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## DISPOSAL OF VELICA GORICA PROPERTY IN CROATIA AND UPDATE ON COVID-19

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### 1. INTRODUCTION AND RATIONALE

Tower is pleased to advise shareholders of the conclusion of an agreement to sell its Velica Gorica retail property in Zagreb, Croatia (the "**property**" or "**Velica Gorica**") at its book value of Euro 9.1 million (the "**disposal consideration**").

As with the recently announced Vukovarska disposal, this disposal is in line with Tower's strategy of actively recycling assets which are considered to have reached their growth potential, and where Tower believes the sale proceeds could be better utilised elsewhere.

Tower has been focused on strengthening its balance sheet, reducing its loan to value across the board, and particularly reducing Euro debt secured against its South African portfolio. In the SENS announcement dated 17 April 2020, we advised that post the receipt of our share of the proceeds from the disposal of Vukovarska Tower's loan to value was expected to reduce to 38%. The application of the proceeds from the sale of Velica Gorica against Euro debt will further reduce the loan to value ratio of the company to 37%.

The sale agreement has been concluded between Tower Europe Retail No. 2 d.o.o. ("**Tower Retail**") and 3D Real Estate No.1 d.o.o. ("**3D Real Estate**"). Tower Retail is a wholly-owned Croatian subsidiary of TPF International Limited ("**TPF**"), Tower's Mauritian 74% owned subsidiary which houses Tower's Croatian assets.

Velica Gorica, which measures 15 741m<sup>2</sup> in extent, with a GLA of 4 858m<sup>2</sup>, comprises a stand-alone Super Konzum with a small number of line shops linked to the property. The property was acquired in 2016 for €8.8 million and the disposal consideration represents a 7.5% yield.

### 2. TERMS OF THE DISPOSAL AND CONDITIONS PRECEDENT

The disposal is subject to certain conditions, including the cooperation of the seller with 3D Real Estate's bankers and the final transfer of the property. The effective date of the disposal is the first day following payment of the full purchase price, which is expected to be in July 2020.

The agreement in respect of the disposal contains warranties, undertakings and indemnities which are normal for a disposal of this nature.

### 3. PROPERTY SPECIFIC INFORMATION

<b>Property name</b>	Zagreb superKonzum Velica Gorica
<b>Location</b>	Zagreb, Croatia
<b>Sector</b>	Retail
<b>Total GLA (m<sup>2</sup>)</b>	4 858m <sup>2</sup>
<b>Weighted average rental per m<sup>2</sup> per month (€)</b>	€11.73/m <sup>2</sup>
<b>Disposal consideration (€ million)</b>	€9.1
<b>Value attributed to the property (€ million)</b>	€9.1
<b>Net operating income (1 December 2018 – 30 November 2019) (€ million)</b>	€0.7
<b>Estimated transaction costs (€ million)</b>	€0.4

The disposal consideration is considered to be in line with the fair market value of the property, as determined by the directors of the company. The directors of the company are not independent and are not registered as professional valuers or as professional associate valuers in terms of the Property Valuers Profession Act, No. 47 of 2000.

### 4. CATEGORISATION OF THE DISPOSAL

The disposal is classified as a category 2 transaction in terms of the JSE Listings Requirements and is not subject to approval by shareholders.

### 5. SOUTH AFRICAN OPERATIONAL UPDATE – COVID-19

Since the national lockdown commenced at midnight on 26 March 2020, Tower's credit committee has met regularly in order to evaluate rental concession requests received from tenants. To date, Tower has approved rental concessions with a total value of R3.3 million (excluding value-added tax) for tenants most impacted by the lockdown (including, amongst others, coffee shops, restaurants, travel agents and event management businesses). A further R4.2 million (excluding value-added tax) of rental payments has been deferred for periods ranging from six to twelve months.

Of the rental invoiced for April, Tower has collected 76% after rental concessions, and as at 25 May 2020, had received 61% of May's rentals due, which represents an approximately 10% lower collection rate than at the same point in April. Sectoral collections for April and May are as follows:

<b>% collections</b>	
Retail	65%
Office	71%
Industrial	85%

### 6. CROATIAN OPERATIONAL UPDATE – COVID-19

Croatia's lockdown measures have been gradually lifted over the past few weeks, with all businesses now permitted to trade. The Croatian rental income is billed monthly in arrears. Tower has collected 90% of the rental billed for April. The full May rental is not yet due.

Tower has granted VMD a 15% rental reduction for April and May 2020 with regard to the head lease over the VMD Office Block in Zagreb. In addition, the company has offered Konzum, the head lease tenant of its retail portfolio, a rental reduction of 50% for the line stores under sublease for the same period, which offer has been accepted. Tower's share of the total rental reduction granted to VMD and Konzum amounts to €108 321 and assists in ensuring that Tower's properties retain a strong tenant mix. Essential services tenants, including the large supermarkets, are paying full rental over this period. From 1 June 2020 VMD and Konzum will pay full rental.

1 June 2020

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