

## Audited financial results

for the year ended 30 June 2024 and prospects

"We achieved a better result than forecast for the year ended 30 June 2024, which is notable in light of the numerous challenges we faced, including stagnant local economic growth and high interest rates imposed by central banks around the world to combat inflation not experienced for several decades. We ended the year with a definitive sentiment shift towards a more positive global real estate outlook. On the global front, a more dovish shift in central bank forecasts and expectations of lower interest rates have led to indications of investment returning to global real estate, albeit in certain sub-sectors more so than others. On the local front, we had a smooth transition of power to a government of national unity and witnessed significant funds flowing back into our local market. While we saw little change in the value of our local assets, with a moderate increase of less than 2% on a like-for-like basis, we are witnessing signs of a generally more positive local real estate market, with investors returning and an improvement in tenant enquiries for additional space.

The simplified single-share corporate structure allows us to shift our focus from the constraints of the previous dual-share REIT structure to the opportunities that this new structure presents. Management and the board are focused on how to enhance total shareholder returns by using the various tools at our disposal in an appropriate manner, without compromising the future sustainability of the business.

Our asset management and development teams have performed exceptionally well during the financial year. The trading density growth of 6,4% in our retail portfolio, in what remains a consumer-constrained environment, is pleasing. The strong performance of the core retail portfolio has been led by the centres which were recently refurbished and extended, and we will continue to ensure that these centres are relevant and remain attractive to consumers and tenants. The logistics portfolio has performed above our expectations and demand for high-quality warehouses in prime locations remains strong. A further highlight of the year was the 19,2% premium achieved over book value on the property disposals.

Our associate NEPI Rockcastle continues to grow, and they have established themselves as the leading CEE retail real estate business. We are extremely pleased with their performance and wish to compliment the management and board on another set of outstanding results.

Our total distribution for the 2024 financial year of R1,789 billion is approximately 5,2% higher than our forecast. This contributed to a higher final dividend of 70,19 cents per share for 2H2024, compared to our forecast of 62,64 cents per share. The total distribution for FY2024 amounted to 151,63 cents per share. With the more flexible corporate structure and previously noted focus on enhancing total shareholder returns, we are pleased to announce that an option will be granted to shareholders to receive the final dividend of 70,19 cents per share in cash or, alternatively, at the shareholders' election, to receive 0,00662 NEPI Rockcastle shares for every Fortress B share held. This alternative to receive NEPI Rockcastle shares represents additional value of between 25% and 30% compared to the default cash dividend."

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 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 report, a 16,3% interest in NEPI Rockcastle N.V. ("NEPI Rockcastle"), the largest listed property company on the JSE, with a EUR7 billion portfolio across nine CEE countries. This holding reduced from 24,2% at 31 December 2023.

### CAPITAL STRUCTURE AND DISTRIBUTIONS

During 2H2024, 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 Scheme of Arrangement ("SOA") circular, we now have a single class of share in issue, comprising only FFB shares. The result of the SOA is that the previous restrictions to paying distributions no longer apply, and the board is thus empowered to declare distributions to shareholders.

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 industry guidelines.

For the 2H2024 reporting period, the board has declared a dividend of 70,19 cents per FFB share with an alternative to receive the dividend in the form of NEPI Rockcastle shares in a ratio of 0,00662 NEPI Rockcastle shares for every FFB share. The election to receive NEPI Rockcastle shares enables the company to retain cash and reduce gearing against the direct portfolio. Considering the price of a NEPI Rockcastle share against the cash distribution, the premium offered to shareholders who elect the NEPI Rockcastle share alternative is between 25% and 30%. Salient details of the dividend alternative will be communicated to shareholders in a circular to be published in due course.

### SUMMARY OF FINANCIAL PERFORMANCE

	Jun 2024	Jun 2023	% change
Distributable earnings (R'000)	1 788 505	1 797 267	(0,5)
Dividend declared per share			
– FFA (cents)	–	–	–
– FFB (cents) <sup>§</sup>	151,63	–	#

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

# Percentage change not meaningful to disclose or not applicable.

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

	Jun 2024	Jun 2023	% change
Revenue from direct property operations (R'000)	4 383 507	3 787 954	15,7
Total revenue (including revenue from investments) (R'000)	4 383 507	3 787 954	15,7
Net asset value ("NAV") (R'000)	29 865 807	33 330 390	(10,4)
NAV per share <sup>^</sup> (Rand)	25,09	15,82	58,6
Basic earnings per share – FFA (cents)	–	281,92	#
Basic earnings per share – FFB (cents)	370,03	281,92	(31,3)
Headline earnings per share – FFA (cents)	–	90,99	#
Headline earnings per share – FFB (cents)	121,02	90,99	33,0

<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

	Jun 2024	Jun 2023	% change
NAV per share (Rand)	23,85	14,85	60,6
Loan-to-value ("LTV") ratio (%)	38,2	35,9	#
Funds from operations (R'000)	1 957 364	2 188 936	(10,6)

# Percentage change not meaningful to disclose or not applicable.

### DISTRIBUTABLE EARNINGS

Distributable earnings amounted to R835,6 million for 2H2024, compared to R996,3 million for 2H2023. Full year earnings for FY2024 amounted to R1 788,5 million, compared to R1 797,3 million for FY2023. The board has declared the full distributable earnings available for 2H2024 as a dividend, which amounts to 70,19 cents per FFB share.

Shareholders may further elect to receive the 2H2024 distribution in cash, as the default option, or in the form of shares in NEPI Rockcastle held by Fortress in a ratio of 0,00662 NEPI Rockcastle shares for every FFB share. Full details of the alternative will be communicated to shareholders in due course.

Post the implementation of the SOA, the distributable earnings benchmark is no longer applicable.

### PROSPECTS

We previously communicated that our distributable earnings for the year ended 30 June 2024 would be at least R1,7 billion. Our actual distributable earnings for FY2024 amounted to R1,789 billion.

We revise our previous guidance of approximately R1,73 billion for FY2025 to R1,75 billion following NEPI Rockcastle's updated outlook for its 2024 financial year, published on 20 August 2024. Further detail is presented in the table below.

	1H2024 (actual)	2H2024 (actual)	FY2024 (actual)	FY2025 (forecast)	Change %
<b>Total distributable earnings (R'000)</b>	<b>952 868</b>	<b>835 637</b>	<b>1 788 505</b>	1 750 000	(2,2)
Shares in issue (net of treasury shares)	1 169 980 307	1 190 536 893	1 190 536 893	1 190 536 893	
Distributable earnings per share (cents)	81,44	70,19	151,63 <sup>#</sup>	146,99	(3,1)

	1H2024 (normalised)	2H2024 (actual)	FY2024 (normalised actual)	FY2025 (forecast)	Change %
<b>Normalisation adjustments</b>					
Exclusion of dividend on 53 134 372 NEPI Rockcastle shares (R'000) received in September 2023 <sup>*</sup>	(266 365)	–	(266 365)	–	–
Adjusted total distributable earnings (R'000) (normalised for the effects of the SOA)	686 503	835 637	1 522 140	1 750 000	15,0
Adjusted distributable earnings per share (cents) (normalised for the effects of the SOA)	58,68	70,19	128,87	146,99	14,1

<sup>\*</sup> The 53 134 372 NEPI Rockcastle shares were used to fund the buy-back of all the Fortress B ordinary shares in issue at the time of implementation of the SOA. The adjustment includes related foreign currency hedges on this income.

<sup>#</sup> Sum of the 1H2024 and 2H2024 actual distributable earnings per share.

The forecast is based on the following assumptions:

#### Fortress-specific assumptions

- Our distributable earnings methodology will remain consistent with that of prior periods, as previously communicated;
- NEPI Rockcastle maintains a 90% payout ratio and meets their published distributable earnings per share guidance for their 2024 financial year ended 31 December 2024;
- No material sales, or acquisitions, outside of our planned pipeline 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 the recovery of rising utility costs and municipal rates.

#### Macroeconomic and regulatory assumptions

- There is no unforeseen material macroeconomic deterioration in the markets in which Fortress has exposure;
- There are no unforeseen adverse socio-political events in the jurisdictions in which Fortress has exposure;
- There are no changes to current tax legislation in the jurisdictions in which the company operates; and
- There are no interest rate changes by the European Central Bank or the South African Reserve Bank.

The forecast and normalisation adjustments, including the assumptions on which they are based and the financial information from which they have been prepared, are the responsibility of the directors of the company. The forecast and normalisation adjustments have not been reviewed or reported on by the company's external auditor.

Financial periods defined as follows:

- 2H2023 – Final reporting period for the six months ended 30 June 2023;
- 1H2024 – Interim reporting period for the six months ended 31 December 2023;
- 2H2024 – Final reporting period for the six months ended 30 June 2024;
- FY2023 – Financial year ended 30 June 2023;
- FY2024 – Financial year ended 30 June 2024; and
- FY2025 – Financial year ending 30 June 2025.

This results announcement is the responsibility of Fortress' board of directors and is only a summary of the audited consolidated financial statements for the year ended 30 June 2024 ("FY2024 AFS") and does not contain full or complete details. Any investment decision by investors and/or shareholders should be based on the FY2024 AFS. The auditor, KPMG Inc., has issued an unmodified audit opinion on the FY2024 AFS and notes the valuation of investment properties as a key audit matter. The FY2024 AFS, including the audit report, have been released on SENS and are available on the JSE website at <https://senspdf.jse.co.za/documents/2024/jse/issue/FFBE/FY2024.pdf> and on the company's website at <https://fortressfund.co.za/financials/view-pdf?id=Annual%20financial%20statements%2030%20June%202024>.

Fortress' summary consolidated financial statements for the year ended 30 June 2024 which include directors' commentary have been published on Fortress' website at: <https://fortressfund.co.za/financials/view-pdf?id=Summary%20consolidated%20financial%20statements%2030%20June%202024>.

Copies of the FY2024 AFS, including the audit opinion, 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 and/or through a secure electronic manner at the election of the person requesting inspection. Such inspection will be at no charge and investors may request a copy of Fortress' audited consolidated financial statements for the year ended 30 June 2024 from [tamlyn@fortressfund.co.za](mailto:tamlyn@fortressfund.co.za).

This results announcement itself is not audited or reviewed by Fortress' auditor, but extracted from audited results.

By order of the board

Steven Brown  
Chief executive officer

Ian Vorster  
Chief financial officer

Johannesburg  
29 August 2024

#### 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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