

FORTRESS REIT LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2009/016487/06)

JSE share codes: FFA ISIN: ZAE000248498

FFB ISIN: ZAE000248506

Bond company code: FORI

(Approved as a REIT by the JSE)

(“Fortress” or “the Company”)



OPERATIONAL UPDATE AND WITHDRAWAL OF GUIDANCE

Fortress is a diversified Real Estate Investment Trust (“**REIT**”), with the majority of its direct real estate investments in the sectors of premium-grade logistics facilities and strategic land parcels (c. 42%) and commuter-oriented retail centres (c. 34%). The remaining 24% of the direct property portfolio comprises mostly industrial and office properties. Fortress also owns an equity stake of 23,3% in NEPI Rockcastle plc (“**NEPI Rockcastle**”).

Fortress provides an update on the impact of the COVID-19 pandemic on various aspects of its business and operations.

Risk mitigation and liquidity

Prior to the COVID-19 pandemic, management and the board of directors (“**board**”) had taken significant steps across critical aspects of the business in anticipation of macroeconomic headwinds. These measures place Fortress in a position to better withstand the challenges South Africa faces in dealing with the COVID-19 pandemic. Management and the board will remain focused on preserving liquidity and maintaining balance sheet strength in these uncertain times.

As such, and prior to the COVID-19 pandemic and nationwide lockdown, a number of risk-mitigating measures were implemented, some of which were reported on during the December 2019 interim results. These measures included:

- refinancing of R4,5 billion of secured banking facilities;
- disposal of R420 million of properties;
- settlement of the interim dividends for the 2020 financial year on the Fortress A and Fortress B shares by way of an *in spec*ie distribution of Resilient REIT Limited (“**Resilient**”) shares, thereby retaining cash and significantly improving liquidity;
- reducing exposure to cross-currency interest rate swaps (“**CCIRS**”) from EUR464,7 million at 30 June 2019 to EUR302,7 million post 31 December 2019 and at the same time extending the expiries to March 2021; and
- entering into local interest rate caps as opposed to swaps, following the reduction in the CCIRS position, to take advantage of an anticipated lower interest rate cycle. No changes have been made to interest rate derivatives as per the published 31 December 2019 interim results.

Subsequent to releasing the 31 December 2019 interim results, the CCIRS position was further reduced by EUR150 million to EUR152,7 million to further mitigate liquidity risk from a weakening Rand against the Euro, given expected volatility resulting from the COVID-19 pandemic and the sovereign ratings downgrade by Moody’s.

The recent 200 basis point total reduction in interest rates announced by the South African Reserve Bank makes funding in Rand relatively more attractive and the reduction in the CCIRS increases the Rand funding component of our business. There is no liability or contingent liability on the CCIRS, which were reduced in March 2020, and these were transacted at an average rate of R18,71 to the Euro.

Furthermore, credit approval has been obtained to extend facilities totalling R2 177 million, due to expire in November 2020, to May 2022 (R1 027 million) and May 2023 (R1 150 million). These extensions have been included in the debt maturity profile below.

As at Thursday, 16 April 2020:

- Fortress had a total of R2,5 billion available in cash and undrawn secured banking facilities.
- The debt maturity profile, including notes and bonds issued under our domestic medium term note programme (“DMTN”) is as follows:

	<u>Amount</u>
<u>Financial year</u>	<u>R’ million</u>
Jun 2020	250
Jun 2021	1 651
Jun 2022	5 252
Jun 2023	4 897
Jun 2024	2 627
Jun 2025	4 410
Jun 2026	250
Jun 2027	206
	19 543

- The expiry dates of notes and bonds under our DMTN programme are as follows, and are included in the debt maturity profile above:

	<u>Amount</u>
<u>Note expiry</u>	<u>R’ million</u>
Jun 2020	250
Aug 2020	241
Feb 2021	300
Aug 2022	400
Nov 2022	500
Aug 2024	300
Oct 2024	200

It is our intention to repay the R491 million of notes expiring during the 2020 calendar year from available facilities.

- Due to our equity exposure to NEPI Rockcastle and the decline in the traded price of the NEPI Rockcastle share on the JSE Limited, Fortress' loan-to-value ratio has increased from 33,3% at 31 December 2019 to approximately 37,4%, calculated on a consistent basis with prior periods, but remains comfortably within facility covenants. Notwithstanding short-term fluctuations in its share price, the board remains confident that NEPI Rockcastle is a solid business, with a strong balance sheet and a geographically diversified portfolio across Europe that will weather the current challenges associated with the COVID-19 pandemic.

Fortress has a diversified pool of funders, including Standard Bank, RMB, Nedbank, ABSA, Sanlam and Libfin, all of whom have confirmed support for the business. We have strong relationships and continue to regularly engage with all of our funders.

Operational update

Fortress continues to engage with its tenants both directly and through collective sector initiatives, regarding the immediate and continuing effect that the COVID-19 related lockdown has and will likely have on their businesses, which will inform discussions around rentals.

Collections to date of total rental and rates and utilities invoiced for April 2020 amount to approximately 62%. This is prior to deferral and other agreements being negotiated with tenants, where no or partial payments have been received.

Withdrawal of guidance

Given the uncertainty around the impact of the COVID-19 pandemic and related nationwide lockdown and ongoing negotiations with tenants regarding rentals, Fortress is withdrawing previous guidance of distributable earnings and dividends, as published in our 31 December 2019 interim results, relating to the year ending 30 June 2020.

Employees and community initiatives

Since the nationwide lockdown commenced on 27 March 2020, all Fortress head office employees have been able to work remotely without any major interruptions. Essential operations, both in relation to our logistics portfolio and especially at our retail centres, are continuing in accordance with Government regulations. The board wishes to express its appreciation to our staff, our property managers and suppliers who are supporting the provision of essential goods and services during this period.

Fortress has made donations to five charities to provide much needed additional support during the COVID-19 pandemic. More details are available on our website: <https://fortressfund.co.za/press/fortress-offers-financial-aid-to-5-charities-to-provide-hundreds-of-food-parcels-for-children-and-families-in-need-during-lockdown/20>

17 April 2020

Lead sponsor

JAVACAPITAL

Joint sponsor

