

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")



TOWER CONCLUDES R300 MILLION INVESTMENT IN TOWER INTERNATIONAL WITH ORYX PROPERTIES LIMITED

Introduction and background

In its interim results announcement for the six months ended 30 November 2017, Tower advised shareholders that it had embarked on the process of ring-fencing its Croatian properties through a separate offshore company (to be named "**TPF International**") that would leverage Tower's existing relationships in Croatia and surrounding countries to grow the group's European exposure and enable TPF International to raise its own capital.

The establishment of TPF International will strengthen Tower's balance sheet whilst providing Tower with the ability to grow its earnings from its Croatian investments.

In a significant step forward for its strategy, Tower is pleased to advise shareholders that Oryx Properties Limited ("**Oryx**"), a property loan stock company listed on the Namibian Stock Exchange with a diverse property portfolio valued at approximately \$N2.3 billion (R2.3 billion), has signed an irrevocable undertaking in terms of which Oryx will make a R300 million investment in TPF International ("**the Oryx Investment**" or "**the transaction**"). The Oryx investment will take the form of:

- the acquisition by Oryx of TPF International shares from Tower for R200 million ("**the share sale**"); and
- the subsequent subscription by Oryx for further shares in TPF International for R100 million ("**the share subscription**").

TPF International will use the proceeds from the share subscription to fund yield enhancing acquisitions, while Tower intends to use the proceeds from the share sale to:

- strengthen its balance sheet by reducing both Euro and ZAR debt, which will give it greater flexibility to implement a number of its South African initiatives that promise significant upside for the group; and/or
- repurchase Tower shares (should the purchase price remain attractive).

Tower may elect to reduce the share sale amount and increase the subscription amount in multiples of R1 million, provided that each will be at least R100 million and the aggregate will be R300 million.

TPF International

TPF International will be incorporated in Mauritius as a Category 1 Global Business Licence company, with the intention being to list TPF International on the Stock Exchange of Mauritius and the JSE in due course and subject to regulatory approvals.

TPF International's initial portfolio will comprise Tower's R1.30 billion (€90.88 million) Croatian property portfolio, comprising the Konzum portfolio of four retail properties with retailer Konzum as the head-lease tenant and the majority of the VMD building, a high-quality office building in Zagreb. TPF International's strategy is to continue to invest in high quality, income producing properties in the retail, industrial and office sectors in Croatia and surrounding countries, facilitated through Tower's strong relationships in the region.

Tower remains committed to its Croatian strategy as it provides Tower with a hedge against exposure to a single market and will, in Tower's view, add significant value to shareholders over time. Tower intends to remain a long-term shareholder of reference for TPF International and, to the extent required, will continue to provide support to TPF International which will be operated from Mauritius. Tower will be represented on TPF International's board, including through its CEO, Marc Edwards, who will be a non-executive director.

Terms of the Oryx Investment

The Oryx Investment is in the form of an irrevocable undertaking. The undertaking will lapse if by 31 July 2018:

- a share sale agreement recording the share sale on the terms set out below (“**the sale agreement**”) has not been signed and become unconditional; and
- a share subscription agreement recording the share subscription on the terms set out below (“**the subscription agreement**”) has not been signed and become unconditional.

The sale agreement and the subscription agreement will be signed once TPF International has been formally incorporated.

The sale agreement

Upon the fulfilment of the conditions precedent to the sale agreement, Oryx will acquire TPF International shares from Tower for the Euro equivalent of R200 million. The exact number of TPF International shares to be acquired by Oryx will be determined with reference to the number of TPF International shares in issue at that time, the Rand:Euro exchange rate and the net assets held by TPF International. It is anticipated that Oryx will own *circa* 27.8% of the shares in TPF International pursuant to the sale agreement and subscription agreement.

The sale agreement remains subject to the fulfilment of the following conditions precedent:

- exchange control approval;
- all requisite regulatory and corporate approvals for the transaction being obtained; and
- TPF International becoming the owner of the Croatian portfolio.

Should there be a shortfall between the contractual rental and the actual rental received by the Croatian subsidiaries that own the Croatian property portfolio in either the first or second year (from 1 June 2018 and 2019 to 31 May 2019 and 2020 respectively) after the sale agreement is wholly unconditional, Tower will pay Oryx a rental adjustment amount, capped at €1 575 339.

The sale agreement contains terms, undertakings and warranties that are usual for a transaction of this nature.

The subscription agreement

Upon the fulfilment of the conditions precedent to the subscription agreement, Oryx will subscribe for TPF International shares for the Euro equivalent of R100 million. The exact number of TPF International shares to be subscribed for by Oryx will be determined with reference to the number of TPF International shares in issue at that time, the Rand:Euro exchange rate and the net assets held by TPF International.

The subscription agreement remains subject to the fulfilment of the following conditions precedent:

- exchange control approval;
- all requisite regulatory and corporate approvals for the transaction being obtained; and
- the sale agreement has been entered into and becomes unconditional.

The subscription agreement contains terms, undertakings and warranties that are usual for a transaction of this nature.

Financial effects and property specific information

The value attributable to the net assets of TPF International is €59.48 million, comprising the Croatian property portfolio of €90.88 million less interest-bearing bank borrowings of €31.40 million.

The historical profits attributable to the net assets of TPF International for the six months ended 30 November 2017 are set out below. This information has been extracted without adjustment from Tower’s unaudited condensed consolidated results for the six months ended 31 November 2017.

Revenue (excluding straight-line lease adjustments)	54 415
Net operating costs	(497)
Net property income	53 918

The property specific information required in terms of the JSE Listings Requirements in relation to the Croatian property portfolio, including property name and address, geographical location, rentable area by sector, weighted average rental per square metre and value attributable to the property is set out below.

Property name and address	VMD KVART, Ulica Grada Vukovara 269d/VIII, 10000
Sector	Office
Geographical location	Croatia
Rentable Area (m²)	10 691.80m ² office and 253.30m ² storage
Weighted Average rental per m²	€13.34
Value attributed to the property	€22 228 996

Property name and address	Sub City Centre, Dubrovnik/ Srebreno, Šetalište Dr. Franje Tuđmana
Sector	Retail
Geographical location	Croatia
Rentable Area (m²)	11 939
Weighted Average rental per m²	€15.05
Value attributed to the property	€31 010 186

Property name and address	Zagreb superKonzum, Zagreb, Ulica grada Vukovara 275
Sector	Retail
Geographical location	Croatia
Rentable Area (m²)	3 223
Weighted Average rental per m²	€20.40
Value attributed to the property	€13 151 880

Property name and address	Meridijan 16, Zagreb, Gračanska cesta 208
Sector	Retail
Geographical location	Croatia
Rentable Area (m²)	9 091
Weighted Average rental per m²	€10.78
Value attributed to the property	€15 677 987

Property name and address	Velika Gorica superKonzum, Velika Gorica, A.K. Miošića, 64
Sector	Retail
Geographical location	Croatia
Rentable Area (m²)	5 510
Weighted Average rental per m²	€9.99
Value attributed to the property	€8 809 947

Independent valuations have been carried out by Andreja Karlovic of Spiller Farmer as at 31 May 2017, who has been appointed as a permanent court expert in architecture, construction and real estate evaluation by the County Court in Zagreb, Croatia.

Categorisation of the transaction

As the sale agreement and the subscription agreement involve the same party, Oryx, which will be concluding the sale agreement and subscription agreement with Tower and Tower's subsidiary, TPF International, respectively, the sale agreement and subscription agreement will be aggregated for categorisation purposes. The sale agreement and subscription agreement are classified as a category 2 transaction in terms of the JSE Listings Requirements. Accordingly, they are not subject to approval by shareholders.

1 March 2018

Corporate advisor and sponsor



Legal advisors

