

**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")

**LIBERTY GROUP LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 1957/002788/06)  
("LGL")

**JOINT ANNOUNCEMENT OF LGL'S FIRM INTENTION TO ACQUIRE THE ISSUED ORDINARY SHARES IN L2D NOT ALREADY OWNED BY LGL, LGL RELATED ENTITIES OR A SUBSIDIARY OF L2D BY WAY OF A SCHEME OF ARRANGEMENT WHICH WILL RESULT IN THE DELISTING OF ALL L2D ORDINARY SHARES****1. INTRODUCTION**

- 1.1 Shareholders of L2D ("**L2D Shareholders**") are advised that on 27 July 2023 L2D and LGL entered into an implementation agreement in terms of which L2D will propose a scheme of arrangement ("**Scheme**") between L2D and its shareholders, in terms of section 114(1) read with section 115 of the Companies Act, 71 of 2008 ("**Companies Act**"). In terms of the Scheme, if implemented, LGL will acquire all of L2D's issued ordinary shares ("**Shares**"), excluding Shares that are owned by Liberty Holdings Limited ("**LHL**", being the sole shareholder of LGL) and its subsidiaries ("**Excluded Shareholders**") or Shares that are owned by those L2D Shareholders who validly exercise their appraisal rights in terms of section 164 of the Companies Act ("**Dissenting Shareholders**"), in exchange for a cash consideration of R5.55 per L2D Share ("**Scheme Consideration**") (the "**Transaction**").
- 1.2 If the Scheme becomes operative, Scheme Participants (as defined in paragraph 4.1) will receive the Scheme Consideration per Share owned by them and, if applicable, a Clean-Out Distribution (as defined in paragraph 5.1.2). Following implementation of the Scheme, the listing of the Shares on the Main Board of the JSE Limited ("**JSE**") will be terminated ("**Delisting**"). LGL will consider implementing a structure alignment of the L2D business post implementation of the Scheme ("**Structure Alignment**").
- 1.3 The purpose of this joint firm intention announcement ("**FIA**") is to, inter alia, advise L2D Shareholders of the terms and conditions of the Transaction.

**2. INFORMATION ABOUT LGL**

- 2.1 LGL is a long-term insurance company licensed in accordance with the Insurance Act 18 of 2017. LGL is a wholly-owned subsidiary of Standard Bank Group Limited ("**SBG**") and has been in operation since 1957.
- 2.2 L2D is the co-owner of a portfolio of 15 properties (7 retail, 5 specialised, 2 hotels and 1 office) known as the Liberty Property Portfolio ("**LPP**") with an aggregate value of R8.2 billion as at 31 December 2022.
- 2.3 LGL currently holds c.61% of the Shares (excluding treasury shares) and co-owns the LPP together with L2D. LGL holds a 66.7% interest in the LPP whilst L2D, through its wholly-owned subsidiary 2 Degrees Properties Proprietary Limited ("**2DP**"), holds the remaining 33.3% interest (excluding

the interests of third party co-owners in certain properties). The LPP is managed by 2DP on behalf of itself and L2D.

### **3. RATIONALE FOR THE TRANSACTION**

- 3.1 In December 2016 L2D listed, as an ungeared collective investment scheme in property (“**CISP**”), all its units in the Diversified REITs sector on the Main Board of the JSE. Subsequently, L2D was converted from a CISP to a corporate REIT and it internalised the management of its assets to better position L2D relative to its peers in the market.
- 3.2 The JSE listing of L2D has remained challenging due to several factors. The macro-economic environment has resulted in a valuation deterioration across the listed property sector since 2018, exacerbated by the Covid-19 pandemic. The relative illiquidity of L2D, primarily as a result of a limited free float, further contributes to the discount at which L2D Shares trade relative to underlying net asset value. Notwithstanding L2D’s high-quality assets and market-leading operational performance, these adverse market conditions appear likely to endure for the foreseeable future and limit the strategic options that are available to L2D while it remains in the listed environment.
- 3.3 Against this backdrop, LGL is of the view that the options to unlock the full potential of the L2D property portfolio would be enhanced through a consolidation of L2D’s ownership within LGL and the management of the consolidated portfolio outside of the listed environment.
- 3.4 The Transaction would also afford minority L2D Shareholders the opportunity to exit their investment in L2D at a significant premium to the market price as detailed in paragraph 4.2, which would otherwise be a challenge in the current market.

### **4. TERMS AND CONDITIONS OF THE SCHEME**

#### **4.1 Scheme Participants**

The participants in the Scheme shall be L2D Shareholders (other than the Excluded Shareholders and any Dissenting Shareholders) who are registered as such in L2D’s register of shareholders (“**Register**”) on the date and time by which L2D Shareholders must be recorded in the Register in order to be eligible to receive the Scheme Consideration (“**Scheme Participants**”).

#### **4.2 Scheme Consideration**

The Scheme Consideration of R5.55 per L2D Share represents a premium to the following L2D Share price metrics on the JSE on 25 July 2023, being the last trading day prior to finalisation of this FIA. These share price metrics have not been adjusted to reflect any Ordinary Distribution (as defined in paragraph 5.1.1), and as such, are not reflective of a theoretical "clean price".

	<b>L2D Shares as at 25 July 2023<sup>(5)</sup></b>	<b>Premium</b>
Market price <sup>(1)</sup>	R3.76	47.6%
30-day VWAP <sup>(2)</sup>	R3.79	46.4%
60-day VWAP <sup>(3)</sup>	R3.79	46.4%
90-day VWAP <sup>(4)</sup>	R3.82	45.3%

**Notes:**

- (1) The “*market price*” represents the closing price of the Shares on the JSE on 25 July 2023, being the last trading day prior to the finalisation of this FIA.
- (2) The “*30-day VWAP*” represents the volume weighted average price (“**VWAP**”) at which the Shares traded on the JSE for the 30 trading days up to and including 25 July 2023, being the last trading day prior to the finalisation of this FIA.
- (3) The “*60-day VWAP*” represents the VWAP at which the Shares traded on the JSE for the 60 trading days up to and including 25 July 2023, being the last trading day prior to the finalisation of this FIA.
- (4) The “*90-day VWAP*” represents the VWAP at which the Shares traded on the JSE for the 90 trading days up to and including 25 July 2023, being the last trading day prior to the finalisation of this FIA.

### 4.3 Scheme Conditions

4.3.1 The implementation of the Scheme will be subject to the fulfilment (or, where applicable, waiver) of the suspensive conditions (“**Scheme Conditions**”) that:

4.3.1.1 on or before 30 September 2023, L2D shall have obtained such approvals of the JSE, the Takeover Regulation Panel (“**TRP**”) and the Financial Surveillance Department of the South African Reserve Bank (“**FinSurv**”) as may be required for L2D to send the Scheme circular (“**Scheme Circular**”) to L2D Shareholders;

4.3.1.2 on or before 23:59 on 31 December 2023, (provided that each of L2D and LGL shall (in its sole discretion but subject to the approval of the TRP) be entitled, by giving notice in writing to the other on one occasion only, to extend this date for a period of not more than 120 days) (“**Long Stop Date**”):

4.3.1.2.1 the special resolution approving the Scheme (“**Scheme Resolution**”) shall have been approved by L2D Shareholders (excluding the Excluded Shareholders) as required by section 115(2)(a) of the Companies Act;

4.3.1.2.2 appraisal rights have not been validly exercised (by (i) delivering notice objecting to the Scheme Resolution as contemplated in section 164(3) of the Companies Act; (ii) voting against the Scheme Resolution; and (iii) delivering a valid demand as contemplated in sections 164(5) to 164(8) of the Companies Act within the time periods described in sections 164(3) and 164(7) of the Companies Act) in respect of more than 3% of the Shares;

- 4.3.1.2.3 if the Scheme Resolution is opposed by 15% or more of the voting rights exercised on the Scheme Resolution and, within five business days after the vote, any person who voted against the Scheme Resolution requires L2D to seek approval of a court in terms of section 115(3)(a) of the Companies Act, the court has approved implementation of the Scheme Resolution;
- 4.3.1.2.4 if any person who voted against the Scheme Resolution applies to court in terms of Section 115(3)(b) of the Companies Act, either:
  - 4.3.1.2.4.1 the court has declined to grant leave to that person for a review of the Scheme Resolution; or
  - 4.3.1.2.4.2 if leave for a review of the Scheme Resolution is granted by the court, the court has declined to set aside the Scheme Resolution in accordance with section 115(7) of the Companies Act and the court has approved the implementation of the Scheme Resolution;
- 4.3.1.2.5 each of the following regulatory approvals shall have been obtained, either unconditionally or, to the extent that it is subject to any condition, (i) LGL shall have confirmed in writing that such condition is acceptable to LGL (and to LHL and SBG to the extent that they are affected by such condition other than as direct and indirect shareholders of LGL), and LGL shall not unreasonably withhold or delay such confirmation, and (ii) if such condition requires L2D to perform a material obligation before the date on which all of the Scheme Conditions have been fulfilled or, if applicable, waived (“**Fulfilment Date**”), L2D shall have confirmed in writing that such condition is acceptable to L2D and L2D shall not unreasonably withhold or delay such confirmation;
  - 4.3.1.2.5.1 a compliance certificate issued by the TRP in terms of section 121(b) of the Companies Act in respect of the Scheme;
  - 4.3.1.2.5.2 such approval of FinSurv as is required in terms of the Exchange Control Regulations, 1961 to implement the Scheme;
  - 4.3.1.2.5.3 such approvals of the Financial Sector Conduct Authority as are required in terms of section 43 of the Collective Investment Schemes Control Act 45 of 2002 to implement the Scheme and such approvals of the Prudential Authority as are required in terms of sections 50 and 51 of the Insurance Act to implement the Scheme and the Structure Alignment;
- 4.3.1.2.6 LGL and L2D shall have obtained such written agreements as may be required from banks and other third parties to contracts with L2D and its subsidiaries in order to permit the implementation of the Scheme and Structure Alignment without adverse consequences (such as an event of default or the immediate repayment of debts), and all such agreements shall be in such forms as LGL may reasonably require; and
- 4.3.1.3 prior to the time at which all of the other Scheme Conditions (excluding obtaining a compliance certificate from the TRP as required in terms of paragraph 4.3.1.2.5.1 which will only be obtained after the Scheme Condition in this paragraph 4.3.1.3 has been fulfilled) have been fulfilled or, if applicable, waived, the Scheme has not terminated in accordance with paragraph 8.
- 4.3.2 The Scheme Conditions in paragraphs 4.3.1.1, 4.3.1.2.1, 4.3.1.2.3, 4.3.1.2.4 and 4.3.1.2.5 are regulatory in nature and cannot be waived. The Scheme Conditions in 4.3.1.2.2 and 4.3.1.2.6 may

be waived by LGL. The Scheme Condition in 4.3.1.3 may be waived by agreement between L2D and LGL.

- 4.3.3 LGL and L2D may amend the Long Stop Date and/or the date referred to in paragraph 4.3.1.1 by written agreement and, if required, with the approval of the TRP. If the Long Stop Date or the date referred to in paragraph 4.3.1.1 is amended, the amended date will be released on SENS and, if required, published in the South African press.

## 5. DISTRIBUTIONS

- 5.1 The Scheme will provide for L2D to declare and pay to L2D Shareholders distributions (as REIT distributions of L2D's income) in respect of income accrued in the period commencing on 1 January 2023 and ending on the last day of the month prior to the month in which the Fulfilment Date occurs ("**Distribution Period**"), on the basis that, inter alia:
- 5.1.1 within three months after the expiry of each successive L2D complete six-month financial reporting period (being any six-month period commencing either 1 January or 1 July) ("**Reporting Period**") that occurs within the Distribution Period, L2D will be able to continue to declare and pay a distribution ("**Ordinary Distribution**") of L2D's income in respect of that Reporting Period in the ordinary course;
- 5.1.2 prior to implementing the Transaction and in addition to any Ordinary Distributions, L2D shall, subject to paragraph 5.1.3, effect a cash distribution ("**Clean-Out Distribution**") of distributable income accrued in respect of the period commencing on the day following the end of the most recent Reporting Period and ending on the last day of the month preceding the month in which the Fulfilment Date occurs;
- 5.1.3 a Clean-Out Distribution shall not be payable if the Fulfilment Date occurs during the month following the last month of a Reporting Period;
- 5.1.4 by way of illustrative example, if the Fulfilment Date occurs during November 2023, L2D will pay:
- 5.1.4.1 an Ordinary Distribution in respect of the Reporting Period ending on 30 June 2023 by no later than 30 September 2023; and
- 5.1.4.2 a Clean-Out Distribution in respect of the period commencing on 1 July 2023 and ending on 31 October 2023;
- 5.1.5 the Clean-Out Distribution will be paid to L2D Shareholders on the date of implementation of the Scheme ("**Implementation Date**"), simultaneously with the Scheme Consideration.
- 5.2 The amount of any Ordinary Distribution or Clean-Out Distribution shall be calculated, inter alia, by determining the distributable profits of L2D for the period in respect of which the Ordinary Distribution or Clean-Out Distribution will be declared net of any of L2D's transaction costs and in accordance with L2D's accounting and financial reporting practices adopted for the year ended on 31 December 2022.

- 5.3 The declaration and payment of an Ordinary Distribution or the Clean-Out Distribution in accordance with the Scheme shall not affect the Scheme Consideration. If, however:
- 5.3.1 the amount of any such Ordinary Distribution per Share or Clean-Out Distribution per Share is in excess of the per Share amount calculated in accordance with the Scheme; and/or
- 5.3.2 L2D declares or pays any other distribution (not being an Ordinary Distribution or a Clean-Out Distribution) between 31 December 2022 and the Implementation Date,

then the aggregate of all excess amounts referred to in paragraph 5.3.1 and of the per Share amounts of all other distributions referred to in paragraph 5.3.2 shall be deducted from the Scheme Consideration. If any such reduction of the Scheme Consideration is required, L2D and LGL shall as soon as possible publish a SENS announcement informing L2D Shareholders thereof.

## 6. Employee share scheme

If the Scheme Resolution is adopted, an offer will be made to all of the participants in L2D's Restricted Share Plan ("**RSP**") to forfeit their awards and rights under the RSP in consideration for replacement awards and rights ("**Replacement Offers**"). The Replacement Offers will be conditional on all of the Scheme Conditions having been fulfilled or, if applicable, waived.

## 7. Interim period undertakings

L2D has undertaken that it and each of its subsidiaries shall carry on and preserve its business in a manner consistent with past practice. In addition, L2D has agreed to a number of customary interim period undertakings for a transaction of this nature which will be more fully set out in the Scheme Circular.

## 8. Termination

- 8.1 The Scheme shall terminate with immediate effect and all rights and obligations of LGL, L2D and L2D Shareholders in terms of the Scheme shall cease forthwith on written notice of termination by LGL to L2D, which may be given by LGL only if:
- 8.1.1 the Independent Board (as defined in paragraph 10), withdraws, modifies or qualifies its opinion that the Scheme Consideration is fair and reasonable to Scheme Participants or its recommendation to vote in favour of the Scheme Resolution; or
- 8.1.2 a Material Adverse Change (as defined in paragraph 8.2) occurs.
- 8.2 A "**Material Adverse Change**" means any change, matter, event, occurrence or circumstance, as a result of which any of the following has occurred or is likely to occur:
- 8.2.1 the gross asset value of the property portfolio of L2D and its subsidiaries (collectively "**L2D Group**") is reduced to less than 90% of the gross asset value of R8,205,855,000.00 reflected in L2D's annual financial statements as at and for the year ended on 31 December 2022; or

- 8.2.2 the income of the L2D Group for any period of twelve consecutive months is reduced to less than 90% of the income of R994,312,000.00 reflected in L2D's annual financial statements as at and for the year ended on 31 December 2022; or
- 8.2.3 the net property income of the L2D Group for any period of twelve consecutive months is reduced to less than 90% of the net property income of R554,077,000.00 reflected in L2D's annual financial statements as at and for the year ended on 31 December 2022.

## 9. CONCERT PARTY ARRANGEMENTS AND BENEFICIAL INTERESTS

- 9.1 LGL confirms that it is the ultimate purchaser of the Shares pursuant to the Scheme. The Excluded Shareholders may, as related or inter-related companies of LGL, be deemed to be acting in concert with LGL and will not vote on the Scheme Resolution or be Scheme Participants. However, LGL is not acting in concert with any other party in relation to the Scheme.
- 9.2 LGL holds 525,238,956 Shares, representing 57.8% of all issued Shares. Lexshell 615 Investments Proprietary Limited ("**Lexshell**"), a wholly owned subsidiary of LHL, owns 6,325,747 Shares, representing 0.7% of all issued Shares.
- 9.3 Liberty Holdings Limited, which owns 100% of LGL, holds 25,000 Shares, representing 0.003% of all issued Shares.
- 9.4 ZDP, which is a wholly-owned subsidiary of L2D and an indirect subsidiary of LGL, holds 22,143,171 Shares, representing 2.44% of all issued Shares.
- 9.5 None of LGL, LHL, the Excluded Shareholders or Lexshell has had any dealings in Shares during the six-month period prior to the date of this announcement.
- 9.6 The Liberty Two Degrees Restricted Share Trust ("**Trust**") holds 20,612,817 Shares for the purposes of the RSP. Pursuant to the provisions of the RSP, the Trust acquired 4,169,820 Shares on 1 March 2023 at a price of R4.30 per Share. The Trust has not disposed of Shares for its own account within the six-month period prior to the date of this announcement.
- 9.7 The Trust will not vote on the Scheme Resolution.
- 9.8 No beneficial interests in L2D are held or controlled, directly or indirectly, by any LGL directors.
- 9.9 Neither LGL nor any of its directors have any options to purchase any L2D shares or beneficial interests therein.

## 10. INDEPENDENT BOARD, INDEPENDENT EXPERT AND FAIR AND REASONABLE OPINION

- 10.1 The L2D board of directors has, in accordance with regulation 108 of the Companies Regulations, 2011 ("**Companies Regulations**"), constituted an independent board comprising Peter Nelson, Craig Ewin, Nonhlanhla Mayisela, Itumeleng (Tumi) Dlamini, Philisiwe Mthethwa and Lynette Ntuli (the "**Independent Board**") to consider and engage with LGL in relation to the Transaction.

- 10.2 The Independent Board has appointed Mazars Corporate Finance Proprietary Limited as the independent expert (“**Independent Expert**”) to provide it with external advice in relation to the Scheme, in the form of a fair and reasonable opinion as required by and in compliance with the Companies Act and the Companies Regulations (“**Independent Expert Report**”).
- 10.3 A pre-final draft of the Independent Expert Report (“**Pre-Final Independent Expert Report**”) has been delivered to the Independent Board in terms of which the Independent Expert has, on a preliminary basis, concluded that the terms of the Scheme, including the Scheme Consideration, are fair and reasonable to L2D Shareholders.
- 10.4 The Independent Board has, taking into account the Pre-Final Independent Expert Report and on a preliminary basis, concluded that the terms of the Scheme, including the Scheme Consideration, are fair and reasonable to L2D Shareholders and as a result, intends to recommend that L2D Shareholders vote in favour of the Scheme Resolution.
- 10.5 The final Independent Expert Report and final views and recommendations of the Independent Board will be included in the Scheme Circular.

## **11. UNDERTAKINGS AND SHAREHOLDER SUPPORT**

LGL has received non-binding letters of support in connection with the Scheme from each of Coronation Asset Management (Pty) Ltd (“**Coronation**”) and Sefikile Capital Proprietary Limited (“**Sefikile**”) confirming their intentions to vote in favour of the Scheme Resolution in respect of the Shares held by them or as the representative of their clients who hold Shares, but without disclosing the identities of their clients. Coronation and its clients hold 204 070 426 Shares, constituting approximately 22.5% of the issued Shares, which equates to approximately 61.1% of the Shares that may vote on the Scheme Resolution (that is, excluding the Shares held by the Excluded Shareholders) (“**Voting Shares**”). Sefikile and its clients hold 12 135 949 Shares, constituting approximately 1.3% of the issued Shares, which equates to approximately 3.6% of the Voting Shares.

## **12. CASH CONFIRMATION**

In accordance with Regulation 111(4) and 111(5) of the Companies Regulations, LGL has obtained and delivered to the TRP an irrevocable unconditional guarantee from The Standard Bank of South Africa Limited, and the TRP has confirmed that such confirmation of funds is compliant in terms of regulations 111(4) and 111(5) of the Companies Regulations.

## **13. DOCUMENTATION**

- 13.1 L2D and LGL will jointly issue the Scheme Circular to L2D Shareholders, containing the terms and conditions of the Scheme and containing the Independent Expert Report, the opinion and recommendation of the Independent Board and the pertinent dates relating to the Scheme and necessary forms to give effect to the Scheme, and together with a notice to convene a general meeting of L2D Shareholders to consider and, if deemed fit, passing resolutions to approve the Scheme.
- 13.2 The Scheme Circular is expected to be distributed on or about 25 August 2023. A further announcement relating to the distribution of the Scheme Circular, further important details



related to the Scheme and the salient dates and times of the Scheme will be published on SENS in due course.

#### **14. DELISTING**

As soon as possible after the Fulfilment Date L2D shall apply to the JSE for the Delisting to be effected following implementation of the Scheme in accordance with section 1.17(b) of the JSE Listings Requirements.

#### **15. RESPONSIBILITY STATEMENTS**

- 15.1 The Independent Board (to the extent that the information relates to L2D) collectively and individually accept responsibility for the information contained in this announcement and certify that, to the best of their knowledge and belief, the information contained in this announcement relating to L2D is true and this announcement does not omit anything that is likely to affect the importance of such information.
- 15.2 The board of directors of LGL (to the extent that the information relates to LGL) collectively and individually accept responsibility for the information contained in this announcement and certify that to the best of their knowledge and belief, the information contained in this announcement relating to LGL is true and this announcement does not omit anything that is likely to affect the importance of such information.

Johannesburg  
27 July 2023

**Financial adviser and Transaction sponsor to L2D**  
Rand Merchant Bank (a division of FirstRand Bank Limited)

**Legal adviser to L2D**  
Werksmans Attorneys

**Lead financial adviser to LGL**  
Java Capital

**Co-adviser to LGL**  
Standard Bank

**Legal adviser to LGL**  
Webber Wentzel

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