

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")



FURTHER UPDATE ON AGROKOR

Shareholders are referred to the previous announcements relating to Agrokor d.d ("**Agrokor**"), the guarantor and parent company of Konzum d.o.o ("**Konzum**"), the head-lease tenant in four Croatian retail properties owned by Tower (the "**Konzum portfolio**").

Agrokor's restated audited annual financial statements for the year ending 31 December 2015 were recently released together with the audited annual financial statements for the year ended 31 December 2016, and a summary presentation is available on Tower's website (www.towerpropertyfund.co.za) under the 'Investors' section. As noted in the summary presentation, the Agrokor Commissioner and his team have made significant progress in stabilising the company. The retail business to which Tower is exposed, Konzum, is recovering well and has a dominant market position from which to grow.

The Konzum portfolio comprises well located and highly sought after retail assets that Tower believes are strategic to Konzum and necessary for Konzum to retain its dominant position in these nodes. In this context, and after significant engagements with the Agrokor Commissioner, Tower is pleased to advise shareholders that it has signed an addendum to the existing lease agreement (the "**lease addendum**") with Agrokor and Konzum, in terms of which Konzum and Agrokor have committed to continue with Konzum's 12 year head lease over the Konzum portfolio.

In terms of the lease addendum the leases will all continue at the rental in terms of the existing lease agreement, with the exception of the stand alone Vukovarska property (the second smallest property of the Konzum Portfolio), where, given the movement in market-related rentals, Tower and Agrokor have agreed a rental reduction of 20%. The reduction in rental is not material to Tower and represents 3% of Tower's total current rental from its Croatian portfolio. A condition attached to the lease addendum is that Konzum is required to pay all rentals in the Konzum portfolio timeously. Failure by Konzum to pay its rentals on time will result in the previous, higher rental being charged for the Vukovarska property. The Croatian bank that has funded the Vukovarska property has also agreed in principle to reduce the current interest rate on the senior debt over the Vukovarska property to partially mitigate the rental reduction. The rental reduction on the Vukovarska property commences on the date on which the interest rate reduction is implemented. These amendments will not affect Tower's current distribution guidance of 6% to 8% growth in distribution per share for the year ending 31 May 2018. This forecast has not been reviewed or reported on by Tower's auditors

Tower is pleased with the outcome of its engagements with the Agrokor Commissioner and believes that the positive result reflects the quality of its Croatian retail assets and endorses the market-related levels of the rentals.

Tower remains in negotiation in relation to Konzum's rental arrears (for the period prior to 9 April 2017). Shareholders are reminded that Tower has not included any of the Konzum arrear rentals in its distributed income. As such the recovery of any of the rental arrears represents upside only for Tower shareholders.

22 January 2018

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