



## SHORT-FORM ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020

The 2020 financial year was defined by the final quarter of the reporting period and the outbreak of the COVID-19 pandemic with the resulting lockdown imposed by the government in South Africa and other governments around the world. The conservative loan-to-value ("LTV") and cash retention measures implemented by management before the pandemic allowed us to withstand the numerous, unforeseen and unprecedented shocks to the markets in which we operate. We were able to react quickly to protect the people who run our business, as well as the people who use our real estate assets. Furthermore, we focused on protecting our liquidity and balance sheet and we feel confident that our business is currently, and will remain, well capitalised post the pandemic without major change to our strategy.

Lower distributable earnings and the need for a conservative approach to cash retention led to a reduction in dividends, but had to be balanced against the regulatory environment in which we operate and importantly the need to maintain our status as a Real Estate Investment Trust ("REIT").

The risk mitigation undertaken during the year now provides us with cash and available facilities of approximately R2,8 billion, a LTV ratio below 39% and no further exposure to Euro debt through cross-currency swaps. These measures have reduced the overall risk our business faces, which is welcomed at a time when focus on our existing assets and execution of our strategy have become even more important.

At the date of this report, there are no restrictions on trading at any of our directly owned properties following the easing of restrictions to Level 2 of the COVID-19 lockdown. This is pleasing given that, based on gross lettable area ("GLA"), tenants in our retail portfolio who were allowed to trade reduced to a low of 41% during the Level 5 lockdown.

### NATURE OF THE BUSINESS

Fortress REIT Limited ("Fortress") is a REIT specialising in the logistics and retail property sectors with an established development track record. Our focus remains on being the developer and landlord of choice for premium-grade logistics real estate in South Africa. The core logistics portfolio of assets is complemented by a development pipeline on which we are able to develop one million square metres of GLA. The retail portfolio comprises 59 shopping centres, which includes properties co-owned with partners. We have continued with the strategy of holding, developing and selectively acquiring core logistics facilities in prime locations, while continuing to invest in commuter-oriented convenience retail shopping centres.

In addition to our property portfolio, we have a 23,3% interest in NEPI Rockcastle plc ("NEPI Rockcastle"), valued at R12,4 billion at 30 June 2020.

We exited our entire investment in Resilient REIT Limited ("Resilient") during the second half of the financial year, mostly by way of a distribution in specie of the dividends declared on the Fortress A ("FFA") and Fortress B ("FFB") shares for the six months ended 31 December 2019. The remaining Resilient shares were disposed of through the market.

### CAPITAL STRUCTURE

The current capital structure comprises two classes of ordinary shares, each with equal voting rights, but different entitlements to distributions and capital participation on redemption or winding up. The Fortress A ordinary share (share code: FFA) has a preferential right to distributions of income in any income period if a distribution is declared and to capital participation upon winding up or redemption, which is calculated as the 60-day volume-weighted average price on the JSE Limited ("JSE") subject to a floor of R8,11 if redeemed. The Fortress B ordinary share (share code: FFB) has entitlement to the residual distribution of income in any income period if a distribution is declared and to the residual capital upon winding up.

The board considered and embarked on a process to optimise the capital structure during the year. However, due to the volatility and uncertainty created by the COVID-19 pandemic and factoring in the feedback from engagements with shareholders, the sub-committee was dissolved and the capital structure remains unchanged.

### SUMMARY OF FINANCIAL PERFORMANCE

	Jun 2020	Jun 2019	% change
Dividend per share			
– FFA (cents)	100,67	148,35	(32,1)
– FFB (cents)	74,84	155,50	(51,9)

### INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") INFORMATION

	Jun 2020	Jun 2019	% change
Revenue from direct property operations (R'000)	3 401 534	3 413 832	(0,4)
Total revenue (including revenue from investments) (R'000)	3 617 183	3 628 427	(0,3)
Net asset value ("NAV") (R'000)	24 116 771	34 897 324	(30,9)
NAV per equity share (going concern) <sup>^</sup> (Rand)	11,17	16,19	(31,0)
NAV per FFA share* (Rand)	11,08	19,77	(44,0)
NAV per FFB share (Rand)	11,29	11,78	(4,2)
Basic (loss)/earnings per share – FFA (cents)	(390,15)	116,83	(433,9)
Basic (loss)/earnings per share – FFB (cents)	(390,15)	116,83	(433,9)
Headline (loss)/earnings per share – FFA (cents)	(64,07)	104,12	(161,5)
Headline (loss)/earnings per share – FFB (cents)	(64,07)	104,12	(161,5)

<sup>^</sup> The NAV per equity share is calculated as the total NAV divided by the aggregate number of FFA and FFB shares in issue, less shares held in treasury.

\* 60-day volume-weighted average traded price at reporting date, limited to combined NAV.

### MANAGEMENT ACCOUNTS INFORMATION

	Jun 2020	Jun 2019	% change
LTV ratio* (%)	38,5	32,2	#
NAV (R'000)	24 306 154	35 672 834	(31,9)
NAV per equity share (going concern) <sup>^</sup> (Rand)	10,94	16,07	(31,9)
NAV per FFA share** (Rand)	11,08	19,77	(44,0)
NAV per FFB share (Rand)	10,77	11,80	(8,7)
Direct property portfolio (completed buildings, including held for sale) (R'million)	25 018	26 341	(5,0)
Investment property under development (R'million)	3 422	3 827	(10,6)
Direct property disposals (R'million)	877	803	9,2
Listed equity portfolio (R'million)	12 426	20 621	(39,7)
Vacancy based on GLA (%)	8,9	7,2	#

# % change not meaningful to disclose.

\* 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.

<sup>^</sup> The NAV per equity share is calculated as the total NAV divided by the aggregate number of FFA and FFB shares in issue, less shares held in treasury.

\*\* 60-day volume-weighted average traded price at reporting date, limited to combined net asset value.

### DIVIDENDS

We are appreciative for the overwhelming support received from our shareholders in the alteration of our Memorandum of Incorporation, which has given the board the required flexibility to distribute a dividend less than the FFA dividend entitlement, but greater than nil, in order to maintain our REIT status. As a result of our distributable income falling short of the FFA dividend entitlement, the board has taken the decision to declare a dividend of 23,00 cents per FFA share for the final six-month income period of the 2020 financial year. The FFB shares will not receive a dividend for the second income period of the 2020 financial year.

The dividend entitlement for the FFA share is increased by the lower of the Consumer Price Index ("CPI") or 5,0% over the prior comparable period, using data supplied by Statistics SA. CPI for the second six-month period of the 2020 financial year was 3,41% and the entitlement is therefore 76,13 cents per FFA share. This becomes the reference base for future dividends on the FFA share should the minimum distributable income be available.

Given these unprecedented times, the REIT sector has engaged with the JSE and National Treasury with a view to reduce the minimum payout ratio to maintain

REIT status per the JSE Listings Requirements. We are supportive of these discussions which are ongoing and complicated. Our aggregated dividend declared for the full year ended 30 June 2020 meets the JSE requirement for a REIT to distribute 75% of its defined distributable profit.

### FINAL DIVIDEND AND TIMETABLE

The board has approved, and notice is hereby given of a final dividend of 23,00000 cents per FFA share for the six months ended 30 June 2020. No dividend has been declared on the FFB share for this period. The dividend is payable to Fortress shareholders in accordance with the timetable set out below:

Last date to trade <i>cum</i> dividend	Monday, 21 September 2020
Shares trade <i>ex</i> dividend	Tuesday, 22 September 2020
Record date	Friday, 25 September 2020
Payment date	Monday, 28 September 2020

Share certificates may not be dematerialised or rematerialised between Tuesday, 22 September 2020 and Friday, 25 September 2020, both days inclusive. In respect of dematerialised shareholders, the dividend will be transferred to the CSDP accounts/broker accounts on Monday, 28 September 2020. Certificated shareholders' dividend payments will be posted on or about Monday, 28 September 2020. An announcement informing shareholders of the tax treatment of the dividends will be released separately on SENS.

### PROSPECTS

The COVID-19 pandemic has had devastating effects on local and foreign economies to date. In addition, the pandemic has introduced significant uncertainty about the future for individuals, families, businesses and entire sectors. Given this high degree of uncertainty in local and foreign markets to which we have exposure, guidance of distributable earnings or dividends per share will not be provided until such time as a clearer picture of the impact and length of disruption emerges.

Notwithstanding, we are encouraged by some positive signs emerging post year-end from the majority of our portfolio and feedback received from our tenants in August 2020. The various risk mitigation measures undertaken before and during the COVID-19 pandemic, place Fortress in a position to return to growth once trading conditions stabilise and to take advantage of opportunities should they arise.

We will keep our shareholders and other stakeholders apprised of changes to the above. The board is of the view that the focus for the foreseeable future should be on value protection, balance sheet strength and ensuring a healthy liquidity position.

### SHORT-FORM ANNOUNCEMENT

This short-form announcement of the summarised audited consolidated financial statements ("full announcement") for the year ended 30 June 2020 is a summary of the information in the full announcement and does not contain full or complete details of the financial results that were published on SENS on 3 September 2020 and is the responsibility of Fortress' board of directors. The information in this short-form announcement has been extracted from the full announcement for the year ended 30 June 2020. Any investment decisions should be based on consideration of the full announcement published on Fortress' website:

[https://cmsignition.co.za/download/files\\_1184/Summarisedauditedconsolidatedfinancialstatements-30June2020.pdf](https://cmsignition.co.za/download/files_1184/Summarisedauditedconsolidatedfinancialstatements-30June2020.pdf)

and available on the JSE's website at:

<https://senspdf.jse.co.za/documents/2020/jse/isse/FFAE/FY2020.pdf>.

In accordance with section 3.46A(g) of the JSE Listings Requirements, the audited consolidated annual financial statements together with the audit report thereon have been published on Fortress' website and are available at:

[https://cmsignition.co.za/download/files\\_1184/Annualfinancialstatements-30June2020.pdf](https://cmsignition.co.za/download/files_1184/Annualfinancialstatements-30June2020.pdf)

The audit report on the annual financial statements in respect of which an unmodified opinion was expressed, notes the valuation of investment properties as a key audit matter.

Copies of the full announcement and the audited consolidated annual financial statements are available for inspection during business hours at the registered offices of Fortress or its sponsors, Java Capital and Nedbank Limited, acting through its Corporate and Investment Banking Division. Such inspection will be at no charge and investors may request a copy of Fortress' condensed audited consolidated financial statements for the year ended 30 June 2020 from [tamlyn@fortressfund.co.za](mailto:tamlyn@fortressfund.co.za).

The short-form announcement has not been audited or reviewed by Fortress' auditor.

By order of the board

**Steven Brown**  
Chief executive officer

**Ian Vorster**  
Chief financial officer

Johannesburg  
3 September 2020