**Transaction**").

2. RATIONALE

As communicated to shareholders in its annual results in May 2023, the Group is no longer undertaking large-scale developments in the UK. However, the Group will consider undertaking forward-funded development agreements to unlock development profits, whilst allocating limited capital to the development platform.

The rationale supporting this Transaction is as follows:

- **Loan-to-value ratio:** The Transaction will reduce the Group's LTV ratio by 3.0%, on a *pro-forma* basis.
- **Decrease land holdings**. The Transaction will decrease the Group's land holdings by 32%, on a *pro-forma* basis.
- **Source of capital:** Equites is currently exploring various alternative sources of equity to fund its development pipeline in SA. Upon conclusion of this Transaction, Equites will release R1.2 billion of equity (post all costs and taxes), providing a source of capital to reduce borrowings and create capital for further investment opportunities.
- **Crystalise development profits:** Crystalising development profits will unlock a portion of ENGL's value creation on a cash basis.
- **Strong counterparty:** The Purchaser is 80% owned by California State Teachers' Retirement System ("**CALSTRS**"), which is one of the largest pension funds in the United States. The remaining 20% is owned by Panattoni UK Holding S.à.r.l., which forms part of Panattoni, one of the largest real estate development companies in the world. Equites believes the Purchaser is a strong counterparty to the Transaction.

3. DETAILS OF THE PROPERTY

The total net site area is 36 acres (14.6 ha) of undeveloped land. Following the implementation of the infrastructure and associated works, ENGL will develop two distribution centres with a combined extent of 792,032 sq. ft (73,582 sq. m) on the Property, which development will be funded and owned by Panattoni. It is estimated that the developments will be completed in October 2024.

4. TERMS OF THE TRANSACTION

Sale Agreement

The Purchaser will acquire the freehold interest in the Property. The Purchaser has paid a deposit in the amount of £3,800,000 (ZAR 91 million).

The Transaction is subject to the fulfilment of the following conditions precedent:

- planning and associated consent for the development of the distribution centres becoming free from challenge;
- the conclusion of legal agreements with third parties in respect of electricity cables and contributions in respect of shared infrastructure;
- satisfaction with an environmental condition; and
- conclusion of building contracts on terms approved by the Purchaser,

by no later than 9 February 2025; it is expected that the above conditions precedent should be fulfilled before the end of 2023.

Development Agreement

In terms of the Development Agreement, ENLL (as the developer) will implement:

- the completion of the requisite infrastructure on the Property; and
- the development of the two distribution centres for the Purchaser,

(collectively "**Development Works**").

Development Works are to be carried out on the Property in accordance with the agreed specifications, the relevant building/works contract and all applicable statutory consents and requirements.

The Purchaser will fund all costs and expenses in respect of the Development Works subject to a maximum commitment of £78,725,388 (ZAR 1,889 million), increased by the cost of any agreed variation requested by the Purchaser. Any cost overruns, which are not expected, will be funded by the Purchaser and ENLL on a 50:50 basis. Equites International Limited ("**EIL"**), which is wholly owned by the Company, has agreed to guarantee the developer obligations of ENLL under the Development Agreement up to a maximum of £15 million. This EIL guarantee will be released 12 months after the final certificate of making good defects has been issued. In effect, the EIL guarantee is the full extent of financial support Equites has made available to support the development.

Payment of the Consideration

The consideration payable by the Purchaser to ENLL for the Property, and the services rendered as developer, amounts to £59,800,000 (ZAR 1,435 million), which will be payable as follows:

- £30,800,000, after the fulfilment of all conditions precedent and against transfer of the Property to the Purchaser; and
- payment of the balance, £29,000,000, will be deferred and become due after practical completion of the development and delivery of remaining handover items to the Purchaser by ENLL under the Development Agreement.

5. VALUATION

The directors of Equites are satisfied that the purchase consideration for the Property will approximate its fair value at the date of transfer. The directors of the Company 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.

6. FINANCIAL IMPACT

Equites' attributable share of post-tax land sale and development profits is expected to be £6.3 million (ZAR 151 million). The profits will not be included in the calculation of distributable earnings and will not be distributed by Equites.

The carrying value of R960 million included a fair value gain as of 28 February 2023, driven by an independent valuation of the land parcel. The Transaction is estimated to be marginally accretive to Equites' NAV per share in the next financial period.

Implementation of the Transaction will result in a decrease in Equites' LTV ratio by 3.0%, post Equites receiving the balancing payment.

7. CONCLUSION

The Transaction affords Equites the opportunity to crystalise development profits, reduce borrowings and generate capital internally for further development opportunities in SA. The Group maintains its distribution per share guidance of between 130 and 140 cents per share for FY24 and estimates that it will reach its target LTV ratio of approximately 35% by 29 February 2024.

8. TRANSACTION CATEGORISATION

The Transaction is a category 2 transaction in terms of the JSE Listings Requirements and accordingly does not require approval by shareholders. Any forward-looking statements have not been reviewed by the Group's external auditors. GBP:ZAR exchange rate of ZAR24.00 has been assumed.

15 August 2023

Corporate advisor and sponsor to Equites

JAVACAPITAL

Debt sponsor

CIB