

LIBERTY TWO DEGREES UNLOCKS VALUE IN LINE WITH STRATEGIC OBJECTIVES

Portfolio meets operational performance expectations despite challenging environment

- Interim distribution of 29.31 cents per unit is in line with expectation
 - Net property income increased to R272.8 million pursuant to exercising R2.5bn Liberty put option in July 2017, increasing profit from operations to R255.2 million (30 June 2017: R158.8 million)
 - Portfolio vacancies decreased from 6.4% to 6.0% with Stuttafords space fully let
 - Sandton City trading density growth leading at 5.4%
 - Proposed Restructuring Transactions set to enable the unlocking of value by aligning to market
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[Monday, 23 July 2018] Liberty Two Degrees (“L2D”), a premier retail and South African focused REIT, today released its interim results for the six months ended 30 June 2018, declaring a half-year distribution of 29.31 cents per unit. As a result of the acquisition of additional undivided shares of R2.5bn in the Liberty Property Portfolio (LPP) pursuant to Liberty Group exercising its put option, L2D’s robust and 100% local direct property portfolio was valued at R8.7 billion at 30 June 2018, increasing from R6.1 billion at 30 June 2017. In addition, L2D’s net property income grew to R272.8 million from R179.5 million in the comparative period.

L2D recorded a growth in profit from operations, before interest income and fair value adjustments, at R255.2 million from R158.8 million at 30 June 2017.

Chief Executive of L2D, Amelia Beattie said, ***“Despite the challenging economic environment, our portfolio has performed in line with expectations. Our income producing assets are underpinned by strong property fundamentals resulting in the distribution declared which is now derived from net property income, and no interest income as per the previous comparative period. Our active asset management initiatives and leasing activities, specifically those relating to filling the Stuttafords vacancies, have enabled us to reduce the overall vacancy rate to 6.0% at 30 June 2018 (31 December 2017: 6.4%). Taking into account the pre-let deals, the overall vacancy reduces to 4.4%.”***

Retail vacancies remained unchanged from the 31 December 2017 period at 4.3%. Including the pre-let deals, the vacancy would be lower at 1.8% as the new tenants only start trading towards the end of the year. The office vacancy decreased to 9.7% from 10.3% at 31 December 2017 whereas when taking the pre-let deals into consideration, the office vacancy is lower at 9.0%.

Unlocking value through alignment to investors

In responding to market concerns, on 18 May 2018 by way of a cautionary announcement, L2D communicated its intention to; convert to a corporate REIT (New L2D), internalise the management company by acquiring all of the issued shares from Liberty Holdings for R300 million, acquire additional undivided units in LPP increasing the portfolio's value by R1.2 billion and cancel the Liberty put option, collectively referred to as the Proposed Transaction.

“The Proposed Transactions seeks to more closely align L2D to investors and more importantly respond to factors that inhibit the full achievement of L2D’s objectives and growth targets as originally envisaged. This transaction is envisaged to restore positive sentiment in line with our strategy to unlock and deliver performance for our investors, better aligning unitholder value to the inherent value of L2D’s net asset value (NAV)” adds Beattie.

Unitholders are advised that the necessary agreements to proceed with the Proposed Transaction have been concluded. The full terms announcement in this regard was released on SENS on 23 July 2018 and further details will be set out in the Circular which will be posted to unitholders. A general meeting will be held on 28 August 2018 for the approval of the transaction by unitholders. It is envisaged that the effective date of the Proposed Transaction is 01 October 2018.

“We believe this transaction is a bold step in the progression of our business. We are confident that New L2D will attract a broader investor base when converting to the better accepted corporate REIT structure.

The Proposed Transactions will see the introduction of a conservative level of debt to the capital structure of New L2D which will assist in reducing New L2D’s weighted average cost of capital over time” commented L2D Financial Director, José Snyders.

L2D continues on a growth trajectory

L2D’s portfolio is performing well from a trading perspective as is evidenced in the turnover growth figures at the flagship assets, recording a positive year on year trading density growth of 2.8%. Overall, the portfolio sustained a positive turnaround in trading densities in the period compared to a negative 6.0% at June 2017. This strong recovery was supported mainly by an improvement in trading density at Sandton City of 5.4%. In addition, other key assets also contributed positively – Promenade (5.0%) and Eastgate (2.7%).

“We believe that the Proposed Transactions that have been announced are expected to contribute to an enhanced distribution growth in the future. The improved trading performance especially at Sandton City, is evidence of the robust nature of the portfolio and its ability to attract new tenants and retain existing tenants in tough economic conditions. We continue to believe strongly in our South Africa strategy and place a continued focus on key drivers that unlock value and position the portfolio to take advantage of opportunities that deliver sustainable growth”, concludes Beattie.

The information contained above has not been reviewed or reported on by L2D's auditors.

- Ends -

ENQUIRIES

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NOTES TO EDITORS

About Liberty Two Degrees

Liberty Two Degrees is a portfolio created under the Liberty Two Degrees Scheme in terms of the CISCA to afford investors growth in income and capital by investing at fair prices in a balanced spread of immovable properties and related assets permitted by the Trust Deed.

The Liberty Two Degrees Scheme was registered by the Registrar of Collective Investments Schemes on 28 October 2016 and is managed by STANLIB REIT Fund Managers. Liberty Two Degrees acquired an undivided share of the Liberty Property Portfolio immediately prior to the listing.

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.