Liberty Two Degrees Limited
Incorporated in the Republic of South Africa
(Registration number 2018/388906/06)
Share code: L2D ISIN: ZAE000260576
("L2D" or "the company" or "the Group")

# SUMMARISED GROUP RESULTS
# FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND CASH DISTRIBUTION

## L2D DELIVERS MARKET LEADING TRADING PERFORMANCE AND GOOD DISTRIBUTION GROWTH FROM ITS QUALITY PORTFOLIO

## Salient features

- 100% distribution pay-out of 18.77 cents per share (7.4% growth on HY22)
- Retail turnover up 6.8% on HY22
- Portfolio footcount up 9.1% on HY22
- Retail occupancy of 97.1%
- Retail reversion improved to -0.3% (FY22: -9.7%)
- Continued recovery in hotel occupancies
- Net asset value per share increased by 0.8% to R7.59

## Financial results for the six months ended 30 June 2023

| R'000 | Unaudited 30 June 2023 | Unaudited 30 June 2022 | % Change |
|---|---|---|---|
| Revenue | 511 694 | 455 574 | 12.3% |
| Net property income | 295,892 | 261 030 | 13.4% |
| Profit from operations | 260,927 | 227 332 | 14.8% |
| Net interest expense | (91,059) | (76 696) | 18.7% |
| Profit before fair value adjustments | 169,868 | 150 636 | 12.8% |
| Profit before tax | 215,970 | 100 852 | 114.2% |
| Headline earnings | 171,137 | 146,984 | 16.4% |
| Basic and diluted earnings per share (cents) | 25.06 | 11.14 | 125.0% |
| Headline earnings per share (cents) | 19.74 | 16.84 | 17.2% |
| Distribution per share (cents) | 18.77 | 17.48 | 7.4% |
| Net asset value per share (Rand)(1) | 7.59 | 7.53 | 0.8% |

(1) Calculated based on total equity divided by the number of shares in issue (908 443 334) excluding treasury shares of 42 755 988 in 2022 and 39 552 859 in 2022.

## Overview

L2D has generated a good operating performance for the first half of the 2023 financial year. The portfolio's operational and financial metrics have continued to improve notwithstanding the backdrop of a muted domestic economic and operating environment.

L2D's portfolio turnover and footcount are now well ahead of 2019 (pre-Covid) levels. The portfolio generated a 6.8% increase in turnover compared to HY22 and recorded a 9.1% growth in footcount compared to the same period. Higher demand for space has resulted in an improved portfolio occupancy rate of 93.6% due to stable and favourable retail occupancies and a higher office occupancy rate. Reversions on retail renewals have performed significantly better for the first half of the 2023 financial year tracking at -0.3% compared to -9.7% for the full year 2022.

Net property income, excluding the impact of lease straight lining, grew by 8.2% over the comparative period supported by the core retail portfolio and a recovery in the hospitality assets. Double digit increases in administered municipal and utility costs, and increased periods of loadshedding remain a concern. We continue to focus on cost optimisation across the portfolio and the strategic deployment of capital on sustainability projects.

Underpinned by a strong balance sheet with an LTV of 24.58%, we are pleased to report a 100% distribution pay-out for the 2023 interim period of 18.77 cents per share which is an increase of 7.4% over the comparable prior period.

Further to the above, shareholders' attention is drawn to the firm intention announcement published on SENS on 27 July 2023 in which it was announced that Liberty Group Limited would seek to acquire all the shares of Liberty Two Degrees held by minority shareholders through a scheme of arrangement.

Retail trading performance

The retail portfolio has delivered market leading trading performance over the period. The portfolio continues to show improved annual trading density, recording the highest densities to date in May 2023 at R51,664/m2, or 13.0% growth compared to May 2022. In comparison, the Clur International Q1 2023 all centres benchmark was R39,355/m2 with an annual growth of 10.1%. The portfolio's super regional centres carry 65.6% of the total portfolio turnover. Sandton (R78,800/m2) and Eastgate (R39,274/m2) carry a combined annual trading density of R59,891/m2, ahead of the Q1 Clur super regional benchmark of R46,516/m2.

All Centres within the L2D portfolio continue to trade ahead of prior year trading densities except for Midlands Mall and Lifestyle Centre which generated additional turnover in the comparative period due to the closure of neighbouring centres affected by the KZN riots. Midlands Mall is however, still trading ahead of pre-Covid densities. The moderation in turnover growth vs trading density growth in the first half of 2023 is largely due to the higher base in the comparative period post the removal of Covid restrictions as well as the temporary closure of a number of high turnover generating stores for refurbishments during the period.

| Growth | Turnover H1 2023 vs H1 2022 | Annualised Trading Density May 2023 vs May 2022 |
|---|---|---|
| Sandton City | 10.2% | 19.6% |
| Eastgate | 7.2% | 11.9% |
| Nelson Mandela Square | 16.9% | 19.6% |
| Midlands Mall | -9.7% | -3.7% |
| Midlands Lifestyle Centre | -16.3% | -4.7% |
| Promenade | 8.4% | 9.3% |
| Botshabelo Mall | 6.6% | 3.9% |
| Total portfolio (excl. MA) | 6.6% | 12.5% |
| Melrose Arch (MA) | 10.9% | 26.7% |
| Portfolio full | 6.8% | 13.0% |

Occupancy and leasing performance

The L2D portfolio occupancy level improved to 93.6% in June 2023 (December 2022: 93.5%). The retail occupancy is 97.1% (December 2022: 97.9%) due to Ster Kinekor vacating at Promenade. Opportunities to relet this space are being reviewed. While L2D's office portfolio represents only 26.2% of the total portfolio's GLA and therefore carries less weighting on the overall vacancy, we remain focused on office leasing and the office occupancy has improved to 82.1% at June 2023 (December 2022 80.0%).

| | GLA composition to portfolio | June 2023 | Dec 2022 | June 2022 |
|---|---|---|---|---|
| Retail | 60.1% | 97.1% | 97.9% | 97.2% |
| Office | 26.2% | 82.1% | 80.0% | 83.3%(2) |
| Specialised | 13.7% | 100.0% | 100.0% | 100.0% |
| Portfolio | 100.0% | 93.6% | 93.5% | 92.9% |

(2) June 2022 included the Standard Bank office which was subsequently disposed of in September 2022

Demand for retail space in the L2D portfolio remains strong driven by the high-quality nature of the portfolio. 197 leases were concluded (renewals and new deals) in the first half of 2023, equating to 67,763m2, composed of 31,983m2 retail and 35,779m2 office space.

The portfolio has improved the reversion trend in the first half of the 2023 financial year. Rental reversions across the portfolio were -5.3%, with retail renewals -0.3% and offices -20.4% which is a significant improvement to the negative reversions in 2022 (portfolio -10.4%, retail -9.7%, office: -25.5%).

Financial performance

| | HY 2023 Contribution to NPI (R'm) | % Change in NPI HY 2023 vs HY 2022 | NPI Sector composition HY 2023 |
|---|---|---|---|
| Retail | R231.8m | 3.3% | 78.5% |
| Offices | R25.6m | 66.8% | 8.7% |
| Hospitality | R16.2m | 33.4% | 5.5% |
| Other | R21.6m | 3.8% | 7.3% |
| Total NPI(3) | R295.2m | 8.2% | 100.0% |

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

Net property income, excluding lease straight-lining increased by 8.2% to R295.2 million compared to the prior comparative period, mainly attributable to increased turnover rental, a strong recovery in the hospitality assets and higher expected rates recoveries at Sandton City, Nelson Mandela Square and Eastgate.

Cost containment has been managed well, with property operating costs reflecting a 5% increase (excluding the hotels and the convention centre) and head office operating costs increasing by only 2% compared to the previous year. The ongoing electricity crisis has resulted in increased diesel costs, partially alleviated by improved diesel recoveries since the beginning of this year. Capital expenditure has been focused on sustainability projects across the portfolio to reduce the reliance on Eskom and diesel consuming generating capacity.

Net interest expense increased by 18.7%, due to higher interest rates post the refinancing and with higher hedge ratios. The increase in profit before tax includes the positive fair value adjustments of R34.4 million in respect of the property valuation in June 2023.

Balance sheet and portfolio valuation

We continue to maintain a strong balance sheet. The loan to value (LTV) is 24.58% (June 2022: 24.64%) with a healthy interest cover ratio at 2.89 times (June 2022: 3.18 times), both comfortably within banking covenant requirements. We are engaged in discussions on the refinancing of R500 million of term debt expiring in the second half of the year. Interest rate exposure is 80.3% hedged. As at 30 June 2023, the average cost of debt is 9.2% with access to total unutilised credit facilities of R308 million.

L2D's property portfolio was valued at R8.3 billion as at June 2023, a 1.2% increase on the June 2022 valuation and a 0.9% increase on the December 2022 valuation. Values are based on independent third-party property valuations as at 30 June 2023 which is in line with L2D's policy to have external independent valuations performed on the full portfolio bi-annually.

Prospects

South Africa's macro-economic environment continues to be challenged in 2023. Consumers' disposable income continues to be faced with a number of headwinds while ongoing loadshedding dampens economic growth. Notwithstanding this challenging operating environment, leading indicators are positive. This, coupled with the L2D portfolio's improving trading densities, provides support to our efforts of delivering on the operational strategy of our iconic portfolio for the rest of the year.

Declaration of cash distribution

The Board has approved, and notice is hereby given, of a distribution of 18.77 cents per share for the six months ended 30 June 2023 (the distribution).

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

| | 2023 |
|---|---|
| Declaration (SENS) | Monday, 31 July |
| Last date to trade cum dividend | Tuesday, 22 August |
| Shares trade ex-dividend | Wednesday, 23 August |
| Record date | Friday, 25 August |
| Payment date | Monday, 28 August |

L2D uses distribution per share as a relevant measure of financial performance. Share certificates may not be dematerialised or rematerialised between Wednesday, 23 August 2023 and Friday, 25 August 2023, both days inclusive. Payment of the distribution will be made to shareholders on Monday, 28 August 2023. In respect of dematerialised shares, the distribution will be transferred to the Central Securities Depository Participant (CSDP) accounts/broker accounts on Monday, 28 August 2023. Certificated shareholders' dividend payments will be posted on or about Monday, 28 August 2023.

Shares in issue at the date of declaration of this distribution: 908 443 334, inclusive of 42 755 988 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 15.01600 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 | Barbara Makhubedu |
| Chairman | Chief Executive | Chief Financial Officer |

31 July 2023

The full long-form announcement is available at:
https://senspdf.jse.co.za/documents/2023/jse/isse/l2de/interims23.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 has been released on SENS, and is available 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.com during normal business hours.

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