

Blackstar Group SE
("Blackstar" or the "Company")

Real Estate Acquisition

Introduction

Building on Blackstar's successful partnership with Litha Healthcare Group Limited ("Litha"), in which Blackstar owns 39% of the issued share capital, Blackstar, through its wholly-owned subsidiary, Blackstar Real Estate (Pty) Limited ("BRE"), is pleased to announce that it has entered into an agreement to purchase a commercial property (the "Property") in Midrand, Gauteng, South Africa for R58 million (the "Property Transaction"). The property will be held through a new property holding company ("Newco") with BRE owning 70% of the ordinary shares and Litha owning 30% of the ordinary shares, of Newco. The Property will be occupied by Litha and will provide operating space for a large portion of Litha's operations within Gauteng.

Lease Agreement

Simultaneously with the Property Transaction, Newco has entered into a triple net lease agreement with Litha Medical (Pty) Limited ("Litha Medical"), a major operating subsidiary of Litha. The material terms of the transaction are as follows:

- The lease is for a period of 12 years commencing on the date of transfer of the Property Transaction;
- Litha Medical has an irrevocable option to renew the lease at the end of the initial period for a further period of 3 years;
- the monthly rent payable by Litha Medical to Newco during the initial period will be R460,000 excluding VAT, escalating at 8% per annum, equating to an initial net yield of 9.5%. The rent will be reviewed on or before the 10th anniversary of the commencement date.
- Newco has granted Litha Medical a right of first refusal to purchase the Property on the same terms and conditions as are offered to Newco by any interested third party purchaser during the period of the lease.

Blackstar has secured R45 million of debt funding from Rand Merchant Bank ("RMB") to be held in Newco over a ten year period with the interest rate fixed over the period . The debt funding will amortise to zero over the ten year period with the net rent being applied against the interest and capital payments. The debt funding equates to 78% of the total purchase price of the Property. The remaining funding will be provided by Blackstar and Litha or their respective subsidiaries in proportion to their effective ordinary shareholding in Newco. Blackstar will provide initial funding of R10 million into Newco.

Benefits for Litha

The lettable area of the Property comprises 10,300 square metres and will be used to consolidate a large part of Litha's operations within Gauteng. The consolidation will produce rental cost saving and additional efficiencies to the group and is in line with its strategy of utilising shared services across the group to extract synergies.

Blackstar's Investment Rationale

Blackstar believes that property transactions of this nature make attractive investment propositions as a significant amount of debt funding can be used against a solid asset underpin with known cash flows. The debt repayments can be matched against the future cash flows which will be generated by the rental streams up until maturity creating a largely cash and tax neutral investment with the debt being totally repaid over the lease period.

Following the Property Transaction, Blackstar will have gross property assets of R106 million which offers the Company exposure to the South African commercial, retail and industrial real estate sectors.

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