Approved as a REIT by the JSE Limited
(Incorporated in the Republic of South Africa)
(Registration number 2000/015002/06)
Share code: SAR ISIN: ZAE000188280
("Safari" or "the Company")

SAFARI'S NICHE PORTFOLIO IN UNDERSERVED LOCATIONS GROWING

FOCUS ON OPERATIONAL PERFORMANCE

- **Property revenue increased 14.5% to R275.9 million**
- **Operating profit of R197.3 million**
- **Loan to value of 24%**
- **88% of GLA to national tenants**
- **Low vacancy of 2,6%**
- **Nkomo Village and Thornhill Shopping Centre launched and trading**
- **Southern Palace drag on distributions**

Monday, 24 June 2019. JSE-listed REIT Safari Investments RSA Limited today posted annual results for the period ending 31 March 2019. The Company differentiates itself from other listed REITS by investing in quality income-generating retail properties located in regional underdeveloped peri-urban locations close to transport hubs that attract consumers and retailers to their centres.

Thornhill Shopping Centre, effectively acquired from 1 October 2018, is a well established convenient neighbourhood retail centre in Polokwane. Nkomo Village Shopping Centre Phase 1 was completed and opened for trading in November 2018.

CEO, Dirk Engelbrecht, commented:
"Many national retailers were introduced to the Atteridgeville community for the first time at Nkomo. Our focus on regional, underdeveloped locations has proven defensive, underpinned by strong demand for our centres as reflected in the low vacancy rate of 2.6%, and comparatively high trading densities across the portfolio.

"During the period under review, we added to the portfolio with the acquisition of Thornhill and the opening of Nkomo. Both of these assets are trading well and we expect that to continue".

During 2019 Safari implemented a Security SPV effectively pooling the security provided to lenders. The Board adopted an internal hedging policy and at year end 48% of the interest-bearing debt had been hedged. An additional R500 million debt facility was secured with ABSA. Engelbrecht advised that **"I am confident that this strengthens the Safari balance sheet and ensures appropriate management of risk."**

At the Denlyn centre in Mamelodi, McDonalds was secured and opened for trade and is trading well. In addition, Woolworths will open its first Mamelodi store at Denlyn and commence trading 1 July 2019 and all indications are that it will be well received by the community.

Engelbrecht reiterated that the weaker than expected performance of the Platz Am Meer shopping centre in Namibia, as well as the delay in the sale of the residential units due to statutory requirements at the same development in Swakopmund impacted distributions negatively. **"We have implemented remedial action for Platz Am Meer and expect to see a turnaround in the future,"** he said.

The decrease in distributions was also attributable to the challenging retail environment with the property sector experiencing increasing occupancy costs in terms of municipal costs and electricity and retail space consolidation as a result of a number of new developments coming on line across all sectors. Other factors that are also playing a role is online shopping in especially fashion and electronic retailers and a strong focus on space optimisation in the banking sphere. The market is also seeing a negative gap between CPI and turnover figures according to recent reports. All these factors give rise to increased vacancies and tough rental negotiations affecting rental escalations. Safari is certainly also experiencing this to some extent but as a result of its dominating retail centres in the township areas and diligently managing the quality of our properties we were able to ensure low vacancies and retained strong national tenancy while continuing to achieve competitive rental escalations and ensuring sustainable earnings for our assets.

As previously disclosed, Southern Palace defaulted on the R50 million equity loan from Sanlam during the current period which resulted in a cross-default on the R455 million senior loan. Guarantee fees and additional interest expense resulting from funding the interest shortfall from December 2018 amounting to R2,69 million paid on behalf of Southern Palace are deemed to not be recoverable and have been expensed in this financial year. Engelbrecht advises that "**there is a reversionary pledge and cession agreement together with a Southern Palace Holdco guarantee in place which will result in Safari holding a pledge over the 53 million Safari shares of Southern Palace should Sanlam make a further call on the Safari guarantee for full settlement of Southern Palace's outstanding obligations. This will result in a legal claim against Southern Palace for the full amount paid by Safari on account of Southern Palace's obligations under the guarantees issued. "**.

The group recorded an operating profit, before investment revenue, fair value adjustments and finance costs for the year ended 31 March 2019, of R197.3 million (2018: R183.5 million).

The group's property revenue increased by 14.5% to R275.9 million compared with the previous year's R241 million. A weighted average escalation on lease agreements of 5,2% was achieved for the 2019 financial year. Property expenses as a percentage of property revenue was 26% (2018: 25%).

The Safari group's gearing (loan to value) ratio increased from 12% to 24%, mainly resulting from the completion of Nkomo Village together with the acquisition of Thornhill Shopping Centre.

On 28 March 2019, Safari and Fairvest Property Holdings Limited ("Fairvest") published a joint SENS announcement regarding a potential friendly merger being investigated on an exclusive basis. Engelbrecht asserts, "**the process is continuing in the professional spirit in which it was started and we are positive that further announcements will be made soon**. **Safari has built a reputation for managing a niche portfolio extremely successfully and this has made Safari a potential target for M&A discussion. Whilst our strategy**

is to continue to build the business we cannot ignore these overtures and if they are value-accretive to shareholders and the company, management and the board have the obligation to review and present them to shareholders for consideration."

There have been further changes to the board with Mr Marais stepping down as Chairman of the Board and Safari would again like to take the opportunity of thanking him for his dedicated commitment to the company and wish him well for the future. Dr Philip Snyman, a current independent non-executive director and former chairman of Safari, has been reappointed as chairman of the Company. The new management team are working closely together and this augurs well for the further success of Safari. The internalisation of the property management and leasing team was successfully completed, effective 1 March 2019, adding renewed focus on the management of the portfolio and the group. The relocation to new corporate offices enhanced the attraction of competent and motivated employees with a professional hands-on approach.

"The management team and Board are committed to maximising the rental income streams with a proactive letting strategy focussed on national tenants. We intend to minimise operating expenditure through the deployment of quality management within the portfolio," *Engelbrecht concluded.*

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Note to editors:

About Safari Investments RSA Limited:

Safari Investments RSA Limited ("Safari"), with a total asset base of R3.3 billion, is a retail-focused Real Estate Investment Trust ("REIT") listed on the Johannesburg Stock Exchange Limited ("JSE") main board under the property section.

Safari aims to invest in quality income-generating property and revenue is generated through sustainable rental income. There were no significant changes to the nature of the business during the financial period under review.

Property portfolio

The property portfolio includes eight established income-generating retail centres, of which three are serving as regionals in their areas. These include:

- Thornhill in Polokwane (12 359 m^2)
- Denlyn in Mamelodi, Pretoria (34 513m^2);
- Atlyn (31 243m^2), Mnandi (8 717m^2) and Nkomo Village (18 906 $m^{2)}$ in Atteridgeville, Pretoria;

- Thabong in Sebokeng, Johannesburg (34 530m^2);
- The Victorian in Heidelberg (11781m^2); and
- Platz am Meer in Swakopmund, Namibia (21 155m^2).

Safari also owns a private day-hospital (1 379m2) in Soweto with Advanced Health Limited as its tenant.

Safari invests in solar panels at several of its retail centres, including Denlyn, Atlyn, Mnandi and Platz am Meer.

Bulk reserve (retail and other) at year end included:
- Thabong: ± 10 000m^2
- Platz am Meer: ± 10 000m^2
- Nkomo Village: ± 20 000m^2
- Lynnwood: ± 13 000m^2

Letting activity
Safari's vacancy factor in its portfolio as at 31 March 2019 was 2.6% of the total income-generating space. The average annual rental escalation percentage for the period was 5.6%. Safari's three dominant regional centres being Atlyn, Denlyn and Thabong are 100% let with vacancies only evident during tenant relocations.

Atlyn - Edgars
Edgars Atlyn will be closing down at the end of July 2019. Safari opted to convert the Edgars premises to a value fashion node by relocating Studio88 and Jam and by adding Power Fashion and Outlook to the already strong value fashion offering. The relocation of Jam and Studio88 will further allow for the addition of HiFi Corp to the tenant mix. The reconfiguration offers a 26% yield due to the increased rentals on the old Edgars space.

Denlyn - Edgars
Other than securing Mc Donalds and Woolworths at this centre as mentioned before, Safari secured a three months notice option on all Edgars and Jet brands in the portfolio. Safari has entered into discussions with the Mr Price group on the possible expansion of Mr Price brands into the Edgars premises. Mr Price responded positively and has indicated that they would like to enhance their brands by adding Milady's, Mr Price Sports and Mr Price Home. The closure of Edgars and incorporation of Mr Price will benefit Safari from both a strategic and financial point of view as Mr Price would have to withdraw from the Tshwane regional mall in the near vicinity to Denlyn. The projected increase in income amounts to R1,2mil per annum.

Nkomo – new tenants
The opening of Nkomo hailed the first-time introduction of certain national brands into the Safari portfolio. The tenants include The Gym Company, McDonalds, Builders Warehouse, Food Lovers Market and Goldwagen. Safari is also in discussions with two possible 5-a-side soccer operators with the intention of opening two fields at Nkomo. The facility will include a small clubhouse and pavilion, the expected opening date is November 2019.

Thornhill – Food Lovers Market and Tops
Food Lovers Market re-opened after expansion and refurbishment on 14 June 2019 which has been well received by the community. Spar Tops has indicated a desire to double the space they currently occupy and have been offered the ex-Post Office premises. The relocation and expansion will benefit both Tops and Food Lovers Market which will further strengthen the eastern side of the centre.

Victorian – redevelopment plans
The Safari board approved the costs required for an initial investigation towards the possible revamp of The Victorian Shopping Centre. Safari is hoping that the completed revamp of The Victorian which will include improved aesthetics as well as a strong restaurant and health and beauty components will position the center as the dominant convenience centre in Heidelberg.

Credit rating
During September 2018 Safari received its fourth credit rating from Global Credit Rating Co. ("GCR"):
- Normal long term BBB(ZA)
- National short term A2(ZA)
- Rating outlook - Positive

Prospects
The Board is committed to maximising the rental income streams with a proactive letting strategy focused on national tenants and minimising the operating expenditure through quality management within our property portfolio.

In Namibia the tough economic environment remains a concern as business sentiment continues to deteriorate and the increased cost of living places continued pressure on the general population. The Board has placed a renewed focus on this asset and has made changes to the management thereof to strengthen the management with proper due care for sustainable long-term growth.

The Board will focus on opportunities in order to achieve sustainable long-term, recurring distributable earnings.

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