

Short-form announcement:

Condensed unaudited consolidated interim results

For the six months ended 31 December 2023 and dividend declaration

*“The highlight of our 2024 financial year so far has been the approval by our shareholders of the simplification of our capital structure through the repurchase of all the FFB shares. This leaves a single class of share in issue following the full implementation of the scheme. We are grateful to our shareholders for their support and proactive approach in simplifying a complex capital structure. Going forward, this single share structure provides more flexibility to unlock value for shareholders, while we continue to enhance our core logistics and retail portfolios in SA and CEE.*

*The 1H2024 reporting period saw a continuation of the robust operational performance of our direct portfolio and an outstanding performance of our associate, NEPI Rockcastle. The retail trading density growth of 6,9% in our direct retail portfolio was solid in the context of the general state of the consumer market and economy. Expansions and refurbishments to our core retail assets, combined with sales of smaller and lower growth assets, will add to the overall portfolio quality in the future.*

*The roll-out of the logistics developments continued as planned. The market remains healthy for new and well-located warehouses, evidenced by a recently signed pre-let transaction for a new warehouse of 20 000m² for an existing tenant expanding within Eastport Logistics Park. The local market for existing logistics real estate remains buoyant, with very low vacancies in prime locations.*

*A consequence of the repurchase of all the FFB shares, in exchange for roughly one-third of our interest in NEPI Rockcastle, is the reduction in our shareholding from 24,2% to 16,2%. The performance of NEPI Rockcastle has once again been excellent, with strong NOI growth and well-managed debt refinancings in a challenging market.*

*With the new capital structure and single share class, we are pleased, for the first time in our history, to be able to offer our shareholders a scrip dividend alternative. This will enable our shareholders optionality between a cash distribution or additional shares, another positive feature of the single share structure.”*

Steven Brown, CEO

NATURE OF THE BUSINESS

Fortress is a real estate investment company with a focus on developing 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-oriented retail portfolio. Fortress also holds, at the date of this announcement a 16,2% interest in NEPI Rockcastle N.V. (“NEPI Rockcastle”), the largest listed property company on the JSE Limited (“JSE”), with a EUR7 billion portfolio across nine CEE countries. This holding reduced from 24,2% at 31 December 2023 to 16,2% at the date of this announcement.

CAPITAL STRUCTURE AND DISTRIBUTIONS

Subsequent to the interim reporting period for the six months ended 31 December 2023 (“1H2024”), shareholders approved the repurchase of all the FFB shares in exchange for shares in NEPI Rockcastle. The remaining shares comprised only FFA shares in issue, which FFA shares were then converted to FFB shares. With the completion on 26 February 2024 of all the implementation steps outlined in the circular to shareholders dated 30 November 2023 (the “Circular”), we now have a single class of share in issue, comprising only FFB shares. The result of the scheme of arrangement (“SOA”) as per the Circular is that the previous restrictions to paying distributions no longer apply, and the board is thus empowered to declare distributions to shareholders.

For the 1H2024 interim period, the board has declared a dividend of 81,44 cents per FFB share. The board has a policy of paying out 100% of the Fortress-defined distributable earnings on a semi-annual basis. The Fortress distribution methodology is generally more conservative than our industry peers.

SUMMARY OF FINANCIAL PERFORMANCE

	Dec 2023	Dec 2022	% change
Distributable earnings (R’000)	952 868	800 947	19,0
Dividend declared per share			
– FFA (cents)	–	–	–
– FFB (cents) <sup>§</sup>	81,44	–	#

<sup>§</sup> The FFB shares on which the dividend is declared were converted from FFA shares post 31 December 2023.

<sup>#</sup> Percentage change not meaningful to disclose or not applicable.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) INFORMATION

	Dec 2023	Dec 2022	% change
Revenue from direct property operations (R’000)	2 139 767	1 871 919	14,3
Total revenue (including revenue from investments) (R’000)	2 139 767	1 871 919	14,3
Net asset value (“NAV”) (R’000)	36 363 959	29 711 989	22,4
NAV per share <sup>^</sup> (Rand)	17,18	14,11	21,8
Basic earnings per share – FFA (cents)	140,12	132,98	5,4
Basic earnings per share – FFB (cents)	140,12	132,98	5,4
Headline earnings per share – FFA (cents)	29,42	38,86	(24,3)
Headline earnings per share – FFB (cents)	29,42	38,86	(24,3)

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

SA REIT BEST PRACTICE DISCLOSURE

	Dec 2023	Dec 2022	% change
NAV per share	16,24	13,70	18,5
Loan-to-value (“LTV”) ratio (%)	34,2	36,9	#
Funds from operations	949 041	1 088 334	12,8

<sup>#</sup> Percentage change not meaningful to disclose or not applicable.

DISTRIBUTABLE EARNINGS

Distributable earnings amounted to R952,9 million for 1H2024, compared to R800,9 million for the interim reporting period for the six months ended 31 December 2022 (“1H2023”), representing an increase of 19,0%. The board has declared the full distributable earnings available as a dividend, which amounts to 81,44 cents per FFB share.

Shareholders may also elect to receive the distribution in the form of a scrip dividend, as an alternative election to the default cash option. The scrip option will be priced at a 5% discount to the five-day volume-weighted average price (“VWAP”) of the FFB shares as traded on the JSE, less the cash distribution of 81,44 cents per share. Salient details of the dividend alternative will be contained in a circular to shareholders to be released once all regulatory approvals have been received.

The distributable earnings benchmark is no longer applicable post the implementation of the SOA.

PROSPECTS

As announced on 29 February 2024, we revised our forecast total distributable earnings for the financial year ending 30 June 2024 (“FY2024”) to be within the range of R1,660 billion to R1,720 billion from the previous guidance of R1,930 billion. The reduction in forecast distributable earnings is primarily a result of the reduction in our shareholding in NEPI Rockcastle, following the SOA.

Forecast distribution per share for FY2024, split between 1H2024 and the final reporting period for the six months ending 30 June 2024 (“2H2024”), is summarised below:

1H2024 – FFB actual interim dividend (cents per share)	81,44
2H2024 – FFB forecast final dividend (cents per share)	60,44 – 65,57

The forecast is based on the following assumptions:

Fortress-specific assumptions

- 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;
- Tenants will be able to absorb the recovery of rising utility costs, municipal rates and electricity interruption costs; and
- There are no changes to current tax legislation in the jurisdictions in which the company operates.

Macroeconomic and regulatory assumptions

- There is no unforeseen material macroeconomic deterioration in the markets in which Fortress has exposure;
- The South African Reserve Bank repurchase rate remains unchanged during the forecast period; and
- The key European Central Bank interest rates remain unchanged during the forecast period.

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

SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement and does not include full or complete details. The full announcement has been released on SENS and is available on the JSE website at <https://senspdf.jse.co.za/documents/2024/jse/issb/fori/HY2024.pdf>, and on the company’s website at <https://fortressfund.co.za/financials/view-pdf?id=Interim%20results%20announcement%2031%20December%202023co.za>. Any investment decision should be based on the full announcement available on the company’s website.

The short-form announcement itself is not audited or reviewed by Fortress’ auditor.

By order of the board

<b>Steven Brown</b> Chief executive officer	<b>Ian Vorster</b> Chief financial officer	<b>Johannesburg</b> 8 March 2024
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Fortress Real Estate Investments Limited

Incorporated in the Republic of South Africa | Registration number: 2009/016487/06  
JSE share code: FFB | ISIN: ZAE000248506  
LEI: 378900FE98E30F24D975 | Bond company code: FORI  
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Lead sponsor



Joint sponsor



Debt sponsor

