



Powering Growth

Condensed unaudited consolidated interim financial statements

For the six months ended 31 December 2023



FORTRESS

REAL ESTATE INVESTMENTS



Directors' commentary

"The highlight of our 2024 financial year so far has been the approval by our shareholders of the simplification of our capital structure through the repurchase of all the FFB shares. This leaves a single class of share in issue following the full implementation of the scheme. We are grateful to our shareholders for their support and proactive approach in simplifying a complex capital structure. Going forward, this single share structure provides more flexibility to unlock value for shareholders, while we continue to enhance our core logistics and retail portfolios in SA and CEE.

The 1H2024 reporting period saw a continuation of the robust operational performance of our direct portfolio and an outstanding performance of our associate, NEPI Rockcastle. The retail trading density growth of 6,9% in our direct retail portfolio was solid in the context of the general state of the consumer market and economy. Expansions and refurbishments to our core retail assets, combined with sales of smaller and lower growth assets, will add to the overall portfolio quality in the future.

The roll-out of the logistics developments continued as planned. The market remains healthy for new and well-located warehouses, evidenced by a recently signed pre-let transaction for a new warehouse of 20 000m² for an existing tenant expanding within Eastport Logistics Park. The local market for existing logistics real estate remains buoyant, with very low vacancies in prime locations.

A consequence of the repurchase of all of the FFB shares, in exchange for roughly one-third of our interest in NEPI Rockcastle, is the reduction in our shareholding from 24,2% to 16,2%. The performance of NEPI Rockcastle has once again been excellent, with strong NOI growth and well-managed debt refinancings in a challenging market.

With the new capital structure and single share class, we are pleased, for the first time in our history, to be able to offer our shareholders a scrip dividend alternative. This will enable our shareholders optionality between a cash distribution or additional shares, another positive feature of the single share structure."

Steven Brown, CEO

Scheme of arrangement

Subsequent to 31 December 2023, Fortress shareholders approved a scheme of arrangement which resulted in Fortress repurchasing all of the FFB shares in consideration for 0,060207 NEPI Rockcastle shares for every FFB share in issue ("the SOA"). The effect of the implementation of the SOA, together with the Empowerment Settlement Agreements, is that 53 134 372 NEPI Rockcastle shares were used to fund the repurchase of all the FFB shares in issue. Refer to the subsequent events note on page 20 of this announcement.

The SOA results in changes to a number of metrics post the 1H2024 reporting period, including future distributable income, NAV/TNAV, SA REIT FFO and the LTV ratio.

This interim report focuses on the historical financial and other information for 1H2024 and at 31 December 2023, before the implementation of the SOA.

The SOA involved the repurchase of all FFB shares ("FFB pre-SOA") at the time of implementation, which resulted in only FFA shares being in issue. These FFA shares were then converted to FFB shares ("FFB post-SOA"). For purposes of simplified reporting, we use the defined term "FFB or B share" throughout this announcement in the context it is provided/discussed, without drawing a distinction between FFB pre-SOA and FFB post-SOA.

The ratios disclosed throughout this results announcement use the conventions and calculation methodology as per SA REIT Best Practice Recommendations, unless otherwise indicated, per Annexure 1. Ratios showing Fortress' economic interest in assets and liabilities and revenue and expenditure, presented as management accounts, are included in Annexure 2.

Refer to Annexure 3 for a glossary of terms used in this results announcement.

Highlights of 1H2024

Highlights of 1H2024 and to the date of this report include:

- Simplifying the capital structure into a single class of share through the implementation of the SOA;
- Growth in distributable earnings of 19,0% for 1H2024 compared to the prior comparable interim period;
- Direct property disposals of R1,02 billion for 1H2024 at a premium of 25,0% to the most recent formal valuations;
- Low overall portfolio vacancy of 3,7%, based on rental;
- Like-for-like NOI growth of 9,2% and 14,3% in our SA and CEE logistics portfolios, respectively;
- Like-for-like retail turnover growth of 6,9%;
- Increasing our solar PV plants across the portfolio from 25 at 30 June 2023 to 42 plants at 31 December 2023, with installed capacity increasing by 58,8% from 9,633MWac at 30 June 2023 to 15,293MWac at 31 December 2023;
- Growth in NAV, based on IFRS, of R3,0 billion (9,1%) during 1H2024 and R6,7 billion (22,4%) from 1H2023 to 1H2024; and
- Growth in TNAV, based on IFRS, of R3,8 billion (11,9%) during 1H2024 and R6,2 billion (20,7%) from 1H2023 to 1H2024.

Nature of the business

Fortress is a real estate investment company with a focus on developing and letting premium-grade logistics real estate in SA and CEE, as well as growing our convenience and commuter-oriented retail portfolio. Fortress also holds, at the date of this report, a 16,2% interest in NEPI Rockcastle, the largest listed property company on the JSE, with a EUR7 billion portfolio across nine CEE countries. This holding reduced from 24,2% at 31 December 2023 to 16,2% at the date of this report.

At 31 December 2023, our property portfolio comprised the following:

Sector	Dec 2023		Jun 2023	
	Direct property portfolio by value R'billions*	As a % of total direct property assets	Direct property portfolio by value R'billions*	As a % of total direct property assets
Logistics – SA [^]	15,8	46,7	15,1	46,3
Logistics – CEE [®]	3,4	10,1	2,9	8,9
Logistics – total	19,2	56,8	18,0	55,2
Retail	10,4	30,8	10,1	31,0
Industrial	2,5	7,4	2,7	8,3
Office [§]	1,5	4,4	1,6	4,9
Other [#]	0,2	0,6	0,2	0,6
Total direct property portfolio	33,8	100,0	32,6	100,0

* Reflecting Fortress' economic interest in wholly-owned and co-owned properties.

[^] Includes landholdings and work-in-progress of R2,0 billion (Jun 2023: R1,8 billion).

[®] Includes development sites of R1,2 billion (Jun 2023: R0,6 billion).

[§] Includes development sites of R0,2 billion (Jun 2023: R0,2 billion).

[#] Comprises residential units and serviced apartment properties.

In addition to our property portfolio, our NEPI Rockcastle interest at 31 December 2023 was 24,2% and valued at R20,2 billion.

Listed portfolio	Dec 2023			Jun 2023		
	Number of shares	Fair value R'000	Effective holding %	Number of shares	Fair value R'000	Effective holding %
NEPI Rockcastle	160 135 676	20 237 947	24,2	152 086 271	16 800 971	23,9

Capital structure and distributions

Subsequent to 1H2024, shareholders approved the repurchase of all the FFB shares in exchange for shares in NEPI Rockcastle. The remaining shares comprised only FFA shares in issue, which FFA shares were then converted to FFB shares. With the completion on 26 February 2024 of all the implementation steps outlined in the circular, we now have a single class of share in issue, comprising only FFB shares. The result of the SOA is that the previous restrictions to paying distributions no longer apply, and the board is thus empowered to declare distributions to shareholders.

For the 1H2024 interim period, the board has declared a dividend of 81,44 cents per FFB share. The board has a policy of paying out 100% of the Fortress-defined distributable earnings on a semi-annual basis. The Fortress distribution methodology is generally more conservative than our industry peers.

Summary of financial performance

	Dec 2023	Jun 2023	Dec 2022	Jun 2022
Dividend declared per FFA share (cents)	–	–	–	–
Dividend declared per FFB share (cents)	81,44 [§]	–	–	–
Distributable earnings (R'000)	952 868	1 797 267	800 947	1 707 455
Shares in issue at the end of the period				
– FFA	1 169 980 307	1 191 595 172	1 191 595 172	1 191 595 172
– FFB	1 010 923 806	1 093 213 028	1 093 213 028	1 093 213 028
– FFA shares held in treasury	–	26 861 996	26 861 996	26 861 996
– FFB shares held in treasury [#]	–	87 536 353	87 536 353	87 536 353
SA REIT Best Practice disclosure				
SA REIT NAV per share [*]	R16,24	R14,85	R13,70	R12,22
SA REIT LTV (%)	34,2	35,9	36,9	38,7
SA REIT FFO (R'000)	949 041	2 188 936	1 088 334	1 911 378
IFRS accounting				
NAV per share [^]	R17,18	R15,82	R14,11	R12,70
TNAV per share [^]	R16,99	R15,25	R14,15	R12,73

[§] The FFB shares on which the dividend is declared were converted from FFA shares post 31 December 2023. Refer to the Scheme of Arrangement section earlier in this announcement.

[#] Excludes 64 197 790 FFB shares held by Fortress Empowerment 2 and Fortress Empowerment 4, which are consolidated and treated as treasury shares for IFRS purposes.

^{*} The SA REIT NAV per equity share is calculated as NAV, based on SA REIT BPR methodology, divided by all shares in issue, net of treasury shares and dilutive shares.

[^] The NAV per share for IFRS accounting is calculated as the total NAV per the IFRS statement of financial position divided by the aggregate number of FFA and FFB shares in issue, less shares held in treasury.

Distributable earnings

Distributable earnings amounted to R952,9 million for 1H2024, compared to R800,9 million for 1H2023, representing an increase of 19,0%. The board has declared the full distributable earnings available as a dividend, which amounts to 81,44 cents per FFB share.

Shareholders may also elect to receive the distribution in the form of a scrip dividend, as an alternative election to the default cash option. The scrip option will be priced at a 5% discount to the five-day VWAP of the FFB shares as traded on the JSE, less the cash distribution of 81,44 cents per share. Salient details of the dividend alternative will be contained in a circular to shareholders to be released once all regulatory approvals have been received.

The distributable earnings benchmark is no longer applicable post the implementation of the SOA.

NAV and TNAV

TNAV per share increased by 11,4% from R15,25 to R16,99.

The SA REIT NAV per share increased by 9,4% to R16,24 at 31 December 2023, compared to R14,85 at 30 June 2023. The SA REIT NAV per share is calculated as NAV, based on the SA REIT BPR methodology, divided by all shares in issue, net of treasury shares and dilutive shares and adjusted for certain items.

LTV ratio

The LTV ratio decreased from 35,9% at 30 June 2023 to 34,2% at 31 December 2023. The decrease is a result of an increase in the carrying value of our investment in NEPI Rockcastle and net fair value gains in our portfolio.

The information disclosed uses the SA REIT BPR calculation of LTV.

Energy solutions

The focus of our energy plan is to provide our tenants with the highest possible level of energy security at a reasonable price. This plan is continuously reviewed as technologies mature and alternative opportunities come to market. The impact of continued load shedding on our tenants' businesses, and indirectly on our business, can be mitigated by ensuring a continuous supply of power for critical items. This requires embedded generation at asset level, combined with a more focused demand-side energy management system to address both energy efficiency and supply stability.

Our plan involves the use of solar power, generators, smart metering systems and batteries. Tenant responses have been exceptionally positive to our energy plans and the take-up at tenant level has been above our initial expectations.

At 31 December 2023, we had 42 operational solar PV installations compared to 25 plants at 30 June 2023. Since 31 December 2023, we have completed eight plants, with a further eight plants planned for completion by 30 June 2024, thereby targeting a total of 58 plants by FY2024.

Our installed capacity at 31 December 2023 was 15,293MWac, compared to 9,633MWac at 30 June 2023. It is our target to increase our installed capacity to 22,4MWac by 30 June 2024. It is our plan to add a further 12,0MWac, through a planned 37 projects, by 30 June 2025. This will increase our consumption of renewable energy to approximately 22% of total consumption.

Installation of backup generators is ongoing and we are on target to have our core retail portfolio on backup power by 30 June 2024. The generators supply critical loads only, which enables us to keep generator size down and running costs as low as possible, while allowing our tenants to trade during periods of load shedding and power outages. We foresee that battery storage will be added to this solution over time.

We are reviewing the water storage facilities in our portfolio and adding backup water tanks where possible.

It is our target to have all of our existing and new properties in CEE certified as BREEAM "Excellent", and we are planning a further solar roll-out in Romania and Poland following the successful implementation of our solar PV plants in Poland.

Direct property portfolio (SA)

Logistics portfolio

(R13,8 billion asset value)

During 1H2024, the vacancy in our logistics portfolio marginally increased from 0,5% at 30 June 2023 to 1,2% at 31 December 2023. The vacancy remains low by historical standards and allows us to have a more selective tenanting approach, and more flexibility in negotiating terms with new or existing tenants. Like-for-like NOI growth in this portfolio of 9,2% is a pleasing performance, particularly with the challenges the economy faced in 2023.

Although construction cost inflation experienced in 2022 and 2023 has moderated, the cost of construction remains materially above the levels seen before 2022. This has led to a hardening of the rental market in general and in particular for new developments. While this has a positive impact, it has been countered by an increase in costs such as rates and insurance, which negates some of our uplift in NOI.

Logistics developments

(R2,0 billion asset value)

The remaining development pipeline in SA is approximately 230 000m² of GLA and completion thereof is estimated to take between two and four years. The option on the additional Eastport North land provides additional development opportunities in the medium term. Given the success of our Eastport development, we are optimistic that the demand for this site will be high and that the roll-out should not extend beyond five years. This will then result in most of the currently available landbank being utilised.

The table below provides a summary of our logistics park developments in SA.

Logistics park	Fortress' ownership %	Total GLA for the park m ²	Completed developments (including sold developments) m ²	Available GLA for development m ²	Currently under development or redevelopment		Remaining GLA to be developed m ²
					Let/under offer* m ²	Speculative/unlet m ²	
Louwlaridia	100	89 656	89 656	–	–	–	–
Eastport	65	324 610	217 686 [#]	106 924	4 619	–	102 305
Eastport – Pick n Pay	100	163 533	163 533	–	–	–	–
Longlake	100	96 562	55 631	40 931	–	–	40 931
Clairwood	100	300 266	231 963	68 303	34 753	–	33 550
Cornubia	50,1	110 296	31 926	78 370	24 590	–	53 780
Sub-total		1 084 923	790 395	294 528	63 962	–	230 566
Eastport North (option)	65	150 000	–	150 000	–	–	150 000
Total: SA		1 234 923	790 395	444 528	63 962	–	380 566

The GLA information in the table changes between reporting periods as developments progress, buildings are completed, leases are entered into and areas are remeasured.

* Development pre-let or under offer with prospective tenant.

[#] Including 84 004m² of estimated GLA sold to Teraco.

Eastport (R3,3 billion)

Eastport continues to be a standout development in the area for tenants seeking a safe and secure environment with convenient access to the R21 highway and planned R21 expressway. The excellent location and generic nature of the warehouses give us comfort on the future prospects of Eastport long after the current leases have expired. Post 1H2024, we concluded a new pre-let deal with an existing Eastport tenant for the development of a 20 000m² warehouse. Following this, the remaining Eastport pipeline is only 82 000m² with an estimated three sites available for development, which are in high demand.

Yields achieved on new developments at Eastport range between 8,25% and 8,75%.

Longlake (R789 million)

Phase 2 of our Longlake development has a remaining 41 000m² of GLA to be developed. We completed and let the first building of 19 232m² and are currently in discussion on new developments, as well as extending the short-term lease on the first building.

Clairwood (R3,0 billion)

The construction works for the new building for Sammar, the third-party logistics provider to Sasol, have been completed. The tenant has deferred the occupation date due to delays in logistics around procuring certain of their internal mechanical equipment. The occupation date is now expected to be April 2024.

Construction on the speculative building (pocket 3C) is nearing completion and has been let to an existing tenant in the park, African Sugar Logistics, with occupation scheduled for April 2024.

Following these developments, there is one available site left at Clairwood which can accommodate approximately 33 550m² of GLA. Clairwood is a standout development in the node and provides much-needed premium-quality warehousing to the greater Durban area.

Cornubia (R576 million)

The new development for Dromex, on the lower platform and measuring 24 537m², was completed in February 2024. There are several enquiries on the adjacent sites in Cornubia with approximately 54 000m² remaining to be developed.

Retail

(R10,4 billion asset value)

Despite a higher interest rate environment and the prevailing challenging trading landscape, tenants within the Fortress retail portfolio have continued to show resilience, achieving turnover growth of 6,9% during the 12 months to December 2023, compared to the corresponding prior period on a like-for-like basis. The reduced prevalence of load shedding during the December festive season played a key role in increased tenant turnover.

A large component of our retail portfolio has exposure to tenants trading in essential goods. With consumer preferences shifting towards this category, grocery and

supermarket retailers experienced increased demand, which contributed significantly to our overall performance. Strong turnover growth was also observed in the pharmaceutical and liquor categories.

Turnover performance by portfolio is split as follows:

Portfolio split	Comparative turnover growth* %	Retail portfolio by value* %
Township centres	10,0	15,1
CBD centres	5,5	21,6
Suburban centres	7,4	39,2
Rural centres	4,6	24,1
Overall retail portfolio	6,9	100,0

* Growth rate for the 12-month period to December 2023, over the 12-month period to December 2022, on a like-for-like basis.

^ Based on Fortress' economic interest in wholly-owned and co-owned retail properties.

The township centre portfolio continues to benefit from ongoing improvements in letting at Evaton Mall, Palm Springs Mall and Yarona Shopping Centre, reflecting positively on our overall performance.

The addition of new tenants, including Capitec Bank and Clicks at Park Central, along with Fashion Fusion at Central Park Bloemfontein, has contributed to the stability of our CBD portfolio. The redevelopments of 225 Pine in Durban and Mahikeng Station Boulevard Centre are performing above expectations. These centres have been excluded from the turnover growth analysis above, due to the centres undergoing redevelopment. These redevelopments will add to the growth of our CBD portfolio in the future.

The suburban category is showing continued turnover growth, aided by the refurbishment of the Checkers Hyper at Shoprite Mayville. Vacancies at Weskus Mall were reduced with new tenants that include KFC, Lovisa, Uniq and Volpes. These additions not only contributed to turnover growth but also enhanced the tenant mix, creating a more favourable retail environment.

The rural portfolio's performance improved due to lower vacancies and better trading at Musina Shopping Centre,

Lebowakgomo Centre, Sterkspruit Plaza and Venda Plaza.

Vacancies and reversions

The retail portfolio vacancy, based on GLA, decreased to 2,0% at 31 December 2023 from 2,3% at 30 June 2023. The portfolio experienced marginally positive rental reversions of 0,2%.

Disposals and acquisitions

During 1H2024, we sold and transferred Game Paarl. We are at an advanced stage with the proposed disposal of Kimberley Junction and 225 Pine in Durban.

Redevelopments and extensions

The extension and refurbishment of AbaQulusi Plaza (formerly Vryheid Plaza) was successfully completed and the centre is trading well and in line with expectations. New tenants at this centre, which opened during 1H2024, include Shoprite, Clicks, SportsScene, Studio 88, Jet and Markham, which enhance the retail offering.

The redevelopment of Morone Shopping Centre has been completed with the successful opening of a Shoprite store. This redevelopment has significantly reduced historically high vacancy levels and generated increased tenant interest.

The redevelopment of 204 Oxford is ongoing. The addition of Woolworths as a second anchor tenant is a significant milestone, further elevating the centre's appeal and market positioning. Woolworths is expected to commence trading during the second half of the 2024 calendar year.

Direct property portfolio (CEE)

Logistics portfolio

(R3,4 billion asset value)

The in-house and in-country development capabilities of the team based in Warsaw allows us to execute market-leading developments. This platform places us in a strong position to add value and effectively manage our developments.

We have achieved a BREEAM "Excellent" rating on the recently completed Hall E in Bydgoszcz, and the process is underway to obtain ratings for the remainder of the portfolio, driven by the demand from tenants for more energy-efficient and sustainable buildings. While this

incurs a higher upfront cost, we have a firm view that the future demand for older, less energy-efficient buildings will be limited.

We continued construction on two sites in Poland, following pre-let deals signed with Notino for 29 000m² in Łódź and with Lit Logistyka for 11 475m² in Zabrze. In Łódź, phase 1 is nearing completion, comprising 50 200m². The focus has been on letting the balance of the space being delivered later this year. We are currently in advanced negotiations with a user who will anchor a new building (Hall C) in Bydgoszcz.

Office (including office developments)

(R1,5 billion asset value)

We have made further progress in disposing of properties in our office portfolio, both during 1H2024 and subsequent to the interim reporting period. The recent disposals were Oxford Manor (February 2024), 22 on Sloane (October 2023) and a portion of Monyetla Office Park (December 2023), which have resulted in a reduction in our office portfolio (excluding developments) to R1,2 billion. Following these disposals, the vacancy in the office portfolio has decreased from 25,3% at 31 December 2023 to 20,8% at the date of this report.

The strategy to dispose of the remaining office assets will continue with a goal to accelerate an exit of these assets, provided prices and terms are satisfactory.

Industrial

(R2,5 billion asset value)

The industrial portfolio has performed well. Tenant demand for smaller and more affordable space has supported this portfolio. Our focus on providing the best value space for these smaller users has resulted in like-for-like NOI growth of 10,8%. The joint portfolio we own with Inospace has seen several assets being refurbished and repurposed to match the demand from tenants for high-quality small units, with access to shared amenities that provide their businesses with a platform for growth.

Vacancies

Total vacancies, measured as a percentage of GLA, increased from 3,7% at 30 June 2023 to 4,2% at 31 December 2023.

Sectoral vacancy	Based on GLA Dec 2023 %	Based on GLA Jun 2023 %	Based on rental Dec 2023 [#] %	Based on rental Jun 2023 [#] %
Total	4,2	3,7	3,7	3,3
Logistics – SA	1,2	0,5	1,1	0,5
Retail	2,0	2,3	1,6	1,5
Logistics – CEE	6,5	3,8	6,5	3,9
Industrial	8,1	7,4	8,4	6,8
Office	25,3	22,9	24,4	22,3
Other [^]	0,0	0,8	0,0	0,7

Information based on Fortress' economic interest in wholly-owned and co-owned properties.

[#] Vacancy based on the gross rental (100% of GLA and value) of the building.

[^] Comprises residential units and serviced apartment properties.

Weighted average lease expiry

The WALE per sector, based on GLA, was as follows:

	Based on GLA Dec 2023 years	Based on GLA Jun 2023 years
Total	3,8	3,7
Logistics – SA	4,9	4,7
Retail	3,3	3,2
Logistics – CEE	4,0	4,3
Industrial	1,9	1,9
Office	1,8	1,8
Other [^]	1,4	0,6

Information based on Fortress' economic interest in wholly-owned and co-owned properties.

[^] Comprises residential units and serviced apartment properties.

Property disposals

Disposals of non-core assets have continued. The pace and quantum of these disposals are sufficient to provide capital to recycle into new developments with better future growth prospects. We sold 13 properties during 1H2024 with total proceeds of R1,02 billion at a profit measured against book value of 25,0%.

We have a further R482,1 million of assets held for sale, two of which transferred post the period-end date and from which we received net proceeds of R124,6 million. Of strategic importance is the progress made in disposing of the remaining office portfolio. Post the transfer of the held for sale offices, our office portfolio is forecast to be below 2% of our total assets. Our focus will intensify to dispose of the remaining offices, provided the terms continue to be satisfactory.

The following properties were transferred during 1H2024:

Property name	Sector	Net proceeds R'000	Book value Jun 2023 R'000	Transfer date
Longmeadow Inland 1 ^{#^}	Logistics	493 290	312 613	Nov 2023
Louwardia Logistics Park – Building 2 (WAG) [®]	Logistics	207 697	201 000	Nov 2023
45 Diesel Road Isando	Industrial	90 000	76 706	Dec 2023
22 On Sloane	Office	50 000	50 000	Sep 2023
Monyetla Office Park [^]	Office	41 932	41 932	*Dec 2023
10 Covora Road	Industrial	37 700	37 700	Aug 2023
Director and Megawatt Roads	Industrial	36 300	36 300	Aug 2023
Game Paarl	Retail	29 000	29 000	Nov 2023
78 Loper Avenue Aeroport	Logistics	12 500	12 500	Aug 2023
Greenbushes [^]	Land	5 698	3 689	Aug 2023
Lakeview Business Park 6	Industrial	4 850	4 850	Aug 2023
15 Kouga Street Stikland [®]	Industrial	3 800	3 800	Jul 2023
3 Watkins Street	Industrial	2 300	2 301	Sep 2023
		1 015 067	812 391	

[#] Longmeadow Inland 1 was acquired in August 2023 for R500 million, and this portion was sold in November 2023 to Dis-Chem. The figure in the book value column represents the apportioned cost. The remainder of the site, owned by Fortress, has been formally valued at R382 million. Repair costs on the entire site are estimated at R65 million.

[^] Portion of the property.

[®] 50% undivided share.

* Effective date of sale transaction. Notarial deed of lease has been registered and proceeds received. Subdivision is in progress.

The following properties were held for sale at 31 December 2023:

Property name	Sector	Net proceeds R'000	Book value Jun 2023 R'000	Transfer date
Eastport Logistics Park [^]	Land	133 250	113 103 [#]	*
Oxford Manor Illovo	Office	110 674	105 000	Feb 2024
225 Pine	Retail	110 100	97 000	*
Fourways Office Park	Office	103 700	105 000	*
50 Tsessebe Crescent	Logistics	13 900	11 996	Feb 2024
1257 South Road Centurion	Office	10 500	11 000	*
		482 124	443 099	

[^] Portion of the property.

[#] Conditional sale agreement with Teraco for the sale of 108 000m² of land adjacent to their current site. Book value includes capitalised costs to date.

* Not yet transferred.

Environmental, social and governance

Environmental

During 1H2024, we generated 9 111 MWh of renewable energy compared to 6 137 MWh in the comparable reporting period of 1H2023, an increase of 48,5%. We spent R225,7 million on solar projects up to 31 December 2023, with another R159,9 million approved for installations. We estimate a further cost of R320 million to complete the solar roll-out, over and above approved projects.

Social

As part of Fortress' ESG strategy, we invest in skills development programmes that assist children and young adults, and enterprise development partnerships that are supporting owners of small businesses. Our solution-driven community initiatives are scalable, sustainable and aligned to 10 of the 17 United Nations Sustainable Development Goals in South Africa.

Our current B-BBEE rating is Level 2.

Governance

On 1 December 2023, following the retirement of Vuyiswa Ramokgopa from the board, Jonathan ("Jon") Hillary was appointed to the board as an independent non-executive director. Jon brings a wealth of experience in construction and corporate finance, as well as in-depth knowledge of the CEE region in which we have a large investment.

We sincerely thank Vuyiswa for her contributions to the board and wish her well in her future endeavours.

With the retirement of Vuyiswa Ramokgopa and the appointment of Jon Hillary, the below appointments to sub-committees were made on 1 December 2023:

- Caswell Rampheri has been appointed as a member of the nomination committee;
- Edwin Oblovitz has been appointed as a member of the risk committee;
- Thavanesan Chetty has been appointed as chairman of the social, ethics and sustainability committee;
- Vuso Majija has been appointed as a member of the social, ethics and sustainability committee; and
- Jon Hillary has been appointed as a member of the audit committee, the property and investment committee and the remuneration committee.

Currency derivatives

We employ currency derivatives to hedge income expected from our associate, NEPI Rockcastle, as noted in the table below. Apart from these forward exchange contracts, we have no other material foreign currency derivatives.

Income from our NEPI Rockcastle investment is hedged in line with the following policy:

- Hedge 100% of the income projected to be received in the following 12 months;
- Hedge 67% of the income projected to be received in months 13 to 24; and
- Hedge 33% of the income projected to be received in months 25 to 36.

In line with this policy, the following forward exchange contracts are in place:

Forward rate against Rand	EUR
Dec 2023	19,74
Jun 2024	20,27
Dec 2024	20,54
Jun 2025	21,37
Dec 2025	21,47
Jun 2026	23,82
Dec 2026	24,82

Funding and liquidity – South Africa

During 1H2024, we issued an additional R1,4 billion under our DMTN programme as follows: R300 million in a one-year note, R500 million in a three-year note and R600 million in a five-year bond. Furthermore, we completed the refinancing of facilities of R2,15 billion with RMB in tenors of three (R700 million), four (R700 million) and five (R750 million) years.

An unsecured three-year note of R250 million was issued to Absa under our DMTN programme through a private placement in November 2023.

We repaid an expiring Libfin facility of R150 million in December 2023.

Subsequent to 1H2024, Moody's Investors Service affirmed our credit rating, Ba2 CFR, with the outlook being revised from negative to stable.

The SOA implemented after 1H2024 will result in a decrease in our unencumbered assets ratio, as well as our interest cover ratio. This results from the decrease in our asset base, following the exchange of NEPI Rockcastle shares for the repurchase of the FFB shares.

At the date of this report, we have approximately R2,8 billion available under our existing South African facilities.

Existing South African facilities

Facility expiry	Amount R'million	Average margin over three-month JIBAR %
Jun 2024	1 099	1,81
Jun 2025	4 673	1,88
Jun 2026	2 658	1,80
Jun 2027	5 656	1,87
Jun 2028	5 171	1,84
Jun 2029	2 100	1,83
	21 357	1,85

Expiry profile – DMTN

The expiry dates of notes and bonds in issuance under our unsecured DMTN programme, included in the facility expiry profile above, are as follows:

Repayment date	Financial year	Amount R'million
Aug 2024	Jun 2025	1 095
Oct 2024	Jun 2025	200
Feb 2025	Jun 2025	450
Jun 2026	Jun 2026	380
Aug 2026	Jun 2027	905
Feb 2027	Jun 2027	500
Aug 2027	Jun 2028	950
Jun 2028	Jun 2028	420
		4 900

The South African facility expiry profile and DMTN expiry profile are reflected as at the date of this report.

Interest rate hedging

At the date of this report, the following interest rate derivatives are in place in mitigation of South African Rand interest rate risk:

Interest rate swap expiry	Amount R'million	Average swap rate %
Jun 2025	1 055	7,07
Jun 2026	2 039	7,01
Jun 2027	1 416	7,03
Jun 2028	989	6,78
Total: Group	5 499	6,99
Less: Non-controlling interest portion	(316)	(0,03)
Total: Fortress' economic interest	5 183	6,96

Interest rate cap expiry	Amount R'million	Average cap rate %
Jun 2025	700	7,50
Jun 2026	563	5,11
Jun 2027	2 725	5,61
Jun 2028	3 862	6,26
Jun 2029	1 800	5,82
Jun 2030	300	8,23
	9 950	6,08

Subsequent to 31 December 2023, we entered into new local interest rate caps with a total nominal amount of R1,2 billion, with the effect that the combined weighted average swap and cap maturity profile is 3,21 years and the combined weighted average swap and cap rate is 6,40%.

The all-in weighted average cost of local funding of Fortress at 31 December 2023 was 9,65% (Jun 2023: 9,64%), based on the SA REIT BPR calculation methodology.

Exposure to and hedging of variable interest rates	Group R'000
Interest-bearing borrowings	19 094 618
Loans to co-owners	(217 856)
Cash and cash equivalents	(267 498)
Capital commitments contracted for	1 004 348
Capital commitments approved, not contracted	548 969
Investment property held for sale	(482 124)
Estimated proceeds from disposal of assets*	(691 844)
	18 988 613

Interest rate derivatives (swaps/caps) – SA [®]	15 133 000
Interest rate derivatives (swaps/caps) – CEE ^{®§}	1 026 160
Total interest rate derivatives (swaps/caps)	16 159 160

Percentage hedged (%) **85,1**

Information based on Fortress' economic interest in assets and liabilities and interest rate hedging instruments.

[®] At the date of this report.

* Capital commitments include amounts to be spent to complete current developments. We have an established asset disposals programme, and in order to match capital commitments with proceeds from disposals, an assumption of asset sales is made for this purpose.

[§] Converted at the 31 December 2023 spot exchange rate of EUR/ZAR20,20.

Funding and liquidity – CEE

New facilities of EUR50 million were entered into with Standard Bank Isle of Man during 1H2024, with a tenor of four years. At 31 December 2023, our total Euro debt consists of EUR78 million, with an average margin over three-month EURIBOR of 2,32% and maturities in the 2025, 2026 and 2028 financial years. At the date of this report, EUR27,2 million is available under our Euro facilities.

Our foreign interest rate exposure is hedged through Euro interest rate swaps and caps of EUR50,8 million with an average expiry of 4,6 years at 31 December 2023. The weighted average hedge rate was 1,49% at 31 December 2023.

The all-in weighted average cost of Euro-denominated funding at 31 December 2023 was 4,50% (June 2023: 3,10%) based on the SA REIT BPR methodology.

No new Euro interest rate swaps or caps have been entered into subsequent to 31 December 2023.

Prospects

As announced on 29 February 2024, we revised our forecast total distributable earnings for FY2024 to be within the range of R1,660 billion to R1,720 billion from the previous guidance of R1,930 billion. The reduction in forecast distributable earnings is primarily a result of the reduction in our shareholding in NEPI Rockcastle, following the SOA.

Forecast distribution per share for FY2024, split between 1H2024 and 2H2024, is summarised below:

1H2024	
– FFB actual interim dividend (cents per share)	81,44
2H2024	
– FFB forecast final dividend (cents per share)	60,44 – 65,57

The forecast is based on the following assumptions:

Fortress-specific assumptions

- There is no unforeseen failure of material tenants in our portfolio;
- Contractual escalations and market-related renewals will be achieved with no major change in vacancy rates;
- Tenants will be able to absorb the recovery of rising utility costs, municipal rates and electricity interruption costs; and
- There are no changes to current tax legislation in the jurisdictions in which the company operates.

Macroeconomic and regulatory assumptions

- There is no unforeseen material macroeconomic deterioration in the markets in which Fortress has exposure;
- The South African Reserve Bank repurchase rate remains unchanged during the forecast period; and
- The key European Central Bank interest rates remain unchanged during the forecast period.

This forecast has not been audited, reviewed or reported on by Fortress' external auditor.

By order of the board

Steven Brown
CEO

Ian Vorster
CFO

Johannesburg
8 March 2024

Consolidated statement of financial position

at 31 December 2023

	Unaudited Dec 2023 R'000	Audited Jun 2023 R'000	Unaudited Dec 2022 R'000
Assets			
Non-current assets	55 995 748	52 299 794	46 832 041
Investment property	29 711 725	29 381 917	26 847 919
Straight-lining of rental revenue adjustment	548 447	500 224	472 299
Investment property under development	3 344 886	2 874 608	3 523 400
Property	25 326	25 326	25 778
Investment in and loans to associates	21 014 094	17 570 306	15 591 773
Staff scheme loans	77 834	66 935	63 364
Investment in BEE preference shares	455 806	324 842	307 508
Deferred tax	817 630	1 555 636	–
Current assets	1 627 995	1 842 829	1 726 360
Staff scheme loans	16 088	–	–
Trade and other receivables	1 344 357	1 634 378	1 561 350
Cash and cash equivalents	267 550	208 451	165 010
Non-current assets held for sale	482 124	95 150	1 702 477
Investment property and investment property under development held for sale	480 376	93 669	1 697 978
Straight-lining of rental revenue adjustment	1 748	1 481	4 499
Total assets	58 105 867	54 237 773	50 260 878
Equity and liabilities			
Total equity attributable to equity holders	36 363 959	33 330 390	29 711 989
Stated capital	44 307 010	45 571 743	45 571 743
Treasury shares	(776 151)	(2 040 884)	(2 040 884)
Currency translation reserve	717 426	719 378	266 845
Reserves	(7 884 326)	(10 919 847)	(14 085 715)
Non-controlling interests	184 855	189 427	220 025
Total equity	36 548 814	33 519 817	29 932 014
Total liabilities	21 557 053	20 717 956	20 328 864
Non-current liabilities	17 271 829	16 376 971	15 057 190
Interest-bearing borrowings	16 850 304	16 021 674	14 969 935
Deferred tax	421 525	355 297	87 255
Current liabilities	4 285 224	4 340 985	5 271 674
Trade and other payables	1 294 964	1 181 691	1 140 408
Income tax payable	142 492	145 602	308 377
Interest-bearing borrowings	2 847 768	3 013 692	3 822 889
Total equity and liabilities	58 105 867	54 237 773	50 260 878

Consolidated statement of comprehensive income

for the six months ended 31 December 2023

	Unaudited for the six months ended Dec 2023 R'000	Audited for the year ended Jun 2023 R'000	Unaudited for the six months ended Dec 2022 R'000
Recoveries and contractual rental revenue	2 091 042	3 763 397	1 868 995
Straight-lining of rental revenue adjustment	48 725	24 557	2 924
Revenue from direct property operations	2 139 767	3 787 954	1 871 919
Other expense	–	(1 492)	–
Fair value gain/(loss) on investment property, investments and derivative financial instruments	174 237	(932 631)	(129 249)
Fair value gain/(loss) on investment property	287 862	(742 379)	(61 319)
Adjustment resulting from straight-lining of rental revenue	(48 725)	(24 557)	(2 924)
Fair value gain on investments	130 964	96 939	79 605
Fair value loss on derivative financial instruments	(195 864)	(262 634)	(144 611)
Property operating expenses	(891 419)	(1 545 111)	(785 807)
Administrative expenses	(123 142)	(222 178)	(106 418)
Reversal of impairment/(impairment) of staff scheme loans	10 899	(6 594)	4 447
IFRS 2: <i>Share-based Payment</i> – employee incentive scheme	(73 769)	(55 579)	(27 668)
Reversal of impairment of investment in associate	2 370 332	2 371 817	1 745 033
Foreign exchange gain	6 428	2 768	–
Income from associates	1 078 803	2 387 281	1 128 710
– Distributable	868 416	1 463 686	608 379
– Non-distributable	210 387	923 595	520 331
Profit before net finance costs	4 692 136	5 786 235	3 700 967
Net finance costs	(897 967)	(1 162 427)	(550 235)
Finance income	23 225	63 253	16 218
– Interest on staff scheme and other interest received	23 225	63 253	16 218
Finance costs	(921 192)	(1 225 680)	(566 453)
– Interest on borrowings	(989 445)	(1 531 736)	(707 810)
– Capitalised interest	68 253	306 056	141 357
Profit before income tax	3 794 169	4 623 808	3 150 732
Income tax	(837 599)	1 264 195	(360 531)
Profit for the period	2 956 570	5 888 003	2 790 201

Consolidated statement of comprehensive income

continued

for the six months ended 31 December 2023

	Unaudited for the six months ended Dec 2023 R'000	Audited for the year ended Jun 2023 R'000	Unaudited for the six months ended Dec 2022 R'000
Other comprehensive income net of tax			
Items that may subsequently be reclassified to profit or loss			
Exchange (loss)/gain on translation of associate and subsidiaries	(1 952)	603 978	151 445
Total comprehensive income for the period	2 954 618	6 491 981	2 941 646
Profit/(loss) for the period attributable to:			
Equity holders of the company	2 960 885	5 917 362	2 789 793
Non-controlling interests	(4 315)	(29 359)	408
	2 956 570	5 888 003	2 790 201
Total comprehensive income/(loss) for the period attributable to:			
Equity holders of the company	2 958 933	6 521 340	2 941 238
Non-controlling interests	(4 315)	(29 359)	408
	2 954 618	6 491 981	2 941 646
Basic earnings per FFA share (cents)	140,12	281,92	132,98
Basic earnings per FFB share (cents)	140,12	281,92	132,98
Diluted earnings per FFA share (cents)	139,06	279,51	131,93
Diluted earnings per FFB share (cents)	139,06	279,51	131,93

Consolidated statement of cash flows

for the six months ended 31 December 2023

	Unaudited for the six months ended Dec 2023 R'000	Audited for the year ended Jun 2023 R'000	Unaudited for the six months ended Dec 2022 R'000
Operating activities			
Cash generated from operations	1 270 488	2 292 371	1 388 654
Interest on staff scheme and other interest received	7 137	36 685	4 262
Interest on borrowings (excluding capitalised interest)	(914 189)	(1 208 918)	(568 097)
Dividends paid	(257)	(3 616)	(2 785)
Income tax paid	(36 658)	(92 254)	(250 145)
Cash inflow from operating activities	326 521	1 024 268	571 889
Investing activities			
Development and improvement of investment property	(1 402 768)	(2 217 170)	(1 301 590)
Capitalised interest paid on development of investment property	(68 253)	(306 056)	(141 357)
Acquisition of investment property	(500 000)	(209 242)	(16 786)
Disposal of investment property	1 015 067	1 326 082	589 528
Loan to associate repaid	21 073	42 014	16 847
Cash inflow from derivative financial instruments	11 756	56 941	75 477
Cash outflow from investing activities	(923 125)	(1 307 431)	(777 881)
Financing activities			
Interest-bearing borrowings raised/(repaid)	655 703	(201 987)	(322 599)
Cash inflow/(outflow) from financing activities	655 703	(201 987)	(322 599)
Increase/(decrease) in cash and cash equivalents	59 099	(485 150)	(528 591)
Cash and cash equivalents at the beginning of the period	208 451	693 601	693 601
Cash and cash equivalents at the end of the period	267 550	208 451	165 010
Cash and cash equivalents consist of:			
Current accounts	253 524	208 451	165 010
Restricted cash*	14 026	–	–
	267 550	208 451	165 010

* Relates to amounts placed in escrow for building contracts undertaken in CEE.

Consolidated statement of changes in equity

for the six months ended 31 December 2023

	Stated capital R'000	Treasury shares R'000	Currency translation reserve R'000	Reserves R'000	Equity attributable to equity holders R'000	Non-controlling interests R'000	Total equity R'000
Balance at 30 Jun 2022	45 571 743	(2 040 884)	115 400	(16 905 858)	26 740 401	219 300	26 959 701
Profit for the period				2 789 793	2 789 793	408	2 790 201
IFRS 2: <i>Share-based Payment</i> – employee incentive scheme				27 668	27 668		27 668
Acquisition of additional interest by minorities in Inofort Proprietary Limited and transfer of reserves				156	156	3 102	3 258
Additional equity reserves through share buy-back of associate – NEPI Rockcastle N.V.				2 526	2 526		2 526
Exchange gain on translation of associate and subsidiaries			151 445		151 445		151 445
Dividends paid					–	(2 785)	(2 785)
Balance at 31 Dec 2022	45 571 743	(2 040 884)	266 845	(14 085 715)	29 711 989	220 025	29 932 014
Profit for the period				3 127 569	3 127 569	(29 767)	3 097 802
IFRS 2: <i>Share-based Payment</i> – employee incentive scheme				27 911	27 911		27 911
Additional equity reserves in associates through scrip election – NEPI Rockcastle N.V.				10 388	10 388		10 388
Exchange gain on translation of associate and subsidiaries			452 533		452 533		452 533
Dividends paid					–	(831)	(831)
Balance at 30 Jun 2023	45 571 743	(2 040 884)	719 378	(10 919 847)	33 330 390	189 427	33 519 817
Profit for the period				2 960 885	2 960 885	(4 315)	2 956 570
IFRS 2: <i>Share-based Payment</i> – employee incentive scheme				55 233	55 233		55 233
Cancellation of FFA and FFB treasury shares	(1 264 733)	1 264 733			–		–
Additional equity reserves in associate through scrip election – NEPI Rockcastle N.V.				19 403	19 403		19 403
Exchange loss on translation of associate and subsidiaries			(1 952)		(1 952)		(1 952)
Dividends paid					–	(257)	(257)
Balance at 31 Dec 2023	44 307 010	(776 151)	717 426	(7 884 326)	36 363 959	184 855	36 548 814

Notes

1. Preparation and accounting policies

The condensed unaudited consolidated interim financial statements for the six months ended 31 December 2023 have been prepared in accordance with and contain the information required by IAS 34: *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, JSE Debt Listings Requirements, SA REIT Association Best Practice Recommendations and the requirements of the Companies Act.

This report was compiled under the supervision of Ian Vorster CA(SA), the financial director and CFO of Fortress. The accounting policies applied in the preparation of the condensed unaudited consolidated interim financial statements are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements with the exception of new and revised standards which became effective during the period. Standards which became effective in the current reporting period had no material effect on previously reported results, nor on the condensed unaudited consolidated interim financial statements for the six months ended 31 December 2023.

The group's investment properties are valued externally by independent valuers at each financial year-end, other than investment properties under development. The fair value of investment properties under development is determined internally by the directors for year-end reporting periods, and is assumed to be the cost thereof, unless market factors indicate that the fair value of investment properties under development is materially different to the carrying value, in which case an internal valuation is performed, and investment properties under development are revalued to fair value.

Investment properties are not revalued for interim reporting purposes, other than by exception, based on a review by the directors of the portfolio of investment properties and investment properties under development to identify those properties where the value thereof is expected to have materially changed, due to market conditions and specific known factors. For those properties identified, internal valuations are performed by the directors and those properties are revalued for interim reporting periods. Sold and held for sale properties are revalued to their net sales proceeds.

In terms of IAS 40: *Investment Property* and IFRS 7: *Financial Instruments: Disclosures*, investment properties are measured at fair value and are categorised as a level 3 fair value measurement. The revaluation of investment properties requires judgement in the determination of future cash flows from leases and application of an appropriate capitalisation rate and discount rate. Key valuation assumptions and sensitivities applicable to year-end valuations are disclosed in the annual financial statements.

In terms of IFRS 9 and IFRS 7, the group's currency and interest rate derivatives, as well as the investment in BEE preference shares, are measured at fair value through profit or loss and are categorised as a level 2 fair value measurement. There were no transfers between levels 1, 2 and 3 during the period. The valuation methods applied are consistent with those applied in preparing the previous consolidated annual financial statements.

These condensed unaudited consolidated interim financial statements for the period ended 31 December 2023 have not been audited or reviewed by Fortress' auditor.

2. Subsequent events

The directors are not aware of any other events subsequent to 31 December 2023, not arising in the normal course of business, which are likely to have a material effect on the financial information contained in this report, other than the following:

On 19 January 2024, Fortress shareholders approved a scheme of arrangement in terms of section 114(1)(c) of the Companies Act, which resulted in Fortress repurchasing all of the FFB shares in consideration for 0,060207 NEPI Rockcastle shares for every FFB share in issue ("the SOA"). The effect of the implementation of the SOA is that 60 864 685 NEPI Rockcastle shares ("the consideration shares") were used to fund the repurchase of all of the FFB shares in issue.

Unrelated to the SOA, but as a consequence thereof, Fortress entered into four separate agreements with its empowerment partners. Fortress entered into redemption and cession agreements with Fortress Empowerment 1 and Fortress Empowerment 3, and cession and settlement agreements with Fortress Empowerment 2 and Fortress Empowerment 4 (collectively "the Empowerment Settlement Agreements"). In terms of the Empowerment Settlement Agreements, the obligation created by the SOA on Fortress to deliver NEPI Rockcastle shares to Fortress Empowerment 1, Fortress Empowerment 2, Fortress Empowerment 3 and Fortress Empowerment 4 was offset against the redemption value of the preference shares and the loans outstanding against Fortress Empowerment 1 and Fortress Empowerment 3, and Fortress Empowerment 2 and Fortress Empowerment 4, respectively. This resulted in Fortress retaining 7 730 313 of the consideration shares.

Following the implementation of the SOA, the consequential amendments to the MOI of Fortress and the FFA conversion were completed on 26 February 2024.

3. Lease expiry profile

Based on	Rentable area %	Contractual rental revenue %
Vacant	4,2	–
Jun 2024	13,3	10,8
Jun 2025	19,5	16,7
Jun 2026	13,0	12,2
Jun 2027	13,0	11,7
Jun 2028	8,2	9,0
> Jun 2028	28,8	39,6
	100,0	100,0

4. Segmental analysis

	Unaudited for the period ended Dec 2023 R'000	Audited for the period ended Jun 2023 R'000	Unaudited for the period ended Dec 2022 R'000
Total revenue			
Logistics – SA	890 891	1 330 182	656 385
Retail	719 727	1 384 458	692 037
Industrial	297 992	604 845	296 089
Office	111 995	239 854	122 147
Logistics – CEE	92 363	162 344	66 769
Other	26 799	66 271	38 492
Corporate	–	–	–
Total	2 139 767	3 787 954	1 871 919
Profit/(loss) after tax			
Logistics – SA	867 153	501 811	435 413
Retail	436 636	818 657	430 249
Industrial	146 369	192 524	125 612
Office	(5 162)	(112 117)	(998)
Logistics – CEE	65 150	130 916	41 676
Other	11 652	22 676	21 484
Corporate	1 434 772	4 333 536	1 736 765
Total	2 956 570	5 888 003	2 790 201
Total assets			
Logistics – SA	16 200 654	15 492 371	15 169 510
Retail	10 512 465	10 209 103	10 234 076
Industrial	3 259 194	3 366 927	3 636 211
Office	1 565 975	1 657 321	1 792 101
Logistics – CEE	3 426 112	2 886 421	2 346 705
Other	351 048	351 130	503 721
Corporate	22 790 419	20 274 500	16 578 554
Total	58 105 867	54 237 773	50 260 878

5. Earnings and headline earnings per share

Reconciliation of profit for the period to headline earnings

	Unaudited for the six months ended Dec 2023 R'000	Audited for the year ended Jun 2023 R'000	Unaudited for the six months ended Dec 2022 R'000
Basic earnings for the period attributable to equity holders	2 960 885	5 917 362	2 789 793
Adjusted for:	(2 339 262)	(4 007 562)	(1 974 551)
– Fair value (gain)/loss on investment property (including straight-lining adjustment)	(239 137)	766 936	64 243
– Current period income tax effects in respect of investment property	21 213	(71 324)	–
– Prior year income tax effects in respect of investment property	–	497 462	–
– Reversal of impairment of investment in associate	(2 370 332)	(2 371 817)	(1 745 033)
– Current period income tax effects in respect of investment in associate	511 992	512 312	–
– Prior year income tax effects in respect of investment in associate	–	(2 611 580)	–
– Fair value gain on investment property of associates	(315 581)	(862 816)	(350 607)
– Income tax effect	52 583	133 265	56 846
Headline earnings	621 623	1 909 800	815 242

Basic earnings, diluted earnings, headline earnings and diluted headline earnings attributable to the FFA and FFB classes of ordinary shares, respectively, are determined as follows for purposes of calculating earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share.

For each of the FFA and FFB classes of shares:

- Any dividends paid in the relevant financial period are first allocated to the relevant class of shares; and
- Thereafter, any residual basic earnings/(loss), diluted earnings/(loss), headline earnings/(loss) and diluted headline earnings/(loss) of the company, not yet allocated by way of dividends paid in the period, are allocated to each FFA and FFB share on a *pari passu* basis.

The application of IAS 33: *Earnings per Share*, paragraph A14, results in the allocation of earnings to each class of ordinary shares, firstly by the allocation of dividends paid in the financial period to a particular class of shares, and thereafter by the allocation of residual earnings by the participation feature of each class of shares, as if all the profit or loss for the period had been distributed. The Fortress MOI provides that other than (i) a distribution of income, if declared; (ii) capital participation on redemption of the FFA shares; or (iii) capital participation on winding up of the company, the FFA and FFB shares rank *pari passu*. Therefore, in the absence of events (i), (ii), (iii) or where there are no FFA shares in issue, the *pari passu* principle for each FFA share and each FFB share has been applied as the participation feature in the allocation of any residual earnings/(loss).

It should be noted that the resultant basic earnings, diluted earnings, headline earnings and diluted headline earnings attributable to FFA and FFB shares, calculated in accordance with IAS 33.A14, do not represent distributable earnings nor the FFA dividend benchmark.

5. Earnings and headline earnings per share continued

Allocation of basic and headline earnings to FFA and FFB shares

	Unaudited for the six months ended Dec 2023 R'000	Audited for the year ended Jun 2023 R'000	Unaudited for the six months ended Dec 2022 R'000
Basic earnings for the period attributable to equity holders			
Dividends paid to FFA shareholders in the financial period	–	–	–
Residual basic earnings to be split <i>pari passu</i> per FFA and FFB share*	1 636 853	3 273 385	1 543 339
Total FFA basic earnings	1 636 853	3 273 385	1 543 339
Dividends paid to FFB shareholders in the financial period	–	–	–
Residual basic earnings to be split <i>pari passu</i> per FFA and FFB share*	1 324 032	2 643 977	1 246 454
Total FFB basic earnings	1 324 032	2 643 977	1 246 454
Total FFA and FFB basic earnings	2 960 885	5 917 362	2 789 793
Headline earnings for the period attributable to equity holders			
Dividends paid to FFA shareholders in the financial period	–	–	–
Residual headline earnings to be split <i>pari passu</i> per FFA and FFB share*	343 649	1 056 469	451 000
Total FFA headline earnings	343 649	1 056 469	451 000
Dividends paid to FFB shareholders in the financial period	–	–	–
Residual headline earnings to be split <i>pari passu</i> per FFA and FFB share*	277 974	853 331	364 242
Total FFB headline earnings	277 974	853 331	364 242
Total FFA and FFB headline earnings	621 623	1 909 800	815 242

* Residual value of earnings not distributed by way of a dividend is split on a *pari passu* basis between the total weighted average number of FFA shares and FFB shares in issue for the period.

5. Earnings and headline earnings per share continued

Allocation of diluted earnings and diluted headline earnings to FFA and FFB shares

	Unaudited for the six months ended Dec 2023 R'000	Audited for the year ended Jun 2023 R'000	Unaudited for the six months ended Dec 2022 R'000
Diluted earnings for the period attributable to equity holders			
Dividends paid to FFA shareholders in the financial period	–	–	–
Residual diluted earnings to be split <i>pari passu</i> per FFA and FFB share*	1 634 308	3 268 445	1 540 307
Total FFA diluted earnings	1 634 308	3 268 445	1 540 307
Dividends paid to FFB shareholders in the financial period	–	–	–
Residual diluted earnings to be split <i>pari passu</i> per FFA and FFB share*	1 326 577	2 648 917	1 249 486
Total FFB diluted earnings	1 326 577	2 648 917	1 249 486
Total FFA and FFB diluted earnings	2 960 885	5 917 362	2 789 793
Diluted headline earnings for the period attributable to equity holders			
Dividends paid to FFA shareholders in the financial period	–	–	–
Residual diluted headline earnings to be split <i>pari passu</i> per FFA and FFB share*	343 115	1 054 875	450 113
Total FFA diluted headline earnings	343 115	1 054 875	450 113
Dividends paid to FFB shareholders in the financial period	–	–	–
Residual diluted headline earnings to be split <i>pari passu</i> per FFA and FFB share*	278 508	854 925	365 129
Total FFB diluted headline earnings	278 508	854 925	365 129
Total FFA and FFB diluted headline earnings	621 623	1 909 800	815 242

* Residual value of earnings not distributed by way of a dividend is split on a *pari passu* basis between the total diluted weighted average number of FFA shares and FFB shares in issue for the period.

5. Earnings and headline earnings per share continued

Basic earnings, diluted earnings, headline earnings and diluted headline earnings per share

	Unaudited for the six months ended Dec 2023 R'000	Audited for the year ended Jun 2023 R'000	Unaudited for the six months ended Dec 2022 R'000
Basic earnings per FFA share (cents)	140,12	281,92	132,98
Basic earnings per FFB share (cents)	140,12	281,92	132,98
Diluted earnings per FFA share (cents)	139,06	279,51	131,93
Diluted earnings per FFB share (cents)	139,06	279,51	131,93
Headline earnings per FFA share (cents)	29,42	90,99	38,86
Headline earnings per FFB share (cents)	29,42	90,99	38,86
Diluted headline earnings per FFA share (cents)	29,19	90,21	38,55
Diluted headline earnings per FFB share (cents)	29,19	90,21	38,55

5. Earnings and headline earnings per share continued

Weighted average number of shares

Basic earnings per share, diluted earnings per share, headline earnings per share and diluted headline earnings per share are based on the following weighted average shares in issue during the period:

	Unaudited for the six months ended Dec 2023 R'000	Audited for the year ended Jun 2023 R'000	Unaudited for the six months ended Dec 2022 R'000
Weighted average number of shares			
– FFA shares	1 168 193 577	1 161 085 976	1 160 570 982
– FFB shares	944 939 286	937 831 685	937 316 691
Total weighted average number of FFA and FFB shares used in basic and headline earnings per share calculations (applicable to the residual basic and headline earnings)	2 113 132 863	2 098 917 661	2 097 887 673
Diluted weighted average number of shares			
– FFA shares	1 175 280 101	1 169 347 851	1 167 483 809
– FFB shares	953 981 366	947 699 938	947 054 702
Total weighted average number of FFA and FFB shares used in diluted earnings and diluted headline earnings per share calculations (applicable to the residual diluted earnings and diluted headline earnings)	2 129 261 467	2 117 047 789	2 114 538 511
Reconciliation of weighted average number of shares – FFA shares			
Weighted average number of shares used in calculation of basic and headline earnings per share	1 168 193 577	1 161 085 976	1 160 570 982
LTIP share scheme award – dilutive shares	–	924 794	2 219 249
CSP share scheme award – dilutive shares	7 086 524	7 337 081	4 693 579
Diluted weighted average number of shares used in calculation of diluted earnings and diluted headline earnings per share	1 175 280 101	1 169 347 851	1 167 483 810
Reconciliation of weighted average number of shares – FFB shares			
Weighted average number of shares used in calculation of basic and headline earnings per share	944 939 286	937 831 685	937 316 691
LTIP share scheme award – dilutive shares	–	824 279	1 999 603
CSP share scheme award – dilutive shares	9 042 080	9 043 974	7 738 408
Diluted weighted average number of shares used in calculation of diluted earnings and diluted headline earnings per share	953 981 366	947 699 938	947 054 702

6. Reconciliation of profit for the period to amount available for distribution

	Unaudited for the six months ended Dec 2023 R'000	Audited for the year ended Jun 2023 R'000	Unaudited for the six months ended Dec 2022 R'000
Profit for the period	2 956 570	5 888 003	2 790 201
Fair value (gain)/loss on investment property	(287 862)	742 379	61 319
Fair value gain on investments	(130 964)	(96 939)	(79 605)
Fair value loss on derivative financial instruments	195 864	262 634	144 611
(Reversal of impairment)/impairment of staff scheme loans	(10 899)	6 594	(4 447)
Insurance right to receive – capital	–	1 492	–
Reversal of impairment of investments in associates	(2 370 332)	(2 371 817)	(1 745 033)
Non-distributable income from associates	(210 387)	(923 595)	(520 331)
Interest received on LTIP (reversed for IFRS 2 charge)	3 467	5 726	2 577
IFRS 2: <i>Share-based Payment</i> – employee incentive scheme	73 769	55 579	27 668
Deferred tax	804 052	(1 301 946)	–
Income tax in respect of prior periods	–	(168 054)	248 831
Non-controlling interests	356	(2 814)	(408)
Unrealised exchange gain	(6 941)	(4 111)	–
Staff scheme interest limitation	(19 555)	(32 296)	(14 534)
Foreign dividend hedging	(40 066)	79 484	83 530
Interest rate derivatives	64 049	(36 996)	(52 075)
Capitalised interest limitation	(68 253)	(306 056)	(141 357)
Amount available for distribution	952 868	1 797 267	800 947
Amount available for interim distribution	952 868	800 947	800 947
Amount available for final distribution	–	996 320	–
	952 868	1 797 267	800 947
Less: interim dividend declared	(952 868)	–	–
– FFA shares	–	–	–
– FFB shares	(952 868)	–	–
Less: final dividend declared	–	–	–
– FFA shares	–	–	–
– FFB shares	–	–	–
Amount available for distribution retained by Fortress	–	1 797 267	800 947

Annexure 1

SA REIT Best Practice disclosure

SA REIT FFO	Dec 2023 R'000	Jun 2023 R'000	Dec 2022 R'000
Profit for the period attributable to equity holders of the company	2 960 885	5 917 362	2 789 793
Adjusted for:			
Accounting/specific adjustments:	(2 010 404)	(2 905 615)	(1 603 911)
Fair value adjustments to:			
– Investment property	(239 137)	766 936	64 243
– Fair value gain on investments	(130 964)	(96 939)	(79 605)
Insurance right to receive – capital	–	1 492	–
(Reversal of impairment)/impairment of staff scheme loans	(10 899)	6 594	(4 447)
Reversal of impairment of investments in associate	(2 370 332)	(2 371 817)	(1 745 033)
Deferred tax movement recognised in profit or loss	804 052	(1 301 946)	2 114
Straight-lining operating lease adjustment	(48 725)	(24 557)	(2 924)
Dividend accrual	(14 399)	114 622	161 741
Foreign exchange and hedging items:	212 906	301 011	176 066
– Fair value adjustments on derivative financial instruments employed solely for hedging purposes	23 983	42 488	31 455
– Adjustments to amounts recognised in profit or loss relating to derivative financial instruments	195 864	262 634	144 611
– Foreign exchange gains relating to capital items – unrealised	(6 941)	(4 111)	–
Other adjustments:	(214 346)	(1 123 822)	(273 614)
– Non-distributable income from associates	(210 387)	(923 595)	(520 331)
– Non-controlling interests in respect of the above adjustments	(3 959)	(32 173)	–
– Income tax in respect of prior periods	–	(168 054)	246 717
SA REIT FFO	949 041	2 188 936	1 088 334
Company-specific adjustments	3 827	(391 669)	(287 387)
– Interest received on LTIP (reversed for IFRS 2 charge)	3 467	5 726	2 577
– IFRS 2: <i>Share-based Payment</i> – employee incentive scheme	73 769	55 579	27 668
– Dividend accrual	14 399	(114 622)	(161 741)
– Staff scheme interest limitation	(19 555)	(32 296)	(14 534)
– Capitalised interest	(68 253)	(306 056)	(141 357)
Fortress' amount available for distribution	952 868	1 797 267	800 947
Number of shares outstanding at the end of the period (net of treasury shares)	2 180 904 113	2 170 409 851	2 170 409 851
FFA	1 169 980 307	1 164 733 176	1 164 733 176
FFB*	1 010 923 806	1 005 676 675	1 005 676 675

* Excludes 64 197 790 FFB shares held by Fortress Empowerment 2 and Fortress Empowerment 4, which are consolidated and treated as treasury shares for IFRS purposes.

SA REIT NAV	Dec 2023 R'000	Jun 2023 R'000	Dec 2022 R'000
Reported NAV attributable to the parent	36 363 959	33 330 390	29 711 989
Adjustments:			
– Dividend to be declared (net of treasury shares)	(952 868)	–	–
– Fair value of certain derivative financial instruments	(370 502)	(578 122)	(708 243)
– Deferred tax	(396 105)	(1 200 339)	87 255
SA REIT NAV	34 644 484	31 551 929	29 091 001
Shares outstanding			
Number of shares in issue at period-end (net of treasury shares)	2 116 706 323	2 106 212 061	2 106 212 061
Effect of dilutive instruments (options, convertibles and equity interests)	16 128 604	18 130 128	16 650 838
Dilutive number of shares in issue	2 132 834 927	2 124 342 189	2 122 862 899
SA REIT NAV per share	16,24	14,85	13,70
SA REIT LTV	Dec 2023 R'000	Jun 2023 R'000	Dec 2022 R'000
Gross debt	19 698 072	19 035 366	18 792 824
Less:			
– Cash and cash equivalents	(267 550)	(208 451)	(165 010)
Less:			
– Derivative financial instruments	(370 502)	(578 122)	(708 243)
Net debt	19 060 020	18 248 793	17 919 571
Total assets per statement of financial position	58 105 867	54 237 773	50 260 878
Less:			
– Cash and cash equivalents	(267 550)	(208 451)	(165 010)
– Derivative financial assets	(626 185)	(894 012)	(952 749)
– Trade and other receivables	(718 172)	(740 366)	(608 601)
– Intangible assets – deferred tax asset	(817 630)	(1 555 636)	–
Carrying amount of property-related assets	55 676 330	50 839 308	48 534 518
SA REIT LTV (%)	34,23	35,90	36,92

Annexure 1
SA REIT Best Practice disclosure continued

SA REIT cost-to-income ratio	Dec 2023 R'000	Jun 2023 R'000	Dec 2022 R'000
Expenses			
Operating expenses per IFRS statement of comprehensive income (includes municipal expenses)	891 419	1 545 111	785 807
Administrative expenses per IFRS statement of comprehensive income	123 142	222 178	106 418
Operating costs	1 014 561	1 767 289	892 225
Rental income			
Contractual rental income per IFRS statement of comprehensive income (excluding straight-lining)	1 498 483	2 787 082	1 374 439
Utility and operating recoveries per IFRS statement of comprehensive income	592 559	976 315	494 556
Gross rental income	2 091 042	3 763 397	1 868 995
SA REIT cost-to-income ratio (%)	48,52	46,96	47,74
SA REIT administrative cost-to-income ratio	Dec 2023 R'000	Jun 2023 R'000	Dec 2022 R'000
Expenses			
Administrative expenses per IFRS statement of comprehensive income	123 142	222 178	106 418
Administrative costs	123 142	222 178	106 418
Rental income			
Contractual rental income per IFRS statement of comprehensive income (excluding straight-lining)	1 498 483	2 787 082	1 374 439
Utility and operating recoveries per IFRS statement of comprehensive income	592 559	976 315	494 556
Gross rental income	2 091 042	3 763 397	1 868 995
SA REIT administrative cost-to-income ratio (%)	5,89	5,90	5,69
SA REIT GLA vacancy rate	Dec 2023 m²	Jun 2023 m²	Dec 2022 m²
Gross lettable area of vacant space	119 239	106 600	137 328
Gross lettable area of total property portfolio	2 866 456	2 873 318	2 779 879
SA REIT GLA vacancy rate (%)	4,16	3,71	4,94

Weighted average cost of debt

Cost of debt – Rand-denominated	Dec 2023 %	Jun 2023 %	Dec 2022 %
<i>Variable interest rate borrowings</i>			
Floating reference rate plus weighted average margin	10,25	10,41	9,23
Pre-adjusted weighted average cost of debt	10,25	10,41	9,23
Adjustments			
Impact of interest rate derivatives	(1,12)	(1,27)	(0,40)
Amortised transaction costs imputed into the effective interest rate	0,52	0,50	0,46
All-in weighted average cost of debt*	9,65	9,64	9,29

* Calculated using 3-month JIBAR reference rate at 30 June and 31 December as appropriate.

Cost of debt – Euro-denominated	Dec 2023 %	Jun 2023 %	Dec 2022 %
<i>Variable interest rate borrowings</i>			
Floating reference rate plus weighted average margin	6,29	6,05	4,57
Pre-adjusted weighted average cost of debt	6,29	6,05	4,57
Adjustments			
Impact of interest rate derivatives	(1,79)	(2,95)	(1,56)
All-in weighted average cost of debt**	4,50	3,10	3,01

** Calculated using 3-month EURIBOR reference rate at 30 June and 31 December as appropriate.

Annexure 2

Management accounts

The information and ratios presented in the table represent Fortress' economic interest in assets and liabilities and revenue and expenditure. The information is calculated as disclosed under "Basis of preparation" noted below and is derived from the management accounts. The information is consistently prepared for all reporting periods disclosed below.

	Dec 2023	Jun 2023	Dec 2022
TNAV per share [^]	R16,69	R14,94	R13,87
NAV per share ^{^^}	R16,88	R15,51	R13,83
LTV ratio ^{**} (%)	34,0	36,2	37,5
Net property expense ratio (%)	25,3	25,1	25,5
Gross property expense ratio (%)	42,9	41,2	42,0
Net total expense ratio (%)	21,5	21,7	23,3
Gross total expense ratio (%)	34,6	33,8	36,3

[^] The TNAV per share is calculated as the total NAV after deducting intangible assets, divided by the aggregate number of FFA and FFB shares in issue, less shares held in treasury.

^{^^} The NAV per share is calculated as the total NAV divided by the aggregate number of FFA and FFB shares in issue, less shares held in treasury.

^{**} The LTV ratio is calculated by dividing the total interest-bearing borrowings adjusted for cash on hand by the total of investments in property, listed securities and loans advanced, and is based on management accounts information.

Basis of preparation

In order to provide information of relevance to investors, we present management accounts in addition to IFRS accounts. While the management accounts are based on the unaudited financial information for the six months ended 31 December 2023, these have been adjusted for the *pro forma* adjustments and therefore constitute *pro forma* financial information per the JSE Listings Requirements. The management accounts have been prepared on the following basis:

- The group's interest in Arbour Town, an associate, accounted for using the equity method for IFRS purposes, is proportionately consolidated;
- The group's listed investment in NEPI Rockcastle that is accounted for using the equity method for IFRS purposes, is fair valued;
- The group accounts for its share of the assets, liabilities and results of partially-owned subsidiaries (Bridge, Cornubia, Mantraweb Residential, Inofort and The Prism) on a proportionately consolidated basis instead of consolidating them; and
- The consolidated financial position and performance of Fortress Empowerment 2 and Fortress Empowerment 4 have been deconsolidated.

The *pro forma* information has not been reviewed or reported on by Fortress' external auditor.

Directors' responsibility statement

The preparation of the management accounts is the sole responsibility of the directors. These accounts have been prepared on the basis stated, for illustrative purposes only, to show the impact on the condensed unaudited consolidated statement of financial position and the condensed unaudited consolidated statement of comprehensive income.

Due to their nature, the management accounts may not fairly present the financial position and results of the group in terms of IFRS.

Management accounts adjustments

Adjustment 1

This adjustment proportionately consolidates the indirect investments in The Galleria and Arbour Crossing that are held through Arbour Town (Fortress has a 25% interest), accounted for using the equity method in terms of IFRS.

It effectively discloses the group's interest in the assets, liabilities and results of operations from these investments by disclosing the unaudited management accounts for the six months ended 31 December 2023 on a line-by-line basis.

This is a continuing adjustment for management accounts purposes.

Adjustment 2

The investment in NEPI Rockcastle is reflected at fair value by multiplying the 160 135 676 shares held by the quoted closing price of R126,38 per share at 31 December 2023. All entries relating to accounting for this investment using the equity method are reversed.

This is a continuing adjustment for management accounts purposes.

Adjustment 3

This adjustment proportionately consolidates the indirect investments in partially-owned subsidiaries (the indirect investments in Bridge, Cornubia, Mantraweb Residential, Inofort and The Prism) that are consolidated in terms of IFRS.

It uses the unaudited management accounts for the six months ended 31 December 2023 of Bridge, Cornubia, Mantraweb Residential, Inofort and The Prism to reverse the non-controlling interests to reflect the group's interest in the assets, liabilities and results of operations from these investments.

This is a continuing adjustment for management accounts purposes.

Adjustment 4

The adjustment deconsolidates the IFRS required consolidation of Fortress Empowerment 2 and Fortress Empowerment 4, on the basis that the deconsolidated position reflects the intended future position of these entities, being outside of the control of Fortress. This adjustment only affects the statement of financial position.

This is a continuing adjustment for management accounts purposes.

Condensed consolidated statement of financial position

	IFRS Dec 2023 R'000	Adj 1 Proportionate consolidation of investment in associate – Arbour Town Dec 2023 R'000	Adj 2 Fair value accounting for investment in associate – NEPI Rockcastle Dec 2023 R'000	Adj 3 Proportionate consolidation of partially- owned subsidiaries Dec 2023 R'000	Adj 4 Deconsolidation of BEE vehicles Dec 2023 R'000	Management accounts Dec 2023 R'000
Assets						
Non-current assets	55 995 748	2 618	–	(816 621)	455 806	55 637 551
Investment property	29 711 725	748 715		(1 027 220)		29 433 220
Straight-lining of rental revenue adjustment	548 447	30 050		(4 245)		574 252
Investment property under development	3 344 886					3 344 886
Property	25 326					25 326
Investment in and loans to associates	21 014 094	(776 147)	(20 237 947)			–
Investments	–		20 237 947			20 237 947
Staff scheme loans	77 834					77 834
Investment in BEE preference shares	455 806				455 806	911 612
Deferred tax	817 630			(3 012)		814 618
Loans to co-owners	–			217 856		217 856
Current assets	1 627 995	8 365	–	(21 027)	–	1 615 333
Staff scheme loans	16 088					16 088
Trade and other receivables	1 344 357	5 703		(18 313)		1 331 747
Cash and cash equivalents	267 550	2 662		(2 714)		267 498
Non-current assets held for sale	482 124	–	–	–	–	482 124
Investment property and investment property under development held for sale	480 376					480 376
Straight-lining of rental revenue adjustment	1 748					1 748
Total assets	58 105 867	10 983	–	(837 648)	455 806	57 735 008

Condensed consolidated statement of financial position continued

	IFRS Dec 2023 R'000	Adj 1 Proportionate consolidation of investment in associate – Arbour Town Dec 2023 R'000	Adj 2 Fair value accounting for investment in associate – NEPI Rockcastle Dec 2023 R'000	Adj 3 Proportionate consolidation of partially- owned subsidiaries Dec 2023 R'000	Adj 4 Deconsolidation of BEE vehicles Dec 2023 R'000	Management accounts Dec 2023 R'000
Equity and liabilities						
Total equity attributable to equity holders	36 363 959	–	–	–	455 806	36 819 765
Stated capital	44 307 010					44 307 010
Treasury shares	(776 151)				455 806	(320 345)
Currency translation reserve	717 426		(343 922)			373 504
Reserves	(7 884 326)		343 922			(7 540 404)
Non-controlling interests	184 855			(184 855)		–
Total equity	36 548 814	–	–	(184 855)	455 806	36 819 765
Total liabilities	21 557 053	10 983	–	(652 793)	–	20 915 243
Non-current liabilities	17 271 829	–	–	(631 385)	–	16 640 444
Interest-bearing borrowings	16 850 304			(603 454)		16 246 850
Deferred tax	421 525			(27 931)		393 594
Current liabilities	4 285 224	10 983	–	(21 408)	–	4 274 799
Trade and other payables	1 294 964	10 983		(21 616)		1 284 331
Income tax payable	142 492			208		142 700
Interest-bearing borrowings	2 847 768					2 847 768
Total equity and liabilities	58 105 867	10 983	–	(837 648)	455 806	57 735 008
TNAV per share	16,99					16,69
NAV per share	17,18					16,88
NAV per FFA share (R)	13,09					13,09
NAV per FFB share (R)	22,23					21,27

Condensed consolidated statement of comprehensive income

	IFRS for the period ended Dec 2023 R'000	Adj 1 Proportionate consolidation of investment in associate – Arbour Town for the period ended Dec 2023 R'000	Adj 2 Fair value accounting for investment in associate – NEPI Rockcastle for the period ended Dec 2023 R'000	Adj 3 Proportionate consolidation of partially- owned subsidiaries for the period ended Dec 2023 R'000	Adj 4 Deconsolidation of BEE vehicles for the period ended Dec 2023 R'000	Management accounts for the period ended Dec 2023 R'000
Income statement						
Recoveries and contractual rental revenue	2 091 042	55 409		(78 478)		2 067 973
Straight-lining of rental revenue adjustment	48 725	(22)		(566)		48 137
Revenue from direct property operations	2 139 767	55 387	–	(79 044)	–	2 116 110
Revenue from investments	–		842 833			842 833
Total revenue	2 139 767	55 387	842 833	(79 044)	–	2 958 943
Fair value gain on investment property, investments and derivative financial instruments	174 237	2 324	2 594 143	6 032	–	2 776 736
Fair value gain on investment property	287 862	2 302				290 164
Adjustment resulting from straight-lining of rental revenue	(48 725)	22		566		(48 137)
Fair value gain on investments	130 964		2 594 143			2 725 107
Fair value loss on derivative financial instruments	(195 864)			5 466		(190 398)
Property operating expenses	(891 419)	(29 792)		34 493		(886 718)
Administrative expenses	(123 142)	(126)		1 639		(121 629)
Impairment of staff scheme loans	10 899					10 899
IFRS 2: <i>Share-based Payment</i> – employee incentive scheme	(73 769)					(73 769)
Reversal of impairment of investment in associate	2 370 332		(2 370 332)			–
Foreign exchange gain	6 428					6 428
Income from associates	1 078 803	(27 885)	(1 050 918)	–	–	–
– Distributable	868 416	(25 583)	(842 833)			–
– Non-distributable	210 387	(2 302)	(208 085)			–
Profit before net finance costs	4 692 136	(92)	15 726	(36 880)	–	4 670 890

Condensed consolidated statement of comprehensive income continued

	IFRS for the period ended Dec 2023 R'000	Adj 1 Proportionate consolidation of investment in associate – Arbour Town for the period ended Dec 2023 R'000	Adj 2 Fair value accounting for investment in associate – NEPI Rockcastle for the period ended Dec 2023 R'000	Adj 3 Proportionate consolidation of partially- owned subsidiaries for the period ended Dec 2023 R'000	Adj 4 Deconsolidation of BEE vehicles for the period ended Dec 2023 R'000	Management accounts for the period ended Dec 2023 R'000
Income statement continued						
Profit before net finance costs	4 692 136	(92)	15 726	(36 880)	–	4 670 890
Net finance costs	(897 967)	92	–	42 933	–	(854 942)
Finance income	23 225	92		(67)	–	23 250
– Interest on staff scheme and other interest received	23 225	92		(67)		23 250
Finance costs	(921 192)	–	–	43 000	–	(878 192)
– Interest on borrowings	(989 445)			43 000		(946 445)
– Capitalised interest	68 253					68 253
Profit before income tax	3 794 169	–	15 726	6 053	–	3 815 948
Income tax	(837 599)			(1 738)		(839 337)
Profit for the period	2 956 570	–	15 726	4 315	–	2 976 611
Profit for the period attributable to:						
Equity holders of the company	2 960 885		15 726			2 976 611
Non-controlling interests	(4 315)			4 315		–
Profit for the period	2 956 570	–	15 726	4 315	–	2 976 611
Basic earnings per FFA share (cents)	140,12					136,71
Basic earnings per FFB share (cents)	140,12					136,71
Diluted earnings per FFA share (cents)	139,06					135,70
Diluted earnings per FFB share (cents)	139,06					135,70
Headline earnings per FFA share (cents)	29,42					126,57
Headline earnings per FFB share (cents)	29,42					126,57
Diluted headline earnings per FFA share (cents)	29,19					125,64
Diluted headline earnings per FFB share (cents)	29,19					125,64
Headline earnings						
Profit for the period attributable to equity holders	2 960 885					2 976 611
Adjusted for:	(2 339 262)					(220 814)
– Fair value gain on investment property (including straight-lining adjustment)	(239 137)					(242 027)
– Current period income tax effects in respect of investment property	21 213					21 213
– Reversal of impairment of associate	(2 370 332)					
– Current period income tax effects in respect of investment in associate	511 992					
– Fair value gain on investment property of associates	(315 581)					
– Income tax effect	52 583					
Headline earnings	621 623					2 755 797

Annexure 3

Glossary of terms

1H2023	Interim reporting period for the six months ended 31 December 2022
1H2024	Interim reporting period for the six months ended 31 December 2023
2H2024	Final reporting period for the six months ending 30 June 2024
B-BBEE	Broad-based Black Economic Empowerment
Board	Board of directors of Fortress
BREEM	Building Research Establishment Environmental Assessment Methodology
CBD	Central business district
CEE	Central and Eastern Europe
CEO	Chief executive officer
CFO	Chief financial officer
Clairwood	Clairwood Logistics Park, KwaZulu-Natal
Companies Act	Companies Act of South Africa, Act 71 of 2008
Cornubia	Cornubia Logistics Park, KwaZulu-Natal
CSP	Conditional Share Plan
DMTN programme	Domestic medium-term note programme
Eastport	Eastport Logistics Park, Gauteng
ESG	Environmental, social and governance
EUR	Euro
EURIBOR	Euro Interbank Offered Rate
FFA or A share	Fortress A class share (JSE share code: FFA)
FFB or B share	Fortress B class share (JSE share code: FFB)
FFO	Funds from operations
Fortress	Fortress Real Estate Investments Limited, formerly Fortress REIT Limited
Fortress Empowerment 1	Fortress Empowerment (RF) 1 Proprietary Limited
Fortress Empowerment 2	Fortress Empowerment (RF) 2 Proprietary Limited
Fortress Empowerment 3	Fortress Empowerment (RF) 3 Proprietary Limited
Fortress Empowerment 4	Fortress Empowerment (RF) 4 Proprietary Limited
FY2023	Financial year ended 30 June 2023
FY2024	Financial year ending 30 June 2024

GLA	Gross lettable area
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
JIBAR	Johannesburg Interbank Average Rate
JSE	JSE Limited, the Johannesburg Stock Exchange
Longlake	Longlake Logistics Park, Gauteng
Louwlerdia	Louwlerdia Logistics Park, Gauteng
LTIP	Long-term Incentive Plan
LTV	Loan-to-value
m ²	Square metre
MOI	Memorandum of Incorporation
MWac	Megawatt, alternating current
MWh	Megawatt hours
NAV	Net asset value
NEPI Rockcastle	NEPI Rockcastle N.V.
NOI	Net operating income
REIT	Real Estate Investment Trust
SA	South Africa
SA REIT BPR	SA REIT Best Practice Recommendations
SAICA	South African Institute of Chartered Accountants
SOA	Scheme of Arrangement as per the circular to shareholders dated 30 November 2023
Solar PV	Solar photovoltaic
TNAV	Tangible net asset value
VWAP	Volume-weighted average price
WALE	Weighted average lease expiry
ZAR	South African Rand

Corporate information

Company details

Fortress Real Estate Investments Limited

Incorporated in the Republic of South Africa
Registration number: 2009/016487/06
JSE share code: FFB | ISIN: ZAE000248506
LEI: 378900FE98E30F24D975
Bond company code: FORI
("Fortress" or "the group" or "the company")

Block C, Cullinan Place
Cullinan Close, Morningside, 2196
(PO Box 138, Rivonia, 2128)

Directors

Robin Lockhart-Ross (*chairman*)
Steven Brown*
Jan Potgieter (*lead independent non-executive director*)
Thavanesan Chetty
Jonathan Hillary
Ina Lopion
Susan Ludolph
Vuso Majija*
Edwin Oblowitz
Caswell Rampheri
Ian Vorster*

* Executive director

Commercial bankers

The Standard Bank of South Africa Limited

(Registration number: 1962/000738/06)
Corporate and Investment Banking
7th Floor, 3 Simmonds Street, Johannesburg, 2001
(PO Box 61029, Marshalltown, 2107)

Transfer secretaries

JSE Investor Services Proprietary Limited

(Registration number: 2000/007239/07)
One Exchange Square, Gwen Lane
Sandown, Sandton, 2196
(PO Box 4844, Johannesburg, 2000)

Lead sponsor

Java Capital Trustees and Sponsors Proprietary Limited

(Registration number: 2006/005780/07)
6th Floor, 1 Park Lane, Wierda Valley, Sandton, 2196
(PO Box 522606, Saxonwold, 2132)

Joint sponsor

Nedbank Limited, acting through its Corporate and Investment Banking Division

(Registration number: 1951/000009/06)
3rd Floor, Corporate Place, Nedbank Sandton
135 Rivonia Road, Sandton, 2196
(PO Box 1144, Johannesburg, 2000)

Debt sponsor

Rand Merchant Bank

(a division of FirstRand Bank Limited)
(Registration number: 1929/001225/06)
1 Merchant Place
Corner of Fredman Drive and Rivonia Road
Sandton, 2196

Company secretary and registered office

Tamlyn Stevens CA(SA)

Block C, Cullinan Place
Cullinan Close, Morningside, 2196
(PO Box 138, Rivonia, 2128)

External auditor

KPMG Inc.

KPMG Crescent
85 Empire Road, Parktown, 2193
(Private Bag 9, Parkview, 2122)

Email

info@fortressfund.co.za



Powering Growth

www.fortressfund.co.za



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