

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”)



UPDATE ON ASSET MANAGEMENT INITIATIVES

As previously indicated to shareholders in the company’s summarised audited consolidated annual results and Tower’s annual report for the year ended 31 May 2018, Tower’s focus is on sustainable long-term income growth through investment and prudent balance sheet management whilst undertaking strategic initiatives which grow total returns. The capital proceeds generated from various initiatives during the 2018 financial year continue to be re-invested in the company to enhance total return. In line with the above, Tower established TPF International Limited (“**TPF**”) to allow flexibility in its Croatian investment strategy and to allow additional capital to be raised outside of Tower in order to grow Tower’s income and total return from its Croatian investments.

Tower advises shareholders that the acquisition by TPF of an industrial property in Zagreb, Croatia leased to an international automotive auto-parts manufacturer (the “**Industrial property**” or “**the property**”), as announced on 17 September 2018, is progressing although at a slower rate than initially expected for reasons outside of the Company’s control. Building A of the property has closed with rental income already accruing to TPF and the transfer of building B is expected on the finalisation of the approved debt funding with Eerste Bank in respect of 40% of the purchase consideration (with the cash portion being funded from the investment in TPF by Oryx Properties Limited). The delay in the completion of the Industrial property acquisition has resulted in a six-month cash drag on the funds set aside for the purchase of the property, which will negatively impact the distributions for the financial periods to November 2018 and May 2019.

TPF is also in the process of refinancing all its Croatian Euro loans on an interest only basis, a major achievement for the company. These interest-only loans are at a reduced interest rate to their existing rates and, most importantly, positively affect the company’s cash flow.

Another important initiative, previously communicated to shareholders, is the reduction of Tower’s Standard Bank Euro loans which utilise South African properties as security (R120 million of the proceeds from the Oryx transaction were used for this purpose in H1 2019). This initiative permanently strengthens the balance sheet and risk profile of the business by reducing the company’s exposure to currency fluctuations but does negatively impact distributions in the short term.

As a result of the initiatives above, Tower is pleased to advise that the loan to value of the company has reduced to 33%.

Shareholders are reminded that Tower will not be providing distribution guidance. Tower announced that it would rather, as part of its strategy of growing company and shareholder total returns, focus on strengthening its balance sheet and would tolerate short-term fluctuations to income if these were in the best interest of the business.

Further details of initiatives positively and negatively affecting distributions, whilst strengthening the company's balance sheet, will be contained in the interim results announcement to be released on or about 28 February 2019.

Property net income, on which Tower provided guidance, for the financial periods to November 2018 and May 2019 are broadly in line with budget.

The information included in this announcement has not been reviewed nor reported on by the company's auditors.

28 January 2019

Sponsor

The logo for Java Capital, featuring the word "JAVA" in a bold, sans-serif font with a blue swoosh underline, followed by the word "CAPITAL" in a lighter, all-caps sans-serif font.