

LIBERTY TWO DEGREES LIMITED  
 (Registration number: 2018/388906/06)  
 JSE share code: L2D  
 ISIN: ZAE000260576  
 (L2D or the Company)

Unaudited summarised group interim results  
 for the six months ended 30 June 2020

#### Key messages

- 55.0% of comparative footcount returned at 30 June 2020
- Strong balance sheet and liquidity
- Rental relief and ongoing tenant support
- Providing Safe Spaces remains a priority
- People wellbeing and new ways of working prioritised
- Interim distribution deferred due to uncertain outlook

#### Financial results

R'000	Unaudited 30 June 2020	Unaudited 30 June 2019	Change %
Revenue	400 263	475 626	(15.85)
Net property income	201 797	338 772	(40.43)
Profit from operations	182 120	329 336	(44.70)
Net interest expense	(78 430)	(70 598)	11.09
Profit before fair value adjustments	103 690	258 738	(59.92)
Profit/(loss) before tax	(1 405 811)	244 211	more than 100
Headline earnings	103 690	258 681	(59.92)
Basic and diluted earnings per share (cents)	(155.27)	26.88	more than 100
Headline earnings per share (cents)	11.45	28.48	(59.80)
Distribution per share (cents)	-	29.31	(100.00)
Net asset value per share (Rand)	7.72	9.59	(19.53)

#### Commentary

L2D's reported revenue and net property income (NPI) decreased by 15.9% and 40.4% respectively in comparison to the prior period. The NPI of R201.8 million for the six months ended 30 June 2020 (30 June 2019: R338.8 million) was significantly impacted by decreases in footfall as shopper behaviour changed with the advent of Covid-19 and subsequently the national lockdown and restricted trading periods. In line with our philosophy to respond with humanity and empathy in dealing with tenant requests for relief whilst balancing the need to protect the sustainability of our business in the interest of all stakeholders, rental relief and support has been provided on a pragmatic basis. Relief offered was structured with weightings in favour of the level of anticipated impact on tenants during the lockdown period and the anticipated further impact of restrictions on trade as lockdown has been eased. Rental relief negotiations are ongoing but difficult as many of the Covid-19 implications for tenants are evolving. As at 30 June 25.2% of negotiations have been concluded. Among these are the listed clothing retailers, major national and international retailers. L2D is working with our restaurant tenants as a severely impacted sector that requires additional support in stepping forward together. Currently 85.4% of retail GLA\* is trading and only gyms and certain restaurants remain closed. The closure of hotels in the Sandton City precinct, in line with the level 5 lockdown restrictions, has resulted in a net loss from hotel operations of R0.8 million compared to a net profit of R6.4 million for the six months ended 30 June 2019. The Sandton Sun hotel has recently re-opened and is currently experiencing low occupancies and we expect the remaining hotels to start trading once conditions have improved.

Interest expense has increased by 11.1% from 30 June 2019 as a result of additional term debt that was drawn down in November 2019 and March 2020. Including negative fair value adjustments of R1.5 billion, a loss before tax of R1.4 billion was recorded compared to a profit of R244.2 million for the six months ended 30 June 2019. The fair value adjustment comprises the devaluation of the property portfolio of R1.5 billion.

Given the losses suffered as result of Covid-19 and the uncertainty around forecasting at the current time, our independent property valuers have decreased the portfolio value by 14.7% compared to 30 June 2019 (14.3% compared to December 2019). 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 potential for negative reversions and the time required to re-let vacant space.

At 30 June 2020, L2D's 100% South African property portfolio was valued at R8.7 billion (30 June 2019: R10.2 billion) and the net asset value per share has decreased by 19.5%. This excludes Century City offices which were pending transfer as at 30 June 2020 and has been subsequently transferred in July 2020.

Edcon Limited commenced with business rescue proceedings during April 2020. The business rescue plan has been adopted and interest has been shown from external parties to acquire certain parts of the business. The Board has elected to write down the fair value of the investment in Edcon to zero as at 30 June 2020.

#### Declaration of cash distribution

Due to the distributable earnings decline and the prevailing uncertainty resulting from the Covid-19 impact, the Board has decided not to pay an interim distribution.

## Prospects

We expect the pandemic to negatively effect our performance for the remainder of the 2020 financial year as levels of uncertainty continue to influence economic conditions and consumer confidence. The crisis has, however, allowed us to reaffirm our precinct centred, retail focused strategy as well as accelerate the work that has already been done in merging online retail with our physical environments and using technology to improve our operations. Management's focus for the remainder of 2020 will be on the business's recovery and rebuilding it by working together with our tenants in creating environments that support the resumption of safe trading in the short term and positioning the business for sustainable growth thereafter.

L2D has a strong balance sheet and management is satisfied that there are sufficient cash reserves and unutilised debt facilities to cover our business commitments as they fall due.

Looking ahead, the Board of L2D will consider the payment of a final distribution for the 2020 financial year after the full year results and in accordance with regulatory requirements. Given current uncertainty the Board has resolved not to provide earnings and distribution guidance for the remainder of the 2020 year at this stage.

The forecast or any forward looking statements have not been reviewed or audited by L2D's external auditors.

On behalf of the Board of Directors

Angus Band	Amelia Beattie	Jose Snyders
Chairman	Chief Executive	Financial Director

Johannesburg  
27 July 2020

The full long-form announcement is available at:

[https://senspdf.jse.co.za/documents/2020/jse/isse/l2de/HY\\_L2D.pdf](https://senspdf.jse.co.za/documents/2020/jse/isse/l2de/HY_L2D.pdf)

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, 27 July 2020.

\* Excluding Melrose Arch

Sponsor  
The Standard Bank of South Africa Limited

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