

TOWER PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2012/066457/06)

JSE share code: TWR ISIN: ZAE000179040

(Approved as a REIT by the JSE)

(“Tower” or the “company”)



DISPOSAL OF VUKOVARSKA RETAIL PROPERTY IN ZAGREB

1. INTRODUCTION AND RATIONALE

Tower is pleased to advise shareholders of the conclusion of an agreement to sell the Vukovarska retail property in Croatia at an 11% premium to its book value.

Tower’s objective is to deliver growing total returns to shareholders, by investing in properties in strong nodes, with the potential to deliver value over the medium to long term. A key strategic tool to deliver on this objective is the active recycling of assets which have reached their growth potential, and where Tower believes the sale proceeds could be better used elsewhere.

In line with this strategy, Shareholders are advised that Tower Europe Retail No. 2 d.o.o. (“**Tower Retail**”) has concluded an agreement to dispose of the Vukovarska retail property, situated in Zagreb, Croatia, (the “**property**” or “**Vukovarska**”) to 3D Properties No.1 d.o.o. (“**3D Properties**”) for an aggregate consideration of €12 422 707 (the “**disposal consideration**”). 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.

Vukovarska, which measures 12 560m² in extent, with a GLA of 3 223m², comprises a Konzum hypermarket and is let to Konzum Plus d.o.o.. The disposal consideration is 11% higher than the most recent independent valuation of Vukovarska of €11 177 066 reflecting the strength and desirability of Tower’s Croatian assets, even amidst the current market uncertainty.

A key strategic focus of Tower has been the reduction of its Euro debt secured by South African properties. Tower intends using its attributable portion (74% of net proceeds) of the disposal, amounting to approximately €6.5 million after settlement of the mortgage bond and other costs, to reduce this debt. Given the low cost of the Euro debt, this will dilute distributable income, but will strengthen Tower’s balance sheet and substantially reduce Tower’s currency related risks, which the board considers a more pressing concern in the current environment.

Tower and TPF will continue to consider offers on properties which either become non-core to the business strategy or where funds could be more optimally deployed to the benefit of shareholders.

2. TERMS OF THE DISPOSAL AND CONDITIONS PRECEDENT

The effective date of the disposal is the first day following payment of the full purchase price, which is expected in April 2020.

The disposal is conditional upon certain conditions precedent being fulfilled, including the cooperation of the seller with 3D Properties’ bankers and the final transfer of the property.

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

Property name	Zagreb superKonzum Vukovarska
Location	Zagreb, Croatia
Sector	Retail
Total GLA (m²)	3 223m ²
Weighted average rental per m² per month (€)	€20.75/m ²
Disposal consideration (€'000)	€12 423
Value attributed to the property (€'000)	€11 200
Net operating income (1 December 2018 – 30 November 2019)	€808,571
Estimated transaction costs (€'000)	€ 300

The total consideration payable is considered to be in line with fair market value, 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. Accordingly, it is not subject to approval by shareholders.

18 March 2020

Sponsor

JAVACAPITAL