

LIBERTY TWO DEGREES LIMITED
 Incorporated in the Republic of South Africa
 (Registration number 2018/388906/06)
 (Approved as a REIT by the JSE)
 Share code: L2D ISIN: ZAE000260576
 ("L2D" or "the company")

SUMMARISED GROUP RESULTS AND CASH DISTRIBUTION
 FOR THE SIX MONTHS ENDED 30 JUNE 2022

100% DISTRIBUTION PAY-OUT OF 17.48 CENTS PER SHARE
 - Increase of 10.7% on HY21

STRONG RECOVERY IN RETAIL OPERATIONS
 - Portfolio footcount up 28.0% on HY21 (10.2% vs HY19)
 - Retail turnover up 25.1% on HY21 (16.1% vs HY19)
 - Retail occupancy increased to 97.2%

PORTFOLIO RENTAL REVERSIONS REMAIN UNDER PRESSURE
 AT -16.3% YTD (REPRESENTING 2.7% OF PORTFOLIO GLA)
 - Improvement on -25.5% at HY21
 - In-force escalations remain healthy at 6.8%

NOTABLE RECOVERY IN AVERAGE HOTEL OCCUPANCIES
 - Sandton Sun: 71.5% (HY21 - 39.8%)
 - Garden Court: 40.7% (HY21 - 12.8%)

STRONG BALANCE SHEET WITH LOAN-TO-VALUE OF 24.64%

NET ASSET VALUE PER SHARE DECREASED marginally BY
 1.18% BASED ON AN INDEPENDENT VALUATION OF THE PROPERTY PORTFOLIO

FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited 30 June 2022	Unaudited 30 June 2021	% Change
R'000			
Revenue	455 574	438 800	3.82
Net property income	261 030	240 738	8.43
Profit from operations	227 332	215 209	5.63
Net interest expense	(76 696)	(71 047)	7.95
Profit before fair value adjustments	150 636	144 162	4.49
Profit before tax	100 852	181 917	(44.56)
Headline earnings	146 984	136 654	7.56
Basic and diluted earnings per share (cents)	11.14	19.59	(43.13)
Headline earnings per share (cents)	16.84	15.35	9.71
Distribution per share (cents)	17.48	15.79	10.70
Net asset value per share (Rand) (1)	7.53	7.62	(1.18)

(1) Calculated based on total equity divided by the number of shares in issue (908 443 334) excluding treasury shares of 39 552 859 in 2022 and 21 356 549 in 2021.

OVERVIEW

Overall L2D is seeing continued positive momentum in the recovery of its iconic retail property portfolio. This has been supported by some recovery in the hospitality assets that are starting to show increased levels of activity. The positive momentum has been facilitated by the lifting of the National State of Disaster as well as the recent removal of some of South Africa's last remaining Covid-19 regulations that ended the mask mandate and removed limitations on gatherings and travel, which contributed to a return in both retail and consumer confidence.

L2D's operational metrics have shown a steady recovery in the first half of 2022 with a 16.1% improvement in turnover growth compared to 2019. The portfolio also recorded the highest footcount in the first six months of 2022 compared to the prior three comparative years. This encouraging start to the year contributed to better occupancy rates and good leasing activity in the period indicating the strong demand for L2D retail space. However, rentals renewals for the 6-month period remained under pressure and the negative reversions attributed to these leases continue to have an adverse impact on earnings. The recovery in our office exposure remains muted whilst the continued double digit increases in municipal and utility costs, coupled with increased periods of loadshedding and a weak consumer environment facing increased inflationary pressure, remains a catalyst for downside pressure on the portfolio's performance.

Reinforced by a strong balance sheet, we are pleased to report another 100% interim distribution pay-out for the first six months of 17.48 cents per share which is an increase of 10.7% over the prior comparative period.

RETAIL TRADING PERFORMANCE

Turnover across our retail portfolio was 25.1% higher than the comparative period and 16.1% higher than 2019. Trading gained momentum as the year progressed, with turnover in Q2 up 18.4% on Q2 2019.

Turnover growth	Q1 2022 vs 2019	Q2 2022 vs 2019	HY 2022 vs 2019
Sandton City	29.4%	33.1%	31.4%
Eastgate	(5.6%)	2.6%	(1.4%)
Nelson Mandela Square	(7.8%)	(6.1%)	(6.9%)
Midlands Mall	21.9%	25.5%	23.8%
Midlands Lifestyle Centre	63.2%	80.8%	72.2%
Promenade	(4.0%)	0.2%	(1.8%)
Botshabelo Mall	40.6%	36.3%	38.3%
Total portfolio (excl. MA)	14.2%	19.2%	16.8%

Melrose Arch (MA)	1.9%	1.7%	1.8%
Portfolio full	13.6%	18.4%	16.1%

OCCUPANCY AND LEASING PERFORMANCE

The portfolio occupancy level declined marginally to 92.9% in June 2022 with continued pressure in the office sector. L2D's office portfolio represents 33.4% of total portfolio GLA. Pleasingly, retail occupancy improved to 97.2% (December 2021: 96.8%).

Occupancy rate

	GLA composition to portfolio	June 22	Dec 21	June 21
Retail	54.2%	97.2%	96.8%	96.7%
Office	33.4%	83.3%	86.2%	86.6%
Specialised Portfolio	12.4%	100%	100%	100%
	100.0%	92.9%	93.7%	93.7%

Demand for retail space in the L2D portfolio remains strong. We concluded 179 leases (renewals and new deals) in the first half of 2022, equating to 46,992m(2).

Though not yet positive, we are seeing an improvement in the downward trend that has plagued rental renewals over the last few periods. Rental reversions across the portfolio were negative 16.3%, with retail renewals reverting at -15.6% and offices at -26.1% (June 2021: retail -26.6%, office -21.0%). It is worth noting that there is a time lag between turnover improvement and improvement in lease renewals which are also dependent on the timing of renewal/expiry of the in-force leases.

Leasing update: June 2022		Portfolio	Retail	Office
New deals	Number of new deals concluded	68	43	25
	GLA % of portfolio	2.2%	0.8%	1.4%
	GLA (m(2))	21 337	7 918	13 419
Renewals	Number of renewals concluded	111	100	11
	GLA % of portfolio	2.7%	2.2%	0.5%
	GLA (m(2))	25 655	20 817	4 838
	Reversion (%)	(16.3%)	(15.6%)	(26.1%)
Total	Number of deals	179	143	36
Total	GLA (m(2))	46 992	28 735	18 257

FINANCIAL PERFORMANCE

	HY 22 Contribution to NPI (R'm)	% Change in NPI HY 22 vs HY 21	% Change in NPI HY 22 vs HY 19
Retail	R224.5m	3%	(20%)
Offices	R15.3m	(5%)	(23%)
Hospitality	R12.2m	296%	(37%)
Other	R20.8m	5%	(18%)
Total NPI(1)	R272.8m	10%	(21%)

(1) Total NPI excluding the adjustment for straight-lining of operating lease income.

Net property income, excluding lease straight-lining increased by 10% to R272.8 million compared to the prior comparative period, supported by lease income escalations and improved activity in the retail portfolio and hospitality assets. Included herein, net utility costs increased due to higher consumption coupled with marginally lower recoveries in certain cost categories which were exacerbated by the increased cost associated with load shedding, municipal tariff hikes and provisions raised in respect of ongoing objections to municipal rates valuations. The hospitality recovery has been encouraging with increased occupancies at both the Sandton Sun and Garden Court hotels. Net revenue from these assets are up R14.0 million from the prior year. Head Office operating costs were R7.1 million higher than the comparative 2021 period primarily driven by inflationary adjustments to the cost base, depreciation upon completion of our office fit-out and short- and long-term incentives awarded to staff which was off a lower base in the prior year.

Net interest expense increased by 7.95%, with lower average debt costs offset by higher debt levels. The decline in profit before tax is attributed to fair value adjustments which include the property valuation write-down of R80.1 million in June 2022, partially offset by a positive R18.5 million mark to market on the interest rate hedges in place at the end of June 2022. The taxation expense of R3.7 million resulted from temporary differences on the deferred tax asset unwinding as provisions were utilised.

BALANCE SHEET AND PORTFOLIO VALUATION

Our balance sheet conservatism remains a key enabler in navigating a tough environment. With a loan to value (LTV) of 24.64% at 30 June 2022 (31 December 2021: 23.87%), we have sufficient liquidity to meet our operational needs and remain well within our banking covenants. Our interest cover ratio is healthy at 3.18 times, with 63.0% of our interest rate exposure hedged. We are in advanced stages of refinancing R850 million of term debt expiring in the second half of the year and have finalised a forward dated interest rate swap which will see our hedge ratio revert to 75%. As at 30 June 2022 the average cost of debt is 7.75% with total unutilised revolving credit facilities available of R290 million.

L2D's property portfolio was valued at R8.4 billion at 30 June 2022, which is a decrease of less than 1% from the December 2021 valuation. Values are based on independent property valuations at 30 June 2022 which is in line with L2D's policy to have external independent valuations performed at both the interim and final reporting date.

PROSPECTS

The South African economy remains under pressure with low growth forecast for the remainder of 2022 and into 2023. In the short-term, inflationary pressure remains and high levels of unemployment continues to threaten both economic recovery and social cohesion.

We continue to firmly execute on our strategic value drivers and priorities. Controllable costs remain well contained, however, continued increases in utility costs and municipal rates that far exceed inflation remain a concern. The strain in the office and hospitality sectors, coupled with negative rental reversions across the portfolio are priority focus areas.

Providing distribution guidance with this extent of ongoing uncertainty remains difficult and needs to be considered in this context. We do expect a stronger leasing performance going forward as the trading performance of retailers improve. Based on our current forecasts, and assuming that the board of directors of L2D (Board) continues to approve a 100% distribution pay-out ratio, we expect the full year distribution to be between 3% and 8% up on the prior year amount. The guidance is reliant on the following key assumptions: forecasted net property income is based on contractual rental escalations and market-related renewals, appropriate allowance for vacancies have been included in the forecast, no major tenant failures will occur and that the current impact of the Covid-19 pandemic will not change substantially. The forecast or any forward-looking statements have not been reviewed or reported on by L2D's auditors.

DECLARATION OF CASH DISTRIBUTION

The Board has approved, and notice is hereby given, of a distribution of 17.48 cents per share for the six months ended 30 June 2022 (the distribution).

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

	2022
Last date to trade cum dividend	Tuesday, 30 August
Shares trade ex-dividend	Wednesday, 31 August
Record date	Friday, 2 September
Payment date	Monday, 5 September

L2D uses distribution per share as a relevant measure of financial performance. Share certificates may not be dematerialised or rematerialised between Wednesday, 31 August 2022 and Friday, 2 September 2022, both days inclusive. Payment of the distribution will be made to shareholders on Monday, 5 September 2022. In respect of dematerialised shares, the distribution will be transferred to the Central Securities Depository Participant (CSDP) accounts/broker accounts on Monday, 5 September 2022. Certificated shareholders' dividend payments will be posted on or about Monday, 5 September 2022.

Shares in issue at the date of declaration of this distribution: 908 443 334, inclusive of 39 552 859 treasury shares.

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 ceases 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 13.98400 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 ceases 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 forecast or forward-looking statements have not been reviewed or audited by L2D's external auditors.

On behalf of the Board

Nick Criticos	Amelia Beattie	Jose Snyders
Chairman	Chief Executive	Financial Director

1 August 2022

The full long-form announcement is available at: <https://senspdf.jse.co.za/documents/2022/jse/isse/l2de/interims22.pdf>

The contents of this short-form announcement are the responsibility of the Board. 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 the full announcement as a whole. Shareholders are encouraged to review the full announcement, which is available on SENS and on L2D's website: <https://www.liberty2degrees.co.za/investors/sens/>. It is also available, at no cost, on request at: investors@liberty2degrees.co.za or from the Sponsor at: sponsorteam@merchantec.co.za during normal business hours.

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