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**")

ACQUISITION OF ZAGREB INDUSTRIAL PROPERTY

1. INTRODUCTION AND RATIONALE

Shareholders are advised that Tower Industrial d.o.o ("**Tower Industrial**") has concluded an agreement to acquire a prime industrial property, situated in Zagreb, Croatia (the "**property**") for an aggregate purchase consideration of €8 592 000 (the "**purchase consideration**") from VMD Grupa d.o.o (the "**seller**" or "**VMD**") (the "**acquisition**").

Tower Industrial is a wholly-owned Croatian subsidiary of TPF International Limited ("**TPF**"), Tower's newly incorporated Mauritian 74% owned subsidiary which houses Tower's Croatian assets. VMD is Tower's partner in its Croatian office property, VMD Kvart building B, Tower's first Croatian acquisition.

The property is let to a leading manufacturer of wiring harnesses in the automotive industry, with part of its engineering division based in Zagreb (the "**lessee**"). The lessee occupies a gross lettable area of 5 755m^2, with an additional 1 020m^2 of vacant gross lettable area set aside for the lessee's expansion. Should the lessee expand into the vacant area, this will result in upside for Tower Industrial. The property, which comprises two A-grade buildings of two floors each, is located in Žitnjak, the largest industrial node in Zagreb. It has easy access to motorways, which provide access to Slovenia, Hungary, Austria and the rest of Croatia. The lessee uses the ground floor of each building for manufacturing and the first floor for offices.

A lease agreement, which expires on 31 August 2027, has been concluded with the lessee. The lessee's UK-based parent company has provided a corporate guarantee in respect of the lessee's obligations under the lease agreement. In addition, VMD has provided Tower Industrial with a rental guarantee in respect of the property for a 24-month period from the date of registration of transfer of the property into Tower Industrial's name (the "**transfer date**"), which will cover any shortfall between actual rental income and the agreed projected rental income of €53 700 per month (equating to €644 400 per annum) under the current lease agreement. The monthly rental is fixed for the first three years of the lease period, after which it shall be adjusted based on the movement in the consumer price index ("**CPI**") of Germany, but subject to the movement in the CPI being more than 5% for the preceding three-year period.

TPF intends growing its exposure to the region through its strong local relationships including those opportunities provided by VMD, a well-respected developer in Croatia with whom Tower has a long-standing relationship. TPF will particularly target industrial and convenience retail properties.

2. TERMS OF THE ACQUISITION

The property will be acquired with effect from the transfer date.

The purchase consideration is payable in cash on the transfer date. TPF will fund the purchase consideration using 60% cash and 40% debt. The cash portion will be funded from the recent R100 million subscription for shares in TPF by Oryx Property Fund Limited, which was announced on SENS on 31 July 2018.

The acquisition is conditional upon TPF obtaining debt financing in respect of 40% of the purchase consideration. Negotiations with an international bank are underway and pre-approval has been received. The new debt facilities will be non-amortising.

The agreement in respect of the acquisition contains warranties, undertakings and indemnities which are normal for an acquisition of this nature.

3. PROPERTY SPECIFIC INFORMATION

Property name:	Žitnjak Property
Location:	Zagreb, Croatia
Sector:	Industrial
Total GLA (m^2):	5 755
Weighted average rental per m^2 per month (€)	9.33
Purchase consideration (€'000)	8 592
Transaction costs (€'000)	86
Value attributed to the property (€'000)	8 592

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. FINANCIAL INFORMATION

Set out below is a forecast statement of comprehensive income (the "**forecast**") for the 5 months ending 31 May 2019 and the year ending 31 May 2020 (the "**forecast period**").

The forecast has been prepared on the assumption that the acquisition will be implemented on 1 January 2019 and on the basis that the forecast includes forecast results for the duration of the forecast period.

The forecast, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the directors of the company. The forecast has not been reviewed or reported on by independent reporting accountants.

The forecast presented in the table below has been prepared in accordance with the company's accounting policies, which are in compliance with International Financial Reporting Standards.

€'000	**Forecast for the 5 months ending 31 May 2019**	**Forecast for the year ending 31 May 2020**
Revenue	269	644
Operating costs	(10)	(23)
Corporate costs	(9)	(22)
Operating profit	**250**	**599**
Finance costs	(42)	(100)
Net profit before tax	**208**	**499**
Tax	(5)	(11)
Net profit after tax	**203**	**488**
Profit attributable to:		
Equity holders of Tower	150	361
Non-controlling interests	53	127
Earnings available for distribution by Tower	**150**	**361**

The forecast incorporates the following material assumptions:

1. There are no straight-line lease adjustments.
2. All revenue is contracted, and based on an existing lease agreement, which is valid and enforceable, and does not expire during the forecast period. Forecast revenue is also covered under a rental guarantee provided by VMD.
3. Finance costs reflects the interest expense on new debt facilities of €3.4 million at an effective interest rate of 2.90%.
4. Tax reflects the Mauritian corporate tax payable at an effective rate of 3%.
5. Transaction costs of €85 920 were incurred in respect of the transaction. These will be capitalised to the cost of the property in terms of IAS40.

5. CATEGORISATION OF THE ACQUISITION

The acquisition is classified as a category 2 transaction in terms of the JSE Listings Requirements. Accordingly, it is not subject to approval by shareholders.

17 September 2018

Sponsor

JAVA CAPITAL

Legal advisors

CDH
CLIFFE DEKKER HOFMEYR