

## FORTRESS REIT LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2009/016487/06)

JSE share codes: Fortress A ISIN: ZAE000248498

Fortress B ISIN: ZAE000248506

Bond company code: FORI

LEI: 378900FE98E30F24D975

(Approved as a REIT by the JSE)

(“Fortress” or the “Company”)



---

## FIRM INTENTION OF FORTRESS TO MAKE AN OFFER TO EXCHANGE FORTRESS A SHARES FOR NEW FORTRESS B SHARES BY MEANS OF A SCHEME OF ARRANGEMENT

---

### 1. INTRODUCTION

- 1.1. Shareholders are referred to the SENS announcement released by Fortress on 23 May 2022 (the “**Initial SENS Announcement**”), wherein shareholders were advised that the board of directors of Fortress (the “**Board**”) had commenced a process with regard to a potential collapse of Fortress’ dual share structure into a single class of ordinary shares (the “**Share Exchange**”).
- 1.2. This process has culminated in Fortress proposing a Share Exchange that is premised on Fortress A shareholders receiving 80% (as at the record date for the Share Exchange) of Fortress’ distributions going forward with the remaining 20% benefitting Fortress B shareholders (as at the record date for the Share Exchange). Fortress proposes that the Share Exchange will be implemented through a scheme of arrangement between Fortress and Fortress A shareholders in terms of section 114(1) read with section 115 of the Companies Act, 71 of 2008 (“**Companies Act**”), pursuant to which Fortress will offer to repurchase all issued Fortress A shares (with the exception of 26 861 996 Fortress A shares held as treasury shares, which treasury shares shall be repurchased by the Company subject to shareholder approval) in exchange for Fortress B shares (the “**Scheme**”) at an exchange ratio that reflects the 80/20 sharing of distributions going forward. As is set out in more detail below, this is achieved at an exchange ratio of 3.01 Fortress B shares per Fortress A share (“**Exchange Ratio**”). The Exchange Ratio represents a discount of 5.0% to the market price of the Fortress A share as at 20 May 2022, being the business day prior to the release of the Initial SENS Announcement as shown more fully in paragraph 4 and which, if approved, allows for a dividend payment equivalent to R1.17 per current Fortress A share (being R0.39 per Fortress B share multiplied by the Exchange Ratio) and R0.39 per Fortress B share in relation to the year ending 30 June 2022 (“**FY 2022**”).
- 1.3. In the Board’s opinion, the complexity and inflexibility of the dual share structure and uncertainty regarding the Company’s ability to pay regular distributions and maintain its REIT status are negatively impacting factors in the market valuation of the Company (the aggregate of the market capitalisations of the Fortress A shares and Fortress B shares, adjusted for treasury and Fortress Empowerment Shares) being approximately 31% less than the Company’s net asset value (“**NAV**”) as reported on 31 December 2021, adjusted for fair value movements of listed investments held. The Scheme, if successful, would result in a collapse of Fortress’ dual share structure and elimination of the restrictions on declaring and paying distributions in its Memorandum of Incorporation (“**MOI**”) which arise from having Fortress A shares in issue, allowing Fortress to pay a distribution and meet its REIT obligations in respect of FY 2022 and, going forward, at the discretion of the Board, to maintain a six-monthly distribution cycle paying out 100% of distributable earnings. In addition to participation in distributions post implementation of the Scheme, Fortress A and Fortress B shareholders are positioned to benefit from a potential re-rating of the Fortress B share when the complexity and disadvantages of a dual share structure have been eliminated.
- 1.4. Fortress and its advisors have engaged extensively with both Fortress A and Fortress B shareholders on the complexities of the current dual share structure. Although shareholders indicated an understanding of the need to collapse the dual share structure, in general there is a wide gap between Fortress A and Fortress B shareholders on what Exchange Ratio they would consider to be fair. The Board considers that it is incumbent on Fortress to make a proposal to shareholders that is an alternative to the risk of loss of REIT status that will be the result of shareholders failing to approve any solution allowing Fortress to

meet the payout obligations of a REIT. In the opinion of the Board, there is a lack of appetite and waning support among shareholders for further MOI amendments which do not resolve the underlying structural issues. Having considered the feedback from shareholders and the alternatives available to Fortress, the Board considers a single-share structure as a permanent solution to the potential risk of losing REIT status, which is currently the course the Company finds itself on given the constraints imposed by the MOI.

- 1.5. Fortress acknowledges the divergent views expressed by shareholders on a fair swap ratio. However, notwithstanding these divergent views, it is incumbent on the Board to propose a transaction that puts the interests of the Company and its long-term prospects before those of shareholders of any particular class.
- 1.6. Accordingly, although the Independent Board will only express an opinion on the Scheme following receipt of the opinion of the independent expert to be appointed in accordance with paragraph 9.2 below, the Board is of the view that the Share Exchange is the best alternative available to the Company that ensures long-term retention of Fortress' REIT status and resolves the challenges of the current structure. The Board believes the Scheme to be in the best interests of the Company, Fortress A shareholders and Fortress B shareholders, and accordingly is proposing the Scheme to Fortress A shareholders at the Exchange Ratio.
- 1.7. The 80/20 sharing of distributions and resultant Exchange Ratio was informed by detailed analysis and assessment of information and valuation metrics that included:
  - 1.7.1. Discounted cash flow analysis using management distribution guidance for FY 2022 and the year ending 30 June 2023 ("FY 2023") and consensus and advisor forecast estimates of the business up to 30 June 2031, including consensus foreign exchange rates;
  - 1.7.2. Discounted cash flow analysis of Fortress A and Fortress B shares under multiple scenarios;
  - 1.7.3. Sensitivity analysis of key valuation assumptions, including consensus and advisor forecasts, discount rates and payout ratios; and
  - 1.7.4. The impact on distributions per share and capital value for both Fortress A and Fortress B shareholders.
- 1.8. The effect of the Scheme and Exchange Ratio, if successful, is that existing Fortress A and Fortress B shareholders will participate in future distributions by Fortress as outlined below:

	Fortress B shares Thousands	Distributable earnings for FY2022 <sup>(2)</sup> Rand million	Distributable earnings per Fortress B share for FY2022 <sup>(2)</sup> Rands	Distributable earnings for FY2023 <sup>(2)</sup> Rand million	Distributable earnings per Fortress B share for FY2023 <sup>(2)</sup> Rands
Current shares in issue, net of treasury shares Fortress Empowerment Shares <sup>(1)</sup>	1 005 677 (128 396)				
<b>Current shares in issue, net of treasury and Fortress Empowerment Shares</b>	<b>877 281</b>	<b>340</b>	<b>0.39</b>	<b>382</b>	<b>0.44</b>
Impact of Scheme including repurchase of Fortress A shares and issuance of Scheme Consideration Shares to Fortress A shareholders	3 509 124	1 360	0.39	1 528	0.44
<b>Post Scheme shares in issue, net of treasury and Fortress Empowerment Shares</b>	<b>4 386 405</b>	<b>1 700</b>	<b>0.39</b>	<b>1 910</b>	<b>0.44</b>
<b>Participation in distributable earnings, net of treasury and Fortress Empowerment Shares <sup>(3)</sup>:</b>					
Current Fortress B shares, net of treasury and Fortress Empowerment Shares		20%		20%	
Current Fortress A shares, net of treasury shares		80%		80%	
Distributable earnings per Fortress A share (Rands) <sup>(4)</sup>			1.17		1.33

<p>Note 1 - Fortress B shares held in aggregate by Fortress Empowerment 1 Proprietary Limited, Fortress Empowerment 2 Proprietary Limited, Fortress Empowerment 3 Proprietary Limited and Fortress Empowerment 4 Proprietary Limited (“<b>Fortress Empowerment Shares</b>”).</p>				
<p>Note 2 – Fortress guided distributable earnings of R1.7 billion for FY2022 and R1.91 billion for FY2023 in its trading update released on 6 June 2022, which have been apportioned to existing Fortress A and Fortress B shares in issue on the basis of the 80/20 sharing set out in paragraph 1.</p>				
<p>Note 3 – Percentage has been calculated based on shares in issue post implementation of the Scheme, net of treasury and Fortress Empowerment Shares.</p>				
<p>Note 4 – Effective for one current Fortress A share held prior to implementation of the Scheme and is based on the amount for the Fortress B share multiplied by the Exchange Ratio of 3.01.</p>				

## 2. BACKGROUND AND RATIONALE

- 2.1. Fortress is a Real Estate Investment Trust (“**REIT**”) specialising in the logistics and retail property sectors with an established in-house development track record. The Company focuses on developing, owning and letting premium-grade logistics real estate in South Africa and Central and Eastern Europe (“**CEE**”), as well as growing its convenience and commuter-oriented retail portfolio which currently comprises 53 shopping centres, including properties co-owned with partners. Fortress also has a strategic shareholding in NEPI Rockcastle S.A. (“**NEPI Rockcastle**”), providing it with diversification and exposure to the high-growth economies of the CEE region.
- 2.2. Fortress’ share capital structure comprises Fortress A and Fortress B shares, both of which are listed on the JSE under share codes FFA and FFB respectively. The salient features of the current dual share structure are set out below:
- 2.2.1. The Fortress A share has a preferential right to distributions of income (if declared) for each six month period and to a fixed capital participation on redemption of the Fortress A shares or winding up of Fortress based on a formula set out in the MOI. The Fortress B share has an entitlement to the residual distributions of income (if declared) for each six month period, and to the residual assets on winding up.
- 2.2.2. In terms of clause 34.1 of the Company’s MOI, if Fortress resolves to declare a distribution of income to its shareholders, no such distribution of income may be declared in respect of the Fortress B shares for a six month period until the relevant distribution of income has been declared in respect of the Fortress A shares for that six month period; and no such distribution of income shall be paid by Fortress in respect of the Fortress B Shares for such six month period unless the distribution of income for the Fortress A shares has been paid. Other than (i) distributions of income (if declared); (ii) capital participation on redemption of the Fortress A shares; or (iii) capital participation on winding up of the Company, the Fortress A and the Fortress B shares rank *pari passu*.
- 2.2.3. The Board determines the income available for distribution (“**distributable earnings**”) for each six month period in accordance with the SA REIT Association’s Best Practice Recommendations with two material adjustments being (i) the exclusion of capitalised interest in relation to development activities; and (ii) the inclusion of dividends received from listed investments in the period in which they are received rather than on an accrual basis. In respect of a six month period, the Fortress A share income distribution entitlement is equivalent to the prior year’s fixed income distribution entitlement for the six month period in question (irrespective of whether the prior year’s distribution of income was paid or not), escalated by an amount equal to the lesser of 5% or the most recently available Consumer Price Index figure (the “**Fortress A Distribution Benchmark**”). The Fortress B share is entitled to the residual income distribution declared by the Company in respect of a six month period.
- 2.2.4. In terms of the MOI, if the Board elects to declare a distribution of income for an income period and provided that the distributable earnings for that period are above the Fortress A Distribution Benchmark, the Board is required to first declare and pay the full Fortress A Distribution Benchmark. If distributable earnings for an income period are below the Fortress A Distribution Benchmark, the Board may not declare a distribution of income to

any shareholders. The result of this is that when the distributable earnings for an income period are below the Fortress A Distribution Benchmark, the distributable earnings are retained and would then form part of Fortress' capital base going forward.

- 2.3. Fortress has made significant progress towards creating a simpler and more robust business model in recent years. Proactive measures undertaken were principally aimed at protecting and strengthening Fortress' balance sheet and liquidity position, enabling the Company to continue developing its logistics property pipeline and grow its offshore presence, while retaining a comfortable level of gearing. The Board is optimistic regarding the prospects for the business and the property sectors in which the Company operates, with Fortress well-positioned to continue to produce high quality and growing distributable earnings, which, could be distributed to shareholders on a six-monthly basis without the constraints of its dual share structure. A single share structure would have, *inter alia*, the following benefits:
  - 2.3.1. allows for distribution of income at the discretion of the Board without the restrictions of the Company's MOI;
  - 2.3.2. dividend reinvestment programmes could be implemented;
  - 2.3.3. a single share structure offers greater flexibility with regard to corporate actions;
  - 2.3.4. greater liquidity in a single share rather than having share liquidity spread across the two different classes;
  - 2.3.5. a simpler share structure is likely to appeal to a broader range of potential investors;
  - 2.3.6. aligns the interest of shareholders of the two different classes; and
  - 2.3.7. allows management to focus more on the business rather than on the issues resulting from the dual share structure.
- 2.4. The REIT regime was introduced in South Africa with the intention of establishing an instrument for the flow-through of rental income to investors. The REIT regime is regulated in terms of the JSE Listings Requirements applicable to REITs, whereby a REIT must, *inter alia*, meet the Minimum Distribution Requirement. A REIT and its subsidiaries have a tax deduction for qualifying distributions and an exemption from capital gains tax in relation to any disposal of immovable property and shares in a property company. In principle, to the extent that a REIT and its subsidiaries activities are limited to pure property activities, the REIT dispensation allows for tax neutrality in the REIT group whilst the shareholders are subject to income tax on distributions in accordance with their tax profiles (with non-residents being subject to dividends tax only).
- 2.5. Investors generally invest in REITs with the expectation of receiving a predictable stream of distributions based on the underlying income of the REIT. Quality of and expected growth in distributable earnings, and the extent to which this can be distributed to shareholders, are key components of the investment proposition and valuation of a REIT. Fortress, as a REIT, offers shareholders direct exposure to high quality real estate income. However, in the Board's opinion, uncertainty regarding the Company's ability to pay regular distributions and its ongoing REIT status is a key factor in the valuation of the Company (implied by the aggregate of the market capitalisation of the Fortress A shares and Fortress B shares, adjusted for treasury and Fortress Empowerment Shares) being approximately 31% less than the Company's NAV, adjusted for fair value movements of listed investments held.
- 2.6. In order to retain its REIT status in terms of the JSE Listings Requirements, Fortress (which is solvent and liquid as required in terms of the Companies Act to pay a dividend) is required to distribute at least 75% of its distributable profits (as defined in the JSE Listings Requirements) in respect of each financial year within four months of its financial year-end ("**Minimum Distribution Requirement**").
- 2.7. Fortress is required to meet the Minimum Distribution Requirement in respect of FY 2022 by 31 October 2022.
- 2.8. Distributable earnings for H1 2022 were lower than the Fortress A Dividend Benchmark in respect of H1 2022. Fortress proposed an amendment to the Company's MOI to provide for the distribution of income in respect of H1 2022 to Fortress A and Fortress B shareholders on a *pari passu* basis. At the

related general meetings held on 18 March 2022, the resolutions tabled were not passed by the requisite majority of Fortress shareholders. Accordingly, the proposed amendment to the Company's MOI could not proceed and therefore no distribution of income in respect of H1 2022 could be declared.

- 2.9. In a trading statement released on 6 June 2022, Fortress advised that distributable earnings for FY 2022 were expected to be R1,7 billion, below the Fortress A Dividend Benchmark for the six months ending 30 June 2022.
- 2.10. Without a shareholder-approved solution before 31 October 2022, Fortress will be unable to meet the JSE requirements for retaining its REIT status. If Fortress loses its REIT status, it would not expect to succeed in reverting to REIT status for an extended period that it expects will not be less than three years. Further, it is unknown as to whether the JSE would allow Fortress to re-REIT with a dual share structure and/or while the structural limitations that resulted in Fortress losing its REIT status remain. Fortress expects that, for so long as it is not a REIT, it will seek to retain distributable earnings rather than make distributions until such time as the ratio of distributable earnings to the Fortress A Benchmark has increased to a level which mitigates the risk of distributable earnings being below the Fortress A Benchmark for the foreseeable future at the time of electing to resume dividend payments. Distributable earnings retained will be applied to reduce gearing or pursuant to other capital allocation decisions of the Board.
- 2.11. The key outcome of the Scheme, if successful, would be a collapse of Fortress' dual share structure with the Fortress A Dividend Benchmark no longer being applicable. Post implementation of the Scheme (and prior to 31 October 2022), the Company would be enabled to declare and pay its full distributable earnings for FY 2022 as a distribution to shareholders amounting to a distribution of R0.39 per Fortress B share (which would be the only share in issue), thereby meeting the Minimum Distribution Requirement for FY 2022. Going forward, the Company intends, at the discretion of the Board, maintaining a six-monthly distribution cycle, paying out 100% of distributable earnings. In addition to participation in distributions of income post implementation of the Scheme, Fortress A and Fortress B shareholders are positioned to benefit from a resultant re-rating of the Fortress B share (being the only share class in issue post implementation).
- 2.12. The Board has evaluated the alternatives available to Fortress and has not resolved to make any other proposal to facilitate the payment of a distribution in respect of FY 2022.

### 3. THE SCHEME

- 3.1. Fortress will propose the Scheme between Fortress and Fortress A shareholders.
- 3.2. Pursuant to the Scheme, Fortress will offer to repurchase all Fortress A shares in exchange for a share consideration of 3.01 Fortress B shares per Fortress A share ("**Scheme Consideration**").
- 3.3. Implementation of the Scheme will be conditional on the fulfilment or, in relation to paragraph 3.3.7, waiver by Fortress, of the following conditions ("**Scheme Conditions**"):
  - 3.3.1. the approval of the Scheme, in accordance with section 115(2)(a) of the Companies Act, by special resolution at a meeting of Fortress A shareholders;
  - 3.3.2. the approval of the issue of Fortress B shares in terms of the Scheme, by special resolution at a meeting of Fortress B shareholders;
  - 3.3.3. the approval of the re-acquisition by Fortress of all the Fortress A shares (excluding Fortress A shares held in treasury), in accordance with section 48(8)(a) (to the extent required), section 48(8)(b) and section 115(2)(a) of the Companies Act, by special resolution at a combined general meeting of Fortress A and Fortress B shareholders;
  - 3.3.4. the board of directors of Fortress having, by resolution, acknowledged that it has applied the solvency and liquidity test, as set out in section 4 of the Companies Act, and reasonably concluded that Fortress will satisfy the solvency and liquidity test immediately after the implementation of the Scheme;

- 3.3.5. approval of an amendment to the MOI to increase the authorised Fortress B shares from 2 000 000 000 to 8 000 000 000 shares by shareholders at a combined general meeting of Fortress A and Fortress B shareholders;
- 3.3.6. the approval of the issue of Fortress B shares in terms of the Scheme, as required by section 41(3) of the Companies Act, by special resolution at a combined general meeting of Fortress A and Fortress B shareholders;
- 3.3.7. if required under section 115(3) of the Companies Act, approval of the implementation of the Scheme resolution by a Court and, if applicable, Fortress not having treated the Scheme resolution as a nullity, as contemplated in section 115(5)(b) of the Companies Act;
- 3.3.8. that appraisal rights (in terms of section 164 of the Companies Act) are not validly exercised by in aggregate more than 5% of Fortress A and Fortress B shareholders (on a combined basis) in respect of the Scheme (in the case of Fortress A shareholders) and the re-acquisition in terms of section 48(8) (in the case of Fortress A and Fortress B shareholders), provided that Fortress may waive this condition;
- 3.3.9. receipt of all other applicable regulatory and statutory approvals; and
- 3.3.10. the issue of a compliance certificate by the Takeover Regulation Panel in relation to the Scheme in terms of section 119(4)(b) of the Companies Act.

#### 4. SCHEME PRICING COMPARISON TO MARKET PRICING

The table below illustrates the premiums/discounts associated with the Exchange Ratio in respect of Fortress A shares at various undisturbed market pricing metrics as at 20 May 2022, being the business day prior to the release of the Initial SENS Announcement.

<b>Rands</b>	<b>Fortress A share price</b>	<b>Fortress B share price</b>	<b>Scheme Consideration<sup>(1)</sup></b>	<b>Premium/ (discount) to Fortress A share price</b>
Closing price	11.88	3.75	11.29	(5.0%)
VWAP	11.94	3.71	11.17	(6.5%)
7-day VWAP	11.96	3.69	11.12	(7.0%)
30-day VWAP	12.25	3.53	10.63	(13.2%)
90-day VWAP	12.42	3.59	10.79	(13.1%)

*Note 1 – the Scheme Consideration is calculated as the corresponding Fortress B share price at 20 May 2022 multiplied by the Exchange Ratio of 3.01*

#### 5. ILLUSTRATIVE FINANCIAL EFFECTS

The tables below set out the illustrative financial effects of the Scheme on the dividend per share (“DPS”) for Fortress A shares and Fortress B shares for FY2022 and FY2023.

The illustrative financial effects are calculated based on distributable earnings guidance previously provided by the Company and calculate how this would translate to a dividend at a per share level based on the Exchange Ratio, assuming that 100% of distributable earnings will be paid as dividends, if the Scheme is implemented. The illustrative financial effects are provided for illustrative purposes only, are not *pro forma* financial effects or forecasts, are the responsibility of the directors of Fortress, and have not been reviewed or reported on by independent reporting accountants.

<b>Fortress B share Rands</b>	<b>After the Scheme<sup>(2)</sup></b>
FY2022 DPS <sup>(1)</sup>	0.39
FY2023 DPS <sup>(1)</sup>	0.44
<i>Growth</i>	<i>12.4%</i>

<b>Former Fortress A share (based on the “After the Scheme results” for a Fortress B share multiplied by the Exchange Ratio) Rands</b>	<b>After the Scheme<sup>(3)</sup></b>
FY2022 DPS <sup>(1)</sup>	1.17

Note 1 – FY2022 and FY2023 DPS are based on distributable earnings guidance of R1.7 billion and R1.91 billion respectively provided by Fortress in its trading update released on and 6 June 2022 which assumed 100% of Fortress' distributable earnings for FY2022 and FY2023 will be paid as dividends.

Note 2 – “After the Scheme” is the dividend for one current Fortress B share and is based on guided distributable earnings (assuming 100% will be paid as dividends) divided by the number of Fortress B shares in issue post implementation of the Scheme calculated using an Exchange Ratio of 3.01.

Note 3 – “After the Scheme” is the equivalent dividend for one current Fortress A share held prior to implementation of the Scheme and is based on the “After the Scheme” amount for the Fortress B share multiplied by the Exchange Ratio of 3.01.

## 6. PRO FORMA FINANCIAL INFORMATION

In terms of Regulation 101(7)(b)(iv) of the Companies Act's Regulations, a firm intention announcement must contain, *inter alia*, the *pro forma* earnings and asset value per offeree regulated company security if the offer consideration consists wholly or partly of offeror securities.

The table below sets out the *pro forma* financial effects of the Scheme based on the results of Fortress for the interim period ending 31 December 2021, assuming that the Scheme had been implemented on 1 July 2021 for purposes of the statement of comprehensive income and on 31 December 2021 for purposes of the statement of financial position (“*pro forma financial effects*”). The *pro forma* financial effects are the responsibility of the directors of Fortress and are provided for illustrative purposes only to provide information about how the Scheme may have affected the financial performance and financial position of Fortress, and because of their nature, may not fairly represent the financial performance and financial position of Fortress after the Scheme. The *pro forma* financial effects have been prepared in compliance with the recognition and measurement principles of the International Financial Reporting Standards, the SAICA Guide on *Pro Forma* Financial Information and in accordance with the accounting policies of Fortress that were used in the preparation of the audited financial statements for FY 2021. The *pro forma* financial effects have not been reviewed or reported on by independent reporting accountants.

<b>Fortress B share</b>	<b>Before the Scheme <sup>(1)</sup></b>	<b>After the Scheme <sup>(2)</sup></b>	<b>Change (%)</b>
NAV per share (Rands)	13.05	6.17	(52.7%)
NTAV per share (Rands)	13.05	6.17	(52.7%)
Earnings per share (cents)	71.09	33.76	(52.5%)
Headline earnings per share (cents)	47.31	22.46	(52.5%)
Number of shares in issue for NAV calculation (000) <sup>(3)</sup>	941,478	4,447,326	372.4%
Weighted average number of shares in issue (000) <sup>(3)</sup>	944,866	4,450,713	371.0%

<b>Fortress A share (based on the “After the Scheme” results for a Fortress B share multiplied by the Exchange Ratio)</b>	<b>Before the Scheme <sup>(1)</sup></b>	<b>After the Scheme <sup>(2)</sup></b>	<b>Change (%)</b>
NAV per share (Rands)	13.05	18.58	42.5%
NTAV per share (Rands)	13.05	18.58	42.5%
Earnings per share (cents)	71.09	101.61	42.9%
Headline earnings per share (cents)	47.31	67.62	42.9%
Number of shares in issue for NAV calculation (000) <sup>(3)</sup>	1,164,733	-	n/a
Weighted average number of shares in issue (000) <sup>(3)</sup>	1,168,614	-	n/a

### Notes and assumptions:

1. Extracted from Fortress' condensed unaudited consolidated interim results for the 6 months ended 31 December 2021 as published on 10 March 2022.
2. In terms of the Scheme, Fortress repurchases all Fortress A shares in issue (with the exception of the 26 861 996 Fortress A shares held as treasury shares), with Fortress A shareholders receiving the Scheme Consideration of 3.01 Fortress B shares per Fortress A share, resulting in the issue of 3.51 billion Fortress B shares.
3. Number of shares in issue and weighted average number of shares in issue after the Scheme represent the Fortress B shares held by current Fortress B and A shareholders after the Scheme.
4. Transaction costs amounting to approximately R17.4 million are settled in cash with an equivalent reduction to stated capital.
5. All adjustments, except for transaction costs, are expected to have a continuing effect.
6. There are no material subsequent events that require adjustments to the *pro forma* financial effects.

## 7. CONFIRMATIONS TO THE TRP

Fortress has confirmed to the TRP that, should shareholders approve the proposed amendment to the MOI of Fortress as a Scheme Condition, being the increase in authorised Fortress B share capital from 2 000 000 000 Fortress B shares to 8 000 000 000 Fortress B shares, it will have a sufficient number of authorised but unissued Fortress B shares in order to satisfy the implementation of the Scheme.

## 8. NO CONCERT PARTY ARRANGEMENTS

Fortress is not acting in concert with any other person in relation to the Scheme.

## 9. INDEPENDENT BOARD AND INDEPENDENT EXPERT

9.1. Fortress has convened an independent board (the “**Independent Board**”), consisting of Jan Potgieter, Bram Goossens, Benjamin Kodisang and Susan Ludolph to consider the Scheme.

9.2. The Independent Board will appoint an independent expert for purposes of preparing an opinion in respect of the Scheme, in accordance with Regulation 90 as read with sections 114(2) and 114(3) of the Companies Act.

## 10. POSTING OF CIRCULAR

10.1. Fortress will issue a circular to its shareholders, as contemplated in Regulations 102 and 106, and within the time period stipulated in Regulation 102(2)(a), setting out the full terms and conditions of the Scheme and including a notice convening general meetings of Fortress A shareholders, Fortress B shareholders and Fortress A and Fortress B shareholders on a combined basis (the “**Circular**”).

10.2. A further announcement with regard to the posting of the Circular will be released in due course.

## 11. RESPONSIBILITY STATEMENT

Each of the Board and the Independent Board accepts responsibility for the information contained in this announcement. To the best of the knowledge and belief of each of the Board and the Independent Board, the information contained in this announcement relating to Fortress is true, and this announcement does not omit anything that is likely to affect the import of such information.

20 June 2022

---

Transaction advisor and lead sponsor



Joint sponsor



Legal advisor to Fortress

