



SHORT-FORM ANNOUNCEMENT

FOR THE YEAR ENDED 30 JUNE 2021

"The COVID-19 pandemic continues to be front of mind across the world. While we are seeing a gradual and hopeful reopening in many developed markets with a higher rate of vaccination, the impact on our business has been prevalent for the entire reporting period and the second consecutive set of annual results.

The third waves of COVID-19, both in South Africa as well as across Central and Eastern Europe, had an impact on many economies and in particular our exposure to retail real estate, which bore the brunt of many of the COVID-19-related restrictions. Pleasingly, we are seeing governments across the world becoming more logical and sensible in their approach to restrictions related to the spread of the virus. Combined with a strong global vaccination drive, we remain of the view that a return to a more normalised operating environment is foreseeable, with the timing of such return difficult to predict. However, there are also some beneficial changes to our business, such as the drive to a more robust and localised supply chain by many users of the space we offer, as well as retailers investing in e-commerce. This has some direct benefits on our logistics portfolio and our pipeline of logistics developments in South Africa and Central and Eastern Europe.

Post our year-end we encountered a challenging period stemming from the civil unrest in Gauteng and KwaZulu-Natal, which had a direct impact on seven of our properties. While the initial cost estimates for repairs of between R450 million to R550 million is only approximately 1% of our total asset base and covered under our SASRIA insurance policy, the loss of momentum due to the negative sentiment is harder to quantify and potentially more damaging to our fragile economy. However, we remain committed to the roll-out of our development pipeline and will continue to invest in our assets through the short-term volatility we have become used to managing. The significant progress we have made in the recent past from a focused strategy and prudent balance sheet management has resulted in a more robust business with a better ability to withstand unforeseen events.

Looking back at the 2021 financial year, we had some significantly better enquiries into our logistics developments and managed to let all of our newly constructed assets prior to year-end. We also saw a resurgence in trading in our commuter and convenience retail portfolio which had better trading than the comparatives for 2019, a pre-pandemic period. The positive change in sentiment which prevailed for most of the year, along with historically low interest rates, allowed us to sell R1,65 billion of direct assets and recycle that capital into new, better quality logistics assets in our secure parks."

Steven Brown, CEO

NATURE OF THE BUSINESS

Fortress REIT Limited ("Fortress") is a Real Estate Investment Trust ("REIT") specialising in the logistics and retail property sectors with an established in-house development track record.

We focus on developing, owning and letting premium-grade logistics real estate in South Africa ("SA") and Central and Eastern Europe ("CEE"), as well as growing our convenience and commuter retail portfolio which currently comprises 53 shopping centres, including properties co-owned with partners. Our strategic shareholding in NEPI Rockcastle plc ("NEPI Rockcastle") gives us exposure to the high-growth economies of the CEE region and provides us with diversification.

NEPI Rockcastle recently released solid results for their interim period ended 30 June 2021. Notably, their low loan-to-value ("LTV") ratio of 31,8% and strong liquidity position have enabled them to pay out 100% of their distributable earnings as a dividend. The portfolio has been strengthened with the sale of several non-core assets and valuations on their existing portfolio were marginally positive compared to 31 December 2020. The CEO and CFO, along with the rest of the management team, have done a commendable task in ensuring the business remains in a market-leading position.

CAPITAL STRUCTURE

The 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 ("FFA"; share code: FFA) has a preferential right to capital participation upon winding up or redemption, which is calculated as the 60-day volume-weighted average price ("VWAP") on the JSE Limited ("JSE") subject to a floor of R8,11 if redeemed. The Fortress B ordinary share ("FFB"; share code: FFB) has entitlement to the residual distribution of capital upon winding up.

The Memorandum of Incorporation ("MOI") governs the distribution in any six-month income period. The MOI defines a first and a second income period. The FFA share has a dividend benchmark which is the prior comparative period's dividend benchmark, escalated by the lower of the Consumer Price Index ("CPI") or 5% ("the FFA dividend benchmark"). Should the company earn distributable income in excess of the FFA dividend benchmark in any income period, the board may declare a dividend equal to the FFA dividend benchmark to the holders of FFA shares and any residual to the holders of FFB shares. Should the company earn distributable income below the FFA dividend benchmark, the board is not authorised to declare any distribution from income earned in that specific income period to either FFA or FFB shareholders, unless a specific amendment to the MOI has been approved by both classes of shareholders.

The board approached shareholders for an amendment to the MOI, allowing a dividend to be declared below the FFA dividend benchmark for the six-month period ended 30 June 2021 ("second income period"), which was similar to the amendment sought for the prior year's second income period ended 30 June 2020. This amendment was approved by the requisite majority of our shareholders and allows us to retain REIT status by declaring a dividend below the FFA dividend benchmark that meets the JSE Listings Requirements for REITs.

SUMMARY OF FINANCIAL PERFORMANCE

	Jun 2021	Jun 2020	% change
Dividend per FFA share (cents)	74,70	23,00	224,8
Dividend per FFB share (cents)	-	-	-

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") INFORMATION

	Jun 2021	Jun 2020	% change
Revenue from direct property operations (R'000)	3 231 356	3 401 534	(5,0)
Total revenue (including revenue from investments) (R'000)	3 233 454	3 617 183	(10,6)
Net asset value ("NAV") (R'000)	27 257 162	24 116 771	13,0
NAV per equity share (going concern) (Rand)	12,63	11,17	13,1
NAV per FFA share* (Rand)	14,22	11,08	28,3
NAV per FFB share (Rand)	10,67	11,29	(5,5)
Basic earnings/(loss) per share – FFA (cents)	156,17	(390,15)	#
Basic earnings/(loss) per share – FFB (cents)	156,17	(390,15)	#
Headline earnings/(loss) per share – FFA (cents)	89,50	(64,07)	#
Headline earnings/(loss) per share – FFB (cents)	89,50	(64,07)	#

MANAGEMENT ACCOUNTS INFORMATION

	Jun 2021	Jun 2020	% change
LTV ratio** (%)	36,7	38,5	#
NAV (R'000)	27 436 274	24 306 154	12,9
NAV per equity share (going concern) (Rand)	12,34	10,94	12,8
NAV per FFA share* (Rand)	14,22	11,08	28,3
NAV per FFB share (Rand)	10,18	10,77	(5,5)
Direct property portfolio (completed buildings, including held for sale) (R'million)	25 601	25 018	2,3
Investment property under development (R'million)	3 074	3 422	(10,2)
Direct property disposals (R'million)	1 650	877	88,1
Listed equity portfolio (R'million)	14 401	12 426	15,9
Vacancy based on GLA (%)	7,4	8,9	#

* 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 VWAP at the reporting date, limited to combined NAV.

Percentage change not meaningful to disclose or not applicable.

** 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.

DISTRIBUTABLE EARNINGS

First income period (1 July 2020 to 31 December 2020; "1H2021")

Distributable income, based on our communicated Fortress distribution methodology, was less than the FFA dividend benchmark and accordingly no dividends were declared for the first income period to either FFA or FFB shareholders. The total FFA dividend benchmark per share, multiplied by the number of shares in issue (excluding treasury shares at the time of the dividend declaration) for the first income period was R954,5 million, with actual distributable income achieved of R820,5 million.

Second income period (1 January 2021 to 30 June 2021; "2H2021")

For the second consecutive year, distributable income was less than the FFA dividend benchmark for the second income period. The total FFA dividend benchmark per share, multiplied by the number of shares in issue (excluding treasury shares at the time of the dividend declaration) for the second income period was R921,8 million with actual distributable income achieved of R892,2 million.

DIVIDENDS AND DIVIDEND POLICY

For the third consecutive reporting period, distributable income was below the FFA dividend benchmark. As noted under the capital structure section, the board has the requisite authority from shareholders for this income period to declare a dividend below the FFA benchmark and accordingly declared a dividend of 74,70 cents per FFA share for the second income period and did not declare a dividend to FFB shareholders. The total distribution for FY2021 meets the minimum distribution requirement for a REIT per the JSE Listings Requirements.

For the second income period, CPI, as supplied by Statistics SA, increased by 3,95% over the comparable period in the prior year and, accordingly, the FFA dividend benchmark is 79,14 cents per share for the second income period. This FFA dividend benchmark of 79,14 cents per share will then increase at the lower of CPI or 5% for future second income periods from 1 January to 30 June of the respective years. The FFA dividend benchmark for the first income period is 80,10 cents and this will increase by the lower of CPI or 5% for future first income periods from 1 July to 31 December of the respective years.

The company's policy relating to the determination of distributable income has remained consistent since 1 January 2020 and remains appropriate under current circumstances.

PAYMENT OF FINAL DIVIDEND

The board has approved, and notice is hereby given of a final dividend of 74,70000 cents per FFA share for the six months ended 30 June 2021. 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 cum dividend	Monday, 20 September 2021
Shares trade ex dividend	Tuesday, 21 September 2021
Record date	Thursday, 23 September 2021
Payment date	Monday, 27 September 2021

Share certificates may not be dematerialised or rematerialised between Tuesday, 21 September 2021 and Thursday, 23 September 2021, both days inclusive. In respect of dematerialised shareholders, the dividend will be transferred to the CSDP accounts/broker accounts on Monday, 27 September 2021. Certificated shareholders' dividend

payments will be posted on or about Monday, 27 September 2021. An announcement informing shareholders of the tax treatment of the dividends will be released separately on SENS.

PROSPECTS

There is an evident stabilisation and in some cases noticeable recovery in many of the markets, sectors and countries to which we have economic exposure. We remain optimistic about the future of our core portfolio in the medium to long term. However, given the withdrawal of guidance from our associate NEPI Rockcastle, possible unforeseen COVID-19 restrictions being imposed, as well as our capital structure, we are unable to accurately forecast distributable earnings on a per share basis for each class. Given the assumptions below, on a total distributable earnings measure, we currently estimate that the total distributable earnings for FY2022 will be approximately R1,79 billion representing growth of approximately 5% on a like-for-like basis compared to FY2021, on a consistent distribution methodology and post adjusting for once-off items in FY2021. Assumptions made in this forecast are listed below.

Forecast distributable earnings, when split between the two income periods for FY2022, are expected to be below the FFA dividend benchmark for 1H2022 and above the FFA dividend benchmark for 2H2022.

Maintaining a strong balance sheet, retaining REIT status and ensuring sufficient available liquidity to continue our strategy of being a leading developer of logistics parks will continue to be balanced against the payment of dividends.

This forecast is based on the following assumptions:

Fortress-specific assumptions

- In light of the withdrawal of guidance by NEPI Rockcastle, we have assumed in our forecasts above that NEPI Rockcastle's distributable earnings for the six-month periods ending 31 December 2021 and 30 June 2022 are the same as for the comparable periods ended 31 December 2020 and 30 June 2021 and that NEPI Rockcastle pays out 100% of distributable earnings as a dividend;
- No material sales nor acquisitions occur which necessitate a revision to this forecast;
- 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; and
- Tenants will be able to absorb rising utility costs and municipal rates.

Macroeconomic and regulatory assumptions

- There is no change in the existing lockdown restrictions placed on any of our tenants in our direct portfolio;
- There is no unforeseen material macroeconomic deterioration in the markets in which Fortress has exposure;
- The South African Reserve Bank maintains the repurchase rate at 3,5%; and
- There is no resurgence in civil unrest in South Africa and we assume that timely payment of insurance claims related to previous civil unrest is made.

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

CHANGES TO THE BOARD OF DIRECTORS

The following changes to the board of directors were made since our previous report for the period ended 31 December 2020:

- Mr Djurk Venter retired from the board on 11 June 2021; and
- Mr Bram Goossens was appointed as an independent non-executive director on 11 June 2021.

There have been no other changes to the board of directors.

SHORT-FORM ANNOUNCEMENT

This short-form announcement of the summarised audited consolidated financial statements ("full announcement") for the year ended 30 June 2021 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 2 September 2021 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 2021. Any investment decisions should be based on consideration of the full announcement published on SENS and Fortress' website as a whole. The full announcement has been published on Fortress' website at:

https://cmsignition.co.za/download/files_1184/FortressresultsannouncementJune2021.pdf

and available on the JSE's website at:

<https://senspdf.jse.co.za/documents/2021/jse/isse/FFAE/FY2021.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/FortressannualfinancialstatementsJune2021.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 2021 from tamlyn@fortressfund.co.za.

The short-form announcement itself is not audited or reviewed by Fortress' auditor, but extracted from audited results.

By order of the board

Steven Brown CEO	Ian Vorster CFO	Johannesburg 2 September 2021
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Lead sponsor

JAVACAPITAL

Joint sponsor



Debt sponsor

