

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")



UPDATE ON AGROKOR AND VOLUNTARY TRADING STATEMENT

Update on Agrokor

Shareholders are referred to the announcements released on SENS on 2 May 2017 and 26 June 2017 regarding Agrokor d.d. ("Agrokor"), the guarantor and parent company of Konzum d.o.o. ("Konzum"), a major Croatian retailer and head-lease tenant in respect of four retail properties acquired by Tower in Croatia in June 2016 (the "Konzum portfolio") (the "Agrokor SENS announcements"). As detailed in the Agrokor SENS announcements, the Lex Agrokor law was adopted on 6 April 2017 for the purposes of renegotiating Agrokor and its subsidiaries' position with creditors and restructuring the Agrokor business. As per the SENS announcements, the restructuring is proceeding well with additional liquidity, in the form of new loans, secured for the business. The trading of the majority of Konzum stores is strong with non-core stores to be closed shortly. Konzum has a twelve year head lease in respect of the Konzum portfolio in terms of which Agrokor guarantees all rental payments in respect of the Konzum portfolio. The line shop rentals are paid directly to Tower by the tenants with any rental shortfalls being topped up by Konzum. Claims for rental arrears prior to 9 April 2017 were required to be submitted to the appointed administrator by 9 June 2017. Tower submitted its arrears which amounted to HRK 5.2 million (R10.3 million) (the "Agrokor arrears"). This amount is slightly lower than the amount disclosed in the Agrokor SENS announcements due to a portion being subsequently settled. Ongoing rentals are due and payable by Konzum and Tower is pleased to report that all rentals from April 2017 onwards have been fully paid.

Konzum has confirmed to Tower that Tower's properties are of critical importance to Konzum. Tower has engaged with other retailers in the event of Konzum defaulting on its ongoing rental commitments and there is strong appetite for the Konzum sites from competing retailers. Tower is confident that if it were to cancel the Konzum lease due to default on rental payments, a strong international anchor tenant would replace Konzum.

Tower has met regularly with the Agrokor commissioner and representatives of Agrokor (as recently as 18 July 2017), to ensure Konzum's ongoing rental obligations are settled. After these meetings, Tower is confident about the current and future performance of the Konzum stores in the Konzum portfolio.

Tower continues to utilise all methods at its disposal to recover the Agrokor arrears. Tower's claim for the Agrokor arrears has been combined with a number of other creditor claims and the settlement thereof is to be motivated by the Agrokor commissioner and decided upon by the Agrokor credit committee

Voluntary trading statement

Due to the timing of the release of its annual results and the uncertainty regarding the quantum, method and timing of the settlement of the Agrokor arrears, Tower believes it would not be prudent to distribute any of the Agrokor arrears at this time and has therefore deducted this amount from its distributable income for the year ended 31 May 2017. Tower will include the Agrokor arrears in its future distributions as and when they are settled by Agrokor.

Accordingly, shareholders are informed that Tower expects the distribution per share for the year ended 31 May 2017 to be 77.1 cents per share ("cps"), being between 3.6% and 6.0% lower than the distribution guidance for the year ended 31 May 2017 of 80 to 82 cps. The financial results on which this trading statement is based have not been reviewed or reported on by Tower's auditors.

Tower's summarised audited consolidated annual results for the year ended 31 May 2017 will be released on SENS on or about 31 July 2017.

25 July 2017

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