

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 2020

Consistently applied prudent capital management strategy, supported by quality assets, delivers value

DISTRIBUTION PAY-OUT OF  
 32.33 cents per share  
 (FY19: 60.43 cents per share)  
 AFTER MATERIAL COVID-19 IMPACT

BALANCE SHEET STRENGTH  
 Loan-to-value  
 20.5% (FY19: 16.1%)

SANDTON CITY RECEIVED A 6-STAR GREEN RATING  
 FIRST GREEN STAR RATED RETAIL PORTFOLIO  
 IN SOUTH AFRICA

RETAIL OCCUPANCIES HIGH AT  
 95.3%  
 ABOVE TOLERANCE LEVEL OF 95%

RECOVERY IN Q4 2020 IS ENCOURAGING

	Q1 2020	Q2 2020	Q3 2020	Q4 2020
FOOTCOUNT	-7%	-61%	-33%	-21%
TURNOVER	-6%	-54%	-22%	-9%

  

Financial results	Audited 31 December 2020	Audited 31 December 2019	% Change
R'000			
Revenue	878 769	999 189	(12.1%)
Net property income	377 272	693 552	(45.6%)

Profit from operations	342 355	668 814	(48.8%)
Net interest expense	(146 909)	(145 048)	1.3%
Profit before fair value adjustments	195 446	523 766	(62.7%)
(Loss)/profit before tax	(1 524 440)	534 676	>100%
Headline earnings	227 083	523 581	(56.6%)
Basic and diluted (loss)/earnings per share (cents)	(164.59)	58.96	>100%
Headline earnings per share (cents)	25.04	57.76	(56.6%)
Distribution per share (cents)	32.33	60.43	(46.5%)
Net asset value per share (Rand) (1)	7.71	9.65	(20.1%)

(1) R1.7 billion of property valuation write-downs in 2020, (approximately 16.3% of our portfolio value) contributed to the 20.10% decrease in the net asset value.

#### Introduction

COVID-19 has undoubtedly changed many aspects of our lives permanently. In a year unlike any we have faced before, we are pleased to report that L2D was able to deliver value to stakeholders despite the challenging context. The strength of our balance sheet, the premium quality of our assets and the passion of our people are the ingredients that have helped us contain and mitigate the risks.

Good progress was made on our long-term strategic commitment to value-accretive Environmental, Social and Governance (ESG) practices designed to support our recovery and growth, now and into the future.

In 2020, our portfolio turnover reflected the effects of the lockdowns, with good performance in January and February 2020, followed by minimal trading activity during the hard lockdown in the second quarter, and a gradual recovery in quarter three as the lockdown restrictions eased. Encouragingly, quarter four demonstrated a strong resurgence, with our portfolio turnover only 9% less than turnover recorded prior to COVID-19 (for the three months ended December 2019). Sandton City's turnover in December 2020 was down only 1.5% compared to the same period in 2019.

This highlights the relevance of quality super regional centres in optimal locations, complemented by an appropriate and diverse tenant mix addressing customer needs and supporting customer experience. It also illustrates that consumer spend was not only captured by neighbourhood centres as a shopping format. This was also further substantiated by the fact that although footfall for the year was down approximately 30%, the total amount spent by customers was down 20% which indicates the increased spend per customer.

The Board has approved a full year distribution of 32.33 cents per share (31 December 2019: 60.43 cents per share) despite the material impact of the COVID-19 lockdown on revenue, in particular amongst our hospitality tenants, and rental relief and additional provisioning for expected credit losses.

#### Prospects

Our focus going forward will be on positioning L2D for a sustainable recovery through volatile circumstances. While it will take time to recover, we believe we are well positioned to leverage these opportunities with agility. In a challenging environment, we have quality fundamentals in place, with strong assets, sufficient liquidity and headroom in our loan-to-value (LTV) ratio.

Our robust portfolio has contributed to retail occupancies remaining high at 95.3%, in excess of the 95% tolerance level in pre-COVID-19 times. We are encouraged by the early signs of recovery in tenant turnover levels as lockdown restrictions eased. We remain focused on understanding the operating context and consumers' preferences, deftly adapting to change.

As we navigate the current crisis, we know that long-term investments that protect value must be maintained. We believe that our commitment to invest in our assets underpins and enables our financial and operational performance by ensuring our portfolio remains relevant. The business focus remains on the "new ABC of rebuilding for growth" elements which are agility, back to basics in building strong property fundamentals and continue to invest in the communities in which we operate.

#### Balance sheet strength

As at 31 December 2020, L2D remains well capitalised, with sufficient liquidity and well within bank covenants with an LTV of 20.5% (31 December 2019: 16.1%) reflecting our prudent approach towards capital management, and the underlying quality of our portfolio. Our interest cover ratio remains healthy at 3.9x, with 82% of debt effectively hedged. Furthermore, our average cost of debt remains low at 7.89%. The total unutilised revolving credit facilities amount to R509 million as at 31 December 2020.

Net interest expense is up in comparison to the prior year and was impacted by an additional R200 million of term debt introduced. Proceeds from the sale of the Century City offices had been applied toward our revolving credit facilities.

#### Tenant support

Throughout the crisis, our focus has remained on responding with empathy, balancing the need to support our tenants who have been severely affected by the crisis, with the need to protect the sustainability of our business. Our goal is to ensure our assets remain fully let and trading, while we do everything in our power to keep our spaces safe for our stakeholders. As such, rental relief has been provided on a pragmatic basis in line with the Property Industry Group guidelines.

The tenant arrears have increased to R96.4 million as at 31 December 2020 (31 December 2019: R30.8 million). Given the environment our default percentages for credit loss provisions have increased, coupled with larger arrears positions the Expected Credit Loss (ECL) provision has increased to R57.5 million as at 31 December 2020 (31 December 2019: R9.8 million).

Positively, rental collections have progressively improved in the latter half of the year with gross collections, based on contractual monthly billings before rental relief, at 97% for November 2020 and 120% for December 2020. This is as a result of the collection of arrears due that were settled following the finalisation of rental relief agreements.

The approach to tenant support has allowed us to not only respond with agility in the short term, but to plan and respond to the longer term consequences of the pandemic, and its effects on consumer behaviour.

#### Operational performance

Footfall and parking performance remain two key indicators to understanding the behaviour of our customers. In reviewing the quarterly footfall experience at L2D malls, it is evident how the lockdown levels impacted the customer return rate. The overall footcount for 2020 was 30.2% down from 2019, with the last quarter improving from a 60.8% decrease in quarter two (when the most severe lockdown was in place) to a 21.4% decrease from 2019.

From the outset, our focus has remained on ensuring our malls remained safe and secure for our stakeholders - upholding the highest standards of hygiene, care and security. We have been awarded COVID-19 compliant ratings for all our malls by the SAFE asset group. In addition, all our malls received gold excellence status for overall operational performance, and Sandton City achieved a 93.8% rating for security, which is now the highest in the world. Following our commitment to have all our malls Green Star rated, we are pleased to confirm that Sandton City received a 6-star rating; with Eastgate Complex, Nelson Mandela Square, Promenade Shopping Centre and Midlands Mall receiving a 5-star rating, and Botshabelo Mall

achieving a 4-star rating - the first retail portfolio in South Africa to achieve this.

L2D's reported revenue and net property income (NPI) decreased by 12.1% and 45.6% respectively in comparison to the prior year. The NPI of R377.2 million for the year ended 31 December 2020 (31 December 2019: R693.6 million) was significantly impacted by COVID-19 related rental relief of R112 million provided to tenants, the impact of the hotels and convention centre operations being suspended for a large part of the year, lower parking revenue and additional provisioning for an increase in tenant arrears as well as the expected non-recovery of certain debtor balances most notably related to Edcon.

Profit from operations decreased by 48.8%. Operating costs have increased by R2.6 million compared to the prior year due to an increase in professional fees and employee costs which was partially offset by a saving of R3.6 million in relation to staff shares that will not vest as a result of performance conditions not being met as well as a reduction in the bonus provision. The write down in the property valuations as well as the negative mark to market adjustment on the interest rate swap of R43.5 million has resulted in the loss before taxation of R1.5 billion for the year ended 31 December 2020 (2019: profit before taxation of R534.7 million).

At 31 December 2020, L2D's 100% South African property portfolio was valued at R8.5 billion (2019: R10.1 billion) and the net asset value per share has decreased from R9.65 as at December 2019 to R7.71 as at December 2020. Our risk management remains strong, and we believe that we have the necessary management actions in place to continue to mitigate and manage our risks sufficiently. With regard to our property valuations, independent valuations were performed and write-downs of R1.7 billion were recognised in 2020, approximately 16.3% of our portfolio value, contributing to the 20.10% decrease in the net asset value. The property valuations have been negatively impacted by inter alia, the negative effect of COVID-19 on current year rentals and growth assumptions for the forecasted period, higher vacancies, the likelihood of negative reversions for lease renewals and the expectation that letting currently vacant space will take a longer time period.

While our commitment to quality predates the pandemic, we have long maintained that the superiority of our assets and offering are key drivers in fostering customer loyalty, and is thus a determinant in whether customers will return to the malls.

Declaration of cash distribution

The Board has approved and notice is hereby given of a distribution of 32.33 cents per share for the year ended 31 December 2020 (the distribution).

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

2021

Last date to trade cum dividend	Tuesday, 16 March
Shares trade ex dividend	Wednesday, 17 March
Record date	Friday, 19 March
Payment date	Tuesday, 23 March

L2D uses distribution per share as a relevant measure of financial performance.

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 March 2021 and Friday, 19 March 2021, both days inclusive.

Payment of the distribution will be made to shareholders on Tuesday, 23 March 2021. In respect of dematerialised shares, the distribution will be transferred to the Central Securities Depository Participant (CSDP) accounts/broker accounts on Tuesday, 23 March 2021. Certificated shareholders' dividend payments will be posted on or about Tuesday, 23 March 2021.

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

L2D's income tax reference number: 9178869237.

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 declaration that the distribution is exempt from dividends tax; and
- 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 25.8640 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 declaration that the distribution is subject to a reduced rate as a result of the application of a DTA; and
- 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.

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

22 February 2021

The full long-form announcement is available at: [https://senspdf.jse.co.za/documents/2021/jse/isse/l2de/FY\\_20.pdf](https://senspdf.jse.co.za/documents/2021/jse/isse/l2de/FY_20.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 on request at: [investors@liberty2degrees.co.za](mailto:investors@liberty2degrees.co.za) or from the sponsor at: [JSESponsor@standardbank.co.za](mailto:JSESponsor@standardbank.co.za) from Monday, 22 February 2021.

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The Standard Bank of South Africa Limited