
LIBERTY TWO DEGREES' QUALITY ASSETS UNDERPIN SOLID PERFORMANCE

Solid capital structure positions Liberty Two Degrees for positive and sustainable performance

- **Delivered 60.43 cents per share full year distribution in line with guidance**
 - **Favourably refinanced 2019 debt expiry at improved rates**
 - **Sandton City trading density growth of 9% boosts retail portfolio trading density to 3.6%**
 - **Retail vacancy rate remains low at 2.3%**
 - **Successful delivery of key sustainability and bold market-leading initiatives**
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Monday, 24 February 2020 Liberty Two Degrees Limited ("L2D"), the South African precinct focused, retail-centred REIT, is pleased to announce its results for the year ended 31 December 2019. The L2D Board has declared a final dividend of 31.12 cents per share for the second half of the 2019 financial year, bringing the total distribution declared to 60.43 cents per share being 0.7% ahead of guidance.

At 31 December 2019, L2D's 100% South African property portfolio was valued at R10.27 billion (FY18: R10.15 billion) which includes the acquisition of a R24 million additional stake in Botshabelo Mall. L2D reported net property income of R694 million for the year, an 18% increase from 2018. The net asset value per share increased from R9.45 in 2018 to R9.65 at the end of 2019. L2D continues to benefit from a purpose driven strategy that contributes to creating a customer focused approach to portfolio initiatives.

The underlying quality of the assets, supported by the drive and passion of the team in the implementation of the key strategic initiatives has led to a strong portfolio operational performance. For the period, sustainable trading density growth of 3.6% is reported for the retail portfolio with Sandton leading at 9% up from 4.0% in 2018.

Retail vacancies remain low at 2.3% and below the SAPOA benchmark of 4.2%. This improvement was mainly driven by retail leasing initiatives which saw leases covering 149 101m² renewed in the period (FY18: 49 472m²) and a further 37 031m² (FY18: 52 557m²) in new tenant lease agreements concluded across the portfolio, reflecting a healthy demand for rental space at the centres. Overall, the office space vacancy increased marginally to 10.2% from 9.8% at June 2019. The portfolio office letting remains strained in the absence of economic growth.

With a commitment to gender diversity and transformation, L2D has made strategic appointments in the period to strengthen the leadership team and deepen the talent pool. Heloise Mgcina who joined L2D as a Marketing and Communications Executive on 1 January 2020 and Head of Analysis, Sumenthree Moodley, were both appointed to the L2D Management Committee.

Commenting on the results, Chief Executive, Amelia Beattie said: ***“The period was characterised by positive distribution growth and good trading performance as a result of active management. The implementation of our strategic building blocks continues to show great traction in creating experiential spaces, having a resultant positive impact on customer experience and stakeholder value. Our operational results are testimony to the quality of our portfolio as well as the solid fundamentals supporting our asset base in a challenging environment.”***

L2D’s Loan To Value (“LTV”) remains conservative at 16%, with 75% of interest rate exposure being hedged as at 31 December 2019. The business achieved an interest cover ratio at 4.68 times for the period.

“Our targeted long term LTV level of 35% leaves headroom for considered acquisitive growth whilst mitigating risk in a strained economic cycle. Costs were well managed across the portfolio during the period, however municipal and utility costs increased substantially ahead of inflation and remain a challenge,” said José Snyders, Financial Director.

L2D continues to take the lead in transforming the retail industry in an environmentally sustainable manner. On 1 January 2020, L2D implemented a ‘no plastic shopping bags’ policy across its malls. This is in line with its **Good Spaces** commitment to ensure minimal impact on the environment and to achieve the company’s NetZero target by 2030. In addition, the Aquaponics Farm District at Eastgate Shopping Centre was launched, utilising smart new technologies to provide sustainable solutions to food production and security to patrons of the centre as well as the broader Johannesburg.

“To ensure that the customer experience journey remains strong, L2D will make targeted investments in initiatives to remain at the forefront of retail evolution. Tenant experience remains key through an optimised rental base translating into sustainable operational performance. L2D’s guidance for the 2020 full year distribution is to be equivalent to 2019. We aim to ensure prudent capital and risk management which we believe will maintain a strong balance sheet through disciplined capital allocation. Our commitment to our portfolio’s overall NetZero target by 2030 will see us deliver a NetZero waste target by 2020” 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.