

Liberty Two Degrees Limited
 (Registration number: 2018/388906/06)
 JSE share code: L2D ISIN: ZAE000260576
 (L2D or the Company)

Summarised group results for the year ended 31 December 2019

Highlights

- 3.6%(1) retail trading density growth with Sandton City at 9%
- 2.3% retail vacancy
- Favourably refinanced 2019 debt expiry
- 60.43(2) cents per share full year distribution in line with guidance
- Sustainability initiatives successfully delivered

(1) Trading density is based on a 12-month rolling period (excluding Melrose Arch and Lifestyle Centre).

(2) 60.00 cents per share for the year ended 31 December 2018.

Commentary

At 31 December 2019, L2D's 100% South African property portfolio was valued at R10.27 billion (2018: R10.15 billion) and the net asset value per share increased by 2.1%. This includes the acquisition of an additional stake in Botshabelo Mall for R24 million. Following the sale of Century City offices, pending transfer, R123 million of property is now classified as held for sale. Overall portfolio valuations remained flat in comparison to the prior year reflecting the weak fundamentals in the South African economy.

L2D reported net property income (NPI) of R693.6 million for the year ended 31 December 2019 (2018: R589.1 million) which includes a full year relating to the assets acquired on 1 November 2018. The NPI growth normalised for effective ownership is 5.36%. NPI growth was primarily driven by good underlying rental growth and retail space previously in fit-out that is now trading. This is supported by retail trading density growth of 3.6% achieved for the year. The trading density at Sandton City remains strong and grew by 9%. Good retail leasing initiatives resulted in leases covering 149 101m² being renewed in the year (2018: 49 472m²) and a further 37 031m² (2018: 52 557m²) in new tenant lease agreements were concluded across the portfolio, reflecting a healthy demand for rental space at the centres. The gross cost to income ratio for the year has improved to 31.8% (2018: 35.8%) as a result of good cost management initiatives. Profit from operations is up 15.12% from the prior year. As expected and as a result of the full year interest expense on the debt raised in 2018, profit before tax decreased to R534.7 million (2018: R646.8 million) and headline earnings per share decreased slightly to 57.76 cents (2018: 59.86 cents).

Financial results

R'000	Audited 31 December 2019	Audited 31 December 2018	Change %
Revenue	999 189	913 810	9.34
Net property income	693 552	589 122	17.73
Profit from operations	668 814	580 960	15.12
Net interest expense	(145 048)	(12 820)	>100
Profit before fair value adjustments	523 766	566 055	(7.47)
Profit before tax	534 676	646 817	(17.34)
Headline earnings	523 581	543 806	(3.72)
Basic and diluted earnings per share (cents)	58.96	70.53	(16.40)
Headline earnings per share (cents)	57.76	59.86	(3.51)
Distribution per share (cents)	60.43	60.00	0.72
Net asset value per share (Rand)	9.65	9.45	2.12

Declaration of a cash distribution

The Board has approved and notice is hereby given of a distribution of 31.12 cents per share for the six months ended 31 December 2019 (the distribution).

The distribution is payable to L2D shareholders in accordance with the timetable set out below:

	2020
Last date to trade cum dividend	Tuesday, 17 March
Shares trade ex dividend	Wednesday, 18 March
Record date	Friday, 20 March
Payment date	Monday, 23 March

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 March 2020 and Friday, 20 March 2020, both days inclusive.

Payment of the distribution will be made to shareholders on Monday, 23 March 2020. In respect of dematerialised shares, the distribution will be transferred to the Central Securities Depository Participant (CSDP) accounts/broker accounts on Monday, 23 March 2020. Certificated shareholders' dividend payments will be posted on or about Monday, 23 March 2020.

Shares in issue at the date of declaration of this distribution: 908 443 335.

L2D's income tax reference number: 9087144235.

In accordance with L2D's status as a REIT, shareholders are advised that the distribution meets the requirements of a 'qualifying distribution' for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 (Income Tax Act). The distribution on the shares will be deemed to be a dividend, for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The distribution received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the (Income Tax Act) because it is a distribution distributed by a REIT. This distribution is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders provide the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

- (a) a declaration that the distribution is exempt from dividends tax; and
- (b) a written undertaking to inform the CSDP, broker or the company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution, if such documents have not already been submitted.

Distributions received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act.

Assuming dividend withholding tax will be withheld at a rate of 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation (DTA) between South Africa and the country of residence of the shareholder, the net dividend amount due to non-resident shareholders is 24.89600 cents per share. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

- (a) a declaration that the distribution is subject to a reduced rate as a result of the application of a DTA; and
- (b) a written undertaking to inform their CSDP, broker or the company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner, both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the distribution if such documents have not already been submitted, if applicable.

Prospects

The South African economy remains challenging as evidenced by weak consumer demand. L2D's conservative gearing with LTV at 16% provides a buffer against the current economic climate. The balance sheet capacity and continued operational performance of L2D's defensive portfolio are key differentiators in a difficult trading environment. L2D's South African retail strategy has been validated by the good trading performance in the core retail portfolio evidenced by low retail vacancy rates and positive trading density growth.

Looking forward, L2D will continue to invest in its assets and execute on the experiential retail strategy whilst committing to achieving well defined sustainability targets. L2D uses distribution per share as a relevant measure of financial performance. As a result of the current economic conditions in South Africa, L2D's guidance for the 2020 full-year distribution is to be equivalent to 2019.

This guidance is reliant on the following key assumptions: forecasted net property income is based on contractual rental escalations and market-related renewals, appropriate allowances for vacancies have been incorporated into the forecast, no further dilutionary gearing is introduced and that no major tenant failures will occur. The forecast or any forward looking statements have not been reviewed or reported on by L2D's auditors.

On behalf of the Board of Directors

Angus Band
Chairman

Amelia Beattie
Chief executive

Jose Snyders
Financial director

24 February 2020

The full long-form announcement is available at:

https://senspdf.jse.co.za/documents/2020/jse/isse/l2de/FY_19.pdf

The annual financial statements including the audit opinion which sets out the key audit matters and the basis for the unqualified opinion is available at:

<https://www.liberty2degrees.co.za/investors/results-centre/>

The contents of this short-form announcement are the responsibility of the Board of Directors of L2D. This short-form announcement is only a summary of the information in the full announcement and does

not contain full or complete details. Any investment decisions made by investors and/or shareholders should be based on consideration of the full announcement as a whole. Shareholders are encouraged to review the full announcement which is available on SENS and on L2D's website. The full announcement is also available for inspection at the registered office of L2D or at the office of our sponsor, The Standard Bank of South Africa Limited, 30 Baker Street, Rosebank, 2196. Copies of the full announcement are available to investors at no charge, during normal business hours from Monday, 24 February 2020.