

**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")



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## **IMPACT OF COVID-19, PROGRESS ON VUKOVARSKA SALE AND WITHDRAWAL OF GUIDANCE**

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This update is intended to detail the potential impact of the Covid-19 pandemic sweeping the globe, on our business. The situation is uncertain and rapidly evolving and we shall continue to monitor and update our stakeholders on the anticipated impacts on our business as circumstances change.

Tower supports the actions taken by both the South African and Croatian governments to limit the spread of Covid-19 and to safeguard the health of their citizens, and we are committed to playing our part in ensuring the health and safety of all our stakeholders.

### **South African operational update**

Since the start of the South African lockdown on Friday 27 March 2020, only tenants classified as essential services remain open. Although initially put in place for a period of 21 days, the lockdown has now been extended to the end of April.

The Company is dealing with all requests for rent relief for the lock down period and other concerns on a case-by-case basis, with the Property Industry Group Retail Tenant Assistance Relief Package document (published by way of a press release on 7 April 2020) as a guiding framework. We have taken note of President Ramaphosa's appeal to large businesses to continue paying rental through this period. Several supportive and mutually beneficial options such as rent reductions or extended payment terms are being considered with the intention of recovering these deferrals at a later stage to the extent possible. Our continued focus is to support all our tenants through these times and to assist them to navigate their businesses through the months after the lockdown period ends.

We are making steady progress with rent collection under these difficult circumstances and as at the date of this announcement, in excess of 56% of our April 2020 rental has been collected. Our historical average collections are 77% by this date of each month. We have formed a credit committee to which all applications for rental concessions or payment deferrals are submitted. To date, the committee has approved R1.4 million of rental reductions for April and May 2020 and a further R2.1 million of rental deferrals. This is compared to April 2020 billings and recoveries, in terms of valid rental contracts, of R39 million (inclusive of VAT). We are closely monitoring tenants who have not yet paid their April rent.

### **Croatian operational update**

Croatia implemented measures similar in extent and impact to those implemented in terms of the South African lockdown from 20 March 2020 for an initial 30 day period. We do expect the Croatian lockdown to be extended until the end of April 2020 at a minimum. Whilst there is no ban on people going into the office, for example, Croatia has adopted a similar approach to South Africa in terms of retail and the types of stores which may remain open.

As at this date, we have received approximately 74% of the March 2020 rental invoiced, broken down as follows:

Tower Europe (VMD Office)	100%
Tower Europe Retail No. 2 (Meridijan Shopping Centre)	100%
Tower Industrial (Yazaki)	100%
Sub Dubrovnik (Sub City)	21%
Tower Europe Retail (Vukovarska and Velika Gorica)	64%

April 2020 rental is due to be paid by 16 April 2020.

VMD, which holds the head lease over VMD Office Block in Zagreb, has requested and been granted a 15% rental reduction for the months of April and May 2020, which is being passed on to the sub-tenants by in full. It is expected that some assistance will need to be provided to Konzum, which holds the head lease over Tower's Croatian retail assets. We have engaged with Konzum and will follow a similar approach as guided by the Property Industry Group Retail Tenant Assistance Relief Package detailed above.

### **Vukovarska Sale**

Shareholders are referred to the SENS announcement on 18 March 2020 advising of the sale of the Vukovarska property in Zagreb for an amount of Euro 12 422 707 (an 11% premium to book value). We are pleased to advise that, despite lock down restrictions in Croatia, final documentation facilitating the transfer of the property will be signed early next week and transfer is expected to occur within two to three weeks. As previously communicated, and in line with its strategy of reducing 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.

### **Balance sheet management**

Tower's strategic focus has been on strengthening its balance sheet, with a focus on reduction in loan to value across the board, and particularly a reduction of the Euro debt secured against our South African portfolio. This has placed the Company on a sound footing to face the current challenges.

At our last reporting period, Tower's LTV was 33.7%. This has increased recently due to the ZAR/Euro currency movement, the payment of Tower's interim dividend and the acquisition of Yazaki Block B which was funded by debt. Tower's current LTV is 39.9% (EUR1:R20.39) with an interest cover ratio measured at end February of 3.48 times. The LTV will be further lowered (to 38% - using the current exchange rate) when we receive the proceeds of the Vukovarska sale, as per the update below. A portion of these proceeds will be used to settle a €2.3 million facility expiring on 30 June 2020. We have no other facilities coming up for renewal in the next 12 months.

The Company has cash on hand of R111 million.

### **Update on Cape Quarter**

In line with lockdown regulations, work on the redevelopment of the retail space and the development of 55 residential units at Old Cape Quarter has been suspended and will recommence once permitted.

Cost to completion of this project is projected to be just under R167 million for which the Company has a committed facility.

## **Withdrawal of guidance and update on dividend policy**

Given the uncertainty on the impact of Covid-19 on Tower's operations and financial position, Tower withdraws its earnings and distribution guidance for the year ending 31 May 2020.

17 April 2020

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