

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

LEI: 378900FE98E30F24D975

(Approved as a REIT by the JSE)

(“Fortress” or “the Company”)



UPDATE WITH REGARDS TO MINIMUM DISTRIBUTION REQUIREMENT FOR FY2022 AND REIT STATUS

Unless otherwise defined, words defined in the circular bear the same meaning in this announcement.

Shareholders are referred to the scheme circular posted to shareholders on 19 July 2022 and the announcement published on 17 August 2022 informing shareholders that the resolutions proposed at the general meetings were not passed by the requisite majorities of Fortress shareholders and accordingly, the scheme will not be implemented.

Prior to proposing the scheme, Fortress and its advisors engaged extensively with both FFA and FFB shareholders. In the scheme circular, Fortress noted that shareholders indicated an understanding of the need to collapse the dual share structure, however, there was a wide gap between FFA and FFB shareholders as to what exchange ratio they considered to be fair. Having considered the feedback from shareholders and the alternatives available to Fortress, including further amendments to its memorandum of incorporation (“MOI”) which do not resolve the underlying structural issues, the Board proposed the scheme as a permanent solution that would resolve the challenges of the dual share structure and ensure long-term retention of Fortress’ REIT status. The scheme was proposed at the exchange ratio which was informed by detailed analysis and assessment of information and valuation metrics and found to be fair and reasonable by the independent expert. Although the scheme was ultimately supported by in excess of 60% of each of the FFA and FFB shareholders, the scheme did not achieve the necessary approval threshold of 75%.

In the Board’s view, the scheme, if successfully implemented, would have resulted in a collapse of Fortress’ dual share structure and removal of the restrictions on paying distributions and:

- allowed Fortress to pay a distribution and meet its REIT obligations in respect of its year ended 30 June 2022 (“FY2022”);
- enabled Fortress, at the discretion of the Board, to maintain a six-monthly distribution cycle paying out 100% of distributable earnings going forward; and
- positioned FFA and FFB shareholders to benefit from a potential re-rating of the FFB share (which would have been the only share in issue).

Fortress is required to meet the Minimum Distribution Requirement of a REIT (“minimum distribution requirement”) in respect of FY2022 by 31 October 2022. Fortress’ MOI prevents the payment of a distribution where distributable earnings is less than the Fortress A Distribution Benchmark in respect of that period, which is the case for both the interim and final six-month periods of FY2022. In these circumstances, Fortress cannot comply with the minimum distribution requirement.

The Board has not resolved to make any other proposal to facilitate the payment of a distribution in respect of FY2022. Accordingly, the Company will engage with the JSE given its inability to comply with the JSE Listings Requirements pertaining to REIT’s, to proactively manage the process.

18 August 2022

Lead sponsor



Joint sponsor

