Pre-close Investor Update as at 25 May 2018

Liberty Two Degrees (L2D) has remained focused on the sustainable delivery of key metrics to meet our operational objectives.

Highlights in the period under review are:

- We are seeing green shoots starting to emerge in the macroeconomic and consumer environments though it is too early to predict this as a sustainable trend;
- Our portfolio is performing well from a trading perspective as is evidenced in the turnover growth statistics for some assets and the arrest of declines in others;
- Leasing activities to fill large retail vacancies are on track. Office vacancies remain a challenge in an oversupplied Sandton market;
- Key appointments have been made to enhance our people complement;
- We have made progress in addressing the municipal valuations and remain committed to addressing the impact on assessment rates and consequential impact on rent to sales ratio's; and
- Management's strategic focus on the corporate restructure has delivered a positive outcome which we believe will better align unitholder value to the inherent value of the portfolio.

South Africa's economic sentiment has improved over the last quarter and this supports the measured yet positive uplift we have seen in our trading environments. We believe this will assist growth across the L2D portfolio and bodes well for rental reversions in the retail space. We are optimistic that these developments are leading indicators for sustainable growth, but remain cautious of the pressures the retail environment faces with certain retailers showing increased signs of strain.

Robust nature of our portfolio

In the period under review, our portfolio has seen positive trading density growth of 2.0% (12 months to March 2018) and turnover growth of 0.9% year on year. This is largely attributable to good trading density growth at Sandton City of 4.0%. Growth was also attributable to, amongst others, turnover growth at Liberty Promenade of 6.8%, Melrose Arch at 6.3% and Eastgate at 0.3%. Overall, our portfolio sustained a positive turnaround in the period.

Retail vacancies remain low at 2.3% at the end of April 2018 excluding the impact of Stuttafords. This includes the remaining vacancies of 1,858m² GLA (8.5%) at Liberty Midlands Mall following the launch of the Phase III development (now known as the Lifestyle Centre). The inclusion of Stuttafords sees vacancy levels at 4.9% at 30 April 2018. Most of the Stuttafords space has now been let (*refer to Stuttafords vacancy update below*). The portfolio's office vacancy of 10.7% remains below SAPOA's national benchmark vacancy rate of 11.5% for the first quarter of 2018. The Sandton node continues to be a challenge with an oversupply in office space. Considerable efforts are being made to attract the right caliber of tenants, with higher commissions and tenant installation allowances being offered, however the take up remains pedestrian.

Despite a difficult environment, we are satisfied with the lease renewals we have achieved in the first quarter. Our assets continue to retain quality tenants and attract new quality concepts and flagship stores for local and international brands.

Quality assets

Our portfolio remains well positioned for operational growth, supported by good quality underlying property income and supplemented by yield-enhancing developments and extensions. The new leases concluded in the period are indicative of the continued strong retail demand at our centres.

Stuttafords vacancy update

The closure of Stuttafords had an impact on rental income at Sandton City and Eastgate. In turn, this provided an opportunity to bring in exciting new stores we could not previously accommodate.

- Sandton
    - Opening of Dis-Chem's flagship 1,807m² store - occupying a significant portion of the space vacated by Stuttafords.
    - Pick n Pay Clothing, Ted Baker and YSL have also taken up space and are currently trading.
    - Markhams, LC Waikiki, Exclusive Books and Dion Wired are all currently in the fit out period and are due to start trading in the third quarter of 2018.
    - The remaining 650m² is currently under negotiation and will be occupied by a pop-up tenant until a suitable long term tenant can be found.

- Eastgate
    - The total Stuttafords retail vacancy at Eastgate has been filled, and deals have been successfully concluded at a collective GLA of 7,711m². The retailers will start trading in the last quarter of 2018 which includes H&M and MRP (Mr Price).
    - The only remaining portion is the office space previously occupied by the Stuttafords head office.

Edcon Group lease rationalisation

- The Edcon Group has announced its strategy to rationalise its total leased retail premises. L2D has been in proactive discussions with Edcon regarding the turn-around strategy and the assessment of the potential impact on our portfolio. Discussions have been constructive, we therefore believe these will lead to an outcome that balances the needs of all affected parties and supports the South African retail environment. We will advise the market on the final outcome once we are in a position to do so. L2D's portfolio exposure to Edcon is 5.9% by GLA across the portfolio.

New leases concluded

As a firmly established leader in innovation, fashion, and entertainment, L2D has reinforced Sandton's position through the R90 million Level 2 redevelopment which saw the conclusion of the Fun District redevelopment totaling 2,685m² GLA. Tenants include the San Antonio Halaal Spur, Hamley's World toy store, BT Games and the refurbished market leading Ster Kinekor Cinema.

As part of the leasing strategy, and in line with our stated intent to enhance shopper experience, we have added the following brands to our tenant mix at Sandton City; Camicissima, Christian Dior Cosmetics, Star Bucks, Bras and Things and House of Samsonite. The following retailers will begin trading in the third quarter of 2018: LEGO®, Coach, Emporio Armani and Paul Mitchell.

Liberty Midlands Mall – Phase III (the Lifestyle Centre)

The 22,000m² new "lifestyle" retail phase of Midlands Mall in KwaZulu-Natal was completed and successfully opened in March 2018. The development offers over 200 additional retail and leisure bringing the total size of the mall to a GLA of 78,000m² from a previous size of 56,000m².

Innovation and trends

Our analytics enable us to remain trendsetters in the retail space as we endeavour to better serve our customers. The systems we have put in place such as ***Syenap***, the fast and free ***Wi-Fi*** connectivity and ***Admyt***, continue to enable us to understand, predict and impact customer activity to support us in improving our leasing and marketing strategies. We are also engaging various data and analytics consultants to improve the mining of various data banks and extract trends to help better predict and support our customer experience.

Now that we have a full year of data from Syenap at Sandton City and Nelson Mandela Square, we have seen positive foot count growth year on year.

Focused Management

We have responded to the market concerns relating to our corporate structure and believe we are proposing the best possible outcome for our stakeholders.

Addressing challenges relating to the corporate structure

On Friday, 18 May 2018 L2D released a cautionary announcement detailing the various steps that we intend implementing to address our current corporate structural issues. These include;

- the cancellation of the existing put option with Liberty and the further acquisition of an additional R1.2bn share of the Liberty Property Portfolio,
- the conversion of L2D to a corporate REIT to be listed on the JSE as a new company,
- the internalisation of the management company of L2D for a consideration of R300m and
- the introduction of a conservative level of debt to the REITs' capital structure.

This transaction is subject to, inter alia, the approval of the Financial Sector Conduct Authority (FSCA) and such other regulatory approval as may be required. As we are in the process of engaging with various parties on the matter, we remain under cautionary until negotiations are concluded.

In conclusion

We remain committed to delivering sustainable quality income distributions to investors through initiatives that diversify and positively impact our portfolio's operational and financial performance. We continue to increase our retail exposure to international tenants as a differentiator in our target markets, a strategy that has had a positive impact on growth.

Keeping our investors engaged remains an important aspect of our business. Our continued focus includes taking measures that balance the commercial interests of all our stakeholders.

We are pleased with the progress made to fill the Stuttafords vacant spaces at both Sandton City and Eastgate, which gives evidence to the demand for retail space in our assets from both local and international brands and stands as testament to the quality of the environments we manage.

L2D enters a closed period as at 01 June 2018. Our half-year financial results for the period to 30 June 2018 are due to be released on Monday, 23 July 2018. A presentation of the results is scheduled to take place on 24 July 2018.