ATTACQ LTD – FREQUENTLY ASKED QUESTIONS

Attacq would like to ensure comprehensive communication and transparency with all stakeholders, hence this frequently asked questions document of the main themes discussed during the past few months.

GENERAL

When will Attacq convert to a REIT?

Attacq will operate under REIT laws and regulations for the financial year ended 30th June 2019, subject to JSE approval. Attacq is aiming to convert to a REIT in the next four months.

Will Attacq be paying a dividend or a distribution in October 2018?

Attacq will be paying a distribution of 73.0 cents per share or, net* R513.2 million, in October 2018. Given the conversion to REIT-status, if Attacq has converted to a REIT before the end of the current financial year (i.e. 30th June 2018) the distribution will be defined as a REIT distribution and not a dividend. A REIT distribution is taxable in the hands of the ultimate shareholder. If REIT status has not been received, the distribution will be defined as a dividend, as such 20.0% withholding taxation will apply.

*Attacq holds 46 427 553 treasury shares. The treasury shares will attract a 73.0 cents per share distribution. Upon consolidation the distribution will be eliminated, resulting in a net distribution payment of R513.2 million.

What are the assumptions for the guidance around distribution growth?

Attacq provided a guideline of 73.0 cents per share distribution for the 2018 financial year which is a material increase from the 29.4 cents per share distribution in the previous year. The increase in distributable earnings per share can be explained by an increase in rental income, Wingspan and MAS dividends received and savings on long term debt interest.

The 20.0% growth per annum in distribution for the next three years is driven by Attacq's accretive development portfolio and ongoing balance sheet optimisation with a targeted gearing level, calculated as net interest-bearing debt to total assets, in the range of 35.0% to 40.0%, as well as a targeted interest cover ratio of above two times.

Distributable earnings are derived from Attacq's South African portfolio (rental income), investment in MAS (dividend) as well as its rest of Africa retail investments (non-cash interest).

When will Attacq perform its next capital raising?

Attacq has sufficient cash to fund its immediate development pipeline. Attacq will not be approaching the equity market for cash in the foreseeable future. Should Attacq secure a large development, e.g. another big corporate consolidation, raising capital will be considered.

When will Attacq appoint a new Chief Executive Officer and Head of Development?

A new Head of Developments, Giles Pendleton, has been appointed with effect from March 2018. Giles brings with him a wealth of experience in general management, commercial property development, operational administration and engineering, from roles in both public and private sector property development across the globe.

A global executive search company in conjunction with Attacq's Nomination Committee are in the process of interviewing candidates short-listed for the Chief Executive Officer position. The JSE has provided dispensation until the 30th June 2018 for our current CFO, Melt Hamman, to act in both capacities.

Which assets have been earmarked for recycling of capital?

1. The Grove Mall of Namibia;
2. Brooklyn Bridge Office Park; and
3. 2 Eglin, Sunninghill.

The investment in Artisan was sold in March 2018. Proceeds have been received, realising a profit of GBP 52.1 thousand based on the 31 December 2017 book value. The proceeds have been used to reduce interest bearing Euro debt.

SA PORTFOLIO

Looking at the December 2017 results, what was the reason for the significant movement in straight-line lease income adjustment?

Attacq negotiated extended lease terms with three existing large tenants, namely Aurecon, Adams & Adams and Massbuild. The terms and conditions agreed in those lease agreements resulted in a significant movement in the straight-line lease income adjustment.

Why are vacancies as well as arrears increasing?

As at 31 December 2017, Attacq's vacancies were 4.5%. Subsequent to 31 December 2017, 10 744 m² of this vacant space has been let, reducing the overall vacancy rate to 3.2%. This is in line with previously disclosed vacancy ratios (June 2017: 3.0%).

Gateway West is more than 70.0% tenanted with SAGE, ACI and Spaces. There are enough active enquiries for Gateway West to be fully tenanted in the near future.

Attacq disclosed its arrears as 5.7% using rental income for the six month period ended 31 December 2017. If rental income is annualised, net arrears (trade receivables less provision for doubtful debts) excluding VAT, as a percentage of rental income reduces to 1.5% (June 2017: 1.7%) which is well within the industry norm.

Are current deals with tenants being done at historically known market related terms and conditions?

New leases are signed at market related rentals, including the Waterfall area. The tenant installation allowances and beneficial occupation periods remain standard.

What is the net operating income per sector for the 6 months ended 31 December 2017?

Figures in R'000s	**Retail**	**Office and mixed-use**	**Industrial**	**Hotel**
Rental income^	566 338	339 266	47 059	24 211
Property expenses	(248 889)	(107 159)	(16 166)	(7 540)
Net property income	**317 449**	**232 107**	**30 893**	**16 671**

^ Excluding straight-line lease income adjustment

WATERFALL DEVELOPMENTS

What is the average yield on developments?

The average yield depends on each sector. On average we aim to achieve a development yield of between 8.5% and 9.0%. That equates to a development profit of between 10.0% and 15.0%.

What is an open book deal?

An open book deal is where an approximation of the development cost of a building and a fixed yield is agreed upfront between Attacq and the future tenant. For example the building will be developed at a cost of R100 with an 8% yield, therefore the tenant will be paying R8 rental per annum. Should Attacq save costs during the development phase which results in a lower development cost, as an example for R95, the rental will drop to R7.6 in order to deliver an 8.0% yield. This has an impact on the valuation of building, given that rental income is an input. As a result of the lower future rental income, the building valuation upon completion is also lower than anticipated during the development phase.

Why does Attacq develop with business partners in a joint venture structure?

Attacq will continue to enter into joint venture arrangements where mutual benefit can be extracted from the relationship. Atterbury and Zenprop brought tenants (Deloitte and Cummins respectively) to the table that Attacq not previously had access to. Each party is responsible for their own funding. Development fees, as well as asset and property management fees are negotiated on a deal-by-deal basis.

MAS REAL ESTATE INC ("MAS")

Is the MAS dividend income stream hedged?

No, Attacq has decided not to hedge the Euro dividend income. Attacq will use the Euro dividend income to service Euro debt requirements.

Why did Attacq not follow the MAS book build?

Attacq is currently focussing on improving its interest cover ratio and requires its cash resources to fund the development pipeline in Waterfall.

MAS declared a dividend in March 2018 with the option of either receiving a cash distribution or new shares. Attacq elected to receive cash of R76.9 million and as a result a further dilution in shareholding took place. Attacq's shareholding is currently 22.75%, taking the delisting of five million shares in April 2018 into account.

REST OF AFRICA RETAIL ASSETS

Can you realise the AttAfrica Limited ("AttAfrica") investment at book value?

We invested into AttAfrica via shareholders' loan accounts. To date we have impaired USD10.4 million which equates to R127.5 million as at 31 December 2017. The underlying assets are annually externally valued and twice a year an impairment test is performed on the investment.

What is the future of the rest of Africa retail investment as an Attacq investment?

Attacq has made the decision to not further invest in Africa. There is a signed sale agreement in place for the disposal of The Grove Mall of Namibia at carrying value.

INVEST • DEVELOP • GROW