

## EMIRA PROPERTY FUND LIMITED

Incorporated in the Republic of South Africa

(Registration number 2014/130842/06)

JSE share code: EMI ISIN: ZAE000203063

JSE Bond Company Code: EMII

(Approved as a REIT by the JSE)

("Emira" or "the Company")



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## ACQUISITION OF AN INTEREST IN A POLISH PROPERTY COMPANY

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### 1. INTRODUCTION AND RATIONALE

Shareholders and noteholders are advised that Emira has entered into a series of agreements with DL Invest Group 1 SCSP ("**DL Invest Group**") (controlled by Mr Dominik Leszczynski) and its wholly-owned subsidiary, DL Invest Group S.A ("**DL Invest**") in terms of which Emira will acquire an effective 25% interest in the issued shares of DL Invest (the "**Proposed Transaction**") and has been granted an option to acquire a further interest in DL Invest which, if exercised, will result in Emira owning 45% of the issued shares of DL Invest (the "**Tranche 2 Subscription Option**").

DL Invest is a Luxembourg-headquartered property company. Through its subsidiaries (collectively the "**DL Group**"), it develops and holds logistics centres, mixed use/office centres, and retail parks across Poland. Founded in 2007, the DL Group has been active in the Polish commercial real estate market for 17 years. It boasts a portfolio of 50 properties valued at approximately EUR 730 million. Through its internal structure, which includes approximately 232 employees, the DL Group's business model assumes full implementation of the investment process and actively manages projects as a long-term owner.

The Proposed Transaction forms part of Emira's strategy to enhance its international exposure and diversify its investment portfolio. By co-investing with local partners who share similar objectives, Emira aims to capitalise on opportunities within the growing Polish economy. This approach allows Emira to mitigate risks and leverage local expertise, while keeping its co-investment methodology in place, resulting in more informed investment decisions and improved returns.

### 2. TERMS OF THE PROPOSED TRANSACTION

In order to give effect to the Proposed Transaction, DL Invest has created class B redeemable ordinary shares (the "**B Shares**"), with the existing ordinary shares in DL Invest being converted into A ordinary shares (the "**A Shares**"). In terms of a subscription agreement between Emira, DL Invest Group and DL Invest (the "**Subscription Agreement**"), Emira will subscribe for 141 new B Shares (the "**Tranche 1 Shares**") and 141 9% Loan Note Instruments, with each Loan Note linked to a B Share issued to Emira (the "**Linked Loan Notes**") for an aggregate Share subscription of €55 511 811.00 (the "**Tranche 1 Subscription Proceeds**") comprising a B Share subscription consideration of €11 102 362.20 and a Loan Note consideration of €44 409 448.80, such that after the issue of the Tranche 1 Shares and Linked Loan Notes, Emira will hold an effective 25% interest in DL Invest.

Tranche 1 remains conditional upon the approval by DL Invest's shareholders of certain steps required to implement the Proposed Transaction. These authorities include, *inter alia*,

- the authority for the DL Invest board to issue A Shares for a maximum amount of €225 000 000, which may be issued only for the purposes of facilitating payment of call options to be granted to DL Invest Group pursuant to the Tranche 2 Subscription Option and subsequent approval of Emira's shareholders, repayment of the principal amount owing under the Linked Loan Notes, or the amount to be paid pursuant to the right of redemption referred to below; and
- the authority for the DL Invest board to issue 110 A Shares for a maximum amount of €11 000, which may be issued only for the purpose of facilitating the dilution of Emira in the event that Emira does not exercise its Tranche 2 Subscription Option by delivering written notice ("**Tranche 2 Exercise Notice**") before 31 January 2025.

The Subscription Agreement contains warranties that are standard for a transaction of this nature and is effective from 30 August 2024, provided that DL Invest shall be entitled to submit a request to Emira to move the effective date to an earlier date, in which case the effective date shall be the date that is five business days after such date of request.

The Proposed Transaction is categorised as a Category 2 transaction for Emira in terms of the JSE Listings Requirements and is not subject to the approval of Emira shareholders.

### 3. THE TRANCHE 2 SUBSCRIPTION OPTION

In terms of the Subscription Agreement, Emira may, at its election, subscribe for a further 113 B Shares (the "**Tranche 2 Shares**") and 113 Linked Loan Notes for an aggregate cash subscription price of €44 488 189.00, comprising €8 897 637.80 in respect of the B Share subscription and €35 590 551.20 in respect of the Linked Loan Note subscription (the "**Tranche 2 Subscription Proceeds**"). If Emira elects to exercise the Tranche 2 Subscription Option, it will hold 45% of the aggregate DL Invest shares in issue. The Tranche 2 Subscription Option was granted at no consideration and must be exercised by delivering the Tranche 2 Exercise Notice by not later than 31 January 2025, failing which it will lapse. If Emira validly exercises the Tranche 2 Subscription Option as aforesaid, the effective date of the Tranche 2 Shares to be issued to it shall be at least 60 days after delivery of the Tranche 2 Exercise Notice but in any event no later than 30 March 2025. Emira is entitled to cede, assign or transfer all of its rights to exercise the Tranche 2 Subscription Option to Castlevision Property Fund Limited ("**Castlevision**") or any of its subsidiaries.

In the event that Emira does not exercise the Tranche 2 Subscription Option on or before 31 January 2025, DL Invest Group will be entitled to subscribe for an additional 110 A Shares at an aggregate subscription price equal to €11 000, which will have the effect of reducing Emira's interest in DL Invest to the effective 25% referred to earlier.

The acquisition of the Tranche 2 Shares pursuant to Emira's exercise of the Tranche 2 Subscription Option, when aggregated with the Proposed Transaction, will constitute a Category 1 transaction and will accordingly be subject to Emira shareholder approval. Emira will not exercise the Tranche 2 Subscription Option until it has received the requisite shareholder approval to do so in accordance with the JSE Listings Requirements. Castlevision, which holds 59,26% of Emira's issued shares, has irrevocably undertaken to vote in favour of the resolutions required for Emira to exercise the Tranche 2 Subscription Option and acquire the Tranche 2 Shares.

#### **4. TERMS OF THE B SHARES**

Emira, DL Invest and DL Invest Group have entered into an investment agreement regulating the business activities, management and administration of the DL Invest, the relationship between DL Invest and its shareholders, the relationship between the DL Invest Group and Emira and various matters incidental thereto (the “**Investment Agreement**”). The terms of the B Shares are contained in the Investment Agreement and DL Invest’s articles of association. A summary of the material rights accruing to the holders of the B Shares is set out below.

##### **4.1. Voting rights**

Emira, as the holder of the B shares is entitled to receive notice of and to be present and vote at any general meeting of shareholders of DL Invest.

##### **4.2. Linked Loan Notes**

Each B Share is linked to a Linked Loan Note (which together constitute a Linked Unit). The B Shares and Linked Loan Notes may not be separated and any agreement for the disposal of B Shares must include steps to procure the alignment of the B Shares with the Linked Loan Notes, which may include a repayment of the Linked Loan Notes.

##### **4.3. Reserved matters**

Reserved matters will require the written approval of Emira for so long as it holds at least 25% of the shares in DL Invest. Reserved matters include, *inter alia*, (i) the disposal of any asset or subsidiary of DL Invest exceeding 5% of DL Invest’s total assets, (ii) the incurrence of any liabilities or indebtedness, which would result in the DL Invest Group’s loan to value exceeding 70%, (iii) the making of loans to third parties, (iv) material changes to the business of DL Invest, (v) the issuance of shares leading to a change of Emira’s percentage shareholding in DL Invest, (vi) the issuance of shares below equivalent net asset value per share and (vii) DL Invest giving security to a third party.

##### **4.4. Board representation**

For so long as Emira remains an investor in DL Invest it will be entitled to appoint one director and one observer to the board of directors of DL Invest.

##### **4.5. Minimum investment period**

Emira will not be entitled to dispose of its interest in DL Invest without first complying with the various standard pre-emptive rights set out in the Investment Agreement unless the prior written consent of DL Invest Group has been obtained and the initial investment horizon of 5 years has expired (the “**Investment Horizon**”). DL Invest is entitled to extend the Investment Horizon for up to one year, by giving between six and 12 months’ prior written notice.

##### **4.6. Use of subscription proceeds**

The Tranche 1 Subscription Proceeds and, to the extent that the Tranche 2 Subscription Option is exercised, the Tranche 2 Subscription Proceeds will be used by DL Invest to finance the equity portion of the development of a portfolio of logistics warehouse

properties situated in Poland, as well as warehouse projects and retail park projects but not for any office projects (excluding one small project subject to it being 50% pre-let) unless Emira has agreed in writing.

#### **4.7. Controlling shareholder**

Should Dominik Leszczynski cease to control DL Invest Group, or ceases to fulfil his current role within the DL Invest Group without Emira's prior written consent, and the new controller of DL Invest Group is unable to satisfy Emira's expectations, Emira may trigger the Redemption Option referred to below.

#### **4.8. Target Return on capital**

DL Invest, DL Invest Group and Emira shall procure that Emira receives a return on capital invested of at least 7.2% (if no dividend or interest withholding tax is levied in Luxembourg) or 7.56% (if dividend or interest withholding tax is levied in Luxembourg), escalated annually by the Harmonised Index of Consumer Prices for the European Area ("HICP"), with a floor of 2% and a cap of 4% (the "**Target Return**").

The Target Return will comprise interest at 9% per annum in respect of the Linked Loan Notes and/or a dividend on the B shares.

#### **4.9. Dividend policy**

DL Invest has undertaken to Emira that it will not repay any investor loans nor will it pay any dividends in respect of the "A" ordinary shares prior to the redemption of the B Shares if

- the Target Return to Emira is not achieved;
- payment of a dividend in respect of the "A" ordinary shares would leave DL Invest with insufficient funds to pay the Target Return, any prior shortfall in respect of the Target Return, or it could reasonably be expected to prevent DL Invest from paying the Target Return in future.

#### **4.10. Business Plan**

The Business Plan for DL Invest sets out the conduct of the business of DL Invest and the general principles under which it will be managed so as to achieve the Target Return, minimise losses and maximise recoveries (the "**Business Plan**").

#### **4.11. Liquidation or dissolution of DL Invest**

On the dissolution, liquidation or winding up of DL Invest, the B Shares will rank *pari passu* with the A shares in DL Invest and Emira shall be entitled to receive payments of any liquidation proceeds *pro rata* to its economic interest in DL Invest.

#### **4.12. Right of Redemption**

DL Invest has granted Emira the right to require DL Invest to redeem all (but not some) of the B Shares held by Emira and require payment of the outstanding amounts in respect of the Linked Loan Notes ("the Redemption") upon the earlier of the expiry of the Investment Horizon or if:

- DL Invest does not declare and pay the entire Target B Share Dividend in any year and make payment of all outstanding payments due to Emira in accordance with the terms of the Linked Loan Notes (including but not limited to all accrued but unpaid interest) or
- the net asset value of the DL Invest group of companies falls below:
  - for the period between the implementation of the Proposed Transaction and 31 December 2024, €210 000 000 plus the subscription amount paid by Emira;
  - for the period between 1 January 2025 and 31 December 2025, €225 000 000 plus the subscription amount(s) paid by Emira; and
  - for any time after 1 January 2026, €267 000 000 plus the subscription amount(s) paid by Emira.

The Redemption will take place at €101 563 090.44 (which includes settlement in full of the Linked Loan Notes), escalated annually from the effective date by HICP, plus accrued but unpaid interest on the Linked Loan Notes, plus accrued but unpaid dividends and less any dividends and/or interest paid to Emira in excess of the Target Return, and any withholding tax levied under the laws of Luxembourg in respect of dividends declared and paid by DL Invest in respect of the B shares and interest accrued and payable under the Linked Loan Notes (the “**Tranche 1 Option Price**”). If DL Invest fails to pay the Tranche 1 Option Price to Emira in respect of the redemption, Emira may require DL Invest to dispose of assets, the proceeds of which will be used to settle the Tranche 1 Option Price.

If Emira does not exercise the Tranche 2 Subscription Option on or before 31 January 2025, the Tranche 1 Option Price will be reduced by 10%, with the discount being apportioned to the redemption proceeds payable for the B Shares.

#### **4.13. Sanction Event**

In the event that Emira is placed on a sanctions list (“the **Sanction Event**”), Emira will, for a month, have the right to dispose of its interest in DL Invest to a third party who is not named in the sanctions list (subject to the prior written approval of DL Invest Group, which consent may not be unreasonably withheld), whereafter Emira’s title to the B Shares (now “**Sanctioned Equity**”) will be suspended until such a sale to a non-sanctioned third party or Emira reverts back to a non-sanctioned entity itself, whereafter Emira’s title to the Sanctioned Equity shall be reinstated as if the Sanction Event had never taken place (“the **Suspension Period**”). While no payments will be made to Emira during the Suspension Period, the returns referred to in paragraph 4.8 above in relation to the Sanctioned Equity will continue to accrue to Emira for the duration of the Suspension Period.

In addition, DL Invest Group, as custodian thereof, will not be entitled to dispose of, encumber or agree to any amendment to the terms of the Sanctioned Equity without the approval of Emira, and shall exercise all voting rights attaching thereto in accordance with the instructions provided by Emira.

## **5. FINANCIAL INFORMATION**

Based on the annual financial statements of DL Invest (prepared in terms of IFRS) for the year ended 31 December 2023, the value of the net assets of DL Invest are €266,1 million and the profits attributable to the net assets of DL Invest are €42,7 million.

Bryanston  
12 August 2024

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### **Legal advisors**

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