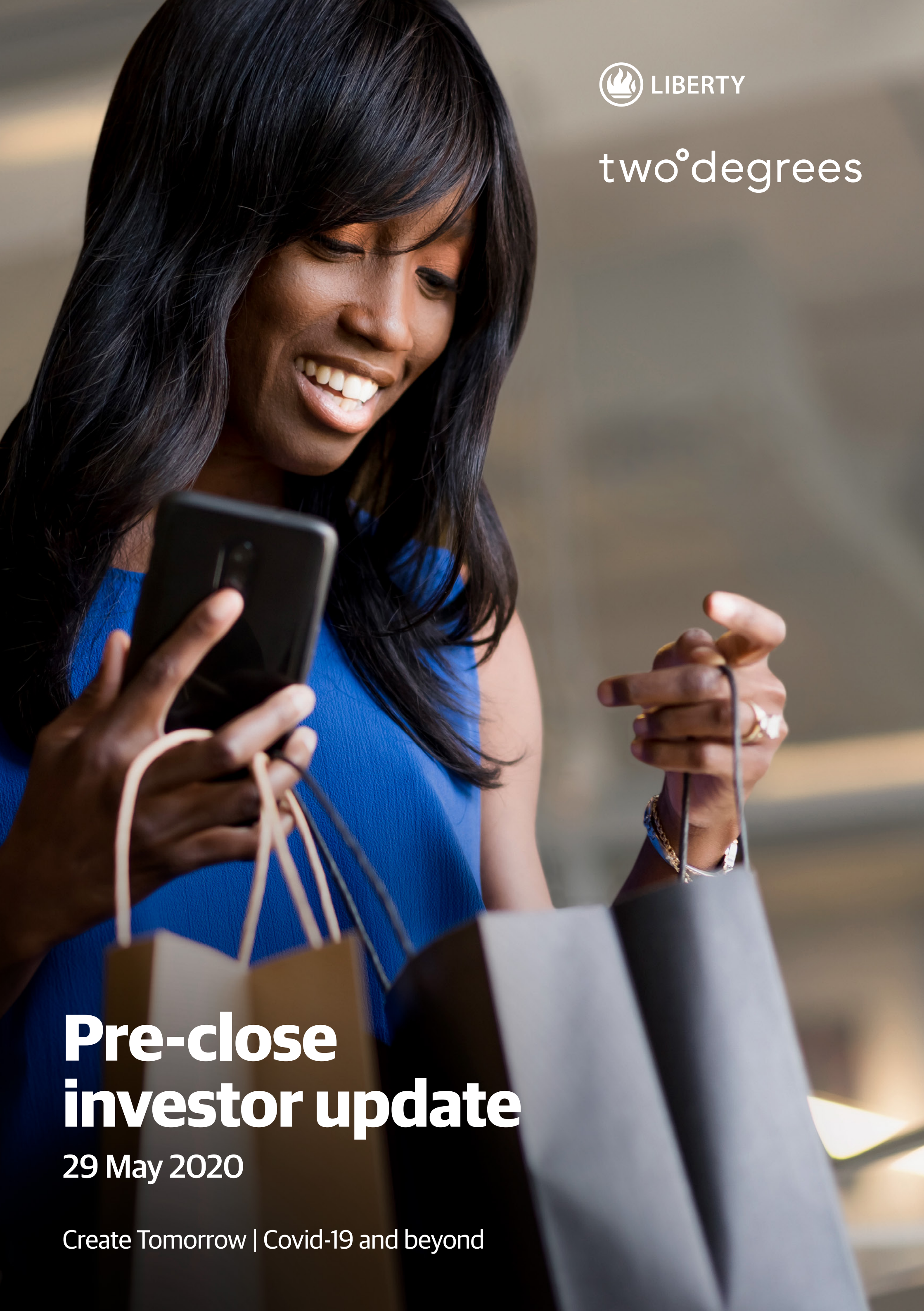


LIBERTY

two°degrees

Pre-close investor update

29 May 2020

Create Tomorrow | Covid-19 and beyond

Liberty Two Degrees (L2D) presents this pre-close investor update ahead of the interim closed period which commences on 1 June 2020.

In these unprecedented times the safety, security and well-being of our customers, tenants, service providers, people and stakeholders remains our top priority as we deal with the impact of Covid-19. Management's focus is on implementing strategies that position the business first for stability and sustainability and secondly for growth within the new future of retail.

Our sincere thanks and gratitude go to our people, service providers and all stakeholders for their commitment and support over this time.

LIBERTY two°degrees

Covid-19 update

In line with the government's guidance our malls partially closed on 27 March 2020 with only essential services trading for the 5-week period thereafter at level 5 of the lockdown. On 1 May 2020, a number of stores opened as part of the level 4 conditions and over 70% of the GLA of our malls have since returned to trading.

Given differences in tenant mix, Promenade Shopping Centre benefits from 78% of tenants trading and Nelson Mandela Square, with a higher proportion of restaurants, currently has 18% of tenants trading.

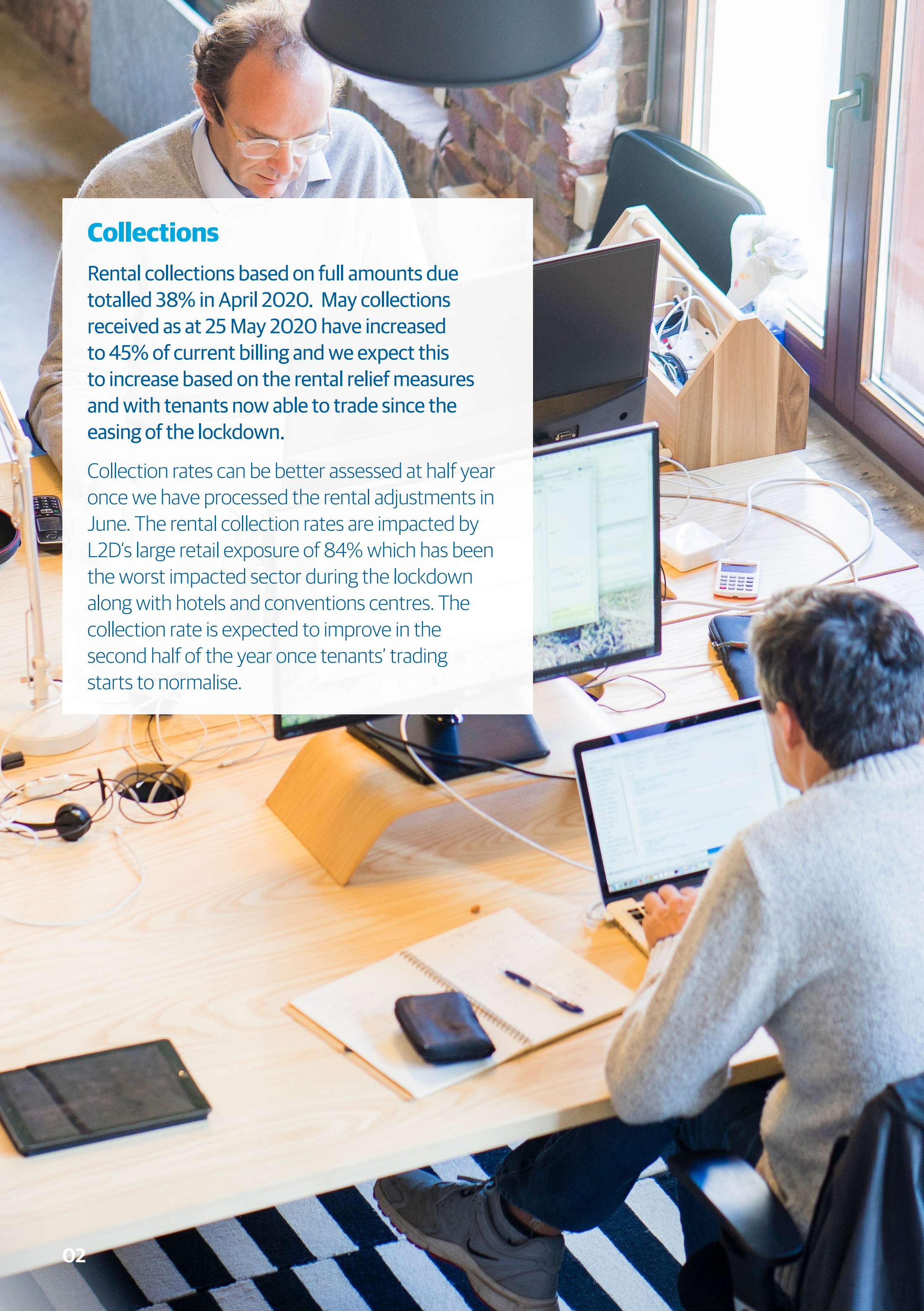
Rental relief

Our overall philosophy is to respond with humanity and empathy in dealing with tenants whilst balancing the need to protect the sustainability of our business and act in the interests of our stakeholders. L2D formed part of the Property Industry Group (PI Group) which engaged retailers in a unified approach on the commercial assistance that could be provided to tenants during the lockdown period and workshop other practical measures the broader property industry could provide at this time.

The proposals formulated by the PI Group serve as non-binding guidelines and are ultimately superseded by bilateral agreements between specific tenants and landlords. They served as a comprehensive platform for engaging on the impact of the lockdown from various industry viewpoints and we are cognisant of these as we continue to pragmatically engage our tenants with the aim to try and retain tenancies within the portfolio on sustainable commercial terms.

Our aim is to drive a clearly defined plan to get the malls open as soon as regulations allow and to support the return of shoppers to our environments in a safe and responsible manner. As a corner stone of our business our tenants remain a key part of this plan and the sustainability of their operations remains of paramount importance.

The commercial assistance we will provide will consider factors such as size of operation, cost of occupation and our assessment of the estimated level of impact given our understanding of the tenant's operations and the requirements of the mall and our broader portfolio. This does not however translate into turnover based rental, but we are trying to find the balance between tenant and landlord in achieving a fair and sustainable outcome.



Collections

Rental collections based on full amounts due totalled 38% in April 2020. May collections received as at 25 May 2020 have increased to 45% of current billing and we expect this to increase based on the rental relief measures and with tenants now able to trade since the easing of the lockdown.

Collection rates can be better assessed at half year once we have processed the rental adjustments in June. The rental collection rates are impacted by L2D's large retail exposure of 84% which has been the worst impacted sector during the lockdown along with hotels and conventions centres. The collection rate is expected to improve in the second half of the year once tenants' trading starts to normalise.

Tenant risks

L2D continually monitors tenant performance in order to proactively manage risk. Specific tenant updates are provided below.

Edcon

Edcon released an announcement on 29 April 2020 in relation to its commencement of voluntary business rescue proceedings. The first meeting of creditors was held on 18 May 2020. The publication of the business rescue plan is set for 8 June 2020. In the interim our leasing teams have prepared plans and we await the outcome of Edcon's business rescue process. The potential vacancy offers the opportunity to introduce new tenants and diversify the tenant mix.

Edcon occupies 3.5% of the total portfolio GLA at 31 March 2020 and is currently in arrears for both March and April rentals.

The investment in Edcon as part of the restructuring in 2019 is carried at a fair value of R17.5m as at 31 December 2019. We are currently engaging with the business rescue practitioners but given information available at this time the investment will be fully impaired at mid-year.

Massmart

On 19 March 2020, Massmart announced that their Dion-Wired stores will cease to trade. L2D's overall exposure to Massmart was 2.0% of portfolio GLA at 31 March 2020. We only had one Dion-Wired store which was located at Sandton City and the lease expired on 30 April 2020 which reduced the overall Massmart exposure to 1.9% of portfolio GLA.

A possible replacement tenant has been identified for the Dion-Wired space at Sandton City and we will continue to closely monitor the performance of Massmart going forward.

Prada

The Prada store in Sandton City's Diamond Walk has closed and Prada has taken the decision to optimise its retail network, focusing its strategy on markets that do not include South Africa. The store occupied 799m^2 of the centre's GLA.

We are currently engaging with other suitable brands and the intention is to subdivide the Prada premises for new brands.

Retail sector trading performance

Covid-19 impacted trade in March as the centres were closed for 5 days as a result of the lockdown, apart from essential services which continued to trade.

The latest available trading information is for the month ended 31 March 2020 at which time our retail portfolio (excluding Melrose Arch and Midlands Mall Lifestyle Centre) reported annualised trading density growth of 1.3%. Sandton City reported annualised trading density growth of 2.8% at the end of March 2020. We anticipate the trading densities to substantially reduce in Q2 2020 as only essential services were able to trade until the commencement of level 4 of the lockdown on 1 May 2020.

Footcount

At the end of March 2020 and April 2020, the portfolio footfall (excluding Botshabelo) had reduced by 6.4% and 26% respectively versus the comparative 2019 period. The decline in March and April year to date footcount is attributable to the onset of Covid-19 and the implementation of the nation-wide lockdown with effect from 27 March 2020.

The year to date May footcount is 30.6% down compared to the comparative period last year. The weekly portfolio footcount returned to 46% of the comparative 2019 week for the week ended 8 May 2020 which was most likely as a result of the SASSA payments as well as Mothers' Day weekend. The footcount numbers indicate that there was an influx of shoppers at the start of level 4 of lockdown to potentially meet pent up demand for winter clothing. The weekly number of shoppers declined marginally in the next week but has since remained consistent. We expect footcount to steadily increase as more stores open with the move to level 3 of lockdown.

Annualised trading density growth over a 12-month rolling period

The table below details the trading density growth across the portfolio measured on a full year basis to the end of March 2020 compared to full year ended March 2019. It is evident from the numbers below that whilst there is still positive trading density growth it is at a much slower rate than what was reported for the year ended 31 December 2019.

	Annualised trading density (R per m²)	% growth YoY at March 2020
Sandton City	57 375	2.8
Eastgate Shopping Centre	36 610	(1.2)
Nelson Mandela Square	57 228	2.2
Promenade	41 723	3.6
Midlands Mall	37 046	(2.6)
Lifestyle Centre	17 978	0.4
Botshabelo Mall	34 285	14.3
Portfolio (excl. Melrose Arch and Lifestyle Centre)	**44 947**	**1.3**

While the overall trading of the centres has continued to improve over the last year compared to the previous twelve months, as evidenced by the year-on-year growth rates, the March 2020 performance has negatively impacted the growth rate with annual growth decreasing from 3.5% in December 2019 to 1.3% in March 2020. The poorer March 2020 performance is due to a combination of the closure of most stores for the first five days of the lockdown level 5 period and the reduced footfall during this initial lockdown period as well as not all stores providing turnover figures due to closure. As such the actual annualised trading density of the portfolio has reduced when compared to December 2019. Botshabelo and Promenade however have continued to grow their respective trading density levels buoyed by the support of their communities.

Leasing activity

Retail leasing remained encouraging in the period with 8 884m² in new leases concluded across the portfolio up to 30 April 2020, of which the majority was concluded by the end of March.

The overall portfolio vacancy rate was 4.6% at 31 March 2020 and 5.0% at 30 April 2020. Good office leasing initiatives saw vacancies drop to 9.9% at 30 April 2020 from 10.2% in December 2019. Retail vacancies increased to 2.6% at 31 March 2020 (2.3% at December 2019) and were 2.9% at 30 April 2020 as a result of a small number of closures during lockdown. The slight increase in the retail vacancy since December is largely due to the closure of House and Home at Eastgate Shopping Centre which was marginally offset by the re-tenanting of the Mr Price Home premises. The retail vacancy rate remains below that of the sector benchmark vacancy rate (4.6% at 31 December 2019).

Office sector

The office property sector remains a challenge and is constrained by the fragile economic environment and over supply of new office developments as well as the added pressure as a result of Covid-19. The overall office vacancy rate improved slightly to 9.3% at the end of March due to enhanced occupancy in Umhlanga Ridge Office Block and was 9.9% at 30 April 2020.. The office component of our portfolio has shown resilience under tough economic conditions and remains below the SAPOA vacancy rate of 11.6% for the first quarter of 2020.

L2D remains focused on servicing and retaining our current tenants whilst exploring initiatives to attract new tenants into our vacant space. We do expect the office environment to be impacted by structural changes occasioned by changing working patterns as a result of Covid-19.

Hospitality

Tsogo Sun Hotels Limited (Tsogo Sun Hotels) released a trading update on Thursday, 21 May 2020 setting out its response to the impact of Covid-19. L2D has three hotels in the Sandton City precinct that are currently closed.

The contribution of the hotels to the total portfolio Net Property Income (NPI) for the 2019 financial year was 4.3%. The financial impact on L2D will vary depending on when hotels will re-open and occupation normalises. The Sandton Convention Centre is currently closed in line with the lockdown regulations and will resume bookings once the restrictions are lifted.

Capital management and liquidity

During the first quarter an additional term facility of R200m was finalised. Together with existing debt facilities as at 31 March 2020, this brings the current LTV to 18% and the current group Interest Cover Ratio to 4.39 times cover. As at 31 March 2020, 66% of our interest rate exposure is hedged for an average period of 2.59 years. The recent drop in term interest rates will have a negative impact on the current mark to market values of our interest rate hedges.

Further unutilised revolving credit facilities totalling R300m have been secured at rates and terms which approximate our existing facilities. A series of stress tests to assess our liquidity position under various recovery scenarios have been done. The Company's liquidity management remains robust and management are satisfied that we have sufficient cash reserves and unutilised debt facilities to cover our business commitments as they fall due. Should we fully utilise the additional R300m our current LTV would increase to 20.9%.

Valuations

Management has performed an analysis of the potential stresses on the individual assets as a result of Covid-19 and while the actual impact remains uncertain, we expect the interim valuations to be negatively impacted. An independent valuation of the portfolio will be performed at 30 June 2020 and reported on as part of the interim results.

Strategic update

The Covid-19 pandemic has forced L2D to re-imagine and re-prioritise its strategic building blocks which underpin the success and future proofing of its assets.

L2D through its Smart Spaces building blocks recently developed an Amazon Web Services (AWS) dashboard which will aggregate various data sources (e.g. WIFI, Syenap, Admyt, trading data, etc.) into a single view. This will allow us to get greater insights for our clients, tenants and service providers. L2D will be adding additional data sources onto its platform during the course of 2020 which will assist in providing even further insights. It has been evident during the pandemic that there has been a necessary shift to on-line purchasing whilst physical retail has been partially shutdown. Smart spaces aims to accelerate its roadmap to create the seamless interaction between digital and physical retail.

L2D's other key focus area which remains unchanged is our focus on moving our entire portfolio to a Net Zero waste status by the end of 2020 and the elimination of plastics bags, balloons and plastic straws in our mall environments.

Our building blocks are all underpinned by Safe Spaces. Safe Spaces is our focus on the safety of our customers, tenants and service providers in our mall environments. Safe Spaces has never been more relevant given the current circumstances and our malls have put various safety measures in place to ensure that our mall environments remain open and trading.

Conclusion

CREATE
TOMORROW

As part of the response to Covid-19 and the changing retail environment, L2D has focused on preparing for a different new reality post the crisis. We have recently launched the "Create tomorrow" marketing campaign to establish loyalty and trust with our shoppers and redefine our retail spaces. In addition, there are a number of initiatives being worked on to position the business for the expected step change towards bringing online retail into the physical environments.

Despite a gradual easing of lockdown restrictions in South Africa, we expect the pandemic to impact our performance for the remainder of the 2020 financial year as levels of uncertainty continue to impact economic conditions and consumer confidence. As a result of this uncertainty, the full impact on distribution and valuations cannot be accurately determined at this time and the distribution guidance for 2020 has been withdrawn per the voluntary update SENS released on 30 March 2020. The business remains well capitalised and we are committed to our various contributions to society and partnering with our tenants and other stakeholders to be well positioned for when the economic environment improves.

The Company enters a closed period as at 1 June 2020. L2D's interim financial results for the six months ending 30 June 2020 are due to be released on SENS on Monday, 27 July 2020. A virtual presentation of the results is scheduled to take place on the same day.

The information set out in this update is the responsibility of the L2D Board of Directors and has not been reviewed or reported on by the Company's external auditors.

29 May 2020
Johannesburg

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