
LIBERTY TWO DEGREES' SOLID PORTFOLIO REMAINS ON COURSE

Steadfastly navigating tumultuous waters

- **Half-year distribution of 29.31 cents per share**
 - **Eastgate rates objection successfully resolved**
 - **Ongoing implementation of strategic building blocks**
 - **Trading density growth of 2.9%**
 - **Vacancies remain low**
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Monday, 29 July 2019 Liberty Two Degrees Limited (“L2D”), the South African focused, retail REIT, announced its results for the six months ended 30 June 2019. The property portfolio valued at R10.2 billion reported net property income of R337.8 million compared to R272.8 million in the prior corresponding period. The increase is as the result of net property income growth of 23.81% normalised to 6.1% when taking into account the new assets acquired from the Liberty Property Portfolio (“LPP”) as part of the restructuring transaction concluded in 2018. The healthy level of core income growth was supported by positive lease escalations primarily in the retail portfolio with the sustainability of rental levels underpinned by strong trading density growth. Costs were well managed across the portfolio and benefitted from the successful resolution of the Eastgate rates valuation appeal.

The board declared an interim dividend of 29.31 cents per share for the six months ended 30 June 2019, in line with the guidance provided to the market.

Commenting on the results, Chief Executive, Amelia Beattie said: ***“We are proud to report good results that are testimony of the quality of our portfolio as well as the solid fundamentals supporting our asset base. We believe in the future of South Africa and remain true to our strategic direction.”***

“The ongoing implementation of our strategic building blocks, to prepare the business for an ever changing retail environment, underpins the strong operational performance of our portfolio despite depressed market conditions. The drive and passion of our team saw the conclusion of the renewal of leases covering 133 970m² during the period compared to 15 022m² in 2018. Trading density growth reported an increase of 2.9% which is reflective of continued consumer spending in our centres with Sandton leading at 6.8%.”

The demand for rental space is healthy and the Company concluded a further 20 513m² of new tenant lease agreements across the portfolio during the reporting period.

The take back of some Edcon space, tenant optimisation and the introduction of new offerings to the Company’s tenant mix resulted in retail vacancies of 2.4%, with Sandton remaining very low at 0.6%. This is lower than the 4.3% reported at the end of June 2018, but slightly higher compared to 1.2% in the prior six months. Including pre-lets, the retail vacancy rate declined to 2.1% which remains ahead of the SAPOA Q1 2019 rate of 4.2%. Vacancy

rates across the portfolio rose from 3.4% to 4.6% at the end of December 2018 mostly in the office sector.

The Company, in its quest for continuous innovation to create experiential spaces, will be signing a long-term partnership with JCDecaux.

Chief Operations Officer, Jonathan Sinden, said: ***“We are excited about this ground breaking partnership with the world’s largest out of home advertising company. It will continue to support our drive to retain the market leading position of our malls, through innovative marketing and targeted engagement with our tenants and customers. This unique offering sets us apart in an ever changing retail world.”***

The Group’s Loan To Value (“LTV”) remains conservative at 16% with 68% of interest rate exposure being hedged as at 30 June 2019. The business achieved an interest cover ratio at 4.63 times for the period and managed to increase its hedge ratio to take advantage of a declining swap curve to 81.6% in July.

“Our targeted long term LTV level of 35% leaves ample headroom for acquisitive growth and we are evaluating a number of opportunities as well as looking at the capital investment required in our current portfolio to position us well once economic growth returns to the South African economy,” said José Snyders, Financial Director.

L2D’s strategy is complemented by a strong governance structure underpinned by sustainability policies to ensure responsible participation in the markets in which we operate. During the reporting period, Ms Zaida Adams has been appointed as Chairman of the Audit and Risk Committee with effect from 29 July 2019. Mr Wolf Cesman will remain on the Audit and Risk Committee as a member and the Board thanks him for his contribution and service as Chairman.

Mr David Munro has been appointed as a non-executive director of the Company with effect from 29 July 2019. Mr Munro is the Group Chief Executive of Liberty Holding Limited. Also, with effect from 29 July 2019, the Investment Committee members will be Mr Brian Azizollahoff, Mr Angus Band, Mr Wolf Cesman and Ms Amelia Beattie. Mr Azizollahoff will chair the Committee.

The Company is taking the lead in transforming the retail industry in an environmentally sustainable manner by announcing a ‘no plastic shopping bags’ policy to be implemented across its malls by 1 January 2020.

“Change starts with us and this requires brave conversations and decisions to ensure that we remain relevant and good corporate stewards.

“I believe our specialist retail skills, the positioning of our assets and implementation of our strategic pillars will drive distribution growth and unlock shareholder value. We face interesting, although challenging times, and as a team we will navigate through this with steadfast focus. We are committed to delivering quality property income distributions to investors and remain on track to deliver on our full-year distribution forecast,” Beattie concluded.

- Ends -

ENQUIRIES

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NOTES TO EDITORS

About Liberty Two Degrees Limited

Liberty Two Degrees was converted and relisted as a corporate REIT on the JSE main board on 1 November 2018 as Liberty Two Degrees Limited (L2D Limited) following the conversion from a CISIP. The new structure cancels the Liberty Group PUT option for no consideration and internalises the management company. The structure also introduces a conservative level of debt to the capital structure of L2D Limited, which will assist in reducing the weighted average cost of capital over time.

About Liberty Two Degrees' portfolio

The portfolio is one of South Africa's iconic, predominantly retail property portfolios with interests in assets such as the Sandton City Complex, the Eastgate Complex and Melrose Arch.

The portfolio comprises predominantly retail real-estate assets in South Africa. In Johannesburg, the retail assets are an interest in the Sandton City Complex, the Eastgate Complex and Nelson Mandela Square. Two regional shopping centres; Liberty Midlands Mall in KwaZulu-Natal and Liberty Promenade Mitchells Plain in the Western Cape are also included in the portfolio as well as interests in the mixed-use precinct of Melrose Arch and the newly developed Botshabelo Mall.

The Sandton City Complex is in the economic heartland of the country and showcases some of the most prestigious of international and domestic retailers. The attraction of its long-established iconic presence and the overall quality of the shopping experience make it irreplaceable and confers brand-value and recognition on the portfolio.

Similarly, the Eastgate Complex, with its strong history and recent upgrade, is in a large catchment area with good access. The recently refurbished Nelson Mandela Square is also a destination centre with a good entertainment offering that complements the neighbouring Sandton City Complex. Melrose Arch's office and retail component supports its status as one of the leading mixed-use precincts in Johannesburg's high-end Northern Suburbs.

Liberty Midlands Mall and Liberty Promenade Mall are large high-quality centres within regional catchment areas positioned for high growth.

In addition to the offices included in the portfolio's main retail complexes, the portfolio includes select office properties located in key business nodes with blue-chip anchor tenants. These properties include the Standard Bank Centre in Johannesburg, Liberty Centre in Century City Office Park in Cape Town and Liberty Centre in Umhlanga Ridge, Durban. Also included the John Ross Eco-Junction where the Melomed Hospital and other development opportunities provide diversification and higher yield opportunities.