



LIBERTY

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INTERIM RESULTS PRESENTATION

FOR THE SIX MONTHS ENDED 30 JUNE 2017





AGENDA

| | SECTION | PRESENTER |
|----------------------|---------|----------------|
| INVESTMENT CASE | 1 | AMELIA BEATTIE |
| FINANCIAL RESULTS | 2 | JOSÉ SNYDERS |
| OPERATIONAL OVERVIEW | 3 | AMELIA BEATTIE |
| LOOKING AHEAD | 4 | AMELIA BEATTIE |



SECTION 1

INVESTMENT CASE



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INVESTMENT CASE



RESILIENT SUPER REGIONALS AND REGIONALS

PREMIER QUALITY RETAIL REAL ESTATE

UNPARALLELED SUSTAINABLE WEEKDAY TRADE

LIFESTYLE AND LEISURE **DESTINATIONS**

SA RETAIL **FOCUSED** MANAGEMENT

PREDICTABLE GROWTH PROSPECTS



PERFORMANCE HIGHLIGHTS

| Net asset value | Interim distribution | Investment properties increase | Portfolio vacancy rate | Capital committed |
|---|--|---|--------------------------------------|---|
| ▲ 3.1% | ✓ 30.00c | ▲ R84m | ▼ 3.3% | ✓ R2.5bn* |
| NAV per unit increased by 3.1% to R9.94 | Per unit for six months ended 30 June 2017 | Increase in investment properties since December 2016 | Decreased from 4.6% in December 2016 | 90% of cash raised at listing committed |
| Improved Balance Sheet | | | | |



RESILIENCE IN A TOUGH OPERATING ENVIRONMENT

The robust assets in the portfolio remain resilient during the tough economic climate as they continue to:

- Maintain **low vacancies**
- **Trade above** benchmarks
- **Attract** international brands

The environment remains tough and calls for **focused attention** on tenant retention, customer intelligence and creative marketing activities



Political instability



Inflation concerns

Sovereign downgrades



Depressed consumer confidence



Interest rate relief



Low business confidence

Risk of further job losses



Struggling retail sector





STRATEGIC HIGHLIGHTS

TRANSACTION

- Committed **R2.5bn of cash reserves** pursuant to the exercise of the Liberty PUT option at the 30 June independent market valuation

SUSTAINABLE TRADING ENVIRONMENT

- Uncapped free **customer connectivity** (Wi-Fi)
- New **international tenants** as affordable luxury continues to perform
- Reduced **vacancies**
- Increased family **entertainment** and focus on **food** offerings
- Stuttafords presents a **tenant mix opportunity**

DEVELOPMENT ACTIVITIES

- Significant **progress on developments**
 - › Melomed Hospital
 - › Midlands Phase III
 - › Eastgate Offices
- Transformative **Sandton City refurbishments** commenced in July 2017

FINANCIAL RESULTS

SECTION 2



30.3%

Cost to income
ratio

5.4%

Reversion rate

FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

| | UNAUDITED 6 MONTHS 30 JUNE 2017 R'000 | AUDITED 1 MONTH 31 DECEMBER 2016 R'000 |
|--|---|--|
| Property portfolio revenue | 259 578 | 43 924 |
| Rental & related income | 264 186 | 46 665 |
| Adjusted for the straight lining of operating lease income | (4 608) | (2 741) |
| Property operating expenses | (80 052) | (14 391) |
| Net rental and related income | 179 526 | 29 533 |
| Administration expenses | (1 968) | (887) |
| Net property income | 177 558 | 28 646 |
| Asset management fee | (18 771) | (2 202) |
| Profit from operations | 158 787 | 26 444 |
| Interest received | 109 144 | 14 878 |
| Profit before fair value adjustments | 267 931 | 41 322 |
| Net fair value adjustments | 45 669 | 55 244 |
| Total earnings | 313 600 | 96 566 |



94.7%

R84m

Credit collection

Valuation uplift &
Capitalised cost

FINANCIAL RESULTS

STATEMENT OF FINANCIAL POSITION

| | UNAUDITED 6 MONTHS 30 JUNE 2017 R'000 | AUDITED 1 MONTH 31 DECEMBER 2016 R'000 |
|---|---|--|
| ASSETS | | |
| Non-current assets | 6 143 980 | 6 060 439 |
| Investment properties | 6 073 167 | 5 997 200 |
| Investment properties under development | 70 813 | 63 239 |
| Current assets | 3 000 102 | 2 868 431 |
| Total assets | 9 144 082 | 8 928 870 |
| LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | 114 321 | 168 449 |
| Total liabilities | 114 321 | 168 449 |
| Participatory units capital and reserves | | |
| Capital | 8 663 658 | 8 663 855 |
| Retained surplus | 272 540 | 44 063 |
| Non-distributable reserve | 93 563 | 52 503 |
| Total unitholders' funds | 9 029 761 | 8 760 421 |
| Total unitholders' funds and liabilities | 9 144 082 | 8 928 870 |



PUT OPTION

EFFECTIVE DATE 1 JULY 2017

TRANSACTION

Transaction value **R2.5bn**

Acquisition yield of **6.8%**

Proportional share across all Liberty property assets acquired taking our ownership to **31%** of co-owned properties*

Transaction effective from **1 July 2017** from which date rentals accrue to L2D

Transaction to be **settled in cash**

Impact on 2017 distribution estimated at 2.5 cents per unit, related to **differential** between property yield and interest on cash

Capital growth benefit far outweighs current year distribution lost

* Based on effective ownership between L2D and Liberty



Interim
distribution

✓
30.00c

Per participatory unit
for six months
ended 30 June 2017

FINANCIAL RESULTS

| | UNAUDITED 6 MONTHS 30 JUNE 2017 R'000 | AUDITED 1 MONTH 31 DECEMBER 2016 R'000 |
|---|---|--|
| APPROVED DISTRIBUTION PER UNIT | | |
| Profit for the period | 313 600 | 96 566 |
| Adjustments for non-cash items | (45 668) | (55 244) |
| Straight-lining of operating lease income | 4 608 | 2 741 |
| Distributable income | 272 540 | 44 063 |
| Participatory units in issue ('000) | 908 443 | 908 443 |
| Approved distribution per unit (R cents) | 30.00 | 4.85 |



OPERATIONAL OVERVIEW

SECTION 3



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SECTOR OVERVIEW

| JUNE 2017 | PORTFOLIO | RETAIL | OFFICE |
|--|------------------|--------|--------|
| Total property GLA ('000m ²) | 871 [#] | 500 | 332 |
| Average net rental* | R267 | R361 | R120 |
| Rent reversion rate (%) | 5.4 | 6.3 | (0.8) |
| Cost to income ratio* (%) | 30.3 | 29.8 | 36.9 |
| Leases renewed (m ²) | 34 166 | | |
| New deals concluded (m ²) | 15 633 | | |

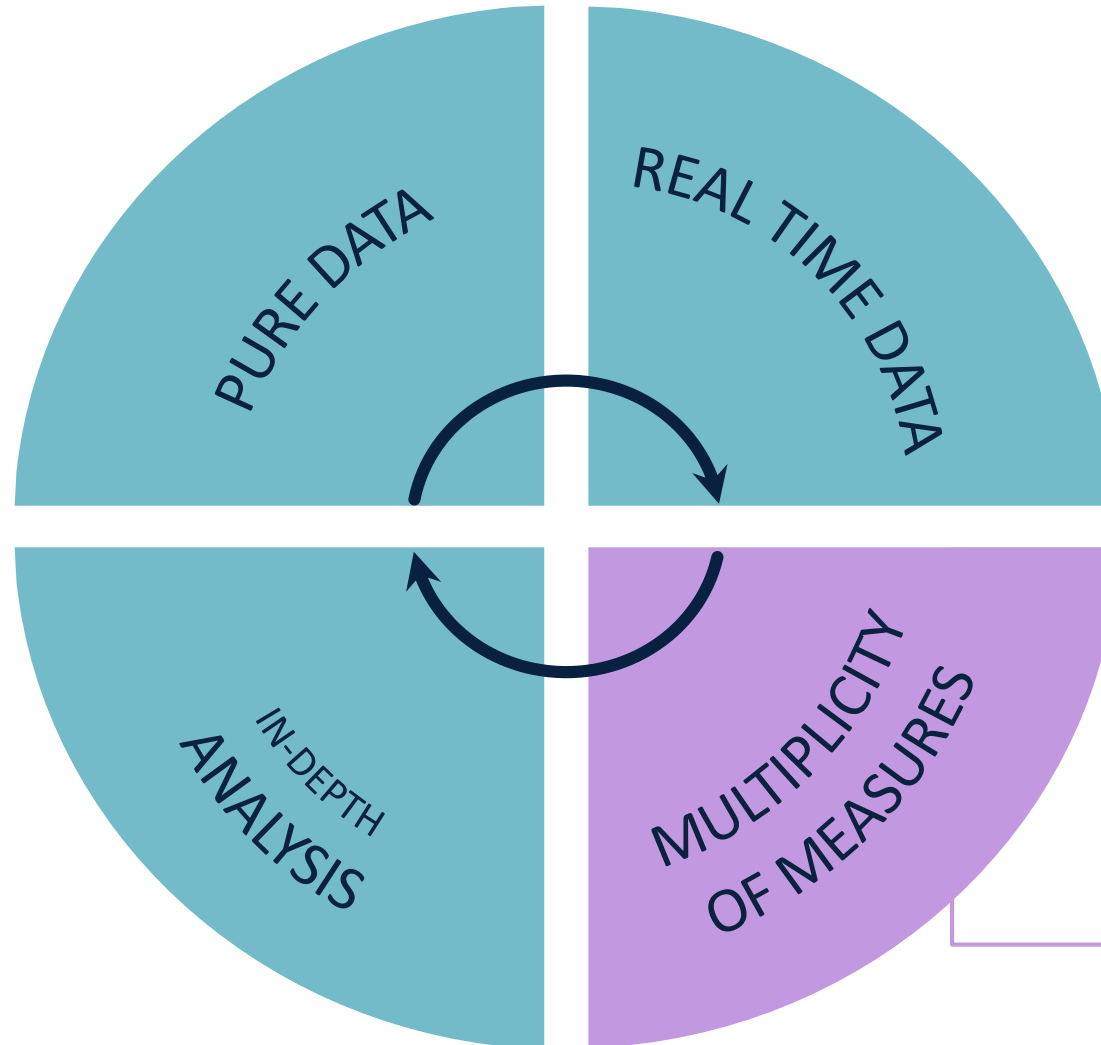
| JUNE 2017 | PORTFOLIO | RETAIL | OFFICE |
|---------------------------|-----------|--------|--------|
| Vacancy rate (%) | 3.3 | 1.8 | 6.0 |
| Vacancy rate – Dec 16 (%) | 4.6 | 2.5 | 9.6 |

*Excludes Melrose Arch as the expenses are not split by the sectors

[#] Specialised GLA is 38,000m²



TRADING ANALYSIS

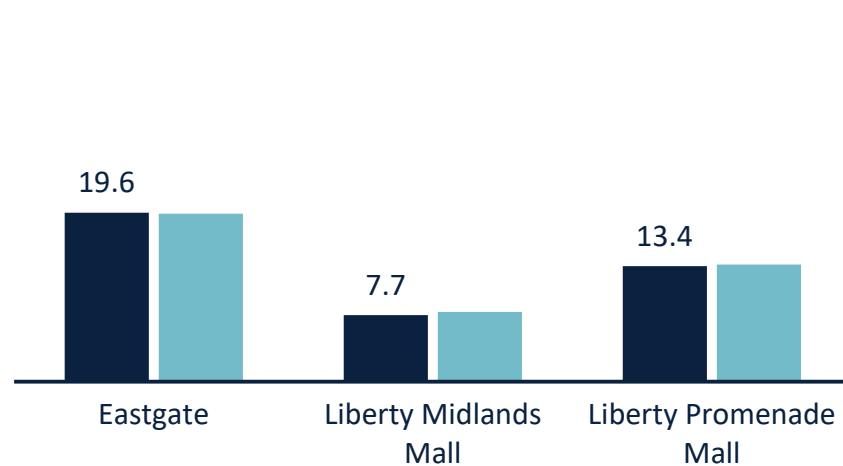


- Trading densities
- Growth in trading density
 - Rent to sales ratio
 - Gross rental growth



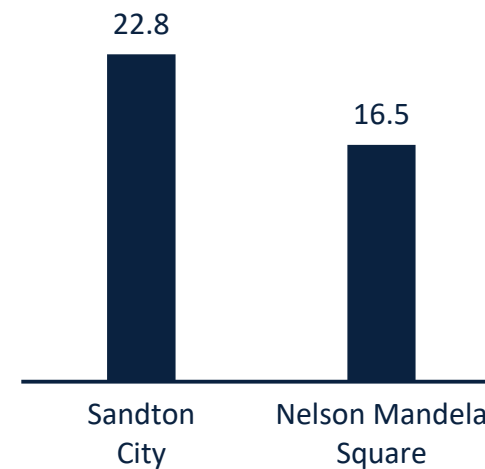
PEOPLE VISITING OUR CENTRES

FOOTCOUNT COMPARISONS
– OLD METHODOLOGY (millions)



■ 12 months to May 2017
■ 12 months to May 2016

PEOPLE COUNT
– NEW METHODOLOGY (millions)



L2D constantly strives to understand its customers and enhance their shopping experience:

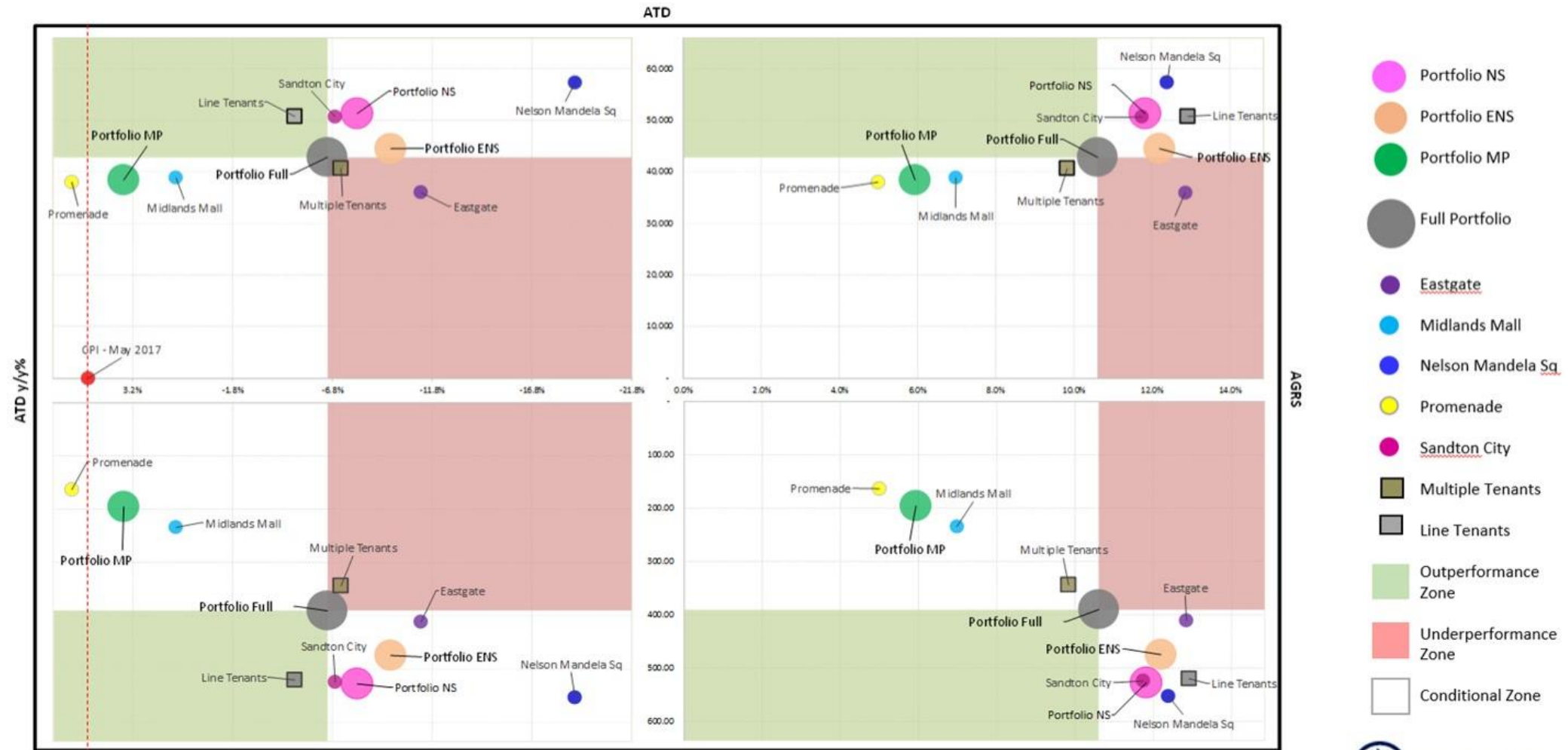
NEW INITIATIVES

- New system for improved analytics
- Licence plate recognition system
- Free uncapped Wi-Fi across the portfolio

As a result asset management is able to plan more **strategically**

EXAMPLE CLUR QUADRANTS

PORTFOLIO POSITIONING – MAY 2017



SANDTON CITY COMPLEX

| RETAIL | JUNE 2017 |
|-------------------------|-----------|
| Average net rental | R447 |
| Vacancy (%) | 1.0 |
| OFFICE | JUNE 2017 |
| Average net rental | R161 |
| Vacancy (%) | 30.7 |
| TRADING DENSITY UPDATE* | MAY 2017 |
| Centre | R50 622 |
| Top three categories | |
| Photography | R273 382 |
| Sunglasses stores | R255 274 |
| Fine jewellery | R217 475 |

OPERATIONS:

- Increased the size of ultra luxury (Diamond Walk)
- Growth in affordable luxury and 'athleisure' category
- Stuttafords allows an opportunity to introduce new brands
- First Popeye's Chicken in South Africa

DEVELOPMENTS:

- Level II scheme
- Proposed food court upgrade
- Upgrade of Checkers



MICHAEL KORS



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NELSON MANDELA SQUARE

| RETAIL | JUNE 2017 |
|-------------------------|-----------|
| Average net rental | R412 |
| Vacancy (%) | 2.8 |
| OFFICE | JUNE 2017 |
| Average net rental | R157 |
| Vacancy (%) | 0.0 |
| TRADING DENSITY UPDATE* | MAY 2017 |
| Centre | R57 301 |
| Top 3 categories | |
| Cell phones | R330 591 |
| Fine jewellery | R224 062 |
| Luggage | R143 592 |

OPERATIONS:

- Nelson Mandela Square hosts unique activities:
 - › SAMSUNG unbox your phone
 - › Dinner én blanc
- New tenants to enhance and diversify the restaurant offering:
 - › Septimo, Italian restaurant
 - › RocoMamas, to be a halaal offering
- New office deal concluded for 6 350m²

*Annual trading density



Septimo
ITALIAN RESTAURANT

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EASTGATE COMPLEX

| RETAIL | JUNE 2017 |
|-------------------------|-----------|
| Average net rental | R361 |
| Vacancy (%) | 2.4 |
| TRADING DENSITY UPDATE* | MAY 2017 |
| Centre | R35 971 |
| Top three categories | |
| Electronics | R171 631 |
| Specialty | R165 118 |
| Fine jewellery | R148 491 |

OPERATIONS:

Introduction of new tenants:

- Krispy Kremé and Mike's Kitchen
- Popeye's Chicken, scheduled to open end of July 2017
- Starbucks to open in Q3 2017
- First Edgars in SA to introduce a coffee shop inside their store with Famous Brands

DEVELOPMENTS:

- Office Tower development is complete and tenants are in their fit-out period



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LIBERTY PROMENADE

| RETAIL | JUNE 2017 |
|-------------------------|-----------|
| Average net rental | R143 |
| Vacancy (%) | 1.6 |
| TRADING DENSITY UPDATE* | MAY 2017 |
| Centre | R38 006 |
| Top three categories | |
| Fine jewellery | R98 444 |
| Bottle stores | R80 761 |
| Specialised foods | R76 870 |

OPERATIONS:

- Strong turnover growth of 11.9%, over a 12 month rolling period
- The tenant mix is targeting the aspirational shopper:
 - › Mugg & Bean
 - › Pizza Hut
 - › Dis-Chem
 - › Indoor sport facility
- In discussion with Ster-Kinekor to upgrade their facility



*Annual trading density

LIBERTY MIDLANDS MALL

| RETAIL | JUNE 2017 |
|-------------------------|-----------|
| Average net rental | R200 |
| Vacancy (%) | 0.9 |
| TRADING DENSITY UPDATE* | MAY 2017 |
| Centre | R38 804 |
| Top three categories | |
| Accessories | R151 153 |
| Specialty | R128 591 |
| Fine jewellery | R105 691 |

DEVELOPMENTS:

- Construction of phase III is on programme with Checkers and Planet Fitness as anchor tenants
- 80% of the development has been leased to date (including Woolworths)
- There are options for the remaining space i.e. entertainment or office tenants
- A new opportunity to introduce an international brand at the centre is under consideration



MELROSE ARCH

OPERATIONS:

- Some of the new restaurants that opened:
 - › Jamie's Italian
 - › Paul Patisserie
 - › The Grillhouse
 - › Sushi Burrito & Co
- Restaurants reported great turnover growth year on year
- RocoMamas trade increased significantly since converting to a fully halaal restaurant
- Starbucks is scheduled to open in Q3 2017
- The uptake on office vacancies has been strong
- Focus areas are to introduce services (pet store, hardware) and family entertainment type retailers

DEVELOPMENTS:

- One on Whiteley development is on programme



RECENT DEVELOPMENTS



BOTSHABELO MALL, FREE STATE

JUNE 2017

Vacancy

9.5%

OPERATIONS:

- Opened on 17 November 2016
- First greenfield community centre
- Anchor tenants are Pick n Pay, Shoprite & Roots Butchery
- Vacancies are expected to reduce with pending agreements at board level for approval
- Servicing a previously unserved community



MELOMED HOSPITAL, RICHARDS BAY

DEVELOPMENT:

- The practical completion date is 31 July 2017
- Opening date 1 October 2017
- Specialist medical practitioners recruitment is progressing well

OFFICES



| JUNE 2017 | STANDARD BANK CENTRE | UMHLANGA RIDGE | CENTURY CITY |
|-----------------------|----------------------|----------------|--------------|
| GLA (m ²) | 92 789 | 20 352 | 19 188 |
| Vacancy (%) | 0.0 | 3.0 | 0.0 |

- The portfolio is complemented by A-grade offices located in the Johannesburg CBD, Umhlanga Ridge and Century City respectively
- The Johannesburg property is fully let to Standard Bank, while Umhlanga Ridge and Century City are anchored by Liberty Group Limited

LOOKING AHEAD

SECTION 4



LOOKING AHEAD

RESILIENCE

- Strong **retail** fundamentals
- Ability to **bounce back**
- **Precinct** management

QUALITY

- **Innovate** to respond to slow growth
- Prudent **cost management**
- Attract and retain **quality tenants**

FOCUS

- **Focused** retail management
- Deliver **development projects** for growth
- **Investment** proposition remains strong



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QUESTIONS & ANSWERS



DISCLAIMER

- This document contains forecasts and forward looking statements that reflect managements expectations as at July 2017
- The actual results may vary substantially from those forecasted if known and/or unknown variables do not transpire as predicted or if estimates and assumptions prove inaccurate
- Liberty Two Degrees and its management cannot guarantee that the forecasts or forward looking statements will materialise and users are cautioned not to place undue reliance on the information provided
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