

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 4 of this circular have, where appropriate, been used on this cover page.

If you are in any doubt as to the action you should take, please consult your broker, banker, legal advisor, accountant, investment dealer, CSDP or other professional advisor immediately.

Action required

If you have disposed of all of your Hyprop shares, this circular, together with the attached notice of general meeting and form of proxy, should be handed to the purchaser of such shares or to the broker, banker, investment dealer, CSDP or other agent through whom the disposal was effected.

Beneficial shareholders who hold dematerialised shares through a CSDP or broker but who have not elected own-name registration who wish to attend the general meeting must request their CSDP or broker to provide them with the necessary letter of representation to attend the general meeting or must instruct their CSDP or broker to vote on their behalf in terms of their agreement with their CSDP or broker.

Shareholders are referred to page 2 of this circular, which sets out the detailed action required of them in respect of the transaction and ancillary matters set out in this circular. If you are in any doubt as to the action you should take, please consult your broker, CSDP, banker, legal advisor, accountant or other professional advisor immediately.

Hyprop does not accept responsibility and will not be held liable for any failure on the part of the broker, banker, investment dealer or CSDP of any holder of dematerialised shares to notify such shareholder of the action required of them in respect of the transaction and ancillary matters set out in this circular.



HYPROP INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1987/005284/06)
JSE share code: HYP ISIN: ZAE000190724
JSE bond issuer code: HYP
(Approved as a REIT by the JSE)
("Hyprop" or "the company")

CIRCULAR TO HYPROP SHAREHOLDERS

relating to:

- the proposed acquisition of four Eastern European properties from Hystead,

and enclosing:

- a notice of general meeting of Hyprop shareholders; and
- a form of proxy to attend and vote at the general meeting of Hyprop shareholders, for use only by certificated shareholders and dematerialised shareholders who have elected own-name registration.

Corporate advisor and sponsor

JAVACAPITAL

Legal advisor



Independent reporting accountant

KPMG

Independent property valuer

CBRE

Date of issue: Tuesday, 22 February 2022

This circular is only available in English and is available on the Hyprop website at www.hyprop.co.za from Tuesday, 22 February 2022. Copies of this circular may also be obtained at the company's registered office, 2nd Floor, Cradock Heights, 21 Cradock Avenue, Rosebank, 2196 during normal business hours from the date of issue of this circular up to and including the date of the general meeting.

CORPORATE INFORMATION

Registered office of Hyprop

Hyprop Investments Limited

(Registration number 1987/005284/06)
2nd Floor, Cradock Heights
21 Cradock Avenue
Rosebank, 2196
Johannesburg
(PO Box 52509, Saxonwold, 2132)

Company secretary

Fundiswa Nkosi

2nd Floor, Cradock Heights
21 Cradock Avenue
Rosebank, 2196
Johannesburg
(PO Box 52509, Saxonwold, 2132)

Sponsor

Java Capital Trustees and Sponsors Proprietary Limited

(Registration number 2006/005780/07)
6th Floor,
1 Park Lane
Wierda Valley, 2196
Johannesburg
(PO Box 522606, Saxonwold, 2132)

Legal Advisor

Edward Nathan Sonnenbergs Incorporated

(Registration number 2006/018200/21)
35 Lower Long Street
Foreshore
Cape Town, 8001
(PO Box 2293, Cape Town, 8000)

Transfer secretaries

Computershare Investor Services Proprietary Limited

(Registration number 2004/003647/07)
First floor, Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
Johannesburg
(Private Bag X9000, Saxonwold, 2132)

Registered office of Hystead

Hystead Limited

(Incorporated in the United Kingdom)
(Company number 09900385)
25 East Street
Bromley, BR1 1QE
England, United Kingdom
(Postal address same as above)

Corporate advisor

Java Capital Proprietary Limited

(Registration number 2012/089864/07)
6th Floor,
1 Park Lane
Wierda Valley, 2196
Johannesburg
(PO Box 522606, Saxonwold, 2132)

Independent Property Valuer

CBRE d.o.o

(Registration number 962)
Navigator Business Center
Milutina Milankovica 1ž
Belgrade, 11070
Serbia
(Postal address same as above)

Independent reporting accountant

KPMG Inc.

(Registration number 1999/021543/21)
KPMG Crescent
85 Empire Road
Parktown, 2193
Johannesburg
(Private Bag 9, Parkview, 2122)

Date and place of incorporation of the company

Incorporated on 1 January 1987 in the Republic of South Africa

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ACTION REQUIRED BY HYPROP SHAREHOLDERS

The definitions and interpretations commencing on page 4 of this circular have, where appropriate, been used in this section.

THE GENERAL MEETING

A general meeting of shareholders will be held by way of electronic participation in accordance with the provisions of section 63(2) of the Companies Act 71 of 2008 and the JSE Listings Requirements, as read with the company's MOI, at 10:00 am on Friday, 25 March 2022, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolution required to be approved by shareholders in order to authorise and implement the transaction. The notice of general meeting is attached to and forms part of this circular.

Certificated shareholders and own-name dematerialised shareholders who are unable to attend the general meeting but who wish to be represented thereat are requested to complete and return the attached form of proxy in accordance with the instructions contained therein. The duly completed forms of proxy should be received by the transfer secretaries by no later than 10:00 am on Wednesday, 23 March 2022. Forms of proxy not lodged with the transfer secretaries in time may be handed to the chairperson of the general meeting immediately before the commencement thereof.

Dematerialised shareholders who have not elected own-name registration and who wish to attend the general meeting must instruct their CSDP or broker timeously so that such CSDP or broker issues them with the necessary letter of representation.

Dematerialised shareholders who have not elected own-name registration and who do not wish to attend the general meeting but wish to vote thereat, must provide their CSDP or broker with their instruction for voting at the general meeting in the manner stipulated in the agreement governing the relationship between such shareholders and his/her CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature. Such shareholders should **not** complete the form of proxy.

Hyprop does not accept responsibility and will not be held liable for any failure on the part of the CSDP of a dematerialised shareholder to notify such shareholder of the general meeting or any business to be conducted thereat.

ELECTRONIC PARTICIPATION

To participate in the general meeting via electronic communication, shareholders or their duly appointed proxies must either:

- register online using the online registration portal at <https://meetnow.global/ZA>; or
- apply to Computershare, by delivering the duly completed electronic participation form, with their identification document or passport document, letter of representation and form of proxy (as applicable) to: First Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the shareholder), or sending it by email to proxy@computershare.co.za so as to be received by Computershare by no later than 10:00 am on Wednesday, 23 March 2022. The electronic participation form can be found as an insert to the notice of general meeting. Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided. The company will inform shareholders or their proxies who notified Computershare of their intended participation, by no later than 5:00 pm on Thursday, 24 March 2022, by email of the relevant details through which shareholders or their proxies can participate electronically.

VOTING PROCEDURE AND QUORUM FOR THE GENERAL MEETING

The quorum requirement for the general meeting to begin or for a matter to be considered at the general meeting is at least three Hyprop shareholders present in person or represented by proxy. In addition:

- the general meeting may not begin until sufficient persons are present in person or represented by proxy to exercise, in aggregate, at least 25% of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the general meeting; and
- a matter to be decided at the general meeting may not begin to be considered unless sufficient persons are present in person or represented by proxy to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda.

Every Hyprop shareholder present in person or represented by proxy and entitled to exercise voting rights at the general meeting shall be entitled to one vote on a show of hands, irrespective of the number of voting rights that shareholder would otherwise be entitled to exercise. On a poll, any person who is present at the general meeting, whether as a Hyprop shareholder or as proxy for a Hyprop shareholder, has the number of votes determined in accordance with the voting rights associated with the Hyprop shares held by that Hyprop shareholder.

SALIENT DATES AND TIMES

Set out below are the salient dates and times in relation to the transaction:

2022

Record date to receive the circular and notice of general meeting	Friday, 11 February
Circular and notice of general meeting issued	Tuesday, 22 February
Announcement relating to the issue of the circular and notice of general meeting released on SENS	Tuesday, 22 February
Last day to trade on the JSE in order to be eligible to participate in and vote at the general meeting	Tuesday, 15 March
Voting record date	Friday, 18 March
Last day to lodge forms of proxy for the general meeting with the transfer secretaries, by 10:00 am (forms of proxy not lodged with the transfer secretaries in time may be handed to the chairperson of the general meeting immediately before the commencement thereof)	Wednesday, 23 March
General meeting held at 10:00 am	Friday, 25 March
Results of the general meeting released on SENS	Friday, 25 March

Notes:

1. All dates and times in this circular are local dates and times in South Africa and are subject to change. Any changes will be released on SENS.
2. Hyprop shareholders are referred to page 2 of this circular for information on the action required to be taken by them.
3. Hyprop shareholders should note that as transactions in shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three business days after such trades. Therefore, Hyprop shareholders who acquire Hyprop shares after close of trade on Tuesday, 15 March 2022 will not be eligible to vote at the general meeting.
4. No dematerialisation and/or rematerialisation of Hyprop shares may take place between Wednesday, 16 March 2022 and Friday, 18 March 2022, both days inclusive.

DEFINITIONS AND INTERPRETATIONS

In this circular and the annexures to it, unless the context indicates otherwise, references to the singular include the plural and *vice versa*, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and *vice versa*, and the words in the first column have the meanings stated opposite them in the second column.

“ Balkan Retail ”	Balkan Retail NV, a company incorporated in accordance with the laws of the Netherlands and registered with the Trade Register of the Chamber of Commerce (<i>Kamer van Koophandel, afdeling Handelsregister</i>) under number 68999852, and a wholly-owned subsidiary of Hystead;
“ business day ”	a day which is not a Saturday or Sunday or a national holiday in South Africa;
“ certificated shareholders ”	shareholders who hold certificated shares;
“ certificated shares ”	shares which have not been dematerialised into the Strate system, title to which is represented by physical documents of title;
“ circular ”	this circular dated Tuesday, 22 February 2022, including all annexures;
“ Companies Act ”	the Companies Act, No. 71 of 2008, as amended from time to time;
“ the company ” or “ Hyprop ”	Hyprop Investments Limited (Registration number: 1987/005284/06), a public company incorporated and registered in accordance with the laws of South Africa and listed on the JSE, full details of which are set out in the “Corporate Information” section;
“ Conditional Unit Plan ” or “ CUP ”	the Group’s long-term employee share incentive scheme;
“ CSDP ”	a Central Securities Depository Participant in South Africa, appointed to hold and administer dematerialised shares;
“ dematerialised shareholder ”	shareholders who hold dematerialised shares;
“ dematerialised shares ”	shares which have been incorporated into the Strate system, title to which is not represented by physical documents of title;
“ documents of title ”	share certificates, certified transfer deeds, balance receipts and any other documents of title to shares acceptable to the Hyprop board;
“ EE ”	Eastern Europe;
“ effective date ”	the effective date of the transaction, as defined in the transaction agreement, which is anticipated to be Thursday, 31 March 2022
“ EU ”	European Union;
“ EUR ” or “ € ”	Euro;
“ excluded claim ”	the amount owing by Balkan Retail to Hystead in terms of the written loan agreement concluded in 2018, as at the effective date, which is anticipated to be an amount of approximately €20,000,000 (twenty million Euro), and which amount does not form part of the sale claims;
“ Financial Markets Act ”	the Financial Markets Act, 19 of 2012, as amended;
“ general meeting ”	the general meeting of shareholders to be held by way of electronic participation in accordance with the provisions of section 63(2) of the Companies Act 71 of 2008 and the JSE Listings Requirements as read with the company’s MOI at 10:00 am on Friday, 25 March 2022, for the purpose of considering, and if deemed fit passing, with or without modification, the resolutions set out in the notice of general meeting which is attached to and forms part of this circular;
“ Group ” or “ Hyprop group ”	the company and its subsidiaries;

“Gruppo”	Gruppo Investments Limited (Registration number 388403), a private company incorporated in terms of the laws of Nigeria and a subsidiary of Hyprop (in which Hyprop holds a 75% interest);
“Hyprop board”	the board of directors of Hyprop;
“Hyprop Europe”	Hyprop Europe Limited (Company number 13681900), a private company incorporated in accordance with the laws of the United Kingdom, and a wholly-owned subsidiary of Hyprop;
“Hystead”	Hystead Limited (Company number 09900385), a company incorporated and registered in the United Kingdom, full details of which are set out in the “Corporate Information” section, and whose shareholders are Hyprop (60%) and PDI (40%);
“Hystead group”	Hystead and its subsidiaries;
“Hystead portfolio”	Hystead’s portfolio of five retail properties, being the Hystead acquisition properties and the residual Hystead property;
“Hystead acquisition properties”	the three properties owned indirectly by Balkan Retail (namely City Center One East, City Center One West, and The Mall, Sofia) and the property owned by SCM Retail (namely Skopje City Mall), which are the subject of the transaction;
“Hystead shareholders’ agreement”	the shareholders agreement between Hyprop and PDI, dated 30 May 2016, which governs their existing relationship as the shareholders of Hystead;
“IFRS”	International Financial Reporting Standards;
“independent property valuations”	the independent property valuations of the Hystead acquisition properties by CBRE at 31 October 2021;
“independent property valuer” or “CBRE”	CBRE d.o.o. (Registration number 962), full details of which are set out in the “Corporate Information” section;
“independent reporting accountant” or “KPMG”	KPMG Inc. (Registration number 1999/021543/21), full details of which are set out in the “Corporate Information” section;
“Java Capital” or “corporate advisor”	Java Capital Proprietary Limited (Registration number 2012/089864/07) in its capacity as corporate advisor to the company, a private company incorporated and registered in accordance with the laws of South Africa, full details of which are set out in the “Corporate Information” section;
“JSE”	the exchange operated by the JSE Limited (Registration number 2005/022939/06), a public company incorporated and registered in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act, No. 19 of 2012, as amended from time to time;
“JSE Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time;
“last practicable date”	Friday, 11 February 2022, being the last practicable date prior to the finalisation of this circular;
“legal advisor” or “ENS”	Edward Nathan Sonnenbergs Incorporated (Registration number 2006/018200/21), full details of which are set out in the “Corporate Information” section;
“liquidity event”	the liquidity event contemplated in the Hystead shareholders agreement, which it was intended would be implemented by no later than 31 May 2021 (but in any event by no later than 31 May 2022), and which may include any one of the following: <ul style="list-style-type: none"> (i) an initial public offering of Hystead; (ii) a listing of Hystead; (iii) the disposal of the underlying Hystead property portfolio or of the shares in Hystead; <li style="padding-left: 20px;">or (iv) a corporate restructure;
“longstop date”	Tuesday, 31 May 2022;

“material contracts”	restrictive funding arrangements and/or a contract entered into otherwise than in the ordinary course of the business carried on, or proposed to be carried on, by the company and (i) entered into within the two years prior to the date of this circular; or (ii) entered into at any time and containing an obligation or settlement that is material to the company as at the date of this circular;
“MOI”	the memorandum of incorporation of the company;
“NAV”	the net asset value as set out in the transaction agreement and paragraph 4.3.1 of this circular;
“NAV completion account”	an account reflecting the NAV of the target group at the effective date, as contemplated in the transaction agreement;
“own-name dematerialised shareholders”	dematerialised shareholders who have elected own-name registration;
“PDI”	PDI Investment Holdings Limited (Company number C106961), an investment company incorporated in accordance with the laws of Mauritius, of which Louis Norval is one of the directors, and the 91% shareholder of which is Homestead Group Holdings Limited;
“PDI indemnity agreement”	the indemnity agreement between Hyprop and PDI in terms of which, <i>inter alia</i> , PDI has provided indemnities and security to Hyprop for the guarantees provided by Hyprop in relation to certain of Hystead’s borrowings, as more fully described in paragraph 2.4.3 of this circular;
“purchase consideration”	the purchase consideration for the transaction, determined in the manner set out in the transaction agreement, as set out in paragraph 4.3 of this circular;
“purchaser”	Hyprop, or a wholly-owned subsidiary of Hyprop nominated as such by Hyprop in terms of the transaction agreement;
“Rand” or “R”	South African Rand;
“record date”	the date on which Hyprop shareholders are to be recorded in the register in order to be eligible to attend, speak and vote at the general meeting (or any adjournment thereof), being Friday, 18 March 2022;
“register”	the securities register of Hyprop (including the relevant sub-registers of the CSDPs (as contemplated in the Financial Markets Act) administering the sub-registers of Hyprop);
“REIT”	Real Estate Investment Trust;
“residual Hystead property” or “Delta City Podgorica”	Delta City in Podgorica, Montenegro, being the remaining retail property in the Hystead portfolio that is not the subject of the transaction;
“sale equity”	the sale equity as defined in the transaction agreement, comprising 100% of the shares in and shareholder claims (other than the excluded claim) against Balkan Retail and SCM Retail;
“SCM Retail”	SCM Retail Dooel Skopje, a company incorporated in accordance with the laws of North Macedonia under registration number 5983355, and a wholly-owned subsidiary of Hystead;
“SENS”	the Stock Exchange News Service operated by the JSE;
“share” or “Hyprop share”	an ordinary share of no par value in the stated capital of Hyprop;
“shareholders” or “Hyprop shareholders”	the registered holders of Hyprop shares;
“South Africa” or “SA”	the Republic of South Africa;

“SOKO”	the marketplace (district) operating in Rosebank Mall in Johannesburg, where retailers can rent space and reusable shop fittings <i>via</i> a flexible digital leasing platform, without the significant financial commitments that exist in the traditional retail environment, which was developed and is operated by Natal Mahogany Proprietary Limited, in which Hyprop holds a 56% interest;
“sponsor”	Java Capital Trustees and Sponsors Proprietary Limited (Registration number 2006/005780/07), in its capacity as sponsor to the company, a private company incorporated and registered in accordance with the laws of South Africa, full details of which are set out in the “Corporate Information” section;
“SSA”	Sub-Saharan Africa (excluding South Africa);
“Strate”	Strate Proprietary Limited (Registration number 1998/022242/07), a private company incorporated and registered in accordance with the laws of South Africa, a registered central securities depository responsible for the electronic settlement system used by the JSE;
“subsequent events”	the <ul style="list-style-type: none"> – disposal of Atterbury Value Mart by Hyprop which was implemented on 2 July 2021; and – declaration by Hyprop of a cash dividend of 336.52921 cents per share for the year ended 30 June 2021 on 15 September 2021, and the dividend reinvestment alternative offered to shareholders therewith;
“suspensive conditions”	the suspensive conditions to the transaction as set out in the transaction agreement and paragraph 5 of this circular;
“target group”	Balkan Retail, SCM Retail and their subsidiaries, which own, directly or indirectly, the Hystead acquisition properties;
“transaction”	the proposed acquisition by the purchaser of the sale equity from Hystead for the purchase consideration, as more fully detailed in the transaction agreement and this circular;
“transaction agreement”	the agreement dated 27 January 2022 between Hyprop, Hystead and PDI in terms of which the purchaser will acquire the sale equity from Hystead for the purchase consideration; and
“transfer secretaries” or “Computershare”	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company incorporated and registered in South Africa, full details of which are set out in the “Corporate Information” section.



HYPROP INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1987/005284/06)
JSE share code: HYP ISIN: ZAE000190724
JSE bond issuer code: HYP1
(Approved as a REIT by the JSE)

Directors

Gavin Tipper (*Independent non-executive chairman*)
Morné Wilken (*Chief executive officer*)
Wilhelm Nauta (*Chief investment officer*)
Brett Till (*Chief financial officer*)
Annabel Dallamore (*Independent non-executive director*)
Loyiso Dorwana (*Independent non-executive director*)
Kevin Ellerine (*Non-executive director*)
Zuleka Jasper (*Independent non-executive director*)
Nonyameko Mandindi (*Independent non-executive director*)
Thabo Mokgatlha (*Independent non-executive director*)
Bernadette Mzobe (*Independent non-executive director*)
Spiros Noussis (*Independent non-executive director*)
Stewart Shaw-Taylor (*Independent non-executive director*)

CIRCULAR TO HYPROP SHAREHOLDERS

1. INTRODUCTION

- 1.1 As announced on SENS on 28 January 2022, Hyprop has entered into the transaction agreement with Hystead in terms of which Hyprop (or a wholly-owned subsidiary of Hyprop) will acquire the sale equity, and thereby the Hystead acquisition properties, for an estimated total amount of c. €193 million (approximately R3.29 billion) (comprising the estimated purchase consideration of €173 million and the excluded claim of €20 million), subject to customary net asset value adjustments.
- 1.2 The transaction constitutes a category 1 transaction for Hyprop in terms of section 9.5(b) of the JSE Listings Requirements, requiring the approval of Hyprop shareholders by way of an ordinary resolution.
- 1.3 The purpose of this circular is to:
 - 1.3.1 provide Hyprop shareholders with information relating to the transaction and the manner in which it will be implemented, to enable shareholders to make an informed decision as to whether or not they should vote in favour thereof; and
 - 1.3.2 give notice convening the general meeting at which the resolutions necessary to approve and implement the transaction, as more fully detailed in this circular, will be considered and, if deemed fit, approved with or without modification. The notice convening the general meeting is attached to and forms part of this circular.

2. OVERVIEW

2.1 Hyprop

- 2.1.1 Hyprop is a retail-focused REIT listed on the JSE with interests in a R42 billion portfolio of dominant retail centres in key economic nodes in South Africa, EE and SSA.
- 2.1.2 Hyprop's SA portfolio includes super-regional centre Canal Walk, large regional centres Clearwater, The Glen, Woodlands, CapeGate, Somerset Mall and Rosebank Mall, and regional centre Hyde Park Corner.
- 2.1.3 Hyprop holds a 60% interest in UK-based Hystead, which holds interests in 5 dominant retail centres in the Balkan region of EE being: (i) Delta City in Podgorica, Montenegro; (ii) Skopje City Mall in Skopje, North Macedonia; (iii) The Mall in Sofia, Bulgaria; and (iv) City Center One East and (v) City Center One West, both in Zagreb, Croatia.
- 2.1.4 The SSA portfolio comprises a 75% interest in Ikeja City Mall in Lagos, Nigeria, and interests in Accra Mall and West Hills Mall in Accra, Ghana and Kumasi City Mall in Kumasi, Ghana, held *via* the Hyprop group's 50% shareholding in AttAfrica. Hyprop has stated an intention to exit its SSA investments, however, the process is ongoing, with the disposal of Ikeja City Mall delayed due to the US Dollar liquidity shortage in Nigeria and the Covid-19 pandemic. The timing for completion of Hyprop's SSA exit strategy is uncertain, and Hyprop will continue to actively manage its SSA investments to preserve value while the exit strategy is completed.

2.2 Background information on Hystead

- 2.2.1 Hystead was established on 3 December 2015 by Hyprop and PDI to acquire a portfolio of properties in South Eastern Europe, as part of Hyprop's strategy to diversify its property interests, and to take advantage of the opportunities presented by the growing EE economies.
- 2.2.2 Hyprop holds a 60% interest in Hystead, with the remaining 40% held by PDI. Both Hyprop and PDI have extensive real estate experience and proven track records in SA and EE, having acquired and grown (through active asset management and redevelopment) the Hystead portfolio, and having supported the Hystead asset management and in-country property management teams.
- 2.2.3 Hystead's strategy is aligned with Hyprop's strategy – to create safe environments and opportunities for people to connect and have authentic and meaningful experiences by owning dominant retail centres in mixed-use precincts in key economic nodes in SA and EE. The key priority for the EE portfolio is to increase the dominance of the properties through active asset management initiatives – executed by its experienced in-country management team and supported by its shareholders.
- 2.2.4 The relationship between Hyprop and PDI as shareholders in Hystead is governed by the Hystead shareholders' agreement, which includes, *inter alia*, certain reserved matters that require approval by Hystead shareholders holding at least 75% of the total issued share capital of Hystead.
- 2.2.5 Due to the strategic nature of the reserved matters, Hyprop does not have control over Hystead and does not meet the IFRS requirements for control. In addition, in terms of the Hystead shareholders' agreement, Hystead has a contractual obligation to pay all of its distributable income as a dividend to its shareholders each year. Accordingly, Hyprop accounts for the investment in Hystead as a financial asset and does not consolidate Hystead for financial reporting purposes.
- 2.2.6 In terms of the Hystead shareholders' agreement, a liquidity event was intended to occur by 31 May 2021, with a longstop date of 31 May 2022, to afford the Hystead shareholders an opportunity to realise their investments in Hystead at a market related value, with a view to ensuring that Hyprop is released from the disparate guarantees provided by it in respect of Hystead's bank funding, and that the arrangements contemplated in the PDI indemnity agreement are terminated. The liquidity event may take place by way of: (i) an initial public offering; (ii) a listing of Hystead; (iii) a disposal of the Hystead portfolio; or (iv) a corporate restructure of Hystead.
- 2.2.7 The Hystead shareholders' agreement continues to apply, and both Hyprop and PDI will retain their shareholdings in Hystead, until the liquidity event occurs and/or the terms of the Hystead shareholders' agreement are revised. Management believes that the uncertainty regarding the liquidity event is adversely impacting the Hyprop share price, and, accordingly, resolving this uncertainty, the Hystead funding structure and the disparity in the guarantees provided by Hyprop and PDI (see 2.4 below), are key priorities for Hyprop.

2.3 Hystead group structure

The Hystead group structure is set out in **Annexure 1** of this circular.

2.4 Hystead’s capital structure and funding

2.4.1 At 30 June 2021, Hystead’s capital structure comprised €7.8 million of equity and €786.0 million of debt.

2.4.2 The debt comprised two components:

2.4.2.1 €384 million of in-country bank loans that are secured against the individual Hystead group property assets.

2.4.2.2 €402 million of “equity debt” which comprises loans advanced by South African banks to the Hystead group that have been guaranteed by Hyprop and PDI (“**equity debt**”).

2.4.3 As at 30 June 2021, €362 million of the equity debt was guaranteed by Hyprop and €40 million by PDI. In exchange for Hyprop providing guarantees in excess of its 60% shareholding in Hystead:

2.4.3.1 PDI has provided back-to-back security to Hyprop of €47.2 million (equivalent to 11.7% of Hystead’s €402 million equity debt) (at 30 June 2021), in terms of the PDI indemnity agreement; and

2.4.3.2 Hyprop receives a credit enhancement fee from PDI (as more fully set out below).

2.4.4 Due to the manner in which Hyprop accounts for its investment in Hystead, the Hystead group debt is not consolidated in Hyprop’s statement of financial position, however, the financial support provided by Hyprop to Hystead results in the recognition of a financial guarantee liability by Hyprop.

2.4.5 In return for the €73.6 million of equity debt (representing 18.3% of Hystead’s €402 million equity debt) which Hyprop has guaranteed in excess of its 60% interest in Hystead, Hyprop receives a guarantee fee (the “**credit enhancement fee**”) of 60% of the related dividends declared to PDI by Hystead, which equates to 11% (60% x 18.3%) of the total dividends paid by Hystead.

2.4.6 The above funding arrangements are set out in the diagram in **Annexure 1** of this circular. A summary of Hystead’s borrowings and Hyprop’s exposure thereto as at 30 June 2021 is set out below:

	€’million	%
Borrowings	786	100.0%
In-country borrowings	384	48.9%
Equity debt	402	51.1%

The equity debt is guaranteed as follows:

	Hyprop	PDI	Total
Guarantees issued to lenders	362.0	40.0	402.0
Back-to-back security from PDI	(47.2)	47.2	–
Net exposure	314.8	87.2	402.0
% of net exposure	78.3%	21.7%	

2.4.7 The economic effect of the Hystead funding and guarantee arrangements is that Hyprop is exposed to 78% of Hystead’s equity debt and receives 71% of the dividends declared by Hystead to its shareholders.

2.4.8 The guarantees provided by Hyprop in relation to Hystead’s equity debt are secured by mortgage bonds over certain of Hyprop’s SA investment properties. The difference between the currency in which the equity debt is denominated (Euro) and the currency in which the assets used to secure the equity debt are valued (Rand) has resulted in an increase in Hyprop’s LTV ratio in times of Rand weakness. The volatility of the Rand/Euro exchange rate and an inability to practically hedge this currency risk make managing the risk challenging.

2.5 The Hystead portfolio

2.5.1 An overview of the Hystead portfolio is set out below.

	€'million Valuation	GLA (m ²)	Vacancy (% GLA)	Total foot count ⁽³⁾ (million)
The Hystead acquisition properties ⁽¹⁾				
Skopje City Mall	91.3	36 639	–	6.4
The Mall Sofia	179.1	61 591	0.9%	4.8
City Center One East	148.4	48 608	–	5.5
City Center One West	156.3	46 725	–	4.8
Subtotal	575.1	193 563		21.5
The residual Hystead property ⁽²⁾				
Delta City Podgorica	75.3	23 650	–	3.7
Total	650.4	217 213		25.2

1. Valuations at 31 October 2021

2. Valuation at 30 June 2021

3. Foot count is for the 12 months ended 30 June 2021

2.5.2 On 21 September 2021 Hyprop announced that Hystead had received a non-binding offer for the entire shareholding in the entity that owns Delta City Podgorica, based on a gross property value of €95 million (exceeding the property's €75.3 million valuation at 30 June 2021), and subject to customary net asset value adjustments. The disposal of Delta City Podgorica is expected to be completed during the first quarter of 2022, with the proceeds to be used to settle a portion of Hystead's debt.

2.5.3 In addition to the above properties, Hystead previously owned Delta City, Belgrade, which was sold on 30 November 2021, based on a gross property value of €115 million.

2.6 Overview of the Hystead acquisition properties

2.6.1 City Center One East

City Center One East is located in east Zagreb, Croatia, and opened in 2012. City Center One East is the largest shopping mall (GLA of 48 608 m²) in the eastern part of Zagreb, Croatia, and is fully let with 112 stores, and 28 long-term kiosks. Leading international brands trading in the centre include H&M and Zara which are looking to expand their stores. The centre is disability and children friendly. The centre's parking has three direct road accesses and several city bus lines stop at the centre. Customer surveys recognise City Center One East for its brand mix, quality amenities, and entertainment offering.

2.6.2 City Center One West

City Center One West is located in west Zagreb, Croatia and opened in 2006 as the first classic shopping mall in Croatia. Due to strong demand from tenants the centre was expanded in 2009, adding 42 new shops. The centre has a GLA of 46 725m² and is fully let, with 111 stores and 28 long-term kiosks. In 2016 the interior of the centre was modernised, and in 2017 five strong Inditex brands entered the centre: Zara, Massimo Dutti, Bershka, Pull&Bear and Stradivarius. The current tenant profile includes a wide selection of international brands and renowned Croatian brands.

2.6.3 Skopje City Mall (SCM)

SCM opened in October 2012, and is a modern, multilevel centre located approximately 3km west of the Skopje city centre. The mall has a GLA of 36 639m², is fully let and located in an affluent part of Skopje. The mall boasts top-tier anchor tenants and international brands including, *inter alia*: Cineplexx, Nike, Mango, Hugo Boss, Guess, Tommy Hilfiger and New Yorker. In June 2019 Skopje City Mall commenced a major capital project to right size tenants, improve the tenant mix, improve the internal flow and upgrade the common areas, including the ablution facilities, food court and the external restaurants and play areas. The project will be completed in the first quarter of 2022 and the changes are expected to enhance SCM's market position and improve trading performance.

2.6.4 *The Mall, Sofia*

The Mall opened in 2010, is a leading shopping centre in Sofia, and ranked in the top three shopping centres in Bulgaria. The Mall is strategically located in the eastern part of Sofia, on Tsarigradsko Shose (the busiest boulevard in Bulgaria), which connects the city centre with the Trakia Highway that leads to the centre of Bulgaria. It is situated within a mixed use precinct with large surrounding office blocks and the largest parking offering in the city. The centre has a total GLA of 61 591 m², which includes 10 689 m² converted from a Carrefour hypermarket to new space accommodating 42 shops, 9 kiosks and an exhibition court over two levels. The hypermarket conversion was completed in June 2019, 7 months before the appearance of Covid-19. The Mall has an occupancy of 99%, and more than 240 stores. Despite strong revenue growth between June and December 2019, the Mall was heavily impacted by Covid-19 due to strict lock-down regulations in Bulgaria and the decreases in the occupancies of the surrounding offices due to employees working from home. The Mall has a diverse tenant mix with a wide variety of fashion brands and price categories, as well as a fully renovated food court.

2.6.5 Croatia and Bulgaria, where three of the four Hystead acquisition properties are located, are EU member states. The Republic of North Macedonia, where Skopje City Mall is situated, was granted candidate country status for EU membership in December 2005, although it is not part of the EU yet. All of these countries' currencies are Euro based (either directly or indirectly), and Croatia has announced its intention to adopt the Euro as its official currency in the next two years.

2.7 **Strategy and rationale for the transaction**

2.7.1 Hyprop's strategic priorities in relation to its investment in Hystead include:

2.7.1.1 increasing its exposure to hard-currency denominated assets outside South Africa, in line with its diversification strategy;

2.7.1.2 reducing Hystead's Euro-denominated equity debt;

2.7.1.3 reducing the cross currency risk arising from Euro denominated borrowings and Rand denominated assets being used to secure those borrowings;

2.7.1.4 implementing the Hystead contractual liquidity event and resolving the disparate Hystead funding and guarantee arrangements; and

2.7.1.5 retaining the dominance of the Hystead malls through active asset management initiatives, extensions to satisfy tenant demand, and by leveraging Hyprop's SA knowledge and expertise.

2.7.2 As noted above, Hystead has disposed of Delta City Belgrade and is in the process of disposing of Delta City Podgorica. These properties were regarded as non-core, with the remaining portfolio comprising four premium retail properties.

2.7.3 The sale value of Delta City Belgrade (€115 million) was 5% below the last independent valuation and the offer to purchase Delta City Podgorica (€95 million) is at a premium to the last independent valuation, indicating that the independent property valuations are realistic.

2.7.4 The aggregate independent property valuation of the Hystead acquisition properties for purposes of the transaction is €575.1 million, which is €10.6 million below the aggregate purchase price of €585.7 million when the Hystead acquisition properties were acquired (see **Annexure 2**). The main reason for the difference is the impact of Covid-19 on trading conditions and tenant turnover.

2.7.5 The Hystead acquisition properties are located in countries with attractive economic fundamentals, produce Euro based income and offer opportunities for growth and expansion. The two Croatian malls have premium locations, strong trading performances, and no vacancies. There is strong demand from existing retailers for more space, and from new tenants, creating opportunities for income growth. As the impact of Covid-19 dissipates and the full benefits of the recent capital projects at Skopje City Mall and The Mall Sofia (see paragraph 2.6 above) are realised, the performance of the Hystead acquisition properties is expected to return to pre-Covid-19 levels, with a corresponding recovery in property values.

2.7.6 For the year ended 31 December 2019 (prior to Covid-19) the Hystead acquisition properties achieved net property income of €46.3 million, equating to a yield of 8.05% if applied to the aggregate transaction property valuation of €575.1 million.

- 2.7.7 The transaction will allow Hyprop to take control of the Hystead acquisition properties, and will achieve the following key objectives:
- 2.7.7.1 increasing Hyprop's effective interest in the Group's EE portfolio from €390 million (being 60% of the value of the Group's EE portfolio prior to the transaction) to €575 million (being 100% of the value of the Hystead acquisition properties), in line with Hyprop's strategy to diversify its portfolio from the underperforming South African economy. Hyprop will retain its existing effective interest of €45 million in Delta City Podgorica (being 60% of the value of Delta City Podgorica) until the asset is sold by Hystead;
 - 2.7.7.2 aligning Hyprop's economic interest in the Hystead acquisition properties and its risk exposure. Hyprop is currently exposed to 78% of Hystead's equity debt and receives 71% of the dividends declared by Hystead (60% via its shareholding and 11% as a guarantee fee from PDI on dividends declared by Hystead). Pursuant to the transaction, Hyprop's economic interest in the Hystead acquisition properties will increase by 29% (to 100%), and its exposure to the related equity debt will increase by 22% (to 100%);
 - 2.7.7.3 optimisation of the target group's capital structure and the Group's borrowing profile across its Rand, Euro and Dollar funded portfolios. The proceeds from the transaction will be utilised by Hystead to reduce its equity debt, thereby reducing the guarantees provided by Hyprop on Hystead's equity debt, and the related currency risk;
 - 2.7.7.4 consolidation of the Hystead acquisition properties into Hyprop's financial statements, providing clearer disclosure and more transparency on the financial performance of the Hystead acquisition properties;
 - 2.7.7.5 retention of the experienced Hystead asset management team, ensuring management continuity, and positioning Hyprop to grow its EE portfolio in the long-term; and
 - 2.7.7.6 resolving the uncertainty regarding the liquidity event and future funding of Hystead, allowing the Group's executive to pursue growth opportunities.
- 2.7.8 Details of the financial effects of the transaction are set out in paragraphs 14 and 15, and **Annexures 4** and **6** of this circular.
- 2.7.9 The transaction follows the recent disposals of Delta City Belgrade and Atterbury Value Mart, and the FY2021 dividend reinvestment alternative and April 2021 capital raise. In addition, the sale of Delta City Podgorica is progressing. These are important steps towards repositioning and strengthening the Group's balance sheet.

Following these initiatives and implementation of the transaction, and assuming the completion of the sale of Delta City Podgorica, the Group's fully consolidated LTV (which will become the relevant LTV measure) will be 41.5%, 10.2% lower than its peak of 51.7% in June 2020. In addition, the Group's borrowings and gearing profile will be balanced across its Rand, Euro and Dollar denominated property portfolios, as indicated in the table below:

	Before the transaction (million) ²	Rand equivalent (R million)	% of Group total	After the transaction (million) ³	Rand equivalent (R million)	% of Group total
Rand						
Total bank borrowings	5 543			6 433		
Cash on hand/RCF drawn	(1 649)			413		
Net borrowings	3 894	3 894	22%	6 846	6 846	48%
Investment property portfolio valuation	22 092	22 092	60%	22 092	22 092	65%
Net property equity	18 198			15 246		
Ratio of net borrowings to investment property portfolio valuation	18%			31%		
Euro						
In-country bank borrowings	384			286		
Equity debt	402			112		
Cash on hand	(39)			(3)		
Net borrowings	747	12 706	74%	395	6 727	47%
Investment property portfolio valuation	773	13 156	35%	575	9 787	29%
Net property equity	26			180		
Ratio of net borrowings to investment property portfolio valuation	97%			69%		
US Dollars						
In-country bank borrowings	56			56		
Cash on hand	(12)			(12)		
Net borrowings	44	660	4%	44	660	5%
Investment property portfolio valuation	127	1 905	5%	127	1 905	6%
Net property equity	83			83		
Ratio of net borrowings to investment property portfolio valuation	35%			35%		
Group ratio of net borrowings to investment property portfolio valuation	47%			42%		
Bank LTV covenant	50%			55%		

Notes:

1. The information in the table above has not been audited or reported on by the reporting accountants.
2. At 30 June 2021, adjusted for the subsequent events.
3. Extracted from **Annexure 6**. Includes the effect of the transaction, the sale of Delta City Belgrade and the pending sale of Delta City Podgorica.
4. Net property equity is calculated as the Investment property portfolio valuation less net borrowings.
5. Conversions from Euro/Dollar to Rand are based on exchange rates of R17.02/Euro and R15.00/Dollar.

As is evident from the table above, following the implementation of the transaction, the completed sale of Delta City Belgrade and the pending sale of Delta City Podgorica, the equity debt will reduce from €402 million at 30 June 2021 to €112 million, with an increase in the Group's Rand denominated borrowings. The Group's net property Euro equity will increase to €180 million. This will strengthen the Group's balance sheet and reduce the risks associated with the Hystead historic cross-currency funding and guarantee arrangements. The Group's total debt will be allocated more evenly between Rands and Euros.

The remaining €112 million of equity debt will mature in July 2023 and will be settled or refinanced in Rands or Euros, having regard to the Group's overall capital structure at the time.

3. PROSPECTS

- 3.1 Hyprop remains focused on creating safe environments and opportunities for people to connect and have authentic and meaningful experiences, thereby creating long-term sustainable value for all stakeholders.
- 3.2 There are signs that the global impact of Covid-19 is reducing, and that economies are re-opening after 2 years of government imposed Covid-19 restrictions. Hyprop is optimistic that trading conditions will return to pre-Covid levels in time, indications of which are evident in the trading metrics of all of the group portfolios for the last quarter of 2021. As a consequence, current conditions offer attractive opportunities for new investments.
- 3.3 Hyprop is confident that the Group's strategy and key priorities remain relevant, even in a prolonged Covid-19 environment, and will continue to focus on the following:
 - 3.3.1 **Group:** Further strengthening the balance sheet; incurring only essential capital expenditure; reducing the Euro-denominated equity debt; retaining cash, if required, *via* a dividend reinvestment alternative; reviewing the portfolio annually and recycling assets that do not accord with the long-term strategy; implementing the transaction as part of the Hystead liquidity event; and implementing Environmental, Social and Governance (ESG) initiatives;
 - 3.3.2 **South Africa:** Pursuing the mall repositioning strategies in line with Hyprop's Golden Thread principles, and creating new mixed-use opportunities in existing, dominant economic nodes;
 - 3.3.3 **EE:** Retaining the dominance of the malls through active asset management initiatives and strategic redevelopments, leveraging the Group's SA expertise and know-how, securing rights for further mall extensions to satisfy tenant demand, completing the refinancing/settlement of the equity debt and growing the portfolio from the new base;
 - 3.3.4 **SSA:** Ensuring value creation and implementation of the exit strategy; and
 - 3.3.5 **Non-tangible assets:** Focusing on technology-based, non-tangible assets in the retail and property sectors, extracting value from the newly developed SOKO software, rolling out further SOKO districts, and pursuing new opportunities *via* the recently established innovation JV.
- 3.4 Following implementation of the transaction, the EE portfolio will represent 32% of the Group's total investment property and circa 32% of net property income, diversifying the Group's geographic exposure and reducing reliance on the SA economy, which continues to underperform and which faces structural headwinds. While Hyprop anticipates low rental growth in SA in the short-term, Hyprop's repositioning strategies are appropriate to these challenges.
- 3.5 Good progress has been made in strengthening the Group's balance sheet, particularly following the disposals of Atterbury Value Mart in July 2021 and Delta City Belgrade in November 2021. This will be augmented by the reduction in the Group's Euro equity debt pursuant to the transaction, and the pending sale of Delta City Podgorica, creating capacity for new investments.

4. TERMS OF THE TRANSACTION

- 4.1 In terms of the transaction agreement, Hyprop will acquire 100% of the shares in and shareholder claims against Balkan Retail and SCM Retail from Hystead with effect from the effective date.
- 4.2 Balkan Retail, through its subsidiaries, owns City Center One East and City Center One West in Zagreb, Croatia and The Mall in Sofia, Bulgaria. SCM Retail owns Skopje City Mall in Skopje, Republic of North Macedonia, as set out in the Hystead group structure in **Annexure 1** of this circular.

4.3 Purchase consideration

- 4.3.1 The purchase consideration payable in terms of the transaction is an amount equal to the consolidated aggregate net asset value (“NAV”) of the target group, calculated on the following basis:
- (a) The sum of the independent property valuations of the Hystead acquisition properties at 31 October 2021 (being an amount of €575.1 million, as set out in paragraph 2.5.1);
 - (b) **minus:** short and long-term debt at the effective date;
 - (c) **plus/minus:** the net working capital at the effective date;
 - (d) **plus/minus:** any other actual assets/liabilities at the effective date (other than “IFRS” accounting assets/liabilities – if applicable);
 - (e) **minus:** any liabilities for income or other taxes payable by the target group (excluding deferred tax based on the independent property valuations in (a) above);
 - (f) **minus:** 33.3% of the deferred tax liability, based on the independent property valuations in (a) above.
- 4.3.2 The estimated purchase consideration will be settled in cash on the effective date and will be funded from a combination of Hyprop’s existing cash reserves and existing/new debt facilities.
- 4.3.3 The estimated purchase consideration, based on the above is €173 million (equivalent to R2.94 billion).
- 4.3.4 As soon as practicable after the effective date, but in any event by no later than 45 (forty-five) days from the effective date, the purchaser shall prepare an NAV Completion Account reflecting the actual NAV of the target group at the effective date. Subject to approval of the NAV Completion account by Hystead and PDI:
- 4.3.4.1 if the NAV Completion Account reflects the NAV as higher than the estimated purchase price, the Purchaser shall pay the difference to Hystead within 7 (seven) days; or
 - 4.3.4.2 if the NAV Completion Account reflects the NAV as lower than the estimated purchase price, Hystead shall refund the difference to the Purchaser within 7 (seven) days.
- 4.3.5 Included in the long and short term debt for purposes of calculating the purchase consideration outlined above is an amount of circa €20 million in respect of the excluded claim. The excluded claim does not form part of the sale claims and will be settled by Balkan Retail either in cash or by assuming an equivalent portion of Hystead’s remaining equity debt, by no later than 31 May 2022. This will allow the Hyprop group to elect to either settle the excluded claim in cash or retain an equivalent portion of the competitively priced equity debt and avoid the costs of settling this equity debt prior to its maturity date.
- 4.3.6 The total amount payable by the purchaser in terms of the transaction is €193 million (approximately R3.29 billion), comprising the estimated purchase consideration of €173 million and the excluded claim of €20 million.
- 4.3.7 The deferred tax liability in paragraph 4.3.1(f) above relates to the deferred tax provided by the target group companies on the revaluation of the Hystead acquisition properties from their historic cost to the independent property valuations. The liability will not be realised on implementation of the transaction.
- 4.3.7.1 The deduction of 33% of the deferred tax liability in determining the acquisition price of the target group is in line with market norms and historic practice, which range from no deduction to a deduction of 50% of the deferred tax liability. No deduction for the then deferred tax liabilities was made by Hystead when it acquired the Hystead acquisition properties.
 - 4.3.7.2 The manner in which deferred tax is treated for purposes of calculating the purchase price results in an amount of R682.7 million being attributed to Goodwill, which amount will be impaired (see paragraph 11.6).

4.4 Adjustment of the independent property valuations and the purchase consideration

- 4.4.1 The purchase consideration and the NAV set out above are being determined based on the valuations of the Hystead acquisition properties at 31 October 2021 (“the **current valuations**”);

- 4.4.2 Whilst management is confident that the transaction will be implemented by 30 April 2022, should the transaction not be implemented by that date, the Hystead acquisition properties will be revalued as at 30 April 2022 (“the **new valuations**”) by the same independent valuer who valued the Hystead Acquisition properties at 31 October 2021 (or such other valuer as agreed between the Parties); and
- 4.4.3 The new valuations will replace the current valuations as the basis for the determination of the NAV and the purchase consideration, provided that the aggregate new valuations may not be more than €603.9 million (being 5% more than the aggregate current valuations) or less than €546.4 million (being 5% less than the aggregate current valuations) for the purposes of any recalculation.

4.5 Warranties and indemnities

- 4.5.1 Hyprop is the beneficial owner of 60% of the shares in Hystead and has been actively involved in the general management of and financial reporting on the Hystead acquisition properties since their acquisition by Hystead. Accordingly, the warranties and indemnities provided by Hystead (as the vendor in the transaction) are limited to Hystead’s capacity and authority to enter into, and perform its obligations in terms of, the transaction agreement, and Hystead’s title and ownership of the sale equity.

4.6 Use of proceeds by Hystead and effect on Hyprop

- 4.6.1 The proceeds from the transaction will be used by Hystead to settle a portion of the equity debt. The effect of this will be that a minimum of €132 million of the Group’s Euro equity debt will be settled and/or replaced with Rand debt, and Hyprop’s exposure to the Euro equity debt in the target group companies will increase by €23 million (being 22% of the equity debt within the target group companies). The Group’s LTV ratio will remain within bank covenant levels.

4.7 Unwind of the Hystead structure

- 4.7.1 Following implementation of the transaction, the disposal of Delta City Podgorica (which is anticipated to be concluded in the first quarter of 2022), and settlement of the Belgrade disposal vendor loan, Hyprop and PDI intend to wind Hystead up in an orderly manner, including settling Hystead’s remaining equity debt and procuring the release of Hyprop and PDI from all guarantees, including the back-to-back guarantees provided by PDI to Hyprop, in terms of the Hystead shareholders’ agreement.
- 4.7.2 In the event that the disposal of Delta City Podgorica is not concluded, it remains the intention of Hystead and its shareholders to sell the property in the open market. Hyprop and PDI will each have a right to acquire Delta City Podgorica.

5. SUSPENSIVE CONDITIONS

- 5.1 The transaction remains subject to, *inter alia*, the fulfilment and/or waiver of the following suspensive conditions:
- 5.1.1 Hyprop confirming to the seller in writing that it has obtained such funding as it may require, on terms and conditions satisfactory to the purchaser, to settle the purchase consideration;
- 5.1.2 Hyprop obtaining shareholder approval for the transaction;
- 5.1.3 Hyprop and Hystead obtaining all regulatory and other approvals as may be required in any jurisdiction applicable to the purchaser, Hystead and/or any target group company, including, *inter alia*, exchange control approval from the South African Reserve Bank;
- 5.1.4 Hystead delivering to Hyprop a duly signed consent/s given by the counterparties to any major contracts of the target group regarding the change in shareholding of the target group, as required in terms of such contracts;
- 5.1.5 cancellation of the existing Hystead asset management arrangements;
- 5.1.6 an agreement being concluded by Hyprop, Hystead and PDI clarifying how the provisions of the existing Hystead shareholders agreement will be applied in respect of the residual Hystead property, and the manner in which Hystead will be wound up;
- 5.1.7 Hyprop confirming to Hystead in writing that it is satisfied with the outcome of any legal, operational, tax and financial due diligence investigation that it may require to be conducted on the target group, or alternatively that it does not require a due diligence investigation to be conducted.

5.2 Should any of the suspensive conditions not be fulfilled (or waived) by 31 May 2022, then the transaction agreement shall automatically lapse and cease to be of any further force or effect.

6. OPINION AND RECOMMENDATION OF THE HYPROP BOARD

6.1 The Hyprop board, after evaluating the rationale for and the terms and conditions of the transaction, is of the opinion that the transaction is beneficial to Hyprop and its shareholders and recommends that Hyprop shareholders vote in favour of the resolutions necessary to implement the transaction.

6.2 The directors who hold Hyprop shares intend voting their shares in favour of all resolutions proposed at the general meeting.

7. SHAREHOLDER APPROVAL REQUIRED

The transaction constitutes a category 1 transaction in terms of section 9.5 of the JSE Listings Requirements. Accordingly, an ordinary resolution of shareholders in terms of section 9.20 of the JSE Listings Requirements will be presented to shareholders at the general meeting, to approve the transaction.

8. THE GENERAL MEETING

A general meeting of shareholders will be held by way of electronic participation in accordance with the provisions of section 63(2) of the Companies Act 71 of 2008 and the JSE Listings Requirements, as read with the company's MOI, at 10:00 am on Friday, 25 March 2022, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions required to be approved by shareholders in order to authorise and implement the transaction. The notice of general meeting is attached to and forms part of this circular.

9. THE HYSTEAD ACQUISITION PROPERTIES

9.1 Overview of the Hystead acquisition properties

The Hystead acquisition properties are valued at €575.1 million, based on the valuations performed by the independent property valuer as at 31 October 2021, and consist of four properties with an aggregate GLA of 193 563m². Further information on the Hystead acquisition properties is set out in **Annexure 2** of this circular.

9.2 Details of the Hystead acquisition properties

Details of the Hystead acquisition properties as at 31 October 2021, being the date of the independent valuation of the Hystead acquisition properties for purposes of the transaction, are set out below:

9.2.1 *Geographic profile*

	Based on GLA	Based on gross rentals
Zagreb, Croatia	49%	63%
Skopje, Republic of North Macedonia	19%	15%
Sofia, Bulgaria	32%	22%
Total	100.0%	100.0%

9.2.2 *Sectoral profile*

	Based on GLA	Based on gross rentals
Retail	95.7%	98.7%
Office	0.3%	0.1%
Industrial (storage)	4.0%	1.2%
Total	100.0%	100.0%

9.2.3 Tenant profile

	Based on GLA	Based on gross rentals
A	61%	45%
B	31%	43%
C	8%	12%
Total	100.0%	100.0%

Tenant profile categories:

- A. Large international and national tenants, large listed tenants, government and major franchisees. These include, *inter alia*, Inditex brands, Peek&Cloppenburg, LPP brands, Cineplexx, Arena, Ramstore, Interspar, Billa and Technopolis.
- B. National tenants, listed tenants, franchisees and medium to large professional firms. These include, *inter alia*, Intersport, Orange, Sephora, Fashion & Friends, Max & Co, Elipso, Baby Center, Sportina and OVS.
- C. Other local tenants and sole proprietors: comprising 178 tenants

9.2.4 Vacancy profile

	Retail		Office		Industrial (storage)		Total	
	GLA	Gross rentals	GLA	Gross rentals	GLA	Gross rentals	GLA	Gross rentals
Vacant	0.3%	0.3%	0.0%	0.0%	5.7%	0.8%	0.5%	0.3%
Occupied	99.7%	99.7%	100.0%	100.0%	94.3%	99.2%	99.5%	99.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

9.2.5 Lease expiry profile

	Retail		Office		Industrial (storage)		Total	
	GLA	Gross rentals	GLA	Gross rentals	GLA	Gross rentals	GLA	Gross rentals
Vacant	0.3%	0.3%	0.0%	0.0%	5.7%	0.8%	0.5%	0.3%
Monthly	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
31 October 2022	10.5%	12.3%	20.2%	19.5%	17.8%	18.2%	10.8%	12.4%
31 October 2023	13.2%	15.2%	0.0%	0.0%	19.0%	16.1%	13.4%	15.2%
31 October 2024	17.7%	17.5%	0.0%	0.0%	6.9%	7.9%	17.1%	17.4%
31 October 2025	9.4%	13.8%	0.0%	0.0%	0.4%	0.8%	8.9%	13.6%
After 31 October 2025	48.9%	40.9%	79.8%	80.5%	50.2%	56.2%	49.3%	41.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

9.2.6 Rental per square metre and rental escalations

The weighted average monthly rental per square metre for the Hystead acquisition properties for the twelve months ended 31 October 2021 is as follows:

Sector	€/m ²
Retail	19.1
Office	9.2
Industrial (storage)	5.5
Total	18.5

The weighted average rental escalations, based on existing leases by GLA and by sector, for the Hystead acquisition properties for the twelve months ended 31 October 2021 are as follows:

Sector	%
Retail	1.2
Office	1.6
Industrial (storage)	1.2
Overall	1.2

The average yield on the Hystead acquisition properties, based on the independent property valuation of €575.1 million, as set out in **Annexure 2** of this circular, and the forecast net property income for the year ending 30 June 2023 of €38.8 million, as set out in **Annexure 4**, is 6.8%. The forecast net property income reflects the impact of existing Covid-19 arrangements with tenants (rental relief and deferrals) as well as the impact of Covid-19 restrictions (including that only vaccinated shoppers, or shoppers with negative antigen tests, can access malls in certain countries) on trading conditions. As the impact of Covid-19 dissipates, the net operating income of the properties is expected to return to pre-Covid-19 levels and the average property yield should increase.

10. VALUATION REPORTS

- 10.1 The Hystead acquisition properties were valued by CBRE, an independent, external registered professional valuer and a corporate member of The Royal Institution of Chartered Surveyors, a recognised property valuers' regulatory body.
- 10.2 Detailed valuation reports have been prepared for each of the Hystead acquisition properties and are available for inspection in terms of paragraph 28 of the circular. A summary valuation report for the Hystead acquisition properties has been included in **Annexure 3** of this circular.

11. VENDOR

- 11.1 Hystead owns the entire issued share capital of each of Balkan Retail and SCM Retail, and is the vendor in terms of the transaction.
- 11.2 None of the Hystead acquisition properties were acquired by Hystead during the three years preceding the date of this circular.
- 11.3 Hystead has not guaranteed the book debts or other assets of the target group. The transaction agreement contains warranties and indemnities as set out in paragraph 4.5.
- 11.4 The transaction agreement does not preclude Hystead from carrying on business in competition with the Group nor does the transaction agreement impose any other restrictions on Hystead, and therefore no payment in cash or otherwise has been made in this regard.
- 11.5 Liabilities for accrued taxation to the effective date will be included in the NAV and calculation of the purchase consideration, and will be settled by the target group in the normal course.
- 11.6 The estimated purchase consideration for the transaction is €173 million (R2.94 billion) and will be settled in cash. The fair value of the net assets to be acquired, based on the proforma financial effects at 30 June 2021, as set out in **Annexure 6**, is €133 million (R2.3 billion). Accordingly, a residual amount of R682.7 million has been attributed to goodwill in the proforma financial affects. The goodwill arises mainly due to the manner in which deferred tax is treated for purposes of calculating the purchase price. Given that the investment properties and other assets of the target group are recorded at their fair values, and there are no residual assets to which this amount can be apportioned, the goodwill has been written-off/impaired. As a result of Hyprop's 60% shareholding in Hystead, 60% of the portion of the purchase consideration giving rise to the goodwill, effectively accrues to Hyprop.

The final purchase consideration will be determined based on the NAV at the effective date, as set out in paragraph 4, which NAV is anticipated to be higher than the fair value of the net assets at 30 June 2021 of €133 million, as set out in **Annexure 6**. The amount attributed to goodwill will be adjusted accordingly.

- 11.7 Other than the directors' interests as set out in paragraph 18 of the circular, no director or promoter of Hyprop (or any partnership, syndicate or other association in which a promoter or director had an interest) has any direct or indirect beneficial interest in the transaction.

- 11.8 No cash or securities have been paid or any benefit given within the three preceding years of the date of this circular, or is proposed to be paid or given, to any promoter (not being a director).
- 11.9 The entire issued stated capital of Balkan Retail and SCM Retail will be transferred into the name of the purchaser as part of the transaction. Save to the extent that the Hystead acquisition properties serve as security for the target group's borrowings, as detailed in **Annexure 9**, the Hystead acquisition properties have not, to the knowledge of Hyprop, been ceded or pledged to any party.

12. ASSET MANAGEMENT

The asset management of Hyprop is undertaken internally.

The asset management of the Hystead acquisition properties:

- prior to the transaction, is undertaken by Hyprop and PDI with the assistance of the Hystead in-country asset management team; and
- following implementation of the transaction, will be undertaken by Hyprop with the assistance of the Hystead in-country asset management team.

13. PROPERTY MANAGEMENT

13.1 The property management of the Hyprop group is done internally, save as noted below.

13.2 Ikeja City Mall in Lagos, Nigeria is managed externally by Broll.

13.3 Save for City Center One East and City Center One West in Croatia, which are externally managed by CC Real, property management for the Hystead acquisition properties is done internally. Details of CC Real are set out below.

Name	CC Real d.o.o.
Address	Jankomir 33, Zagreb, Croatia
Shareholder(s)	i. CCR Holding GmbH (in which F Kaufmann has a 100% interest) – 90% ii. SV komikacije d.o.o. (in which S Vorih and his wife have a combined 100% interest) – 10%
Directors	S Vorih, M Bodner, N Buljević Vlačić, D Profeta (each authorised to represent CC Real d.o.o. only jointly with another director)
Functions performed	i. Day-to-day services and centre management services (general management, rent and rent review, service charges, tenants' security package monitoring and review, asset insurance, outgoing/invoices, tenant liaison, common areas, statutory requirements, planning, court, enquiries before contract, lawyers, systems, regulations, access, environmental compliance, money laundering regulations) ii. Advisory services (initial budget, business plan, budget, monitoring, assistance to potential investors) iii. Corporate and administrative services (corporate accounting and tax filing, corporate compliance services)
Monthly cost (including leasing fees not on extensions and developments)	City Center One East: €61 244 City Center One West: €60 532 Both of the above amounts are payable by the Hyprop group in Croatian Kuna (HRK), with the counter-value calculated against the median currency exchange rate of the Croatian National Bank at date of invoicing. Both of the amounts are to be reduced monthly by the amount of HRK 17 879.84 (plus VAT as legally stipulated in the Croatian VAT Code, currently at 25%) for as long as the two part-time employees (as specified in the relevant management agreement) of the Hyprop Group remain so employed.

14. **PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP**

14.1 The *pro forma* consolidated statement of financial position of Hyprop as at 30 June 2021, showing the *pro forma* effects of the transaction (the “**pro forma financial information**”), is set out in **Annexure 6**.

14.2 The table below illustrates the financial effects of the transaction on a standalone basis after adjusting Hyprop’s audited and published results for the year ended 30 June 2021 for the significant subsequent events, as detailed in **Annexure 6**:

	<i>Pro forma after the significant subsequent events</i> ¹ R’000	<i>Pro forma after the transaction</i> R’000
Total assets	26 697 199	34 793 370
Total liabilities	(7 564 092)	(16 471 463)
Non-controlling interests	66 145	66 145
Equity and reserves attributable to Hyprop shareholders (net asset value)	19 199 252	18 388 052
Net number of ordinary shares in issue	341 827 759	341 827 759
Net asset value per share (Rand)	56.17	53.79

1. At 30 June 2021, after adjusting for the subsequent events.

14.2.1 The Group’s net asset value per share of R62.96 at 30 June 2021 decreased to R56.17 after the subsequent events, mainly as a result of the additional 34.4 million shares issued pursuant to the dividend reinvestment alternative offered with the dividend for the year ended 30 June 2021.

14.2.2 The Group’s net asset value per share will reduce from R56.17 to R53.79 as a result of the transaction. The main reason for this decrease is the write off of the goodwill arising from the transaction of R682.7 million. The goodwill arises mainly due to the manner in which deferred tax is treated in the allocation of the purchase price. Given that the investment properties and other assets of the target group are recorded at their fair values, and there are no residual assets to which the amount can be apportioned, the goodwill has been written-off.

14.3 The *pro forma* financial information has been provided for illustrative purposes only, to provide information on how the subsequent events on a stand-alone basis, and the subsequent events and the transaction cumulatively, may have affected the financial position of the Group, assuming the subsequent events and the transaction took place on 30 June 2021. Because of its nature, the *pro forma* financial information may not fairly represent Hyprop’s financial position and changes in equity after the subsequent events on a stand-alone basis, and the subsequent events and the transaction cumulatively.

14.4 The *pro forma* financial information, including the assumptions on which it is based, is the responsibility of the Hyprop board. The *pro forma* financial information has been prepared in accordance with Hyprop’s accounting policies, which policies are compliant with IFRS and consistent with those applied in the audited annual financial statements of Hyprop for the year ended 30 June 2021. The *pro forma* financial information is prepared in accordance with the JSE Listings Requirements and the Guide on *pro forma* financial information issued by the South African Institute of Chartered Accountants (“SAICA”).

14.5 Detailed notes and assumptions regarding the *pro forma* financial information are set out in **Annexure 6**. The *pro forma* financial information should be read in conjunction with the independent reporting accountant’s assurance report thereon, as contained in **Annexure 7**.

14.6 Paragraph 13.16(a) of the JSE Listings Requirements requires that the adjustment column of the *pro forma* statement of financial position be extracted from the underlying results of the subject matter (which must be audited if the subject matter is a company or a business). Accordingly, Hyprop has prepared special purpose audited consolidated financial statements for Balkan Retail and special purpose audited financial statements for SCM Retail, containing the statements of financial position and related accounting policies and notes as at 30 June 2021, of Balkan Retail (and its subsidiaries) and SCM Retail. The special purpose audited financial statements of Balkan Retail and SCM Retail, and the audit reports thereon, are incorporated in this circular by reference, in accordance with paragraph 29 of this circular.

15. FORECAST STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE TARGET GROUP AND THE TRANSACTION

15.1 The forecast statements of profit or loss and other comprehensive income of the target group (the “forecasts”) are set out in **Annexure 4** of this circular and summarised below, and have been prepared:

15.1.1 on the assumption that the effective date of the transaction will be 31 March 2022;

15.1.2 for the three months ending 30 June 2022 (being the period from the effective date to the end of Hyprop’s financial year ending 30 June 2022); and

15.1.3 for the year ending 30 June 2023.

	Forecast 3 months ending 30 June 2022 R’000	Forecast Year ending 30 June 2023 R’000
Profit for the period/year of the target group	97 473	418 491
Incremental Group costs ¹	(47 557)	(128 500)
Profit for the period/year for the Group attributable to the transaction	49 916	289 991
Adjustments to calculate distributable income	2 255	3 385
Distributable income for the period/year attributable to the transaction	52 171	293 376
Net number of ordinary shares in issue	341 827 759	341 827 759
Distributable income per share attributable to the transaction (cents)	15.26	85.83

1. *Incremental Group costs for the 3 months ending 30 June 2022 include the transaction costs of R12.4 million.*

15.1.4 The forecast distributable income of 85.83 cents per share attributable to the transaction for the year ending 30 June 2023 is equivalent to 25.5% of Hyprop’s distributable income per share of 336.5 cents for the year ended 30 June 2021.

15.1.5 Historically Hyprop accounted for its investment in Hystead as a financial asset, and recognised the dividends received from Hystead as income in its consolidated statements of profit or loss, and as distributable income. Dividends of R19.8 million, R120.6 million and R221.2 million were received from Hystead in the financial years ending 30 June 2021, 2020 and 2019, respectively.

15.1.6 Following implementation of the transaction, the results of the target group will be consolidated in Hyprop’s financial statements, replacing the dividends previously received from Hystead, in calculating the Group’s distributable income and distributable income per share.

15.1.7 Subject to determination of the final purchase consideration, Hystead may realise a taxable profit on the disposal of the target group companies, which profit may be included in Hyprop’s taxable income in terms of South African income tax legislation. Based on the estimated purchase price of €173 million, the estimated potential South African tax liability in this regard is circa R57 million. Such liability is subject to, *inter alia*, final determination of the purchase price, Hystead and Hyprop’s taxable income for the relevant tax years, and exchange rate fluctuations. No provision for South African taxation has been made in the forecast statements of profit or loss and other comprehensive income.

15.2 The forecasts, including the assumptions on which they are based, are the responsibility of the Hyprop board. The forecasts have been prepared in accordance with Hyprop’s accounting policies, which are in compliance with IFRS, and the JSE Listings Requirements.

15.3 The forecasts must be read in conjunction with the independent reporting accountant’s assurance report on the forecasts, contained in **Annexure 5** of this circular.

16. MAJOR AND CONTROLLING SHAREHOLDERS

16.1 The names of Hyprop shareholders, other than directors, that were, directly or indirectly, beneficially interested in 5% or more of the issued shares as at the last practicable date, are set out below:

Shareholder	Shares	% of issued shares
Government Employees Pension Fund	36 069 832	10.5
Allan Gray	30 536 845	8.9
Total	66 606 677	19.4

16.2 As at the last practicable date, the company does not have a controlling shareholder and the transaction will not result in the company having a controlling shareholder.

17. SHARES IN ISSUE

Hyprop's stated capital as at the last practicable date and after the implementation of the transaction is as follows:

	R'000
Stated capital	
<i>Authorised</i>	
500 000 000 ordinary shares of no par value	
<i>Issued</i>	
343 438 921 ordinary shares of no par value	
<i>Stated capital</i>	10 471 428

Hyprop Employee Share Scheme Propriety Limited, a wholly owned subsidiary of Hyprop, holds 1 582 280 shares in treasury.

18. DIRECTORS' INTERESTS

18.1 Directors' interests in Hyprop shares

18.1.1 Set out below are the interests of Hyprop directors (and their associates), including any directors who have resigned during the past 18 months, in Hyprop shares as at 30 June 2021. Direct and indirect beneficial interests are disclosed.

Director	Direct beneficial	Indirect beneficial	Total shares	% of total shares
Kevin Ellerine ¹	–	3 000 000	3 000 000	0.97
Morné Wilken ²	211 903	43 500	255 403	0.08
Brett Till ²	133 859	1 200	135 059	0.04
Wilhelm Nauta ²	125 007	–	125 007	0.04
Gavin Tipper	13 500	–	13 500	0.01
Stewart Shaw-Taylor	21 500	–	21 500	0.01
Total	505 769	3 044 700	3 550 469	1.15

1. Exposure in terms of off-market derivative transactions (Long call 2 000 000 shares, short call 500 000 shares, Short put 1 500 000 shares) at varying strike prices.

2. Includes shares awarded under the Conditional Unit Plan.

18.1.2 There were no changes to the interests of the directors in Hyprop shares between 30 June 2021 and the last practicable date, save for:

18.1.2.1 the disposal by Morné Wilken of 6 670 Hyprop shares at a weighted average price of R32.77492 per Hyprop share, on 23 September 2021, for an aggregate consideration of R218 608.71, pursuant to an on-market sale of shares.

- 18.1.2.2 the acquisition by the Trinsam Trust of 25 500 Hyprop shares at a weighted average price of R32.58936 per Hyprop share, on 27 September 2021, for an aggregate consideration of R831 028.75, pursuant to an on-market purchase of shares. Morné Wilken is a beneficiary and trustee of the Trinsam Trust.
- 18.1.2.3 the acquisition by Gavin Tipper of 1 781 Hyprop shares at R25.50 per Hyprop share on 22 October 2021, for an aggregate consideration of R45 415.50, pursuant to an off-market acceptance of shares offered in terms of the share reinvestment alternative for the year ended 30 June 2021.
- 18.1.2.4 the acquisition by Stewart Shaw-Taylor of 2 837 Hyprop shares at R25.50 per Hyprop share on 22 October 2021, for an aggregate consideration of R72 343.50, pursuant to an off-market acceptance of shares offered in terms of the share reinvestment alternative for the year ended 30 June 2021.
- 18.1.2.5 the acquisition by the Trinsam Trust of 9 106 Hyprop shares at R25.50 per Hyprop share on 22 October 2021, for an aggregate consideration of R232 203.00, pursuant to an off-market acceptance of shares offered in terms of the share reinvestment alternative for the year ended 30 June 2021. Morné Wilken is a beneficiary and trustee of the Trinsam Trust.
- 18.1.2.6 the acquisition by the Shantellin Trust of 158 Hyprop shares at R25.50 per Hyprop share on 22 October 2021, for an aggregate consideration of R4 029.00, pursuant to an off-market acceptance of shares offered in terms of the share reinvestment alternative for the year ended 30 June 2021. Brett Till is a beneficiary and trustee of the Shantellin Trust.
- 18.1.2.7 In terms of the Hyprop Conditional Unit Plan, Morné Wilken was awarded 84 000 Hyprop shares with an aggregate value of R2 377 466.28 on 25 November 2021. 50% of the shares will vest on 30 September 2024 and 50% of the shares will vest on 30 September 2025.
- 18.1.2.8 In terms of the Hyprop Conditional Unit Plan, Brett Till was awarded 46 002 Hyprop shares with an aggregate value of R1 302 002.43 on 25 November 2021. 50% of the shares will vest on 30 September 2024 and 50% of the shares will vest on 30 September 2025.
- 18.1.2.9 In terms of the Hyprop Conditional Unit Plan, Wilhelm Nauta was awarded 43 836 Hyprop shares with an aggregate value of R1 240 697.76 on 25 November 2021. 50% of the shares will vest on 30 September 2024 and 50% of the shares will vest on 30 September 2025.
- 18.1.2.10 In terms of the Hyprop Conditional Unit Plan, 2 880 Hyprop shares vested in Wilhelm Nauta on 30 November 2021, at R33.27 per share and with an aggregate value of R95 817.60.

18.2 Directors' interests in transactions

Save for the directors' interests in Hyprop shares, as set out in paragraph 18.1 above, no director of Hyprop has or had any material beneficial interest, whether direct or indirect, in any transaction effected by Hyprop during the current or immediately preceding financial year or during an earlier financial year, and which remains in any respect outstanding or unperformed.

PDI, which holds a 40% interest in Hystead, is an associate of Louis Norval, who retired as a director of Hyprop at the annual general meeting of Hyprop held on 24 November 2020.

19. DIRECTORS' EMOLUMENTS

- 19.1 There will be no changes to the emoluments of the directors of Hyprop pursuant to the implementation of the transaction.
- 19.2 The company has not entered into any contracts relating to directors' and managerial remuneration, secretarial and technical fees or restraint payments, other than contracts of employment with the executive directors and the company secretary, who are full time employees of the company.
- 19.3 Contracts of employment with executive directors of Hyprop were concluded on terms and conditions that are standard for such appointments and contain normal terms of employment.
- 19.4 There are no service contracts in place for the non-executive directors of Hyprop.

20. MATERIAL CONTRACTS

Save for:

20.1 the transaction agreement, the salient features of which are set out in paragraph 4; and

20.2 the material contracts, the salient features of which are set out in **Annexure 8**,

no material contracts, being restrictive funding arrangements and/or contracts entered into otherwise than in the ordinary course of business, have been entered into either verbally or in writing by Hyprop, any of its major subsidiaries or by any subsidiary, or the target group, within two years prior to the last practicable date or concluded at any time, and which contain an obligation or settlement that is material to the company and/or its subsidiaries or the target group as at the last practicable date.

21. MATERIAL CHANGES

Save for the subsequent events and the disposal of Delta City Belgrade, as detailed in **Annexure 8** of this circular, there has been no material change to the financial or trading position of the company between 30 June 2021, being the latest reported period, and the date of this circular.

22. MATERIAL BORROWINGS

22.1 The company's borrowings are not limited by its MOI, however, in terms of the JSE listings requirements, a REIT's total consolidated liabilities may not exceed 60% of its consolidated gross asset value, as reflected in its latest published financial statements or results. Should the 60% threshold be exceeded, the company may lose its REIT status.

22.2 Details of all material loans made to Hyprop and/or to its subsidiaries that are outstanding at the last practicable date, and that will remain outstanding following implementation of the transaction, are set out in **Annexure 9**.

22.3 Following implementation of the transaction, and based on the *pro forma* financial information of the Group set out in **Annexure 6**, the total consolidated liabilities of the Group will increase to R16.5 billion, equivalent to 47% of the GAV, which will increase to R34.8 billion, which is below the 60% of GAV threshold in terms of paragraph 13.49(c)(i) of the JSE Listings Requirements.

23. STATEMENT AS TO WORKING CAPITAL

The directors have considered the effects of the transaction and are of the opinion that the working capital available to the Hyprop group (including the Hystead acquisition properties) is sufficient for the Group's present requirements, that is, for at least the next 12 months from the date of issue of this circular.

24. LITIGATION

There are no legal or arbitration proceedings, including any proceedings that are pending or threatened, of which the board of directors is aware, that may have, or during the 12 months preceding the last practicable date, have had a material effect on the financial position of the Hyprop group (including the target group).

25. RESPONSIBILITY STATEMENT

The directors, whose names are given on page 8 of this circular, collectively and individually accept full responsibility for the accuracy of the information contained in this circular and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made, and that the circular contains all information required by the JSE Listings Requirements.

26. ADVISORS' CONSENTS

26.1 The corporate advisor and sponsor, independent reporting accountant, independent property valuer, legal advisor, company secretary, and transfer secretaries have each consented in writing to act in the capacities stated and to their names appearing in this circular, which consent has not been withdrawn prior to the issue of this circular.

26.2 The independent reporting accountant and independent property valuer have consented to the inclusion of their reports in the circular in the form and context in which they appear, which consents have not been withdrawn prior to the issue of this circular. The independent reporting accountant and independent property valuer have confirmed that the contents of the circular are not contradictory to the information contained in their reports.

27. PRELIMINARY AND ISSUE EXPENSES

The estimated total amount of expenses (excluding VAT) incurred by Hyprop in respect of the transaction within the three years preceding the last practicable date are set out below:

Expense	Recipient	Rands
Corporate advisor and sponsor fees	Java Capital	900 000
Independent reporting accountant's fees	KPMG	5 805 260
Independent property valuer's fees	CBRE	733 544
Legal and due diligence fees	ENS, EY and Atlas	4 321 120
Printing and typesetting costs	Ince	100 000
JSE documentation fees	JSE	50 000
Contingency		450 000
Total		12 359 924

Amounts in Euros have been converted to Rands at an exchange rate of R18.34/Euro

28. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the documents below will be available for inspection at the registered address of the company from the date of issue of this circular up to and including the date of the general meeting. In light of the Covid-19 pandemic and the resultant lockdown regulations, copies of these documents will also be available for inspection electronically and may be obtained from the company by sending a request to transactions@hyprop.co.za.

- 28.1 the MOI of Hyprop and its subsidiaries;
- 28.2 the transaction agreement;
- 28.3 a signed copy of the circular;
- 28.4 the independent valuers' summary valuation report, a copy of which is set out in **Annexure 3**;
- 28.5 the detailed valuation reports in respect of the Hystead acquisition properties;
- 28.6 the material contracts referred to in paragraph 20 and **Annexure 8**;
- 28.7 the signed reports by the independent reporting accountant as set out in **Annexure 5** and **Annexure 7**;
- 28.8 the written consents referred to in paragraph 26;
- 28.9 the property management agreements in respect of City Center One East and City Center One West, referred to in paragraph 13;
- 28.10 the audited consolidated special purpose financial statements of Balkan Retail and the audited special purpose financial statements of SCM Retail as at 30 June 2021, referred to in **Annexure 6**, together with KPMG's audit opinions thereon;
- 28.11 the consolidated and separate audited financial statements of Hyprop for the years ended 30 June 2021, 30 June 2020 and 30 June 2019.

29. DOCUMENTS INCORPORATED BY REFERENCE

The following information has been incorporated in this circular by reference and is available for viewing on the company's website at <https://www.hyprop.co.za/circulars.php>, and is available for inspection at the company's registered office in accordance with the provisions of paragraph 28 above:

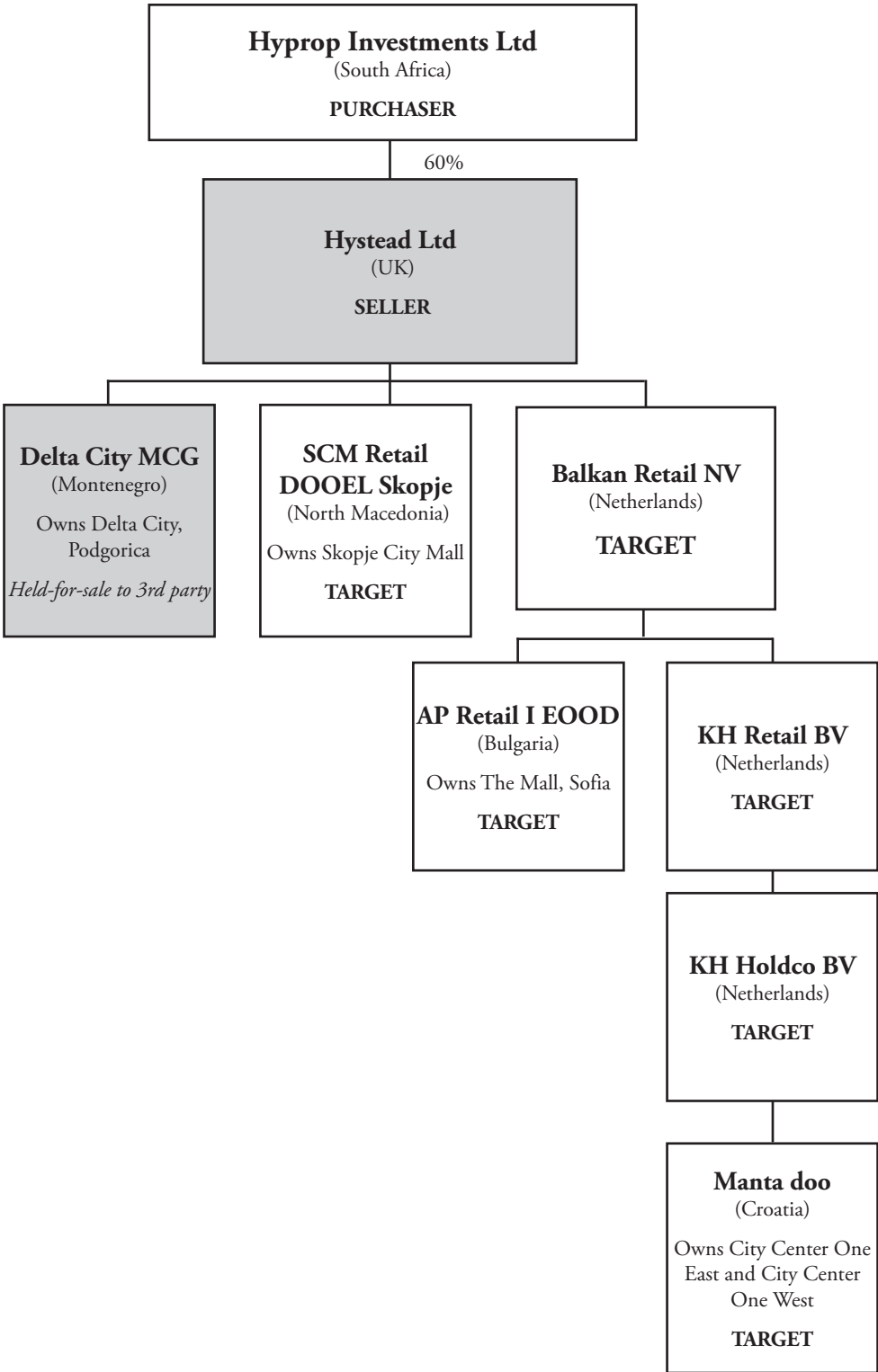
- 29.1 the audited consolidated special purpose financial statements of Balkan Retail and the audited special purpose financial statements of SCM Retail as at 30 June 2021, referred to in **Annexure 6**, together with KPMG's audit opinions thereon.

Signed on behalf of the board of directors

Morné Wilken
Chief Executive Officer

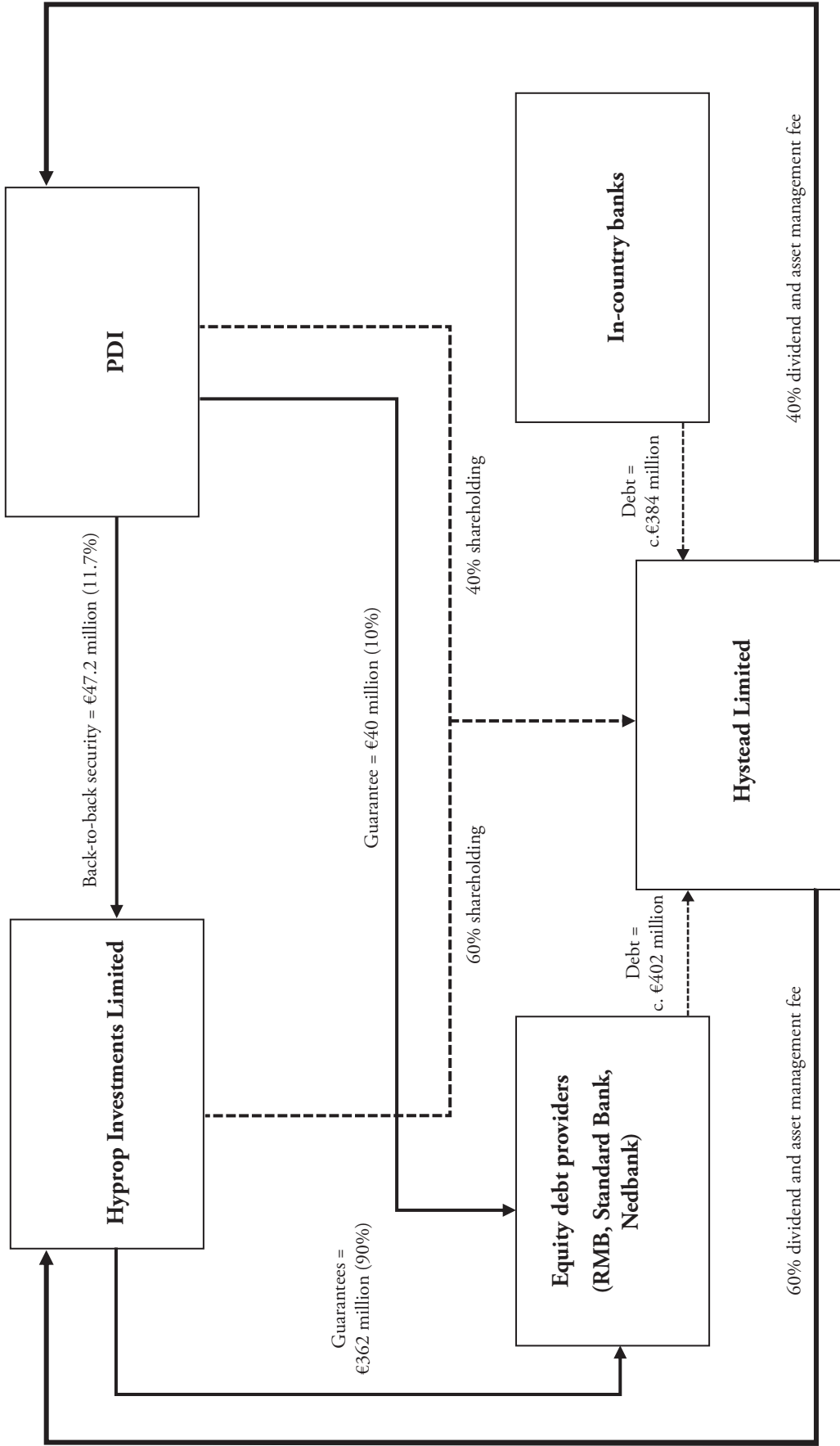
22 February 2022

HYSTEAD GROUP STRUCTURE



- Target Group
- Residual Hystead Property

Guarantee Fee = 60% of the dividend on shareholding not guaranteed by PDI
 (60% x 18.3% = 11%)



DETAILS OF THE HYSTEAD ACQUISITION PROPERTIES

The table below sets out details of the Hystead acquisition properties at 31 October 2021:

No.	Property name	Address	Sector	Lettable area (m ²)	Weighted average monthly rental per square metre (€/m ²)	Effective date of acquisition (by Hystead)	Original purchase price when acquired by Hystead (€)	Valuation ⁽¹⁾ (€)
1.	Skopje City Mall	Ljubljanska Street 4, Skopje, FYRM, Republic of North Macedonia	Retail	36 639	19.33	21 October 2016	91 808 750	91 300 000
2.	City Center One East	Slavonska avenija 11d 10000, Zagreb, Croatia	Retail	48 608	21.48	20 April 2018	315 110 000	148 400 000
3.	City Center One West	Jankomir 33 10000, Zagreb, Croatia	Retail	46 725	21.67	20 April 2018	178 800 000	156 300 000
4.	The Mall	115z Tsarigradsko shose Blvd. Sofia 1784	Retail	61 591	14.65	4 October 2017	178 800 000	179 100 000
				193 563			585 718 750	575 100 000

Notes:

- All of the properties were valued by CBRE as at 31 October 2021.
- The main reason for the difference between the valuations of the Hystead acquisition properties and the prices at which they were acquired by Hystead is the impact of Covid-19 on trading conditions and tenant turnover.

**INDEPENDENT PROPERTY VALUERS' SUMMARY VALUATION REPORT ON THE
HYSTEAD ACQUISITION PROPERTIES**

CBRE d.o.o.

Navigator Business Center
Bulevar Milutina Milankovića 1ž
11000 Belgrade
Serbia

Switchboard +381 11 3180 300

Report Date	(15 February 2022)
Addressee	Hyprop Investments Limited 2nd Floor, Cradock Heights 21 Cradock Avenue Rosebank 2196 Republic of South Africa (hereinafter referred to as “Hyprop” or the “Company”)
The Properties	Four properties located in North Macedonia, Bulgaria and Croatia and part-held by the Company, as listed in the Schedule of Properties set out in Appendix A below.
Property Descriptions	Shopping centres, as further described in Appendix B below.
Ownership Purpose	Investment
Instruction	To value on the basis of Market Value the relevant unencumbered freehold interests in the Properties as at the Valuation Date in accordance with the terms of engagement entered into between CBRE and the Addressee dated 9th November 2021.
Valuation Date	31st October 2021
Capacity of Valuer	External, as defined by the RICS Valuation Global Standards (2020).
Purpose	We understand that our summary valuation report is required for inclusion in a circular (the “Circular”) which is to be published by the Company pursuant to the proposed acquisition by Hyprop Investments Limited of 100% of the shares and shareholder claims in/against Balkan Retail N.V. and SCM Retail Dooel Skopje, which own Skopje City Mall (North Macedonia), City Center One East (Croatia), City Center One West (Croatia) and The Mall of Sofia (Bulgaria) from Hystead Limited. The effective date of valuation is 31st October 2021. In accordance with the RICS Valuation Global Standards (2020) (“Red Book”) we have made certain disclosures in connection with this valuation instruction and our relationship with the Company.
Currency	In accordance with market practice in the relevant countries, we have valued the Properties in Euros (€).

Market Value	<p>EUR575,100,000 (FIVE HUNDRED AND SEVENTY-FIVE MILLION, ONE HUNDRED THOUSAND EUROS), exclusive of purchaser's costs and VAT and as further set out in Appendix A below.</p> <p>Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using DCF approach.</p> <p>We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.</p> <p>For the avoidance of doubt, we have valued the Properties as real estate and the values reported herein represent 100% of the market values of the assets. No account has been taken in reporting these market values of the extent the relevant interests to be acquired in the companies holding the subject Properties.</p> <p>There are no negative values to report.</p> <p>All the properties are freehold-equivalent.</p>
Report Format	<p>Appendix A of this Valuation Report contains the Schedule of Properties and tenures. Appendix B provides the Property Details and Market Values of the Properties. This Valuation Report consists of a total of 28 pages.</p>
Detailed Valuation Reports	<p>This is a condensed (summary) valuation report prepared for inclusion in the Circular. In accordance with the JSE Listings Requirements we have also prepared detailed valuation reports in respect of each property which have been delivered to the Directors of the Company and the JSE.</p> <p>Before making an investment decision, shareholders should review the detailed valuation reports to understand the complexity of the properties and markets, methodology and the many variables involved.</p>
Market Conditions	<p><u>Novel Coronavirus (COVID-19)</u></p> <p>The outbreak of Novel Coronavirus (COVID-19), which was declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, continues to affect economies and real estate markets globally. Nevertheless, as at the valuation date, property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly – and for the avoidance of doubt – our valuation is not reported as being subject to 'material valuation uncertainty', as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.</p> <p>This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, we highlight the importance of the valuation date.</p>
Rental Income	<p>The valuation we have provided reflects the rental income as at the date of valuation, as set out within this report, which you have confirmed to be correct and comprehensive. It also reflects any issues concerning the anticipated cash-flow that you have advised us of, as set out within this report. Given the uncertainties relating to the Covid-19 virus and the current restrictions on business activities, it is possible that there will be significant rental defaults and/or insolvencies leading to voids and a resulting shortfall in rental income. Should this occur, there will be a negative impact on the value of the subject property.</p>

Compliance with Valuation Standards	<p>The valuation has been prepared in accordance with the RICS Valuation – Global Standards (2020) (“Red Book”). The property details on which each valuation is based are as set out in this report.</p> <p>The valuations are compliant with the International Valuation Standards and the JSE Listings Requirements.</p> <p>We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently. Where the knowledge and skill requirements of The Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of The Red Book.</p> <p>This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject property. Other valuers may reach different conclusions as to the value of the subject property. This Valuation is for the sole purpose of providing the intended users with the Valuer’s professional opinion of the value of the subject property as at the valuation date.</p>
Sustainability Considerations	<p>Wherever appropriate, sustainability and environmental matters are an integral part of the valuation approach. ‘Sustainability’ is taken to mean the consideration of such matters as environment and climate change, health and well-being and corporate responsibility that can or do impact on the valuation of an asset. In a valuation context, sustainability encompasses a wide range of physical, social, environmental, and economic factors that can affect value. The range of issues includes key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management, and fiscal considerations – and current and historic land use.</p> <p>Sustainability has an impact on the value of an asset, even if not explicitly recognised. Valuers reflect markets, they do not lead them. Where we recognise the value impacts of sustainability, we are reflecting our understanding of how market participants include sustainability requirements in their bids and the impact on market valuations.</p>
Assumptions	<p>We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below.</p> <p>If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.</p>
Variation from Standard Assumptions	None.
Methodology	<p>We have adopted the Income Approach – Discounted Cash Flow Method (DCF) for all the Properties.</p> <p>DCF was applied due to potential volatile revenues caused by lease expirations and expiry voids, potential market rental changes, rental indexation etc. It is also a market practice in the relevant countries to value shopping centres on the basis of DCF.</p>
Alternative Use	With regard to 13.27 of the JSE Listings Requirements, the Property is a modern, purpose-built shopping centre which is c. 96% let and as such not appropriate for alternative uses.
Market Conditions	<p>The values stated in this report represent our objective opinion of Market Value in accordance with the definition set out above as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.</p> <p>North Macedonia is a less transparent market, with limited comparable evidence due to the limited supply of similar modern assets in the local market. Hence, we have relied on regional benchmark data.</p>
Valuer	The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation – Global Standards (2020).

Independence

The total fees, including the fee for this assignment, earned by CBRE d.o.o. (or other companies forming part of the same group of companies within Serbia) from the Addressee(s) (or other companies forming part of the same group of companies) are less than 5.0% of the total Serbian revenues.

It is not anticipated this situation will vary in the financial year to 31 December 2021.

We confirm that neither CBRE nor the valuers involved have any material interest in the Company or the Properties.

We do not consider that any conflict of interest arises in us preparing this Valuation Report and the Addressee(s) have confirmed to us that they also consider this to be the case.

Disclosure

In accordance with the Red Book we make the following disclosures:

The proposed acquisition by Hyprop Investments Limited of 100% of the shares and shareholder claims in/against Balkan Retail N.V. and SCM Retail Dooel Skopje, which own Skopje City Mall (North Macedonia), City Center One East (Croatia), City Center One West (Croatia) and The Mall of Sofia (Bulgaria) from Hystead Limited.

The valuation work has been performed by Nebojsa Nesovanovic, Head of Valuation Department SEE, Danica Jelaca Vuckovic, Director and Petar Jovanovic, Director in the past 24 months.

We confirm that we had previous involvement on property valuations as follow:

31st December 2021 – financial reporting purpose

- AP Retail I EOOD: The Mall
- Company for Trade and Services SCM Retail DOOEL Skopje: Skopje City Mall
- Manta d.o.o.: Zagreb City Center One East and Zagreb City Center One West

31st December 2021 – secured lending purpose

- AP Retail I EOOD, OTP Bank Nyrt. and DSK Bank EAD: The Mall

30th June 2021 – financial reporting purpose

- AP Retail I EOOD: The Mall
- Company for Trade and Services SCM Retail DOOEL Skopje: Skopje City Mall
- Manta d.o.o.: Zagreb City Center One East and Zagreb City Center One West

31st December 2020 – financial reporting purpose

- AP Retail I EOOD: The Mall
- Company for Trade and Services SCM Retail DOOEL Skopje: Skopje City Mall
- Manta d.o.o.: Zagreb City Center One East and Zagreb City Center One West

31st December 2020 – secured landing purpose

- AP Retail I EOOD, OTP Bank Nyrt. and DSK Bank EAD: The Mall

30th June 2020 – internal purpose

- Hyprop Investments Ltd: The Mall, Skopje City Mall, Zagreb City Center One East and Zagreb City Center One West

31st December 2019 – financial reporting purpose

- AP Retail I EOOD: The Mall
- Company for Trade and Services SCM Retail DOOEL Skopje: Skopje City Mall
- Manta d.o.o.: Zagreb City Center One East and Zagreb City Center One West

31st December 2019 – secured lending purpose

- AP Retail I EOOD, OTP Bank Nyrt. and DSK Bank EAD: The Mall

In our opinion, this previous involvement will not prevent us from exercising the required levels of independence and objectivity for the current instruction. By signing of Terms of engagement, the Company confirmed that they have been informed of our previous involvement, as stated above – and are content that we should proceed with the instruction.

Reliance	<p>This Valuation Report will be relied on by the Company and the Company's shareholders for the specific purpose set out herein and no responsibility is accepted to any third party (other than the Company's shareholders) for the whole or any part of its contents.</p> <p>No reliance may be placed upon the contents of this Valuation Report by any party for any purpose other than in connection with the Purpose of Valuation.</p>
Publication	<p>Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.</p> <p>Before this Valuation Report, or any part thereof, is disclosed orally or otherwise to a third party, CBRE's written approval of the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless where relevant it incorporates the Assumptions referred to herein. For the avoidance of doubt, such approval is required whether or not CBRE is referred to by name and whether or not the contents of our Valuation Report are combined with others.</p> <p>Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors Valuation – Global Standards or the incorporation of any special assumptions referred to herein.</p>

Yours faithfully,
Nebojša Nešovanović MRICS
Senior Director
Head of Valuation Department SEE
RICS Registered Valuer

For and on behalf of

CBRE d.o.o.

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SCOPE OF WORK & SOURCES OF INFORMATION

Sources of Information	<p>We have carried out our work based upon information supplied to us by Hystead limited, which we have assumed to be correct and comprehensive, including the following information:</p> <p><u>Skopje City Mall</u></p> <ul style="list-style-type: none">• Rent roll, dated October 2021;• Template lease agreement;• Lease agreement with Zara, Neptun, Waikiki, Teranova and Ramstore.• Annexes to the lease agreements with Neptun and Ramstore• Possession Deeds number 83566, 43352, 29523, 42744, 43621, 47110 from August 20th, 2021, Cadastral Municipality of Karpos• Possession Deed number 40875 from August 29th, 2021, Cadastral Municipality of Karpos• Net Operating Income for 2019, 2020 and January-September 2021 in Excel Spreadsheet• Rent collected for January – September 2021 in Excel spreadsheet• Number of visitors for period January – September 2018, 2019, 2021 and whole 2020• Shopping Centre turnovers for periods January – September 2019,2021 and whole 2020• Positive technical commission Report for construction of Skopje City Mall on cadastral parcels number 1242/1 and 1255/4• Extract from Plan 1130/2020 for city Quarter Z 0 between Illinded Boulevard, 8th September, Partizanski Odredi and Ljubljanska Street• Financial statements for the year ended on December 31st 2020 with the independent auditor's report. <p><u>The Mall</u></p> <ul style="list-style-type: none">• Tenancy schedule (including hypermarket), dated September 2021;• Land registry record, dated 22nd October 2020;• Turnovers and Turnover rent schedule, dated January – September 2018, 2019, 2020 and 2021;• Overview of revenues, operating costs and NOI calculation, dated January – September 2018, 2019, 2020 and 2021;• Footfall figures, dated January – September 2018, 2019, 2020 and 2021;• Independent Auditor Report of the AP Retail I EOD financial statements, dated 16th March 2021; <p><u>City Center One East</u></p> <ul style="list-style-type: none">• Rent roll, dated September 2021;• January-September 2021 Net Operating Income Information;• Information on reductions of rent due to COVID-19 outbreak;• Invoiced rent for the period Jan-Sep 2021 with inclusion of discounts granted due to COVID-19 outbreak incentives;• Monthly footfall and turnover for period January – September 2021.• Audited financial statements for Manta d.o.o. for the year ended 31 December 2020 <p><u>City Center One West</u></p> <ul style="list-style-type: none">• Rent roll, dated September 2021;• January-September 2021 Net Operating Income Information;• Information on reductions of rent due to COVID-19 outbreak;• Invoiced rent for the period Jan-Sep 2021 with inclusion of discounts granted due to COVID-19 outbreak incentives;• Monthly footfall and turnover for period January – September 2021.• Audited financial statements for Manta d.o.o. for the year end 31 December 2020.
The Properties Inspection	<p>Our report contains a brief summary of the property details on which our valuation has been based. We have inspected the Properties internally and external for the purposes of this valuation instruction, as follows:</p> <p>Skopje City Mall: 2nd November 2021. (Nebojsa Nesovanovic). The Mall: 2nd November 2021. (Slađana Popović MRICS, Director). City Center One East and City Center One West: 3rd November 2021. (Nebojsa Nesovanovic).</p>

Areas	<p>We have not measured the Properties but have relied upon the floor areas provided, which we have assumed to be correct and comprehensive. We have not checked these on site.</p> <p>All areas quoted in this Valuation Report are approximate. Unless advised specifically to the contrary, we have made the Assumption that net leasable areas supplied to us have been calculated in accordance with local practice as appropriate.</p> <p>Skopje City Mall</p> <p>For Skopje City Mall, we have relied upon the gross internal floor areas given in the Excel file for which we are informed are extracted from geodetic Elaborate submitted to Cadastre of Republic of N. Macedonia. Leasable areas were provided in Excel Tenancy Schedule document.</p> <p>We are informed by Shopping centre manager that Gross Building areas are reported in line with The Law on survey and real estate cadastre of Republic of North Macedonia.</p> <p>The Mall</p> <p>We have relied upon the floor areas given in the Notary Deed No. 76 of the The Mall provided, given in the rent rolls provided for The Mall which shopping centre manager advise us are correct and comprehensive.</p> <p>City Center One East and City Center One West</p> <p>As instructed, we have relied upon net and gross leasable areas provided to us by the Neda Buljevic Vlacic, Managing Director of CC Real the property manager of City Center One East and City Center One West, which we assume have been calculated using the methodology measurements in line with the market practice in Croatia. Lettable areas were provided in the Tenancy Schedules listed above.</p>
Environmental Matters	<p>We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination.</p> <p>We have not carried out any investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.</p>
Repair and Condition	<p>We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.</p>
Town Planning	<p>For Skopje City Mall planning was checked through the online General Urban Plan Skopje 2022. We were also provided with an extract from the Detailed Urban Plan for cadastral parcel no 1242/1, zone 1.5 and with the construction permit for construction of the shopping center positioned on cadastral plots No 1242/1 and 1255/4, cadastral municipality Karpos, Skopje from July 15, 2010 and have assumed that the property complies with planning regulations; however, we would advise this information should be verified by Technical and Legal Due Diligence.</p> <p>For The Mall town planning was checked through the on-line planning platform iSofMap. In addition, the building has been registered as a shopping center and hypermarket in the Notary Deed.</p> <p>For the Zagreb properties, we checked the relevant planning documents. In addition, the properties have valid occupancy permits resulting in the conclusion that the properties were constructed in line with the relevant planning framework.</p>
Titles, Tenures and Lettings	<p>Details of title/tenure under which the Properties are held and of lettings to which they are subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.</p> <p>We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.</p>

Options or Benefit/
Detriment of contractual
arrangements

With reference to 13.23 (h) of the JSE Listing Requirements, since no information to the contrary has been provided, we have assumed that there are no contractual arrangements on the properties (including any options) other than the leases which have a major benefit or are detrimental to the fundamental value base of the properties/details of options to purchase etc.

Other Matters – JSE Listings
Requirements

With reference to the following JSE Listings Requirements:

13.23 (a) (ii) “registered description” does not apply to properties in Bulgaria, Croatia and North Macedonia.

13.23 (a) (vii):
Regarding town planning, see above.
We refer you to “Title, Tenure, Planning and Lettings” (b) – (e) below.
No “conditions of establishment” pertain in Bulgaria, Croatia and North Macedonia.

13.23 (f) (iii): the rental reports and indexes stated therein do not apply to Bulgaria, Croatia and North Macedonia.

VALUATION ASSUMPTIONS

Introduction	<p>An Assumption is defined in the Red Book Glossary and VPS 4 to be a “supposition taken to be true” (an “Assumption”).</p> <p>Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that it has been agreed need not be verified by the valuer as part of the valuation process. Assumptions are made when it is reasonable for the valuer to accept that something is true without the need for specific investigation.</p> <p>The Company has confirmed and we confirm that our Assumptions are correct as far as the Company and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The principal Assumptions which we have made are stated within this Valuation Report.</p> <p>For the avoidance of doubt, the Assumptions made do not affect compliance with the approach to Market Value under the Red Book.</p>
Capital Values	<p>Each valuation has been prepared on the basis of “Market Value”, which is defined as: “The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.</p> <p>The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.</p> <p>No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.</p> <p>No account has been taken of the availability or otherwise of capital based Government or other grants.</p>
Taxation, Costs and Realisation Costs	<p>As stated above, no allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal.</p>
VAT	<p>Our valuations reflect purchasers’ statutory and other normal acquisition costs.</p> <p>We have not been advised whether the properties are elected for VAT.</p>
Passing Rent	<p>All rents and capital values stated in this report are exclusive of VAT.</p> <p>Passing rents quoted in this report are the rents which are currently payable under the terms of the leases. Passing rents exclude service charges and VAT and are prior to deduction of any non-recoverable costs. Passing rents exclude turnover rents, mall incomes and other miscellaneous incomes.</p>
Net Annual Rent	<p>Net annual rent is defined for the purposes of this transaction as “the current income or income estimated by the valuer:</p> <ul style="list-style-type: none">(i) ignoring any special receipts or deduction arising from the property;(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and(iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent”.
Estimated Net Annual Rental Value	<p>The estimated net annual rental value is based on the current rental value of each of the Properties. The rental value reflects the terms of the leases where the Properties, or parts thereof, are let at the date of valuation. Where the Properties, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent we consider would be obtainable on an open market letting as at the date of valuation.</p>
Rental Values	<p>Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes nor do they necessarily accord with the definition of Market Rent.</p>
Lease Expiries	<p>Fixed-term leases frequently incorporate either tenants’ options to extend or tenants’ break clauses; other leases are rolling to indeterminate, subject to stated notice periods. For the purposes of our valuations, we have made assumptions as to appropriate presumed expiry dates.</p>
The Properties	<p>Any weighted average unexpired terms indicated in our Valuation report reflect these assumptions.</p> <p>Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.</p>

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations. Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

Environmental Matters

In the absence of any information to the contrary, we have assumed that:

- (a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;
- (b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.
- (c) the Property is either not subject to flooding risk or, if it is, that sufficient flood defences are in place and that appropriate building insurance could be obtained at a cost that would not materially affect the capital value.
- (d) that invasive species such as Japanese Knotweed are not present on the Properties.

High voltage electrical supply equipment may exist within, or in close proximity of, the Property. There may be a risk, in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the property. Our valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this equipment.

Energy Performance

We have assumed that the Properties possess or will possess current Energy Performance Certificates as required under Government Directives.

Certificates

Repair and Condition

In the absence of any information to the contrary, we have assumed that:

- (a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the property;
- (b) the Properties are free from rot, infestation, structural or latent defect;
- (c) no currently known deleterious or hazardous materials or suspect techniques, including but not limited to Composite Panelling, have been used in the construction of, or subsequent alterations or additions to, the Properties; and
- (d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advice upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

Title, Tenure, Planning and

Lettings

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

- (a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- (b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;
- (c) the Properties are not adversely affected by town planning or road proposals;
- (d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;
- (e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the relevant disability discrimination legislation;
- (f) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (g) tenants will meet their obligations under their leases;
- (h) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- (i) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- (j) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

Appendix A: Schedule of Properties

Country	Property Name	Address	Tenure and Land Registry Details
North Macedonia	Skopje City Mall	Partizanski Odredi Boulevard, Skopje, North Macedonia	Freehold Possession Deed numbers 83566, 43352, 29523, 42744, 43621, 40875 and 47110 (cadastral parcels 1255/4, 1242/4, 1242/1, 1233/2, 1257, 1227/2, 1233/3, 1225/3, 1225/7 and 1225/2) (Cadastral Municipality of Karpos)
Bulgaria	The Mall	115 z Tsarigradsko Shosse Blvd., Sofia, Bulgaria	Freehold Notary Deed No. 76, volume I, register No. 1162, case No. 70 from 2008 Notary Deed No. 138, Vol. I, reg. No. 2015, case No. 128/2018, dated 29th June 2018 Extract from the Land registry records, dated 22nd October 2020
Croatia	City Center One East	Slavonska avenija 11d, Zagreb, Croatia	Freehold 298, 309, 311, 474, 1865, 4941, 24190, 24586 and 109299 Cadastral Municipality Resnik
Croatia	City Center One West	Jankomir 33, Zagreb, Croatia	Freehold Ownership document number 22823 and 142A, Cadastral Municipality Jankomir

Appendix B: Properties Details

Property Details: Properties held for Investment

Property Address	Location, Description, Age, Tenure and Town Planning	Tenancies	Key Valuation Assumptions	Passing Rent Per Annum	Market Rent Per Annum / Rates	Market Value (100%)
Skopje City Mall, Partizanski Odredi Boulevard, Skopje, North Macedonia	<p>The subject property is c. 3.5 km from the centre of Skopje (population c. 580,000 inhabitants), the capital of North Macedonia, in Karpos Municipality. It is in a residential neighbourhood with a catchment population of c. 371,000 within 15 minutes' driving radius and 1,028,000 in 60 minutes driving radius. The subject property can easily be accessed through Manapo and Ljubljanska Street. Also, the property is positioned along Partizanskih Odreda street which is one of the most important traffic routes in the city connecting the property with the city centre.</p> <p>The shopping centre, which dates from 2012, has a gross building area underground and above ground of 88,216 sq. m and a total lettable area of 36,639 sq. m (excluding terraces and storage), with 135 retail units and 991 parking spaces, on a site totalling 31,156 sq. m. Accommodation is arranged on basement, ground, 2 upper levels and 2 mezzanine floors. The centre is predominantly fashion-orientated; fashion stores and a Ramstore supermarket are on ground level, and other retail units are on 1st floor. Leisure, with a cinema, bowling, children's playground and food court, is on the second level.</p> <p>The centre marked increase in footfall of c. 25 % in January-September 2021 period compared to 2020 (3,898,000 visitors in Jan – Sept 2020 compared to 4,869,000 visitors in 2021).</p>	<p>c. 100% let, including 5 future leases (handover expected January 2022 latest).</p> <p>WAULT 4 years 4 months by area and 4 years 2 months by rent.</p> <p>The five largest anchor tenants are Ramstore supermarket (8.23 % by area / 3.8% by rent/ lease expiry February 2026)</p> <p>Reserved (4.73 % by area/ 4.57 % by rent/lease expiry/lease expiry May 2026), Terranova, (4.04 % by area / 3.2% by rent/ expiry date July 2025), Zara (5.98% by area / 3.8% by rent/expiry date October 2027), Cineplexx (7.18% by area / 2.84% by rent/expiry date October 2022).</p>	<p>Rent indexation (where applicable): relevant Oxford Economics forecast for HICP adopted.</p> <p>Vacancy / reletting: structural vacancy of 1.5%</p> <p>Expiry voids of 1 month, void costs of 7 EUR/sq. m on vacant space and letting fees of 1 month's rent.</p> <p>Initial CAPEX of 1,000,000 EUR in year 1 and 1% from total revenues capital maintenance per annum.</p> <p>Additional income assumed:</p> <p>Turnover rent–360,000 EUR per annum in year 1 stabilizing at 600,000 EUR in year 2.</p> <p>Parking income 375,000 EUR p.a. in year 1 stabilizing at 360,000 EUR p.a. in year 2</p> <p>Kiosks: Year 1 c. 348,000 EUR pa, reducing 275,000 EUR in year 2 due to upcoming competition.</p> <p>Miscellaneous incomes including indoor advertising banners, promotions etc.: 216,000 EUR p.a. in year 1, stabilizing in 2nd year to 252,000 EUR per annum.</p>	<p>8,319,000 EUR pa excluding additional revenues</p> <p>(Ranging from 7 EUR/sq. m per month to 32 EUR/sq. m per month)</p>	<p>7,729,000 EUR pa excluding additional revenues</p>	<p>91,300,000 EUR excluding VAT and transaction costs</p>

Property Address	Location, Description, Age, Tenure and Town Planning	Tenancies	Key Valuation Assumptions	Passing Rent Per Annum	Market Rent Per Annum / Rates	Market Value (100%)
	<p>Total turnover in January-September 2021 comprised c. 70,620,000 EUR, marking 6 % increase compared to same period in 2019. Compared to 2020, reported turnovers have increased c. 52 %.</p> <p>The subject property is held freehold on behalf of SCM Retail DOOEL Skopje.</p> <p>There is a mortgage registered over cadastral plot no 1233/2, 1257/7, 1242/1, 1227/2, 1233 /3, 1225/3, 1255/7, 1242/4, 1255/4 and 1225/2 and leases registered as encumbrances over shopping centre/plot no 1242/1.</p> <p>According to the General Urban Plan Skopje 2022, the subject property is located in zone M designated for mixed use and, in an extract from Detailed Urban Plan for cadastral parcel no 1242/1, zone 1.5 designated for construction of large shopping centres, with allowable maximum above ground area of 76,398 sq. m.</p> <p>Size and numeration of plots in ownership documents does not correspond to one in initial construction permit. We assumed that parcelling was completed from the date of issuance of construction permit and areas of plots correspond to ones reported in ownership documents.</p> <p>There are discrepancies between plot numbers and sizes in the ownership documents, construction permit and cadastral plans. We have assumed that the land has been re-parcelled and that the details in the ownership documents are correct</p>		<p>Storage: 87,600 EUR per annum.</p> <p>ATM revenues: c. 49,000 EUR per annum.</p> <p>Non-recoverable expenses: 1 EUR/sq. m of lettable area, vacancy losses as above, and other non-recoverable expenses at 5% of rental revenue.</p> <p>Covid discounts:</p> <p>Assumed 420,000 EUR pa in Year 1.</p> <p>Exit yield: 9.5 % and discount rate of 10.25%, reflecting condition and age of the property and anticipated cash flows.</p>			

Property Address	Location, Description, Age, Tenure and Town Planning	Tenancies	Key Valuation Assumptions	Passing Rent Per Annum	Market Rent Per Annum / Rates	Market Value (100%)
The Mall 115 z Tsarigradsko Shosse Blvd., Sofia, Bulgaria	<p>The subject property is 6.6 km from the centre of Sofia (population c. 7.36 million), the capital of Bulgaria, in Mladost district. It is in a medium-income residential neighbourhood with a catchment population of c. 1.28 million within 30-minutes' driving distance. The property has very good accessibility through Tsarigradsko Shosse which is one of the main and major traffic routes in Sofia</p> <p>The shopping centre, which dates from 2010, has a gross building area of 135,925 sq. m, with a GLA of 61,591 sq. m, with 244 retail units and 2,703 parking spaces, on a site totalling 53,697 sq. m.</p> <p>Accommodation is arranged on three underground levels, ground and 2 upper levels. The centre is predominantly fashion-orientated; fashion stores and a Billa supermarket are on ground level. Leisure, with a cinema, bowling, children's playground and food court, is on the second level.</p> <p>Prior to the Covid crisis the property had recorded increasing footfall; footfall has begun to recover, but has not reached pre-Covid levels. Revenues, turnovers and NOI show a similar pattern.</p> <p>The subject property is held freehold.</p> <p>Based on the Notary Deed No. 76 there is a registered right to build a multifunctional centre on plots with total site area of 53,697 sq. m.</p> <p>Based on the information from the on-line Cadastre (iSofMap) the subject property is situated within the mixed multifunctional zone (Smf) designated for the development of office, retail centres, multifunctional halls, sports venues etc.</p>	<p>c. 96% let</p> <p>WAULT 3 years 3 months by area and 3 years 3 months by rent.</p> <p>Anchor tenants are Billa supermarket (3.98% of area, 31,934 EUR per month, WAULT of 4 years and 7 months unexpired term), P&C (5.96% of area, 36,726 EUR per month and WAULT of 3 years and 5 months), Reserved (2.88% of area, 28,479 EUR per month and WAULT of 8 years), Zara (2.73% of area, 26,684 EUR per month and WAULT of 3 years and 8 months), Arena (6.18% of area, 25,326 EUR per month and WAULT of 8 years and 5 months)</p>	<p>Most of the rents have been indexed according to Eurozone CPI.</p> <p>Structural vacancy of 1.5%.</p> <p>Expiry voids of 1 – 2 months.</p> <p>Void costs of 9.0 EUR / sq. m on vacant areas;</p> <p>Assumed average lease term for new leases 5 years.</p> <p>Additional Income assumed:</p> <p>Covid discounts: 50,000 EUR per month by June 2022, excluding TO only paying tenants prior to these incentives been approved to these additional tenants.</p> <p>Kiosks: 500,000 EUR in year 1, increasing to 650,000 EUR in year 3.</p> <p>Other income: 800,000 EUR in year 1, increasing to 1.4 million EUR in year 4</p> <p>Turnover rent: as prepayments by tenants have been above actual turnover rent we have deducted</p> <p>Non-recoverable costs:</p> <p>Service charge shortfall of 1.7 million EUR in years 1 and 2 and 1.6 million EUR per annum thereafter;</p> <p>Other non-recoverable of 1.0% of rental income;</p>	<p>12,327,946 EUR pa excluding additional revenues</p> <p>(Ranging from 11 EUR/sq. m per month to 45 EUR/sq. m per month)</p>	<p>14,609,825 EUR pa excluding additional revenues</p> <p>(Ranging from 11 EUR/sq. m per month to 45 EUR/sq. m per month)</p>	<p>179,100,000 EUR excluding VAT and transaction costs</p>

Property Address	Location, Description, Age, Tenure and Town Planning	Tenancies	Key Valuation Assumptions	Passing Rent Per Annum	Market Rent Per Annum / Rates	Market Value (100%)
City Center One East Slavonska avenija 11d, Zagreb, Croatia	<p>City Center One East is situated in the north-east part of Zagreb, along Slavonska Avenue. The immediate surrounding areas include industrial buildings, commercial buildings, an undeveloped site and residential neighbourhoods. The surroundings are primarily industrial and include middle-income residents. City Center One East is located around 10 km to the east of the city centre.</p> <p>The subject property is situated on 10 cadastral parcels in the Cadastral Municipality Resnik, Zagreb with a total area of 78,929 sq. m. The property is held freehold.</p> <p>The subject property comprises a modern style shopping centre on three levels (UG+GF+1). The property was opened in 2012. The total NLA of the property is approximately 48,607 sq. m, of which 47,176 is retail space and the remaining part is office and storage space.</p> <p>According to the General Plan of Zagreb the subject property is located in the zone designated for trade activities – shopping centres K2 and the urbanity conditions 2.10.</p>	<p>The retail vacancy rate is 0.1%.</p> <p>The five largest tenants are: Interspar at 6,241 sq. m or 13% of total GLA Peek&Cloppenburg at 3,567 sq. m or 7% of total GLA Cineplex at 2,854 or 6% of total GLA Muller at 2,629 sq. m or 5% of total GLA H&M at 2,423 sq. m or 5% of total GLA</p>	<p>Rents are indexed at the HICP index based on the Oxford Economics forecast.</p> <p>Temporary leases: 800,000 EUR per annum, indexed at Eurozone HICP;</p> <p>Expiry void of 3 months for storage and office units, for small retail units up to 200 sq. m., initial void of 6 months for vacant storage units.</p> <p>Average lease term for new leases of 5 years, indexation of market rents according to Eurozone HICP.</p> <p>Sinking Fund contribution of 3% of rental revenue in the first two years and 1% of rental revenue following this period.</p> <p>Tenant Improvement costs of EUR 25 per sq. m of area for the hypermarket and EUR 75 per sq. m for tenants above 500 sq. m of area.</p> <p>Leasing commissions of 1 month's rent for all tenants apart from anchor tenants (tenants with area above 1,000 sq. m and the Inditex group brands).</p> <p>Vacancy cost of 8 EUR per sq. m of vacant area monthly;</p> <p>Maintenance cost of 1 EUR per sq. m of rentable area annually;</p> <p>Management costs of 2.5% of rental income;</p> <p>Other non-recoverable costs of 2.0% of rental income;</p> <p>The total amount of discounts applied is EUR 400,000.</p> <p>Exit yield of 7.25% and discount rate of 8.25%.</p>	<p>10,437,792 EUR pa excluding additional revenues</p>	<p>10,163,783 EUR pa excluding additional revenues</p>	<p>EUR 148,400,000 excluding VAT and transaction costs</p>

Property Address	Location, Description, Age, Tenure and Town Planning	Tenancies	Key Valuation Assumptions	Passing Rent Per Annum	Market Rent Per Annum / Rates	Market Value (100%)
City Center One West Jankomir 33, Zagreb, Croatia	City Center One West is situated in the north-western part of Zagreb, along Ljubljanska Avenue. The immediate surrounding areas include residential buildings, commercial buildings, industrial buildings, a development site and the Jankomir commercial area. The surrounding area is a high-income neighbourhood. The subject property is situated on the cadastral parcels number 18/4, with the total area of 74,730 sq. m, and 18/149 with the total area of 126 sq. m. The property is held freehold. City Center One West is located around 10 km to the east of the city centre. The subject property comprises a modern style shopping centre improved on three levels (UG+GF+1). The property was opened in 2006 and refurbished and extended in 2009 and further refurbished in 2015. The total NLA of the property comprises approximately 46,725 sq. m, of which 42,282 sq. m relates to retail space and the remaining part is office and storage space. According to the General Plan of Zagreb the subject property is located in the zone designated for trade activities – shopping centres K2 and the urbanity conditions 2.10.	The retail vacancy rate is 0.9%. The five largest tenants are: Interspar at 7,288 sq. m or 15.6% of total GLA, Peek&Cloppenburg 3,390 sq. m or 7.3% of total GLA, C&A at 2,671 sq. m or 5.7% of total GLA Zara at 2,618 sq. m or 5.6% of total GLA H&M at 2,071 sq. m or 4.4% of total GLA	Rents are indexed at the HICP index based on the Oxford Economics forecast. Temporary leases: 900,000 EUR per annum, indexed at Eurozone HICP; Expiry void of 3 month for storage and office units and 1 month for retail units smaller than 200 sq. m., 9-month initial void for currently vacant storage units. Indexation of market rents according to Eurozone HICP. Vacancy cost of 8 EUR per sq. m of vacant area; Maintenance cost of 1 EUR per sq. m of rentable area; Management costs of 3.0% of rental income; Other non-recoverable costs of 1.0% of rental income; The total covid-related discount is EUR 400,000 euros for Year 1. Sinking Fund contribution of 3% of rental revenue in the first three years and 1% in the following years. Tenant Improvement costs of EUR 25 per sq. m of area for the hypermarket and EUR 75 per sq. m for tenants above 500 sq. m of area. Leasing commissions of 1 month's rent for all tenants apart from anchor tenants (tenants with area above 1,000 sq. m and the Inditex group brands). Exit yield of 7.25% and discount rate of 8.25%.	The annual passing rent comprises 10,613,252 EUR excluding additional revenues	The annual market rent comprises 10,902,335 EUR excluding additional revenues	EUR 156,300,000 excluding VAT and transaction costs

FORECAST STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE TARGET GROUP AND THE TRANSACTION

Set out below are the forecast statements of profit or loss and other comprehensive income of the target group, and the impact on the Group (the “**Forecasts**”), on a stand-alone basis for the 3-months ending 30 June 2022 (the “**FY22 Forecast period**”) and the year ending 30 June 2023 (the “**FY23 Forecast period**”) (and collectively, the “**Forecast periods**”).

The Forecasts, including the assumptions on which they are based, are the responsibility of the Hyprop board. The Forecasts must be read in conjunction with the Independent Reporting Accountant’s report thereon which is attached as **Annexure 5**.

The Forecasts have been prepared:

- in relation to the transaction only;
- in accordance with Hyprop’s accounting policies and in compliance with IFRS;
- in accordance with paragraphs 13.12 and 13.14 of the JSE Listings Requirements; and
- on the basis of the overriding assumption that the conditions precedent specified in the transaction agreement will have been met by the effective date, being 31 March 2022, and therefore, the risks and rewards of ownership will transfer to Hyprop on this date. As a result, Hyprop will be able to recognise 100% of the income and expenditure from the target group companies from 1 April 2022.

The forecasts for the 3-months ending 30 June 2022 and the year ending 30 June 2023 are set out below.

	Forecast 3 months ending 30 June 2022 EUR’000	Forecast 12 months ending 30 June 2023 EUR’000	Forecast 3 months ending 30 June 2022 R’000³	Forecast 12 months ending 30 June 2023 R’000³
Revenue	15 993	65 708	293 298	1 225 661
Rental and other lease income	12 469	51 194	228 666	954 937
Straight-line rental income accrual	(123)	(181)	(2 255)	(3 382)
Non-lease income	264	1 146	4 842	21 377
Recoveries	3 383	13 549	62 045	252 729
Changes in expected credit losses – trade receivables	(74)	(278)	(1 351)	(5 179)
Property expenses	(6 505)	(26 548)	(119 300)	(495 211)
Net property income	9 414	38 882	172 647	725 271
Other operating expenses ¹	(761)	(2 967)	(13 955)	(55 338)
Operating income	8 653	35 915	158 692	669 933
Net interest	(2 771)	(10 922)	(50 823)	(203 724)
Profit before taxation	5 882	24 993	107 869	466 209
Taxation	(567)	(2 558)	(10 396)	(47 718)
Profit for the period/year	5 315	22 435	97 473	418 491
Other comprehensive (loss)/income				
Items that may be reclassified subsequently to profit or loss (net of taxation)	–	–	–	–
Total comprehensive profit for the period/year	5 315	22 435	97 473	418 491

	Forecast 3 months ending 30 June 2022 EUR'000	Forecast 12 months ending 30 June 2023 EUR'000	Forecast 3 months ending 30 June 2022 R'000 ³	Forecast 12 months ending 30 June 2023 R'000 ³
Total comprehensive profit for the period/year	5 315	22 435	97 473	418 491
Incremental interest cost for the Group			(30 530)	(122 118)
Other incremental Group costs ²			(17 027)	(6 382)
Profit and total comprehensive income for the period/year for the Group from the transaction			49 916	289 991
<i>Adjusted for:</i>				
Straight-line rental income accrual			2 255	3 385
Distributable earnings for the period/year for the Group from the transaction			52 171	293 376
Net number of ordinary shares in issue			341 827 759	341 827 759
Distributable earnings per share for the Group from the transaction (cents)			15.26	85.83

1. *Other operating expenses include asset management fees of €527k (R9.7 million) (June 2022) and €2 108k (R39.3 million) (June 2023) which will ultimately be paid to Hyprop.*
2. *Incremental Group costs for the 3 months ending 30 June 2022 include the transaction costs of R12.4 million.*
3. *Euro amounts have been converted to Rands at an exchange rate of R18.34/Euro (June 2022) and R18.65/Euro (June 2023) (based on independent forecast rates).*

A. Basis of preparation

The Forecasts have been prepared:

- having regard to the following financial and other information in respect of each of the Hystead acquisition properties:
 - Rent rolls at 30 September 2021;
 - Historical vacancies, tenancy turnover, and bad debt history;
 - Historical void periods (period between a tenant vacating a unit and it being re-tenanted);
 - Tenancy schedules, historical performance metrics and future outlook;
 - Budgets for the years ending 31 December 2022 and 2023;
- utilising the following financial and other information in respect of each of the target group companies:
 - The annual financial statements for the year ended 31 December 2020;
 - Historical tax calculations;
- utilising the following additional information:
 - The consolidation journals for the Balkan Retail Group;
 - The sale agreement; and
 - Current market and economic conditions applicable to each of the countries in which the Hystead acquisition properties operate;
- drawing on the Directors', asset managers' and property management teams' knowledge and experience of the retail property industry, the countries in which the Hystead acquisition properties are located, and the Hystead acquisition properties.

B. Assumptions that are under the control of the Hyprop board relating to the target group

1. Rental revenue

Rental revenue has been forecast for each of the Hystead acquisition properties based on existing and new individual leases, contractual rental indexations and step rental adjustments, and assumptions of future occupancy rates, tenant retentions, market rentals and the impact of new competitors in certain of the markets.

(a) ***Categorisation of rental revenue***

Forecast rental revenue comprises 77% and 78% of the total forecast revenue for the FY22 Forecast period and the FY23 Forecast period, respectively, and non-rental revenue comprises 23% and 22% of the total forecast revenue for the FY22 Forecast period and the FY23 Forecast period, respectively.

The forecast rental revenue is categorised as contracted, near-contracted or uncontracted, as follows:

	FY22 Forecast period	FY23 Forecast period
	(%)	(%)
Contracted	85.7	77.2
Near-contracted	2.7	8.3
Uncontracted	11.6	14.5
Total	100	100

i. Contracted rental revenue

Contracted rental revenue comprises rental revenue on legally binding lease agreements that will be in place during the Forecast periods. Rental revenue has been forecast based on the terms of the leases.

ii. Near-contracted rental revenue

Near-contracted rental revenue comprises rental revenue on legally binding lease agreements that will expire during the Forecast periods and which are reasonably expected to be renewed, taking into consideration the location of the property, the historical occupancy by the tenant and the tenant's profile, unless the lessee has indicated an intention to terminate the lease. Renewal rentals have been forecast based on current market rates. Rental revenue is classified as near contracted rental revenue from the date of expiry/renewal of the lease.

iii. Uncontracted rental revenue

Uncontracted rental revenue relates mainly to rental revenue which will arise from filling existing vacancies and vacancies which may arise due to the non-renewal of lease agreements which expire during the forecast period, for which no replacement tenant has been identified. Uncontracted rental revenue is forecast after allowing for an appropriate void period.

(b) ***Lease expiries, reletting, vacancies and tenant incentives***

Specific assumptions have been made in respect of each lease over the Forecast periods, for each of the Hystead acquisition properties.

- Reletting and lease incentives for expiring leases during the Forecast periods have been assumed on a property-by-property basis, taking into consideration existing lease agreements and draft terms being negotiated with potential tenants (including existing tenants);
- an assessment of the impact of the Covid-19 pandemic on tenant renewal and lease periods; and
- available information on the relevant tenancy, such as current passing rent, market rent, property, locality, and discussions with tenants and potential tenants.

Vacancies have been forecast on a property-by-property basis. Current vacant space has been assumed to remain vacant unless it is deemed probable that such space will be let, in which case the rental is forecast at prevailing market rates.

The forecast tenant profile, vacancy profile, and lease expiry profile of the Hystead acquisition properties used to prepare the Forecasts are set out below:

Tenant profile

	FY22 Forecast period	
	Based on GLA	Based on gross rentals
A	61%	45%
B	31%	43%
C	8%	12%
Total	100.0%	100.0%

	FY23 Forecast period	
	Based on GLA	Based on gross rentals
A	61%	45%
B	31%	43%
C	8%	12%
Total	100.0%	100.0%

For the tenant profile table, the following key is applicable:

- A. Large international and national tenants, large listed tenants, government and major franchisees. These include, inter alia, Inditex brands, Peek&Cloppenburg, LPP brands, Cineplexx, Arena, Ramstore, Interspar, Billa and Technopolis
- B. National tenants, listed tenants, franchisees and medium to large professional firms. These include, inter alia, Intersport, Orange, Sephora, Fashion & Friends, Max & Co, Elipso, Baby Center, Sportina and OVS.
- C. Other local tenants and sole proprietors: comprising 178 tenants

Vacancy profile

	FY22 Forecast period	
	Based on GLA	Based on gross rentals
Vacant	0.3%	–
Occupied	99.7%	100%
Total	100.0%	100%

	FY23 Forecast period	
	Based on GLA	Based on gross rentals
Vacant	0.3%	–
Occupied	99.7%	100%
Total	100.0%	100%

Lease expiry profile

	Forecast Periods	
	Total GLA	Total gross rentals
Vacant	0.7%	0.2%
Monthly	0.0%	0.0%
30 June 2022	4.8%	4.2%
30 June 2023	14.9%	8.3%
After 30 June 2023	79.6%	87.3%
Total	100.0%	100.0%

(c) ***Indexation and Turnover rentals***

- i. 82% of the forecast contracted rental revenue is subject to contractual indexation, at an estimated weighted average rate of 2%.
- ii. 18% of leases do not have fixed contractual indexation. For these leases assumptions on annual escalations were based on current negotiations with tenants, prevailing market conditions and rental rates in the relevant markets, as well as management's experience. Escalation rates applied range between 1.05% and 1.38%.
- iii. Assumptions have also been made on the potential impact on tenant turnover and related turnover rental income of the proposed reduction in Sunday trading hours in Croatia from January 2022.

(d) ***Straight-line rental income accrual***

A straight-line rental income accrual is provided in relation to future fixed rental increases to ensure total rental revenue has been recognised on a straight-line basis over the lease term in accordance with IFRS. The straight-line rental income accrual incorporates the impact of agreed rent abatements associated with Covid-19.

(e) ***Impact of Covid-19***

The impact of the Covid-19 pandemic in the medium to long term is uncertain.

Based on the current economic impact of Covid-19, an assessment was undertaken to determine the possible impact of Covid-19 on the rental revenue for each of the Hystead acquisition properties during the Forecast periods, including:

- Forecast revenue incorporates existing arrangements (including rental relief, rental deferrals and lease extensions) agreed with tenants;
- An assessment of tenant's specific circumstances and overlaying market factors, including the current Covid-19 related restrictions in place in the jurisdictions in which the Hystead acquisition properties are located;
- Assumptions were applied to provide for potential additional rental support for tenants over the Forecast periods. The assumptions were determined with reference to the different circumstances in each of the jurisdictions in which the Hystead acquisition properties operate. Assumptions relating to lease agreement expiries and vacancies were also adjusted to factor in a reduced probability of tenant retention, longer void periods and lower net effective rentals as a result of Covid-19;
- An assumption that there will be no extended or hard lockdowns due to Covid-19 in the jurisdictions in which the Hystead acquisition properties are located, and consequently, no allowance has been made in the Forecasts for additional rent relief and/or deferrals which may be granted to tenants in such circumstances.

(f) ***Assessment of tenancy issues***

As at the date of this Circular, the Hyprop board believes there is no information to indicate any additional tenancy issues not factored into the Forecast that would materially impact the forecast rental revenue.

2. **Non-rental income and recoveries**

(a) ***Non-rental income***

Non-rental income comprises mainly revenue from parking, marketing and exhibitions and has been forecast:

- on a property-by-property basis;
- having regard to the historic level of non-rental income;
- based on the rates at which non-rental income is charged; and
- based on managements' estimates of foot counts and marketing and exhibition activity during the Forecast periods.

(b) ***Service charge recoveries***

Service charge recoveries relate to expenses which are recoverable from tenants as outlined in each lease agreement (refer to property expenses section below). Service charge recoveries have been forecast:

- on a property-by-property basis;
- having regard to the recoverable outgoings/expenses;
- based on the terms of existing leases relating to service charges/recoveries; and
- taking into account historic recovery ratios.

3. **Property expenses**

Property expenses comprise all property related expenses, including those that are recoverable from tenants. Property expenses include property taxes, building insurance, water, waste, electricity and energy charges, security, cleaning, parking, repairs and maintenance, landscaping, legal fees, and property management costs.

Expenses have been forecast on a property-by-property basis having regard to:

- Current outgoings on each of the Hystead acquisition properties;
- Contracts in place with electricity and other service providers for the duration of the Forecast Periods; and
- Best estimate assumptions for other specific operational requirements.

4. **Management fees**

Property management for Skopje City Mall and the Mall Sofia is performed by the in-house property management teams. Administration, payroll and related property management costs have been forecast on a property-by-property basis having regard to:

- Current staffing levels at each of the Hystead acquisition properties;
- Contracts in place with service providers for the duration of the Forecast periods; and
- best estimate assumptions for other specific operational requirements.

Property management for City Center One East and City Center One West is performed by CC Real in terms of a property management agreement. Property management fees have been forecast in accordance with the terms of the property management agreement.

Asset management activities will be performed by the Hystead management team and Hyprop in terms of formal asset management agreements with each of the Hystead acquisition properties. Asset management fees have been calculated at 0.5% of the property valuation over the Forecast periods.

Asset management fees paid between the target group companies are eliminated on consolidation, where appropriate.

5. **Other Expenditure**

A comparison of the expenditure for the target group for the FY22 Forecast period (annualised) and FY23 Forecast period, to the historic expenditure for the 12 months ending 31 December 2021 was conducted. The only items of expenditure that have been forecast to change by 15% or more during the Forecast periods are utility costs, due to the significant increase in gas prices in Europe over the last year.

6. **Finance costs**

The borrowings of the target group are forecast to incur average interest rates, inclusive of all margins and ongoing fees, of between 1.61% and 3.25%.

Currently all interest rates applicable to the in-country borrowings of the target group companies are variable rates. No changes to the 3 month and 6-month EURIBOR base interest rate (currently average -0.56%) have been assumed during the Forecast periods. Payments in terms of interest rate hedges have been forecast based on individual hedging contracts.

Interest rates applicable to the equity debt in the target group companies are predominantly fixed, and range between 1.61% and 2.15% over the Forecast periods.

Where bank borrowings mature during the Forecast periods, the assumption is that these borrowings will be refinanced on the same terms as the expiring borrowings.

7. **Tax expense**

The Forecasts assume income tax and withholding taxes on dividends as currently applicable to the target group companies, as follows:

- *North Macedonia*: 10% corporate income tax and 0% withholding tax on dividends paid;
- *Bulgaria*: 10% corporate income tax and 0% withholding tax on dividends paid;
- *Croatia*: 18% corporate income tax and 0% withholding tax on dividends paid;
- *Netherlands*: 25.8% corporate income tax and 15% withholding tax on dividends paid.

8. **Investment property revaluations**

The Hystead acquisition properties were independently valued as at 31 October 2021.

The Hyprop board is of the view that there is no evidence to suggest that the fair value assessments undertaken on the Hystead acquisition properties as at 31 October 2021 have changed materially, or that the approach undertaken to assess fair value should be changed.

As such, the Directors are of the view there are no additional factors or market knowledge that should be applied to reassess the fair value assessments of the Hystead acquisition properties at the date of the Circular.

The Forecasts do not account for any potential fair value adjustments to investment properties which may be recognised in the statement of profit or loss and other comprehensive income on the basis that such adjustments cannot be reliably determined for the Forecast Periods.

C. **Assumptions that are not under the control of the Directors**

1. **General assumptions**

The following general assumptions have been made in preparing the Forecasts:

- No significant changes to the economic conditions in which the Hystead acquisition properties and the target group companies operate, other than the assumed factors disclosed in relation to the Covid-19 pandemic. For further information regarding the potential impact of Covid-19 pandemic, refer to the risks set out in paragraph 3 of this circular;
- No unexpected changes to the statutory, legal or regulatory environment which would be detrimental to the Hystead acquisition properties or the target group companies in any of the jurisdictions in which they operate, save for the potential reduction in Sunday trading hours in Croatia which may be implemented from January 2022;
- All existing leases are enforceable and perform in accordance with their terms, with the exception of agreed arrangements with tenants of the Hystead acquisition properties in relation to Covid-19 (refer to specific assumptions outlined herein);
- No material changes to IFRS, other mandatory professional reporting requirements or relevant legislation in the jurisdictions in which the Hystead acquisition properties and the target group companies operate, that would have a material impact on the target group's financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures;
- Key personnel, particularly the Key Management, are retained;
- The target group companies are not party to any material litigation or disputes during the Forecast periods;
- None of the Hystead acquisition properties are disposed by the target group companies during the Forecast periods;
- No material change in capital expenditure requirements from those included in the Forecasts, caused by factors outside the Hystead acquisition properties' or the target group companies' control;
- No changes to current Bulgarian, Croatian, North Macedonian, Netherlands and South African income tax legislation;
- No significant amendment to any material contract relating to the target group's properties' business; and
- The transaction proceeds and is implemented in accordance with the timetable set out in the circular.

2. **Exchange rates**

The following exchange rates have been applied to the Forecasts for the Forecast Periods:

- Bulgaria – 1.955 BGN/Euro
- Croatia - 7.5 KN/Euro
- North Macedonia – 61.6 Denar /Euro
- South Africa - R18.34/Euro for the 3 months to 30 June 2022 and R18.65/Euro for the 12 months to 30 June 2023. (based on independent forecast rates)

3. **Impact of the transaction on the Group**

- The purchase consideration will be funded from existing cash reserves of R2.05 billion and bank facilities of R891.5 million, as detailed in paragraph 4.3 of the Circular (“**Purchase Consideration Funding**”).
- Finance costs on the Purchase Consideration Funding have been calculated using a borrowing rate of 5.65% for the Forecast periods, based on the contractual borrowing rates on existing and new bank facilities, offset by the current effective cash deposit interest rate of 3.5% on cash earned by the Group.
- As a result of the Purchase Consideration Funding, the net interest cost for the Group will increase by R122 million per annum.
- The group expects additional operating costs as a result of the transaction, including audit fees for two annual audits and staff related costs, of an aggregate of R10.5 million, over the Forecast periods.
- No provision for South African taxation has been made in the forecast statements of profit or loss and other comprehensive income (see paragraph 15.1.7 of the circular).

INDEPENDENT REPORTING ACCOUNTANT’S REPORT ON THE FORECAST STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME IN RESPECT OF THE TARGET GROUP AND THE TRANSACTION

The Directors**Hyprop Investments Limited**

2nd Floor, Cradock Heights
21 Cradock Avenue
Rosebank
2196

Dear Sirs

15 February 2022

INDEPENDENT REPORTING ACCOUNTANT’S REPORT ON THE FORECAST STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME IN RESPECT OF THE TARGET GROUP AND THE TRANSACTION

Introduction

The definitions commencing on page 4 of the circular to which this letter is attached apply *mutatis mutandis* to this independent reporting accountant’s assurance report (“**Report**”) on the forecast statements of profit or loss and other comprehensive income.

We have undertaken a reasonable assurance engagement in respect of the property forecasts of the Target Group and the Transaction for the three months ending 30 June 2022 and the twelve months ending 30 June 2023, as set out in paragraph 15 of the circular to Hyprop shareholders to be issued on or about 22 February 2022, comprising the forecast statements of profit or loss and other comprehensive income and the vacancy and lease expiry profile of the Acquisition (collectively the “**Forecast Information**”), as required by paragraphs 13.12, 13.14 and 13.15 of the JSE Listings Requirements (the “**Listings Requirements**”).

We have also undertaken a limited assurance engagement in respect of the Hyprop board’s assumptions used to prepare and present the Forecast Information, as set out in the assumptions to the Forecast Information presented in **Annexure 4** in accordance with paragraphs 13.12 to 13.14 of the Listings Requirements.

Directors’ responsibility for the Forecast Information and for the assumptions used to prepare the Forecast Information

The Directors are responsible for the preparation and presentation of the Forecast Information and for the reasonableness of the assumptions used to prepare the Forecast Information as set out in the assumptions to the Forecast Information presented in **Annexure 4** in accordance with paragraphs 13.12 to 13.14 of the Listings Requirements (“**Listings Requirements relating to Forecast Information**”). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Forecast Information on the basis of those assumptions that is free from material misstatement, whether due to fraud or error.

Inherent limitations

Actual results are likely to be different from the Forecast Information since anticipated events frequently do not occur as expected and the variation may be material. Consequently, readers are cautioned that the Forecast Information may not be appropriate for purposes other than described in the purpose of the report paragraph below.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

KPMG Inc. applies the International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Part A – Limited assurance engagement on the reasonableness of the Directors’ assumptions

Reporting accountant’s responsibility

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention that causes us to believe that the assumptions do not provide a reasonable basis for the preparation and presentation of the Forecast Information in accordance with the Listings Requirements relating to Forecast Information, based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE 3400), *The Examination of Prospective Financial Information* (ISAE 3400), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Directors’ assumptions provide a reasonable basis for the preparation and presentation of the Forecast Information.

A limited assurance engagement undertaken in accordance with ISAE 3400 involves assessing the source and reliability of the evidence supporting the Directors’ assumptions. Sufficient appropriate evidence supporting such assumptions would be obtained from internal and external sources including consideration of the assumptions in the light of historical information and an evaluation of whether they are based on plans that are within the entity’s capacity. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included inquiries, observations of processes performed, inspection of documents, analytical procedures, evaluating the reasonableness of best-estimate assumptions and agreeing or reconciling with underlying records.

Our procedures included evaluating the Hyprop board’s best-estimate assumptions on which the Forecast Information is based for reasonableness.

The procedures performed in a limited assurance engagement are less in extent than for, and vary in nature from, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Hyprop board’s assumptions provide a reasonable basis for the preparation and presentation of the Forecast Information.

Limited assurance conclusion on the reasonableness of the Hyprop board’s assumptions

Based on the procedures we have performed and evidence we have obtained, nothing has come to our attention that causes us to believe that the Hyprop board’s assumptions do not provide a reasonable basis for the preparation and presentation of the Forecast Information.

Part B – Reasonable assurance engagement on the Forecast Information

Reporting accountant’s responsibility

Our responsibility is to express an opinion based on the evidence we have obtained about whether the Forecast Information is properly prepared and presented on the basis of the Hyprop board’s best-estimate assumptions disclosed in the assumptions to the Forecast Information presented in **Annexure 4** (the “**Assumptions**”) and in accordance with the JSE Listings Requirements relating to Forecast Information. We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE 3400), *The Examination of Prospective Financial Information* (ISAE 3400), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether such Forecast Information is properly prepared and presented on the basis of the Assumptions disclosed in the notes to the Forecast Information presented in **Annexure 4** and in accordance with the JSE Listings Requirements relating to Forecast Information.

A reasonable assurance engagement in accordance with ISAE 3400 involves performing procedures to obtain evidence that the Forecast Information is properly prepared and presented on the basis of the assumptions and in accordance with the JSE Listings Requirements relating to Forecast Information. The nature, timing and extent of procedures selected depend on the reporting accountant’s judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, of the Forecast Information. In making those risk assessments, we considered internal control relevant to the Directors’ preparation and presentation of the Forecast Information.

Our procedures included:

- Inspecting whether the Forecast Information is properly prepared on the basis of the assumptions;
- Inspecting whether the Forecast Information is properly presented and all material assumptions are adequately disclosed, including a clear indication as to whether they are best-estimate assumptions; and
- Inspecting whether the forecast statement of profit or loss and other comprehensive income is prepared on a consistent basis with the historical financial statements, using appropriate accounting policies.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the Forecast Information

In our opinion, the Forecast Information is properly prepared and presented on the basis of the assumptions and in accordance with the JSE Listings Requirements relating to Forecast Information.

Purpose of the report

This report has been prepared for the purpose of satisfying the requirements of paragraph 13.15 of the JSE Listings Requirements and for no other purpose.

Report on other legal and regulatory requirements

In accordance with our responsibilities set out in the JSE Limited Listings Requirements, paragraph 13.15(b), we have performed the procedures set out therein. If, based on the procedures performed, we detect any exceptions, we are required to report those exceptions. We have nothing to report in this regard.

KPMG Inc.

Registered Auditor

Per: Tracy Middlemiss
Chartered Accountant (SA)
Director
15 February 2022

KPMG Crescent
85 Empire Road
Parktown, 2193
Johannesburg

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

The *pro forma* consolidated statement of financial position of the Group (“*pro forma SOFP*”) has been prepared to illustrate the effect of the transaction on the Group (after adjusting for the subsequent events).

The *pro forma* SOFP is based on Hyprop’s published Consolidated and Separate Annual Financial statements for the year ended 30 June 2021 and assumes that the subsequent events and the transaction occurred on 30 June 2021.

The Hyprop board has considered whether the transaction constitutes the purchase of assets or a business and whether Hyprop will gain control of the target group in accordance with the requirements of IFRS 3: *Business Combinations (Amended)*, and concluded that the transaction constitutes a business combination which results in the consolidation of the target group from the effective date.

Further, Hyprop currently accounts for its investment in Hystead as a financial asset. For purposes of the *pro forma* SOFP, the value of the Financial asset – Hystead at 30 June 2021 has been reduced by the portion of the Financial asset – Hystead attributable to the target group. The remaining portion of the Financial asset – Hystead, attributable to Hystead’s other property, continues to be recognised as a financial asset.

The *pro forma* SOFP has been prepared for illustrative purposes only and because of its nature may not fairly present the Group’s consolidated financial position and changes in equity after the transaction and subsequent events.

The *pro forma* SOFP has been prepared using accounting policies that comply with IFRS and that are consistent with those applied in Hyprop’s Consolidated and Separate Annual Financial statements for the year ended 30 June 2021.

The *pro forma* SOFP has been prepared in accordance with the JSE Listings Requirements, the IRBA Guide on Reporting Responsibilities of the Reporting Accountant Relating to Property Entities in terms of the JSE Listings Requirements and the South African Institute of Chartered Accountants Guide on *Pro forma* Financial Information (revised and issued in September 2014) and is the responsibility of the Hyprop board.

KPMG’s reporting accountant’s report on the *pro forma* SOFP is set out in **Annexure 7** to this circular.

THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HYPROP AS AT 30 JUNE 2021.

	Hyprop as at 30 June 2021 Audited R'000 Column 1	Subsequent events Pro forma R'000 Column 2	Hyprop as at 30 June 2021 Pro forma R'000 Column 3	Target group as at effective date Pro forma R'000 Column 4	Other Pro forma R'000 Column 5	After Pro forma R'000 Column 6
ASSETS						
Non-current assets	22 993 712	66 124	23 059 836	9 845 157	(160 700)	32 744 293
Investment property	21 398 499	–	21 398 499	9 738 701	–	31 137 200
Straight-line rental income accrual	432 830	–	432 830	48 294	–	481 124
Property, plant and equipment	261 306	–	261 306	47 480	–	308 786
Deferred taxation	–	–	–	10 529	–	10 529
Investments in joint ventures	579 510	–	579 510	–	–	579 510
Financial asset – Hystead	297 234	–	297 234	–	(160 700)	136 534
Intangible assets	20 133	–	20 133	153	–	20 286
Loans and other receivables	4 200	66 124	70 324	–	–	70 324
Current assets	908 208	883 847	1 792 055	474 073	(2 062 359)	203 769
Inventory	–	–	–	1 009	–	1 009
Loans receivable	19 911	–	19 911	–	–	19 911
Trade and other receivables	106 282	–	106 282	67 344	–	173 626
Derivatives	4 324	–	4 324	–	–	4 324
Cash and cash equivalents	777 691	883 847	1 661 538	405 720	(2 062 359)	4 899
Assets: held-for-sale	2 976 164	(1 130 856)	1 845 308	–	–	1 845 308
Total assets	26 878 084	(180 885)	26 697 199	10 319 230	(2 223 059)	34 793 370

	Hyprop as at 30 June 2021 Audited R'000 Column 1	Subsequent events Pro forma R'000 Column 2	Hyprop as at 30 June 2021 Pro forma R'000 Column 3	Target group as at effective date Pro forma R'000 Column 4	Other Pro forma R'000 Column 5	After Pro forma R'000 Column 6
EQUITY AND LIABILITIES						
Equity and reserves	19 291 340	(158 233)	19 133 107	2 258 771	(3 069 971)	18 321 907
Equity and reserves attributable to shareholders of the Company	19 357 485	(158 233)	19 199 252	2 258 771	(3 069 971)	18 388 052
Stated capital	9 521 178	876 456	10 397 634	280 081	(280 081)	10 397 634
Share premium	–	–	–	1 664 206	(1 664 206)	–
Non-distributable reserves	8 458 956	–	8 458 956	(375 558)	(262 582)	7 820 816
Share-based payment reserve	32 058	–	32 058	–	–	32 058
Retained income	1 516 877	(1 034 689)	482 188	709 135	(882 195)	309 128
Currency translation reserve	(171 584)	–	(171 584)	(19 093)	19 093	(171 584)
Non-controlling interests	(66 145)	–	(66 145)	–	–	(66 145)
LIABILITIES						
Non-current liabilities	4 498 965	–	4 498 965	5 936 311	891 476	11 326 752
Borrowings	4 132 704	–	4 132 704	4 863 622	891 476	9 887 802
Intercompany loans – Hystead	–	–	–	357 374	–	357 374
Financial guarantees	65 837	–	65 837	–	–	65 837
Derivatives	113 368	–	113 368	–	–	113 368
Deferred taxation	187 056	–	187 056	715 315	–	902 371
Current liabilities	1 851 666	5 000	1 856 666	2 124 148	(44 564)	3 936 250
Borrowings	1 281 593	–	1 281 593	1 905 093	–	3 186 686
Financial guarantees	44 564	–	44 564	–	(44 564)	–
Trade and other payables	507 199	5 000	512 199	163 737	–	675 936
Taxation	3 746	–	3 746	–	–	3 746
Derivatives	14 564	–	14 564	55 318	–	69 882
Liabilities: held-for-sale	1 236 113	(27 652)	1 208 461	–	–	1 208 461
Total liabilities	7 586 744	(22 652)	7 564 092	8 060 459	846 912	16 471 463
Total equity and liabilities	26 878 084	(180 885)	26 697 199	10 319 230	(2 223 059)	34 793 370

	Hyprop as at 30 June 2021 Audited R'000 Column 1	Subsequent events Pro forma R'000 Column 2	Hyprop as at 30 June 2021 Pro forma R'000 Column 3	Target group as at effective date Pro forma R'000 Column 4	Other Pro forma R'000 Column 5	After Pro forma R'000 Column 6
RATIO OF TOTAL LIABILITIES TO GROSS ASSET VALUE (GAV)						
Total liabilities	7 586 744	(22 652)	7 564 092	8 060 459	846 912	16 471 463
Gross asset value	26 878 084	(180 885)	26 697 199	10 319 230	(2 223 059)	34 793 370
Ratio of Total liabilities: GAV	28%	13%	28%	78%	(38%)	47%
NET ASSET VALUE (NAV)						
Equity and reserves attributable to Hyprop shareholders (NAV)	19 357 485	(158 233)	19 199 252	2 258 771	(3 069 971)	18 388 052
Number of ordinary shares in issue	309 070 057	34 368 864	343 438 921	343 438 921	343 438 921	343 438 921
Treasury shares	(1 630 766)	19 604	(1 611 162)	(1 611 162)	(1 611 162)	(1 611 162)
Net number of ordinary shares in issue	307 439 291	34 388 468	341 827 759	341 827 759	341 827 759	341 827 759
NAV per share (<i>Rand</i>)	62.96	(6.80)	56.17	6.61	(8.98)	53.79

Notes and assumptions

- Column 1** presents the consolidated statement of financial position of the Hyprop group, which has been extracted, without adjustment, from Hyprop's published Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021.
- Column 2** presents the financial effects on Hyprop's consolidated statement of financial position at 30 June 2021, of the following significant subsequent events:
 - The disposal of Atterbury Value Mart which was announced on 8 February 2021 and implemented on 2 July 2021. The accounting entries comprise the following:
 - Debit: Loans and other receivables with R66.1 million, Cash and cash equivalents with the net cash proceeds amounting to R1 042.1 million, and Liabilities: held-for-sale of R27.6 million; and
 - Credit: Assets: held-for-sale amounting to R1 130.8 million and Trade and other payables of R5.0 million.
 - The dividend of 336.5 cents per share declared to shareholders on 15 September 2021 and the dividend reinvestment alternative offered to shareholders therewith. The accounting entries comprise the following:
 - Debit: Retained income with R1 034.7 million, and
 - Credit: Cash and cash equivalents with an amount of R158.2 million in respect of the cash portion of the dividend and Stated capital with the issue of 34.3 million new Hyprop shares amounting to R876.5 million.
- Column 3** presents the consolidated statement of financial position of Hyprop after the significant subsequent events in 2 above.
- Column 4** presents the consolidated statement of financial position of the target group, calculated as detailed in the table below.

THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TARGET GROUP AS AT 30 JUNE 2021.

	Balkan Retail as at 30 June 2021	SCM Retail as at 30 June 2021	Target group as at 30 June 2021	PPA Adjustments 31 October 2021	Target group at PPA Values	Target group as at effective date
	Audited	Audited	Pro forma	Pro forma	Pro forma	Pro forma
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	R'000
	Column 4.1	Column 4.2	Column 4.3	Column 4.4	Column 4.5	Column 4.6
ASSETS						
Non-current assets	485 076	93 242	578 318	200	578 518	9 845 157
Investment property	479 802	92 260	572 062	200	572 262	9 738 701
Straight-line rental income accrual	2 398	440	2 838	-	2 838	48 294
Property, plant and equipment	2 252	538	2 790	-	2 790	47 480
Deferred taxation	619	-	619	-	619	10 529
Intangible assets	5	4	9	-	9	153
Current assets	23 592	4 265	27 857	-	27 857	474 073
Inventory	39	20	59	-	59	1 009
Trade and other receivables	2 852	1 105	3 957	-	3 957	67 344
Cash and cash equivalents	20 701	3 140	23 841	-	23 841	405 720
Total assets	508 668	97 507	606 175	200	606 375	10 319 230
EQUITY AND LIABILITIES						
Equity and reserves	79 491	53 075	132 566	164	132 730	2 258 771
Stated capital	45	16 413	16 458	-	16 458	280 081
Share premium	97 792	-	97 792	-	97 792	1 664 206
Non-distributable reserves	(53 384)	31 316	(22 068)	-	(22 068)	(375 558)
Retained income	35 971	5 535	41 506	164	41 670	709 135
Currency translation reserve	(933)	(189)	(1 122)	-	(1 122)	(19 093)
LIABILITIES						
Non-current liabilities	307 826	40 966	348 792	36	348 828	5 936 311
Borrowings	248 474	37 321	285 795	-	285 795	4 863 622
Intercompany loans – Hystead	21 000	-	21 000	-	21 000	357 374
Deferred taxation	38 352	3 645	41 997	36	42 033	715 315

	Balkan Retail as at 30 June 2021	SCM Retail as at 30 June 2021	Target group as at 30 June 2021	PPA Adjustments 31 October 2021	Target group at PPA Values	Target group as at effective date
	Audited	Audited	<i>Pro forma</i>	<i>Pro forma</i>	<i>Pro forma</i>	<i>Pro forma</i>
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000	R'000
	Column 4.1	Column 4.2	Column 4.3	Column 4.4	Column 4.5	Column 4.6
Current liabilities	121 351	3 466	124 817	-	124 817	2 124 148
Borrowings	109 917	2 029	111 946	-	111 946	1 905 093
Trade and other payables	8 183	1 437	9 620	-	9 620	163 737
Derivatives	3 251	-	3 251	-	3 251	55 318
Total liabilities	429 177	44 432	473 609	36	473 645	8 060 459
Total equity and liabilities	508 668	97 507	606 175	200	606 375	10 319 230

Notes and assumptions

4.1 Column 4.1 presents the consolidated statement of financial position of Balkan Retail, which has been extracted, without adjustment, from the special purpose audited consolidated financial statements of Balkan Retail for the six months ended and as at 30 June 2021, incorporated by reference in this circular in accordance with paragraph 29. The special purpose audited consolidated financial statements of Balkan Retail for the six months ended and at 30 June 2021, which comprise a consolidated statement of financial position as at 30 June 2021 and a consolidated statement of profit or loss and other comprehensive income for the six months then ended, and the related accounting policies and notes, have been prepared for the purpose of complying with paragraph 13.16(a) of the JSE Listings Requirements which requires, *inter alia*, that the adjustment column of the *pro forma* statement of financial position must be extracted from the underlying results of the subject matter (which must be audited, if the subject matter is a company or a business). KPMG Inc.'s unmodified audit opinion includes an emphasis of matter paragraph that states the following: We draw attention to the basis of preparation described in the accounting policies as set out in the notes to the consolidated special purpose financial statements. The consolidated special purpose financial statements are prepared in accordance with the Group's own accounting policies for the purpose of complying with paragraph 13.16(a) of the JSE Listings Requirements. As a result, the consolidated special purpose financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

4.2 Column 4.2 presents the statement of financial position of SCM Retail, which has been extracted without adjustment, from the special purpose audited financial statements of SCM Retail for the six months ended and as at 30 June 2021, incorporated by reference in this circular in accordance with paragraph 29. The special purpose audited financial statements of SCM Retail for the six months ended and as at 30 June 2021, which comprise a statement of financial position as at 30 June 2021 and a statement of profit or loss and other comprehensive income for the six months then ended, and the related accounting policies and notes, have been prepared for the purpose of complying with paragraph 13.16(a) of the JSE Listings Requirements which requires, *inter alia*, that the adjustment column of the *pro forma* statement of financial position must be extracted from the underlying results of the subject matter (which must be audited, if the subject matter is a company or a business). KPMG's unmodified audit opinion includes an emphasis of matter paragraph that states the following: We draw attention to the basis of preparation described in the accounting policies as set out in the notes to the special purpose financial statements. The special purpose financial statements are prepared in accordance with the Group's own accounting policies for the purpose of complying with paragraph 13.16(a) of the JSE Listings Requirements. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

4.3 Column 4.3 presents the consolidated statement of financial position of the target group in Euros, at 30 June 2021, which includes the Intercompany loans – Hystead (excluded claim) amounting to Euro 21 million (R357.4 million). When this liability is settled at a future date, it will result in a cash outflow of Euro 21 million (R357.4 million) resulting in the total amount payable in respect of the transaction amounting to Euro 194 million (R3.29 billion).

4.4 Column 4.4 presents the following purchase price allocation (PPA) adjustments

- a. The adjustment of the fair value of the Investment properties to the 31 October 2021 independent property valuations, used to calculate the purchase consideration. The resultant values are reconciled as follows:

Reconciliation between fair value per the 31 October 2021 independent property valuation reports and the pro-forma statement of financial position

	EUR'000
Investment property – column 4.3 above	572 062
PPA adjustment to Investment property – column 4.4 above	200
Straight-line rental income accrual – column 4.3 above	2 838
Fair value of investment property per 31 October 2021 valuation reports	575 100

- b. The deferred tax implications of the investment property fair value adjustments;

4.5 Column 4.5 presents the consolidated statement of financial position of the target group after the capital PPA adjustments in Euros.

4.6 Column 4.6 presents the consolidated statement of financial position of the target group in Rands converted at an exchange rate of R 17.02/€1, the closing exchange rate at the date of the *pro forma* financial effects, being 30 June 2021.

5. Column 5 presents the financial effects of the following:

- 5.1 The estimated purchase price of R2 941.5 million (being €173 million converted to Rands at an exchange rate of R17.02/€1) has been allocated across the identified assets to be acquired and liabilities to be assumed at their fair values, in accordance with IFRS 3: *Business Combinations*;
- 5.2 The decrease in the value of the Financial asset – Hystead as a result of the disposal by Hystead of the Hystead acquisition properties. The amount of R160.7 million represents that portion of the Financial asset – Hystead (i.e the gross financial asset less the deferred portion of the day-1 gain) attributable to the Hystead acquisition properties at 30 June 2021;
- 5.3 Consolidation journals relating to the business combination, including the elimination of equity and reserves at the effective date, amounting to R2 258.8 million. A residual amount of R682.7 million has been attributed to goodwill, which has been impaired;
- 5.4 The goodwill arises mainly due to the manner in which the deferred tax is treated in calculating the purchase price. Given that the investment properties and other assets of the target group are recorded at their fair values, and there are no residual assets to which this amount can be apportioned, the goodwill has been impaired;
- 5.5 Settlement of the purchase price by Hyprop through the utilisation of existing borrowing facilities amounting to R891.5 million, and cash and cash equivalents amounting to R2 050.0 million;
- 5.6 Reduction in the financial guarantee exposure due to:
 - a. the planned settlement by Hystead of its loan payable to Nedbank from the proceeds of the transaction, which will result in the Hyprop financial guarantee related to that loan, measured at R22.5 million, being derecognised; and
 - b. guarantees which relate to loans extended to Balkan Retail by RMB and Standard Bank, recognised at a total of R 22.0 million, which will eliminate once the underlying loans are consolidated as a result of the transaction. The latter guarantees will still be recorded in Hyprop's separate financial statements;
- 5.7 Settling all Transaction costs amounting to R12.4 million;

6. Column 6 presents the *pro forma* consolidated statement of financial position of Hyprop after the transaction.

Reconciliation of stated capital, reserves and other equity items	R '000
Equity and reserves attributable to the shareholders of the Company on 30 June 2021	19 357 485
Total cash dividend declared for the year ended 30 June 2021	(1 034 689)
Proceeds from the issue of 34 368 864 new Hyprop shares in terms of the FY2021 dividend reinvestment alternative	876 456
Equity and reserves after the subsequent events	19 199 252
Equity and reserves of the target group post revaluation of assets and liabilities	2 258 771
Decrease in the value of the Financial asset – Hystead	(160 700)
Goodwill impaired	(682 704)
Transaction costs expensed	(12 360)
Derecognition of financial liabilities relating to Balkan Retail	44 564
Elimination of equity and reserves relating to the target group	(2 258 771)
Equity and reserves after the subsequent events and the transaction	18 388 052

Following implementation of the transaction, and based on the *pro forma* financial information of the Group set out in this **Annexure 6**, the total consolidated liabilities of the Group will increase to R16.5 billion, equivalent to 47% of the GAV, which will increase to R34.8 billion, which is below the 60% of GAV threshold in terms of paragraph 13.49(c)(i) of the JSE Listings Requirements.

INDEPENDENT REPORTING ACCOUNTANT’S REPORT ON THE COMPILATION OF THE HYPROP GROUP *PRO FORMA* CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Directors
 Hyprop Investments Limited
 2nd Floor Cradock Heights
 21 Cradock Avenue
 Rosebank
 2196

15 February 2022

INDEPENDENT REPORTING ACCOUNTANT’S REPORT ON THE COMPILATION OF THE HYPROP GROUP *PRO FORMA* CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Introduction

The definitions commencing on page 4 of the circular to which this letter is attached apply *mutatis mutandis* to this independent reporting accountant’s assurance report (“**Report**”) on the compilation of the Hyprop Group *Pro forma* Consolidated Statement of Financial Position.

We have completed our assurance engagement to report on the compilation of the Hyprop Group *Pro forma* Consolidated statement of financial position by the Directors. The Hyprop Group *Pro forma* Consolidated statement of financial position consists of the *pro forma* net asset value and net tangible asset value per share of the Hyprop Group, the Hyprop Group *Pro forma* Consolidated statement of financial position, including a reconciliation showing all of the *pro forma* adjustments to the share capital, reserves and other equity items relating to the Hyprop Group, and the related notes, set out in **Annexure 6** of the Circular, (collectively the “**Hyprop Group *Pro forma* Consolidated Statement of Financial Position**”) subsequent to the conclusion of the following:

- The disposal of Atterbury Value Mart and the declaration of the cash dividend and the dividend reinvestment alternative offered therewith (collectively “**Subsequent Events**”) on a stand-alone basis as if the Subsequent Events had taken place on 30 June 2021;
- The acquisitions of the shares and claims in/against Balkan Retail and SCM Retail and the related financial implications (collectively the “**Acquisition**”) and the Subsequent Events on a cumulative basis as if the Acquisition had taken place on 30 June 2021.

The *Pro forma* Consolidated Statement of Financial Position has been compiled on the basis of the applicable criteria specified in the paragraph entitled Directors’ Responsibility for the Hyprop Group *Pro forma* Consolidated Statement of Financial Position set out below.

As part of this process, the Hyprop Group’s net asset value and net tangible asset value per share and consolidated statement of financial position have been extracted and/or derived by the Directors from the Hyprop Group’s published consolidated financial information as at 30 June 2021 (“**Published Financial Information**”).

Directors’ Responsibility for the Hyprop *Pro forma* Consolidated Statement of Financial Position

The Directors are responsible for compiling the Hyprop Group *Pro forma* Consolidated Statement of Financial Position on the basis of the applicable criteria as detailed in paragraphs 8.15 to 8.33 of the JSE Listings Requirements and the SAICA Guide on *Pro forma* Financial Information, revised and issued in September 2014 (“**Applicable Criteria**”).

Independent Reporting Accountant’s Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards).

KPMG Inc. applies the International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent Reporting Accountant's responsibility

Our responsibility is to express an opinion about whether the Hyprop Group *Pro forma* Consolidated Statement of Financial Position has been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the reporting accountants complies with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Hyprop Group *Pro forma* Consolidated Statement of Financial Position on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on the Published Financial Information used in compiling the Hyprop Group *Pro forma* Consolidated Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Hyprop Group *Pro forma* Consolidated Statement of Financial Position other than the consolidated financial statements of Balkan Retail as and for the six months ended 30 June 2021 and the financial statements of SCM Retail as at and for the six months ended 30 June 2021, both incorporated by reference in the Circular.

The purpose of the Hyprop Group *Pro forma* Consolidated Statement of Financial Position included in the Circular is solely to illustrate the impact of the Subsequent Events, on a standalone basis, and the Subsequent Events and Acquisition on a cumulative basis, on the unadjusted Published Financial Information as if the Subsequent Events, on a standalone basis, and the Subsequent Events and Acquisition on a cumulative basis had been undertaken on 30 June 2021. Accordingly, we do not provide any assurance that the actual outcome of the Subsequent Events, on a standalone basis, and the Subsequent Events and Acquisition on a cumulative basis, subsequent to their implementation, will be as presented in the Hyprop Group *Pro forma* Consolidated Statement of Financial Position.

A reasonable assurance engagement to report on whether the Hyprop Group *Pro forma* Consolidated Statement of Financial Position has been properly compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Hyprop Group *Pro forma* Consolidated Statement of Financial Position provides a reasonable basis for presenting the significant effects directly attributable to the Subsequent Events, on a standalone basis, and the Subsequent Events and Acquisition on a cumulative basis and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to the Applicable Criteria; and
- The Hyprop Group *Pro forma* Consolidated Statement of Financial Position reflects the proper application of those *pro forma* adjustments to the unadjusted Published Financial Information.

Our procedures selected depend on our judgment, having regard to our understanding of the Subsequent Events, on a standalone basis, and the Subsequent Events and Acquisition on a cumulative basis in respect of which the Hyprop Group *Pro forma* Consolidated Statement of Financial Position has been compiled and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the Hyprop Group *Pro forma* Consolidated Statement of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Hyprop Group *Pro forma* Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis of the Applicable Criteria.

Restriction on use

This Report has been prepared for the purpose of satisfying the requirements of the JSE Listings Requirements, and for no other purpose.

KPMG Inc.
Registered Auditor

Per Tracy Middlemiss
Chartered Accountant (SA)
Director
15 February 2022

KPMG Crescent
85 Empire Road
Parktown, 2193
Johannesburg

MATERIAL CONTRACTS

In addition to the transaction agreement, the salient features of which are set out in paragraph 4 of the circular, the following are details of material contracts, being (i) contracts entered into otherwise than in the ordinary course of business, within the two years prior to the date of this circular, or at any time and containing an obligation or settlement that is or may be material to the company or its subsidiaries at the last practicable date; and (ii) contracts that are otherwise considered material by the company.

1. DISPOSAL OF DELTA CITY IN BELGRADE, SERBIA

On 23 September 2021, Hyprop announced that Hystead had concluded an agreement to dispose of its shareholding in Delta City 67 d.o.o. Beograd, which owns Delta City in Belgrade, Serbia, to Balkans Real Estate B.V., a wholly-owned subsidiary of Centurion Venture Capital BV for a purchase consideration of €115 million.

The disposal was implemented on 30 November 2021 and the net cash proceeds of €33 million received by Hystead.

2. DISPOSAL OF ATTERBURY VALUE MART

On 8 February 2021, Hyprop announced that it had signed agreements for the disposal of Atterbury Value Mart to Primegrowth Retail Property Proprietary Limited, Twin City Trading 2 Proprietary Limited and Atterbury Mile Proprietary Limited, as one indivisible transaction.

The sale was implemented on 2 July 2021 and the net cash proceeds of R1.1 billion received.

3. DISPOSAL OF IKEJA CITY MALL

On 9 November 2020 Hyprop announced that Hyprop Mauritius (as one of the sellers) had concluded an agreement (the SPA) to dispose of its 75% interest in Ikeja City Mall to two new property funds managed by the Actis Group. The transaction remains subject to the fulfilment of certain conditions precedent, including certain fundraising requirements.

Given the current lack of US Dollar liquidity in Nigeria, fulfilling the fundraising condition is taking longer than anticipated, however, the parties remain committed to the transaction and are working to fulfil the conditions precedent and/or find alternative ways to implement the transaction.

The final date for implementation of the transaction has been extended to 31 March 2022, and may be extended further by written agreement between the parties if the US Dollar liquidity shortage has not improved markedly by such date. The parties have agreed that the sellers may engage other potential buyers for the property and, should the sellers wish to enter into an agreement with such potential buyers, they may terminate the SPA.

MATERIAL BORROWINGS

Set out below are details of all material loans to Hyprop and/or to any of its subsidiaries, that remain outstanding as at the last practicable date and will remain in the Hyprop group following the implementation of the transaction:

Details as to how loan arose	Lender	Description	Facility (million)	Interest Rate	Term of loan	Maturity date	Security	Property mortgaged as security	If payable within 12 months how repayment is to be financed	Outstanding capital balance before the transaction ⁽⁷⁾ (million)	Outstanding capital balance after the transaction (million)	
A. Hyprop and Gruppo – Bank loans												
See note 1	The Standard Bank of South Africa Ltd	Term loan	R 959	3M JIBAR + 1.65%	4 years	June 2023	Secured ⁴	40% of Canal Walk, 75.15% of The Glen, Woodlands Boulevard	n/a	R 959	R 959	
See notes 1 and 2	Nedbank Limited	Revolving credit facility (RCF)	R 200	3M JIBAR + 1.6%	2 years	March 2022	Unsecured	n/a	From existing cash and new facilities	R 200	R 0	
See notes 1 and 2	The Standard Bank of South Africa Ltd	Term loan	R 925	3M JIBAR + 2.1%	3.5 years	January 2024	Secured ⁴	40% of Canal Walk, 75.15% of The Glen, Woodlands Boulevard	n/a	R 925	R 925	
See notes 1 and 2	The Standard Bank of South Africa Ltd	Term loan	R 400	3M JIBAR + 1.95%	1.5 years	February 2022	Secured ⁴	40% of Canal Walk, 75.15% of The Glen, Woodlands Boulevard	From existing cash and new facilities	R 400	R 400	
See note 1	The Standard Bank of South Africa Ltd	RCF	R 500	Prime – 1.44%	4 years	June 2023	Secured ⁴	40% of Canal Walk, 75.15% of The Glen, Woodlands Boulevard	n/a	R 150	R 500	
See note 2	Investec Bank Limited	RCF	R 450	Prime – 0.75%	2 years	July 2022	Secured ⁴	Hyde Park Corner	From existing cash and new facilities	R 0	R 450	
See note 1	RMB International (Mauritius) Ltd	Term loan	\$ 56.5	3M LIBOR + 6.13%	2 years	February 2023	Secured ⁴	Ikeja City Mall	n/a	\$ 56.5	\$ 56.5	

Details as to how loan arose	Lender	Description	Facility (million)	Interest Rate	Term of loan	Maturity date	Security	Property mortgaged as security	If payable within 12 months how repayment is to be financed	Outstanding capital balance before the transaction ⁽⁷⁾ (million)	Outstanding capital balance after the transaction (million)
B. Hyprop – DCM funding											
See note 2	HILB08	Bond	R 452	3M JIBAR + 1.60%	5 years	March 2023	Unsecured	n/a	n/a	R 452	R 452
See note 2	HILB09	Bond	R 350	3M JIBAR + 1.90%	7 years	March 2025	Unsecured	n/a	n/a	R 350	R 350
See note 2	HILB10	Bond	R 250	3M JIBAR + 1.44%	3.5 years	March 2022	Unsecured	n/a	From existing cash and new facilities	R 250	R 250
See note 2	HILB11	Bond	R 150	3M JIBAR + 1.75%	5 years	March 2024	Unsecured	n/a	n/a	R 150	R 150
See note 2	HILB12	Bond	R 350	3M JIBAR + 1.70%	5 years	March 2024	Unsecured	n/a	n/a	R 350	R 350
See note 2	HIL03U	Bond (unlisted)	R 500	3M JIBAR + 1.5%	3 years	November 2022	Secured ⁴	40% of Canal Walk, 75.15% of The Glen, Woodlands Boulevard	From existing cash and new facilities	R 500	R 500
See note 2	HIL02U	Bond (unlisted)	R 450	3M JIBAR + 1.5%	3 years	October 2022	Unsecured	n/a	From existing cash and new facilities	R 450	R 450
C. Hyprop and Gruppo – Non-controlling shareholder loans											
See note 3	AIH International Limited	Loan	\$ 24.2	8.08% fixed rate	9 years	March 2023	Unsecured	n/a	n/a	\$ 24.2	\$ 24.2

Details as to how loan arose	Lender	Description	Facility (million)	Interest Rate	Term of loan	Maturity date	Security	Property mortgaged as security	If payable within 12 months how repayment is to be financed	Outstanding capital balance before the transaction ⁽⁷⁾ (million)	Outstanding capital balance after the transaction (million)
D. Hyprop – Undrawn facilities											
See note 1	The Standard Bank of South Africa Ltd	Term loan	R 869	3M JIBAR + 1.89%	4 years	March 2026	Secured ⁴	40% of Canal Walk, 75.15% of The Glen, Woodlands Boulevard	n/a	–	R 869
See note 1	Nedbank Limited	RCF	R 500	3M JIBAR + 1.75%	2.5 years	August 2024	Secured ⁴	CapeGate, Rosebank Mall	n/a	–	R 450
See note 1	Nedbank Limited	RCF	R 600	3M JIBAR + 1.8%	4 years	February 2026	Secured ⁴	CapeGate, Rosebank Mall	n/a	–	–
See note 1	Nedbank Limited	Term loan	R 500	3M JIBAR + 1.75%	3 years	February 2025	Secured ⁴	CapeGate, Rosebank Mall	n/a	–	–
See note 1	Nedbank Limited	Term loan	R 550	3M JIBAR + 1.9%	5 years	February 2027	Secured ⁴	CapeGate, Rosebank Mall	n/a	–	–

Details as to how loan arose	Lender/(Borrower)	Description	Facility (million)	Interest Rate	Initial term of loan	Maturity date	Security	Property mortgaged as security	If payable within 12 months how repayment is to be financed	Outstanding capital balance before the transaction ⁽⁷⁾ (million)	Outstanding capital balance after the transaction (million)
E. Target Group – Bank loans											
See notes 1 and 3	Standard Finance of Man) (Balkan Retail)	Term loan	€50	1.61%	3 years	March 2022	Secured ⁵	40% of Canal Walk, 75.15% of The Glen, Woodlands Boulevard	To be settled from proceeds of asset sales or undrawn facilities	€50	€0
See notes 1 and 3	RMB (Balkan Retail)	Term loan	€18	1.94%	3 years	February 2022, with option to extend to May 2022	Secured ⁵	40% of Canal Walk, Clearwater Mall, 30% of Somerset Mall	To be settled from proceeds of asset sales	€18	€18
See note 1	Vondeviilag (Balkan Retail) – see note 6	Term loan	€28	2.22%	17 months	July 2023	Unsecured	n/a	n/a	€28	€28
See note 1	Erste bank / RLB (Manta)	Term loan	€170	3M EURIBOR + 2.75%	5 years	June 2023	Secured ⁴	City Center One East & City Center One West	n/a	€170	€170
See notes 1 and 3	DSK/OTP (AP Retail)	Term loan	€82	3M EURIBOR + 2.15%	7 years	December 2026	Secured ⁴	The Mall, Sofia	n/a	€82	€82
See note 1	Komericialna Banka AD Skopje (Leading bank), NLB Banka AD Skopje, Stopanska Banka AD Skopje, Ohridska Banka AD Skopje (SCM Retail)	Term loan	€38	6M EURIBOR + 3.25%	10 years	July 2031	Secured ⁴	Skopje City Mall	n/a	€38	€38

Details as to how loan arose	Lender/(Borrower)	Description	Facility (million)	Interest Rate	Initial term of loan	Maturity date	Security	Property mortgaged as security	If payable within 12 months how repayment is to be financed	Outstanding capital balance before the transaction ⁽⁷⁾ (million)	Outstanding capital balance after the transaction (million)
F. Hystead Group (excluding the Target Group) – Bank loans											
See notes 1 and 3	Nedbank (Hystead)	Term loan	€132	3M EURIBOR + 4 years 2.05%	4 years	April 2022	Secured ⁵	CapeGate, Rosebank Mall, cash deposit	To be settled from the sale proceeds received from the transaction	€132	€0
See notes 1 and 3	RMB (Hystead)	Term loan	€53	2.15% 4 years	4 years	July 2023	Secured ⁵	40% of Canal Walk, Clearwater Mall, 30% of Somerset Mall	n/a	€53	€53
See note 1	Vondelvlag (Delta MCG) – see note 6	Term loan	€72	2.22% 4 years	4 years	July 2023	Unsecured	n/a	n/a	€72	€72
See note 1	Vondelvlag (Hystead) – see note 6	Term loan	€10	2.22% 19 months	19 months	July 2023	Unsecured	n/a	n/a	€10	€10
G. Vondelvlag – Bank loans ⁽⁶⁾											
See note 1	RMB (Vondelvlag)	Term loan	€111	2.15% 4 years	4 years	July 2023	Secured ⁵	40% of Canal Walk, Clearwater Mall, 30% of Somerset Mall	n/a	€111	€111

Notes:

- To refinance existing facilities.
- For general corporate purposes.
- For the acquisition of properties.
- Loan secured by mortgage bond over investment properties.
- Loan secured by a guarantee from Hyprop and mortgage bond(s) over Hyprop's investment properties.
- Vondelvlag Finance Limited ("Vondelvlag") is a special purpose company used to facilitate the funding of certain of the Hystead group companies by Rand Merchant Bank. Proceeds of the loan received by Vondelvlag from Rand Merchant Bank (see section G above) were on-lent to entities in the Hystead group (including the target group) (see sections E and F above).
- For purposes of this table, the last practicable date is 31 January 2022.



HYPROP INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1987/005284/06)
JSE share code: HYP ISIN: ZAE000190724
JSE bond issuer code: HYPI
(Approved as a REIT by the JSE)
("Hyprop" or "the company")

NOTICE OF GENERAL MEETING OF SHAREHOLDERS

Where appropriate and applicable, the terms defined in the circular to which this notice of general meeting is attached bear the same meanings in this notice of general meeting and, in particular, in the resolutions set out below.

Notice is hereby given that a general meeting of shareholders will be held by way of electronic participation in accordance with the provisions of section 63(2) of the Companies Act 71 of 2008 and the JSE Listings Requirements, as read with the company's memorandum of incorporation, at 10:00 am on Friday, 25 March 2022, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions required to be approved by shareholders in order to authorise and implement the transaction. The notice of general meeting is attached to and forms part of the circular.

Shareholders are referred to the circular, which sets out the information and explanatory material that they may require in order to determine whether to participate in the general meeting and vote on the resolutions set out below.

To participate in the general meeting via electronic communication, shareholders or their duly appointed proxies must either:

- register online using the online registration portal at <https://meetnow.global/ZA>; or
- apply to Computershare, by delivering the duly completed electronic participation form, with their identification document or passport document, letter of representation and form of proxy (as applicable) to: First Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the shareholder), or sending it by email to proxy@computershare.co.za so as to be received by Computershare by no later than 10:00 on Wednesday, 23 March 2022. The electronic participation form can be found as an insert to the notice of general meeting. Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided. The company will inform shareholders or their proxies who notified Computershare of their intended participation, by no later than 5:00 pm on Thursday, 24 March 2022, by email of the relevant details through which shareholders or their proxies can participate electronically.

Salient dates and times

2022

Record date to receive the circular and notice of general meeting	Friday, 11 February
Circular and notice of general meeting issued	Tuesday, 22 February
Announcement relating to the issue of the circular and notice of general meeting released on SENS	Tuesday, 22 February
Last day to trade on the JSE in order to be eligible to participate in and vote at the general meeting	Tuesday, 15 March
Voting record date	Friday, 18 March
Last day to lodge forms of proxy for the general meeting with the transfer secretaries, by 10:00 am (forms of proxy not lodged with the transfer secretaries in time may be handed to the chairperson of the general meeting immediately before the commencement thereof)	Wednesday, 23 March
General meeting held at 10:00 am	Friday, 25 March
Results of the general meeting released on SENS	Friday, 25 March

Notes:

1. All dates and times in this circular are local dates and times in South Africa and are subject to change. Any changes will be released on SENS.
2. Hyprop shareholders are referred to page 2 of this circular for information on the action required to be taken by them.
3. Hyprop shareholders should note that as transactions in shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three business days after such trades. Therefore, Hyprop shareholders who acquire Hyprop shares after close of trade on Tuesday, 15 March 2022 will not be eligible to vote at the general meeting.
4. No dematerialisation and rematerialisation of Hyprop shares may take place between Wednesday, 16 March 2022 and Friday, 18 March 2022, both days inclusive.

ORDINARY RESOLUTION 1: HYSTEAD ACQUISITION

“Resolved in terms of paragraph 9.20 of the JSE Listings Requirements that the acquisition of 100% of shares in, and shareholder claims against, the target group by Hyprop as detailed in paragraph 4 of the circular, pursuant to the implementation of the transaction agreement, be and is hereby authorised.”

In order for ordinary resolution 1 to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders, present in person or by proxy at the general meeting, is required. Only shareholders reflected on the register as such on the voting record date are entitled to vote on ordinary resolution 1.

VOTING AND QUORUM

The quorum requirement for the general meeting to begin or for a matter to be considered at the general meeting is at least three Hyprop shareholders present in person or represented by proxy. In addition:

- the general meeting may not begin until sufficient persons are present in person or represented by proxy to exercise, in aggregate, at least 25% of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the general meeting; and
- a matter to be decided at the general meeting may not begin to be considered unless sufficient persons are present in person or represented by proxy to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda.

Every shareholder present in person or represented by proxy and entitled to exercise voting rights at the general meeting shall be entitled to vote on a show of hands, irrespective of the number of voting rights that shareholder would otherwise be entitled to exercise. On a poll, any person who is present at the general meeting, whether as a shareholder or as proxy for a shareholder, has the number of votes determined in accordance with the voting rights associated with the shares held by that shareholder.

SHAREHOLDERS

General instructions

Shareholders who are entitled to attend, speak and vote at the general meeting are encouraged to do so.

Proxies and authority for representatives to act

The attached form of proxy is only to be completed by:

- certificated shareholders; or
- own-name dematerialised shareholders,

who cannot attend the general meeting but wish to be represented thereat.

All other beneficial owners who have dematerialised their shares through a CSDP or broker, without own-name registration, and who wish to attend the general meeting, must instruct their CSDP or broker to provide them with the necessary letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These shareholders must not use a form of proxy.

Forms of proxy are requested to be delivered to the transfer secretaries, Computershare, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to Private Bag X9000, Saxonwold, 2132, or emailed to proxy@computershare.co.za, so as to arrive no later than 10:00 am on Wednesday, 23 March 2022. Forms of proxy not lodged with the transfer secretaries in time may be handed to the chairperson of the general meeting immediately before the commencement thereof. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend, speak and vote in person at the general meeting should the shareholder decide to do so.

A company that is a shareholder, wishing to attend and participate at the general meeting, should ensure that a resolution authorising a representative to so attend and participate at the general meeting on its behalf, is passed by its directors.

Hyprop does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of a dematerialised Hyprop shareholder to notify such shareholder of the general meeting or any business to be conducted thereat.

Electronic participation

As set out above, the general meeting will be conducted entirely by electronic communication as permitted by the Company's Act and the company's MOI. To participate in the general meeting via electronic communication, shareholders or their duly appointed proxies must register online using the online registration portal at <https://meetnow.global/ZA>.

GENERAL NOTES

1. Shareholders who are companies or other bodies corporate may, by resolution of their directors or other governing body, authorise any person to act as their representative at the general meeting.
2. The chairperson of the general meeting will require that all resolutions put to the vote shall be decided by way of a poll.

By order of the board

Hyprop Investments Limited

22 February 2022

Registered office

2nd Floor, Cradock Heights
21 Cradock Avenue
Rosebank, 2196
Johannesburg



HYPROP INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1987/005284/06)
JSE share code: HYP ISIN: ZAE000190724
JSE bond issuer code: HYPI
(Approved as a REIT by the JSE)
("Hyprop" or "the company")

PARTICIPATION IN THE GENERAL MEETING VIA ELECTRONIC COMMUNICATION

Capitalised terms used in this form shall bear the same meanings ascribed thereto in the circular to which this form is attached.

1. **Shareholders or their duly appointed proxy(ies) who wish to participate in the general meeting via electronic communication ("participants" (and "participant" shall mean any one of them as the context may indicate)), must apply to Computershare, by delivering the duly completed form to:** First Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the Participant), or by email to proxy@computershare.co.za so as to be received by Computershare by no later than 10:00 am on Wednesday, 23 March 2022.
2. **Important notice**
 - 2.1 The company shall, by no later than 5:00 pm on Thursday, 24 March 2022, notify participants that have delivered valid notices in the form of this form, by email of the relevant details through which participants can participate electronically.
 - 2.2 The cut-off time to participate in the general meeting via electronic communication will be at 8:00 am on Friday, 25 March 2022.

APPLICATION FORM

Full name of participant:

ID number:

Email address:

Cell number: **Telephone number (code)** **(number):**

Name of CSDP or broker (if shares are held in dematerialised format):

Contact number of CSDP/ broker:

Contact person of CSDP / broker:

Number of share certificate (if applicable):

Signature:

Date:

TERMS AND CONDITIONS FOR PARTICIPATION IN THE GENERAL MEETING VIA ELECTRONIC COMMUNICATION

1. The cost of electronic participation in the general meeting is for the expense of the participant and will be billed separately by the participant's own service provider.
2. The participant acknowledges that the electronic communication services are provided by a third party and indemnifies Hyprop Investments Limited against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the participant or anyone else. In particular, but not exclusively, the participant acknowledges that he/she will have no claim against the company, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the participant via the electronic services to the general meeting.
3. The application to participate in the general meeting electronically will only be deemed successful if this application form has been completed fully and signed by the participant.

Participant's name:

Signature:

Date:



HYPROP INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1987/005284/06)

JSE share code: HYP ISIN: ZAE000190724

JSE bond issuer code: HYPI

(Approved as a REIT by the JSE)

("Hyprop" or "the company")

FORM OF PROXY

Where appropriate and applicable, the terms defined in the circular to which this form of proxy is attached bear the same meanings in this form of proxy.

THIS FORM OF PROXY IS ONLY FOR USE BY:

- certificated shareholders;
- own-name dematerialised shareholders.

For completion by the aforesaid registered shareholders who are unable to attend the general meeting of shareholders, which meeting will be held by way of electronic participation in accordance with the provisions of section 63(2) of the Companies Act 71 of 2008 and the JSE Listings Requirements, as read with the company's memorandum of incorporation, at 10:00 am on Friday, 25 March 2022. If you are a dematerialised shareholder, other than with own-name registration, do not use this form. Dematerialised shareholders, other than those with own-name registration, should provide instructions to their appointed CSDP or broker in the form as stipulated in the agreement entered into between the shareholder and the CSDP or broker.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE)

Email address

Telephone number

Cell-phone number

of (address)

being the holder(s) of Hyprop shares hereby appoint:

1. or failing him/her

2. or failing him/her

3. the chairperson of the general meeting

as my/our proxy to attend and speak and to vote for me/us and on my/our behalf at the general meeting of shareholders and at any adjournment or postponement thereof, for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed at the general meeting, and to vote on the resolutions in respect of the shares registered in my/our name(s).

Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast. Unless this is done the proxy will vote as he/she thinks fit.

	Number of votes		
	*In favour of	*Against	*Abstain
Ordinary resolution 1: Hystead acquisition			

One vote per Hyprop share held by shareholders, recorded in the registers on the voting record date

Unless otherwise instructed my proxy may vote or abstain from voting as he/she thinks fit.

Signed this _____ day of _____ 2022

Signature

Assisted by me (where applicable)

(State capacity and full name)

A shareholder entitled to attend and vote at the general meeting is entitled to appoint a proxy to attend, vote and speak in his/her stead. A proxy need not be a shareholder of Hyprop. Each shareholder is entitled to appoint one or more proxies to attend, speak and, on a poll, vote in place of that shareholder at the general meeting.

Forms of proxy should be delivered to the transfer secretaries, Computershare, at First Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to Private Bag X9000, Saxonwold, 2132, or emailed to proxy@computershare.co.za, to arrive no later than 10:00 am on Wednesday, 23 March 2022. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend, speak and vote in person at the general meeting should the shareholder decide to do so.

Please read notes on the reverse side hereof

NOTES TO THE FORM OF PROXY:

1. Only shareholders who are registered in the register of the company under their own name on the voting record date may complete a form of proxy or attend the general meeting. This includes certificated shareholders or own-name dematerialised shareholders. A proxy need not be a shareholder of the company.
2. Certificated shareholders wishing to attend the general meeting should ensure, beforehand with the transfer secretaries, that their shares are registered in their own name.
3. Beneficial shareholders whose shares are not registered in their own name, but in the name of another, for example, a nominee, may not complete a proxy form, unless a form of proxy is issued to them by a registered shareholder and they should contact the registered shareholder for assistance in issuing instructions on voting their shares, or obtaining a proxy to attend, speak and vote at the general meeting.
4. Dematerialised shareholders who have not elected own-name registration in the register of the company through a CSDP, and who wish to attend the general meeting, must instruct the CSDP or broker to provide them with the necessary letter of representation to attend.
5. Dematerialised shareholders who have not elected own-name registration in the register of the company through a CSDP and who are unable to attend, but wish to vote at the general meeting, must provide their CSDP or broker with their voting instructions timeously, in terms of the custody agreement entered into between that shareholder and the CSDP or broker.
6. A shareholder may insert the name of a proxy or the names of two or more alternative proxies of the shareholder's choice in the space, with or without deleting "the chairperson of the general meeting of shareholders". The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat, to the exclusion of any proxy appointed, should such shareholder wish to do so. In addition to the foregoing, a shareholder may revoke the proxy appointment by:
 - 7.1 cancelling it in writing, or making a later inconsistent appointment of a proxy; and
 - 7.2 delivering a copy of the revocation instrument to the proxy, and to the company.
8. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date:
 - 8.1 stated in the revocation instrument, if any; or
 - 8.2 upon which the revocation instrument is delivered to the proxy and the company as required in section 58(4)(c)(ii) of the Companies Act.
9. Should the instrument appointing a proxy or proxies have been delivered to the transfer secretaries, as long as that appointment remains in effect, any notice that is required by the Companies Act or the MOI to be delivered by the company to the shareholder must be delivered to:
 - 9.1 the shareholder; or
 - 9.2 the proxy or proxies if the shareholder has in writing directed the company to do so and has paid any reasonable fee charged by the company for doing so.
10. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the MOI or the instrument appointing the proxy provide otherwise.
11. If the company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of instrument appointing a proxy:
 - 11.1 such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;
 - 11.2 the company must not require that the proxy appointment be made irrevocable; and
 - 11.3 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.
12. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies. A deletion of any printed matter and the completion of any blank space(s) need not be signed or initialled.
13. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries or waived by the chairperson of the general meeting.
14. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
15. A company holding shares in the company that wishes to attend and participate at the general meeting should ensure that a resolution authorising a representative to act is passed by its directors. Resolutions authorising representatives in terms of section 57(5) of the Companies Act must be lodged with the transfer secretaries prior to the general meeting.
16. Where there are joint holders of shares any one of such persons may vote at any meeting in respect of such shares as if he/she were solely entitled thereto; but if more than one of such joint holders wishes to be present or represented at the general meeting, that the one of the said persons whose name appears first in the register or his proxy, as the case may be, shall alone be entitled to vote in respect thereof.
17. The chairperson of the general meeting may reject or accept any proxy which is completed and/or received other than in accordance with the instructions, provided that he shall not accept a proxy unless he is satisfied as to the matter on which a shareholder wishes to vote.
18. A proxy may not delegate his/her authority to act on behalf of the shareholder, to another person.
19. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate space provided. Failure to comply with the above will be deemed to authorise the chairperson of the general meeting, if the chairperson is the authorised proxy, to vote in favour of the resolutions at the general meeting or other proxy to vote or to abstain from voting at the general meeting as he/she deems fit, in respect of the shares concerned. A shareholder or the proxy is not obliged to use all of the votes exercisable by the shareholder or the proxy, but the total of votes cast in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or the proxy.
20. Forms of proxy should be delivered to the transfer secretaries, Computershare, at First Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to Private Bag X9000, Saxonwold, 2132, or emailed to proxy@computershare.co.za, to arrive no later than 10:00 am on Wednesday, 23 March 2022. Forms of proxy not lodged with the transfer secretaries in time may be handed to the chairperson of the general meeting immediately before the commencement of the general meeting. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend, speak and vote in person at the general meeting should the shareholder decide to do so.
21. This form of proxy may be used at any adjournment or postponement of the general meeting, including any postponement due to a lack of quorum, unless withdrawn by the shareholder.
22. The foregoing notes include a summary of the relevant provisions of section 58 of the Companies Act, as required in terms of that section.