

INTERIM RESULTS PRESENTATION

FOR THE SIX
MONTHS ENDED
30 JUNE 2018


NELSON MANDELA
SQUARE



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AGENDA

- 1 L2D at a Glance
- 2 Operational Update
- 3 Financial Results
- 4 The L2D Conversion
- 5 Governance
- 6 Looking Ahead
- 7 Q&A
- 8 Annexures

1

L2D AT A GLANCE



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L2D AT A GLANCE

Quality, SA
portfolio with
precinct
focus

Leading retail
environment &
destination of
choice for tenants
& customers

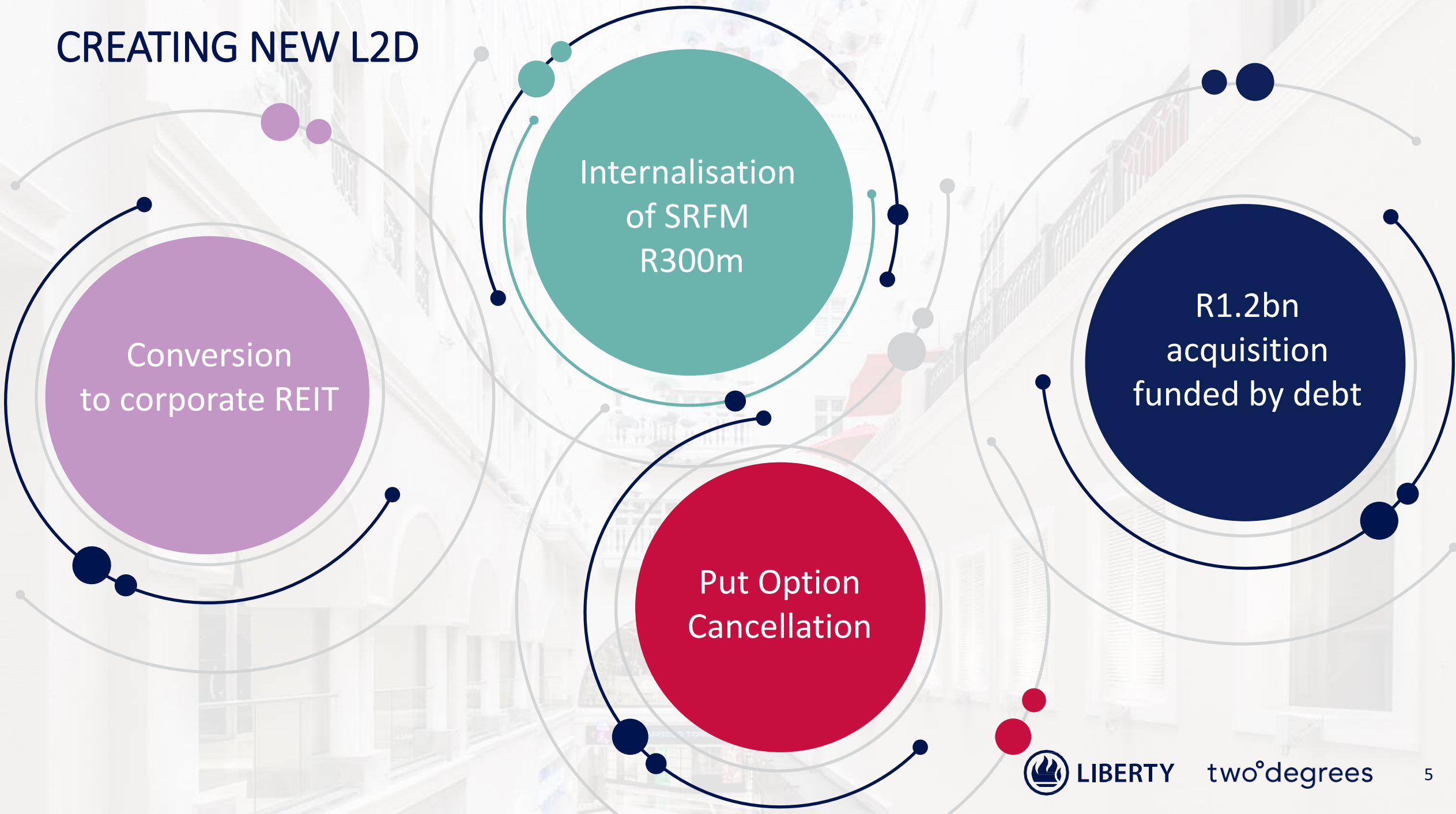
Sustainable
quality income
stream

New L2D
being
implemented

Half year
distribution of
29.31c per
unit



CREATING NEW L2D



2

OPERATIONAL UPDATE

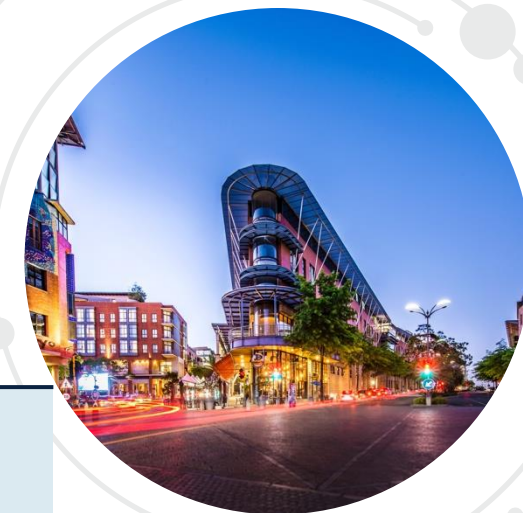


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SECTOR OVERVIEW

June 2018	PORTFOLIO	RETAIL	OFFICE	SPECIALISED
Total property GLA ('000m ²)	907	523	332	52
Average escalation (%) ¹	7.8	7.8	7.8	7.9
WALE by income (years)	3.0	3.0	2.6	11.6
Pre-let vacancy rate – June 2018 (%)	4.4	1.8	9.0	0
Overall vacancy rate - June 2018 (%)	6.0	4.3	9.7	0
Overall vacancy rate – December 2017 (%)	6.4	4.3	10.3	0

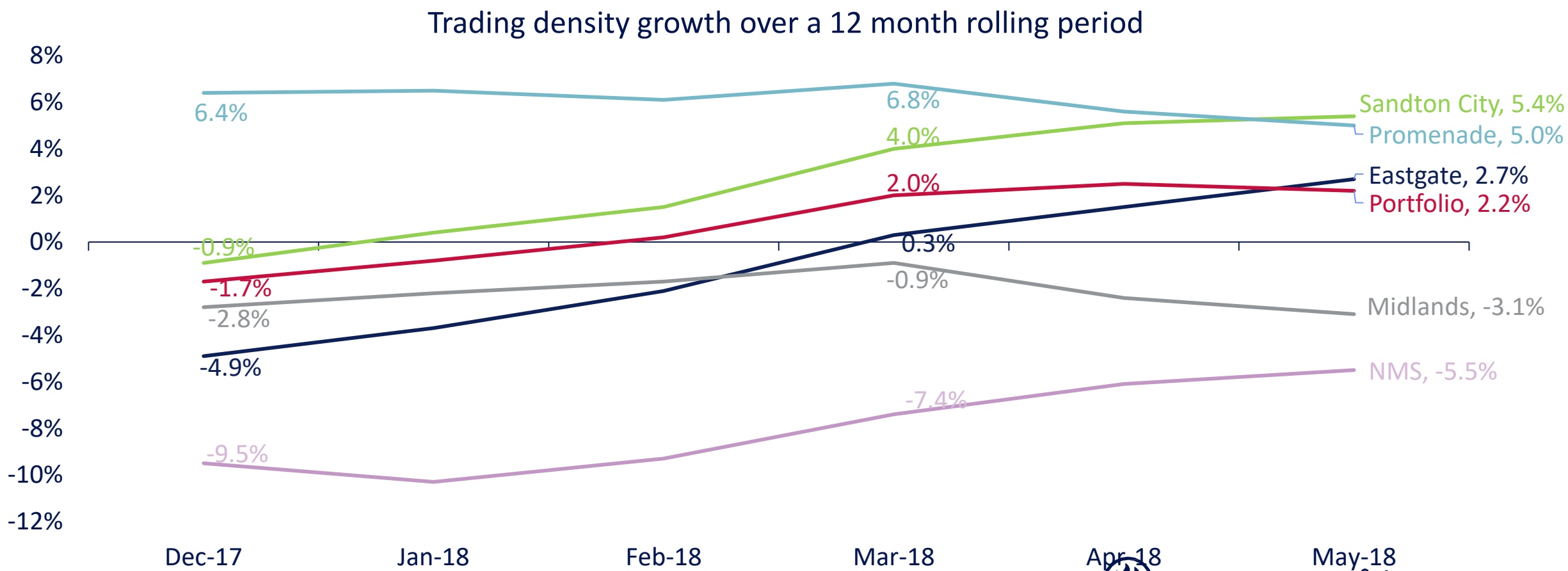


1. The average escalation rate excludes Melrose Arch.



TRADING OVERVIEW

¹ TRADING DENSITY GROWTH (%)	MAY 2018	DECEMBER 2017	JUNE 2017
Total portfolio	2.8% ²	-1.7%	-6.0%



1. Trading density growth is based on a 12 month rolling period
2. Excludes Botshabelo Mall & Midlands Lifestyle Centre





SANDTON CITY COMPLEX



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SANDTON CITY COMPLEX

RETAIL	Jun-18	Dec-17	Jun-17
¹ Average net rental (R/m ²)	R504	R476	R447
Vacancy (%)	0.9 ²	4.8	2.8
OFFICE	Jun-18	Dec-17	Jun-17
Average net rental (R/m ²)	R168	R161	R161
² Vacancy (%)	28.8	30.0	30.7
³ TRADING DENSITY UPDATE (R/m ²)	May-18	Dec-17	Jun-17
Centre	R53 238	R52 172	R50 671
Growth (%) on prior period	2.0%	3.0%	
³ HIGHEST TRADING DENSITY GROWTH CATEGORY	May Trading Density (R/m ²)	May Growth (%)	Dec Growth (%)
Specialised Foods	R77 442	22.1%	12.3%
³ SIGNIFICANT CATEGORIES BY R/M ² AND GROWTH (%)			
Electronics	R196 689	7.9%	4.3%
Luxury Brands	R142 305	16.9%	13.8%
Children's Wear	R61 716	10.3%	-7.3%
Books & Stationery	R59 523	12.1%	12.7%
Unisex Wear	R56 950	-1.9%	-8.4%



Significant improvement in vacancy rate (Stuttafords fully let)

Fun District opened in March

1. Average net rental methodology detailed in annexures.
2. Vacancy includes pre-let deals, where there are signed offers or leases, but beneficial occupation is pending. The vacancy excluding pre-lets for June is 1.7%.
3. Trading density over a 12 month rolling period.
4. Asset Management Executive: Nikiwe Mkhabela



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EASTGATE COMPLEX



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EASTGATE COMPLEX

COMPLEX (RETAIL AND OFFICE)

¹Average net rental (R/m²)

Vacancy (%) – retail

Vacancy (%) - office

³TRADING DENSITY UPDATE (R/m²)

Centre

Growth (%) on prior period

³HIGHEST TRADING DENSITY GROWTH CATEGORY

Luggage

³SIGNIFICANT CATEGORIES BY R/M² AND GROWTH (%)

Electronics

Fast Food

Optometrists

Specialised Foods

Unisex Wear

	Jun-18	Dec-17	Jun-17
¹ Average net rental (R/m ²)	R366	R357	R361
Vacancy (%) – retail	1.7 ²	7.8	3.0
Vacancy (%) - office	4.5	6.3	19.9
	May-18	Dec-17	Jun-17
Centre	R36 924	R36 039	R35 807
Growth (%) on prior period	2.5%	0.7%	
	May Trading density (R/m ²)	May Growth (%)	Dec Growth (%)
Luggage	R49 635	20.2%	12.8%
Electronics	R185 010	7.8%	8.5%
Fast Food	R61 540	7.3%	17.3%
Optometrists	R66 433	14.8%	12.4%
Specialised Foods	R88 024	18.4%	51.1%
Unisex Wear	R39 631	11.6%	3.2%



Significant improvement in vacancy rate (Stuttafords fully let)

Improvement in trading density by 2.5%

1. Average net rental methodology detailed in annexures.
2. Vacancy includes pre-let deals, where there are signed offers or leases, but beneficial occupation is pending. The vacancy for June excluding pre-lets is 8.7%.
3. Trading density over a 12 month rolling period.
4. Asset Management Executive: Carmen Collison



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PROMENADE SHOPPING CENTRE



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PROMENADE SHOPPING CENTRE

RETAIL	Jun-18	Dec-17	Jun-17
¹ Average net rental (R/m ²)	R148	R151	R143
² Vacancy (%)	1.6	1.3	1.6
³ TRADING DENSITY UPDATE (R/m ²)	May-18	Dec-17	Jun-17
Centre	R39 915	R39 648	R38 370
Growth (%) on prior period	0.7%	3.3%	
³ HIGHEST TRADING DENSITY GROWTH CATEGORY	May Trading density (R/m ²)	May Growth (%)	Dec Growth (%)
Speciality	R20 514	33.9%	97.9%
³ SIGNIFICANT CATEGORIES BY R/M ² AND GROWTH (%)			
Liquor Stores	R91 357	13.1%	15.8%
Sporting/Outdoor Goods & Wear	R42 129	8.4%	8.5%
Unisex Wear	R41 871	9.6%	6.7%
Mini Department Stores (<2,500m ²)	R41 644	15.6%	15.8%
Home Furnishings & Décor	R28 999	14.5%	25.6%

Trading density growth positive although slowed down

Lease renewal process in progress with most of the renewals planned in H2 2018

1. Average net rental methodology detailed in annexures.
2. Vacancy includes pre-let deals, where there are signed offers or leases, but beneficial occupation is pending.
3. Trading density over a 12 month rolling period.



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MIDLANDS MALL



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MIDLANDS MALL AND LIFESTYLE CENTRE

RETAIL	Jun-18	Dec-17	Jun-17
¹ Average net rental (R/m ²) – Mall	R209	R207	R200
¹ Average net rental (R/m ²) – Lifestyle Centre	R150		
² Vacancy (%) – Mall	1.5	0.9	0.9
² Vacancy (%) – Lifestyle Centre	7.8		
³ TRADING DENSITY UPDATE (R/m ²)	May-18	Dec-17	Jun-17
Mall	R37 957	R38 378	R38 701
Growth (%) on prior period	-1.10%	-0.83%	
Lifestyle Centre (Phase 3)	R24 266		
³ HIGHEST TRADING DENSITY GROWTH CATEGORY	May Trading density (R/m ²)	May Growth (%)	Dec Growth (%)
Electronics	R69,974	14.1%	7.5%
³ SIGNIFICANT CATEGORIES BY R/M ² AND GROWTH (%)			
Fine Jewellery - High End	R201 481	11.8%	2.9%
Accessories	R164 365	8.7%	9.5%
Specialised Foods	R48 608	9.6%	16.9%
Health & Beauty > 500 m ²	R69 057	4.9%	4.5%
Men's Wear	R66 281	1.0%	1.6%

Lifestyle
Centre
opened in
March

Significant
improvement
in footfall

1. Average net rental methodology detailed in annexures.
2. Vacancy includes pre-let deals, where there are signed offers or leases, but beneficial occupation is pending.
3. Trading density over a 12 month rolling period.



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3

FINANCIAL RESULTS



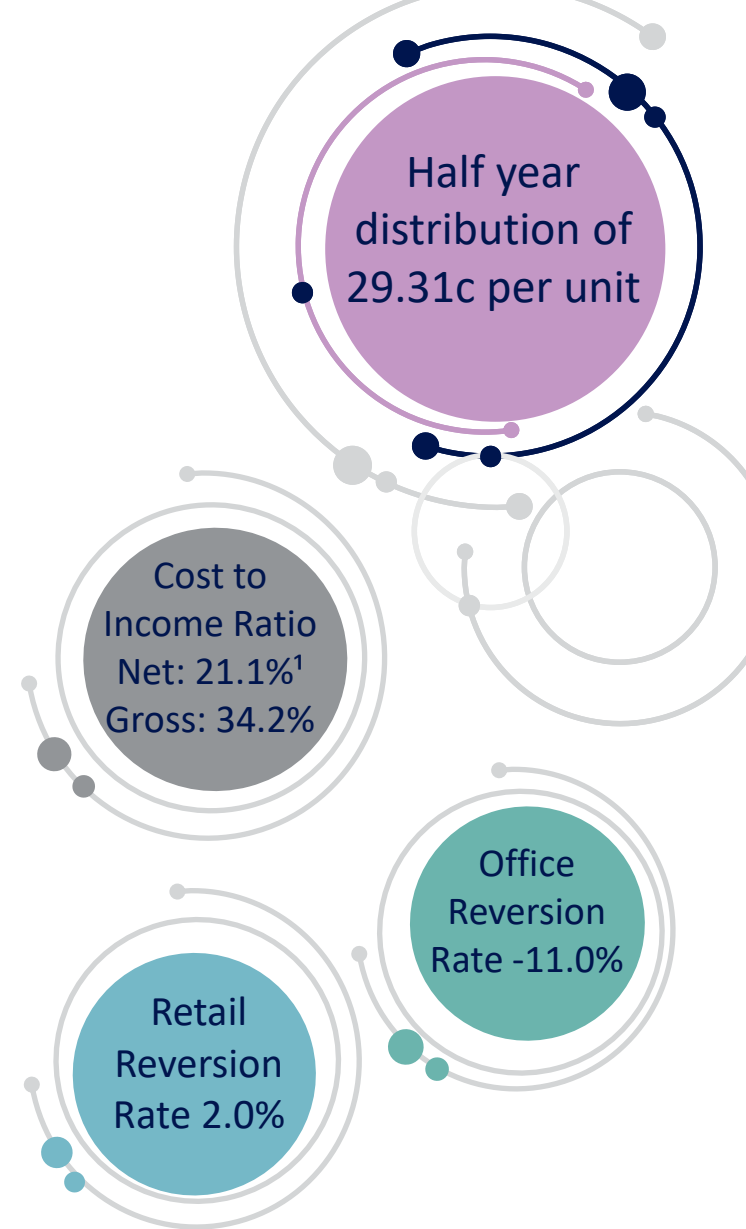
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STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six Months Unaudited 30-Jun 2018 R'000	Six Months Unaudited 30-Jun 2017 R'000	Twelve Months Audited 31-Dec 2017 R'000
Property portfolio revenue	417 213	259 578	665 854
Property operating expenses	-144 425	-80 052	-236 709
Net rental and related income	272 788	179 526	429 145
Administration expenses	-2 985	-1 968	-4 142
Net property income	269 803	177 558	425 003
Asset management fee	-14 565	-18 771	-34 599
Profit from operations	255 238	158 787	390 404
Interest and other income	1 995	109 144	120 095
Profit before fair value adjustments	257 233	267 931	510 499
Net fair value adjustments on investment properties	-62 499	45 669	2 319
Fair value adjustments on equity instrument			2 067
Total earnings	194 734	313 600	514 885



1. Net cost to income ratio calculation has been updated in line with REIT best practice guidelines



STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Unaudited 30-Jun 2018 R'000	Unaudited 30-Jun 2017 R'000	Audited 31-Dec 2017 R'000
Assets			
Non-current assets	8 705 235	6 143 980	8 708 712
Investment properties	8 656 908	6 073 167	8 629 809
Investment properties under development	48 327	70 813	78 903
Current assets	299 234	3 000 102	396 888
Trade and other receivables	163 408	80 286	168 793
Financial investments	132 831	2 919 705	211 772
Cash and cash equivalents	2 995	111	16 323
Total assets	9 004 469	9 144 082	9 105 600
Liabilities			
Current liabilities			
Trade and other payables	116 378	114 321	146 796
Total liabilities	116 378	114 321	146 796
Participatory units' capital and reserves			
Capital	8 663 950	8 663 658	8 663 950
Retained surplus	266 188	272 540	265 406
Non-distributable reserve	-42 047	93 563	29 448
Total unitholders' funds	8 888 091	9 029 761	8 958 804
Total unitholders' funds and liabilities	9 004 469	9 144 082	9 105 600



NAV
per unit
R 9.78

Arrears
6.23%



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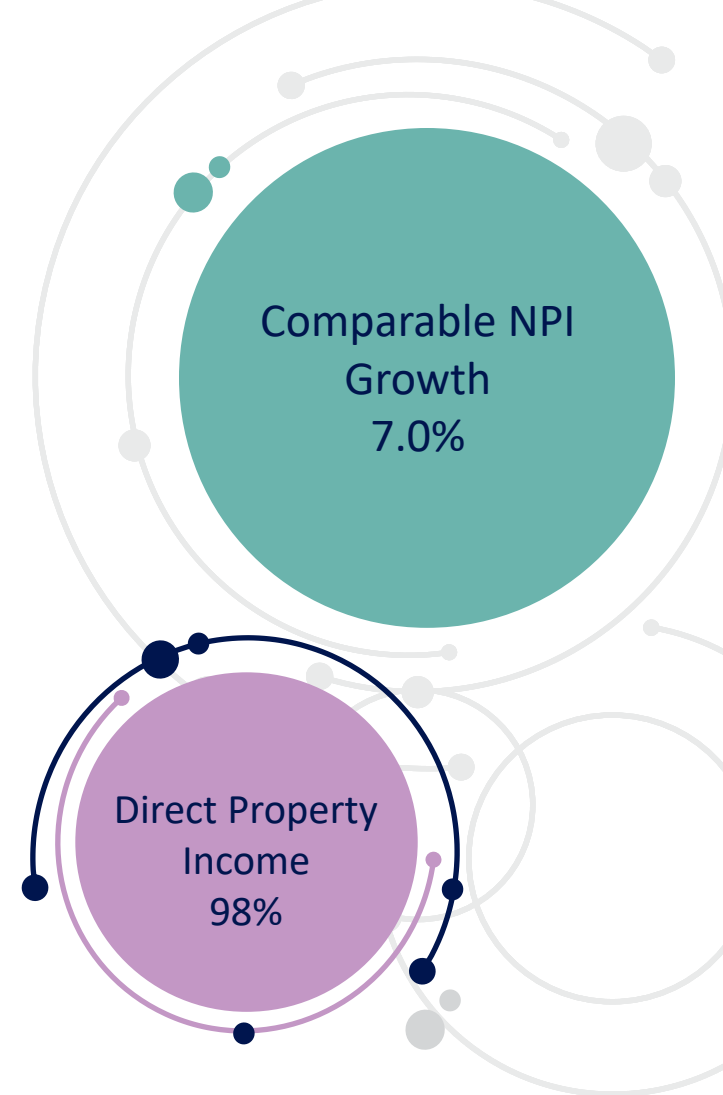
NPI GROWTH & DISTRIBUTION

Comparable NPI Growth

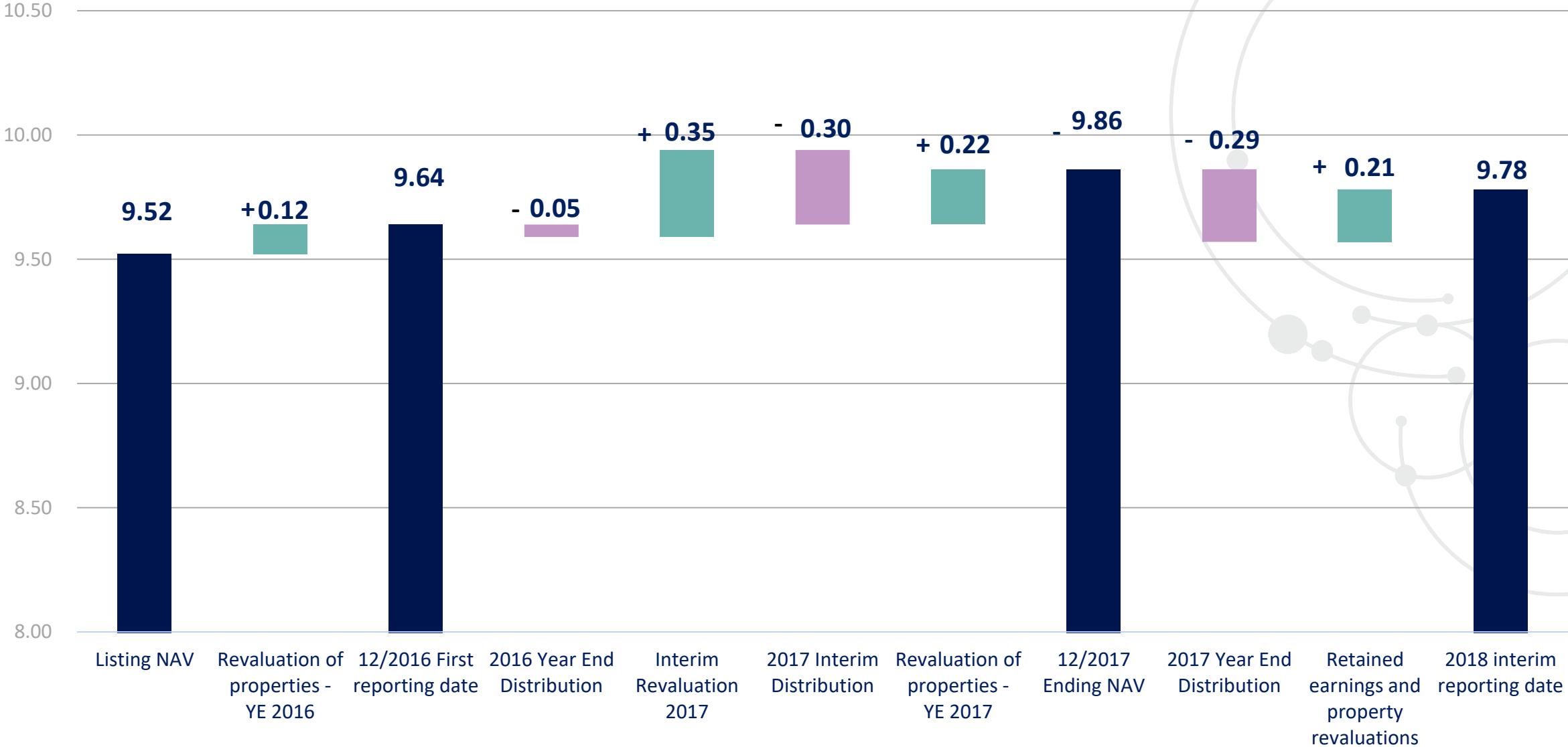
	1H17	1H18	Growth
NPI	177 557 831	269 803 363	52.0%
Straight -lining	4 608 426	4 843 297	
NPI Adjusted for Straight Lining	182 166 257	274 646 660	50.8%
Normalised to 22%	182 166 257	194 922 620	7.0%

Distribution per unit breakdown

	1H18	% of Div	1H17	% of Div	2H17	% of Div
Interest income and other	0.68	2%	12.01	40%	1.26	4%
Direct Property Income	28.63	98%	17.99	60%	27.96	96%
Total interim dividend	29.31		30.00		29.21	



NAV BRIDGE



4

OVERVIEW OF THE L2D CONVERSION

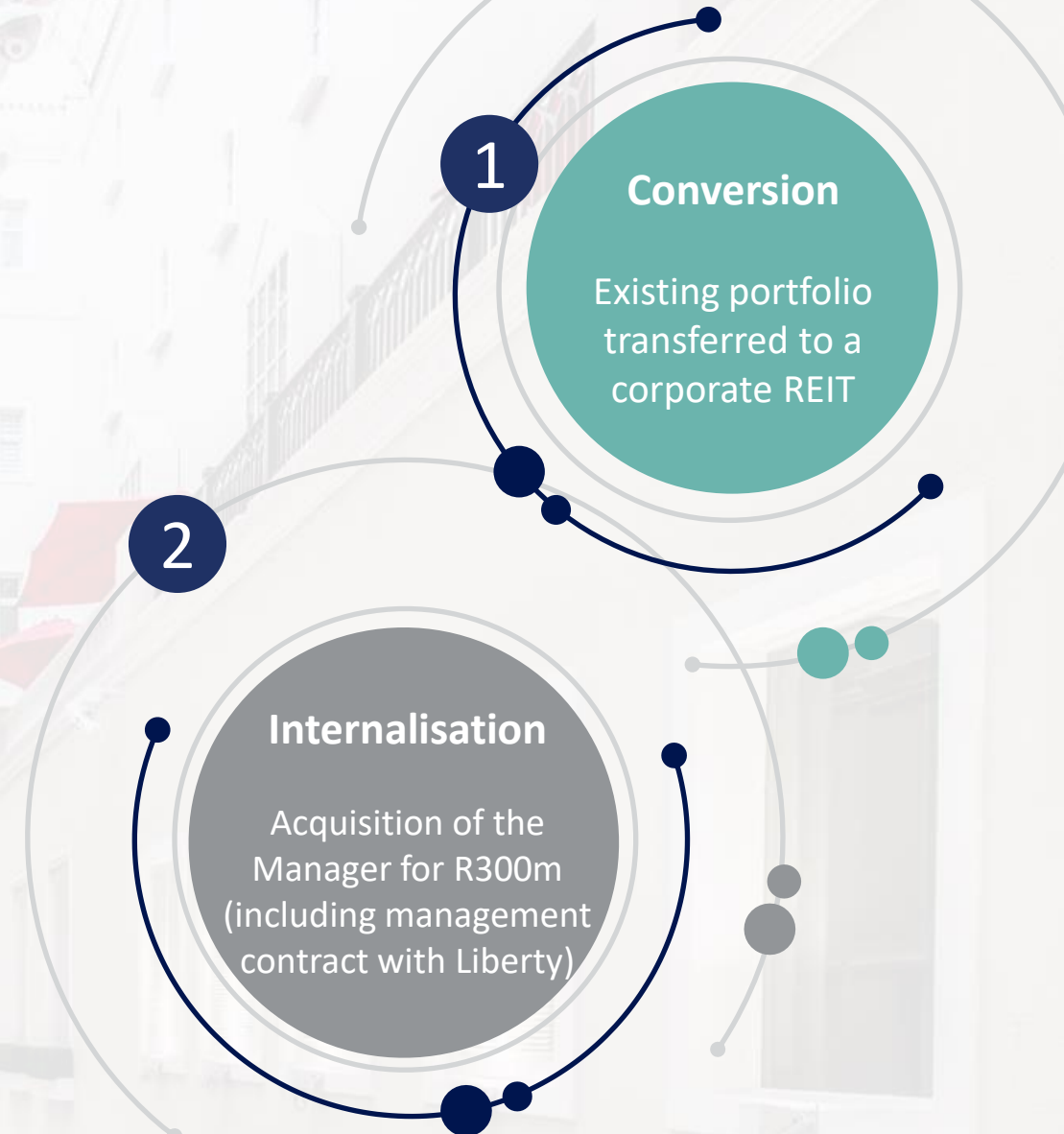


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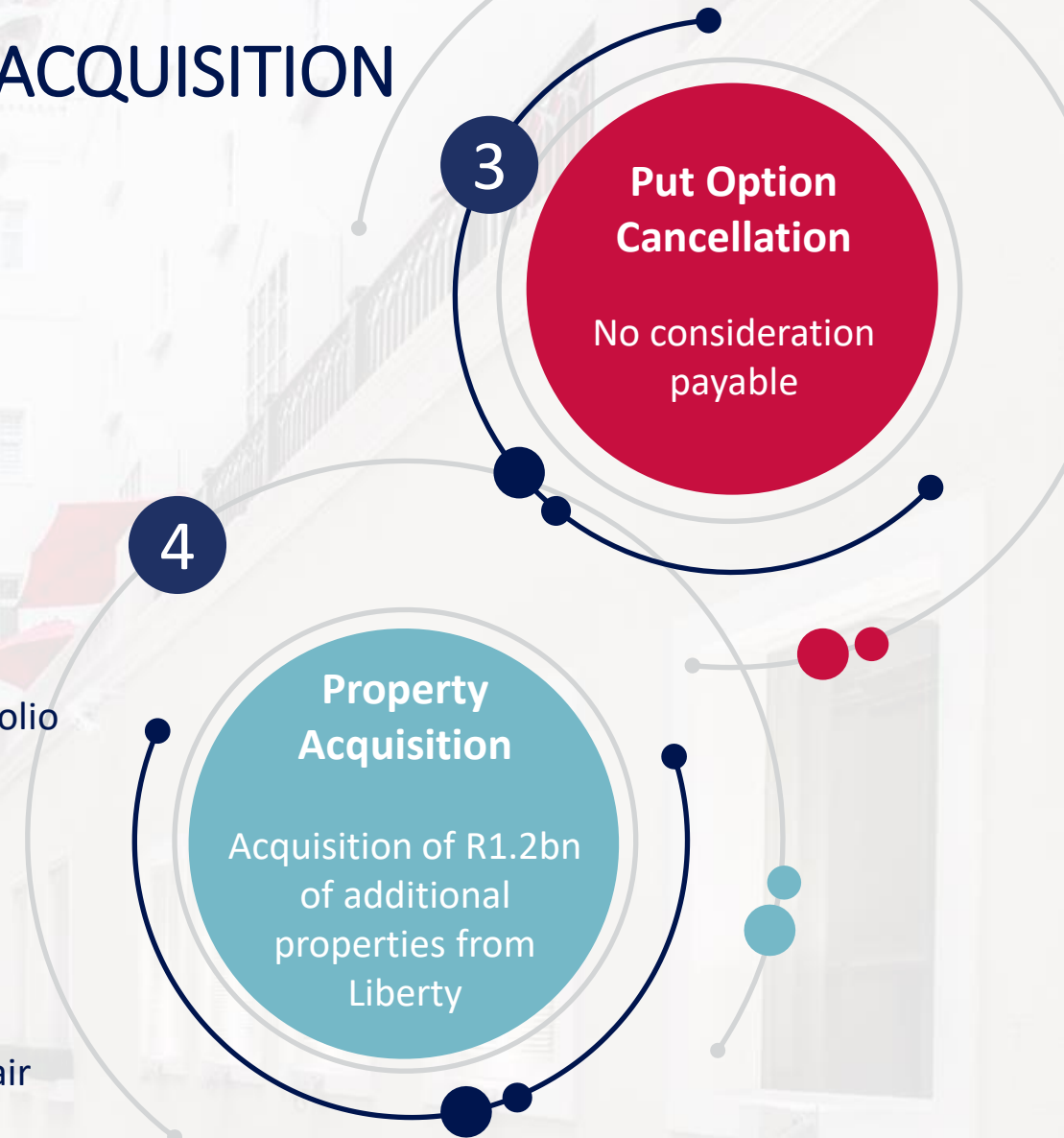
CORPORATE STRUCTURE AND MANCO

- One New L2D share issued for every CISIP unit held on the record date
 - Clear-out dividend to be declared to Unitholders in relation to income from 1 July 2018 to the Effective Date
 - CISIP to be liquidated and wound up within three years
 - FSCA approval received
-
- Cash consideration of R300 million plus interest – valuation date 1 July 2018
 - 10-year contract with Liberty to manage the Liberty Property Portfolio (@30bps of GAV p.a.)
 - Refund provision for up to R200 million in the event of early termination of Liberty IMA within the first three years
 - Liberty and New L2D will have mutual right to invest jointly on further development / acquisition opportunities valued over R750 million (subject to L2D owning a minimum of 51% of such opportunities)



RELATIONSHIP AGREEMENT AND ASSET ACQUISITION

- Liberty Relationship Agreement amended to cancel the Put Option
 - Future acquisitions of co-owned properties
 - Arm's length independent valuations
 - Existing pre-emptive rights remain at the asset co-ownership level
 - Right of first refusal amended
-
- R1.2 billion of further assets acquired from the Liberty Property Portfolio
 - R661m of existing co-owned assets representing 2.3% of the combined holding
 - R539m of Hospitality Assets representing 33.3% of the combined holding in these assets
 - Pro forma holding across co-owned portfolio will land at 33.3%
 - Blended acquisition yield of 7.8% as prescribed by the independent fair values for 30 September 2018.



GEARING CONSIDERATIONS

- Total considerations of R1.5 billion plus transaction costs to be fully funded by unsecured debt
- Indicative blended yield of 9.0% (NACA)¹
- Maturity profile split equally into 1 year, 3 year and 5 year tranches
- Repayment profile – balloon payment with semi-annual interest service
- Interest rate hedging of the notional balance to be undertaken prior to finalising facility documents
- An additional revolving credit facility is available to New L2D for up to R100 million



1. Based on quoted rates including applicable interest rate hedging based on current quotes and hedging rates



BENEFITS OF THE PROPOSED TRANSACTION

- 1 Improved ability to transact and grow
- 2 Alignment of structure to best practice and the broader SA listed REIT sector
- 3 Acquisition of an additional stake in a market leading portfolio
- 4 Reduction of perceived overhang through the cancellation of the Put Option for no consideration
- 5 Enhanced long-term capital structure through the introduction of a conservative level of gearing



KEY DATES



**Circular posted
to Unitholders**

Friday, 27 July

**General
Meeting of
Unitholders**

Tuesday, 28 August

**Finalisation of
Final CISIP
Distribution**
Monday, 17 September

**CISIP Units
suspended from
trading**
Wednesday, 26 September

**New L2D Shares
commence
trading**
Monday 1, October



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GOVERNANCE



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GOVERNANCE – L2D BOARD

Current Board

Angus Band
Wolf Cesman
Lynette Ntuli
Amelia Beattie
José Snyders

New Appointments

Brian Hilton Azizollahoff
(Lead independent)
Zaida Adams
(Independent Non-executive)

Future Appointments

David Munro
and an additional
director

Majority
Independent
&
King IV
Compliant



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LOOKING AHEAD



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LOOKING AHEAD

On track to deliver full year distribution of 60c

Sandton continues to deliver growth

Portfolio remains robust during tough economic cycles

Unlocking value through New L2D

L2D places a continued focus on key drivers that unlock value and remains well positioned to take advantage of opportunities that deliver sustainable growth



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QUESTIONS AND ANSWERS



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ACKNOWLEDGEMENTS

*"We aim to
make a difference
for all our customers
through creating
great places by
investing where
it matters"*

THANK
YOU

Investors
Market analysts
Board of Directors
Tenants
Shoppers
Our people
Sponsors
Service providers
Advisors



8

ANNEXURES



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NELSON MANDELA SQUARE



NELSON MANDELA SQUARE

RETAIL	Jun-18	Dec-17	Jun-17
¹ Average net rental (R/m ²)	R493	R435	R412
² Vacancy (%)	1.2	0.6	2.8
OFFICE	Jun-18	Dec-17	Jun-17
Average net rental (R/m ²)	R107	R116	R157
² Vacancy (%)	38.1	33.3	0
³ TRADING DENSITY UPDATE (R/m ²)	May-18	Dec-17	Jun-17
Centre	R54 039	R55 084	R57 088
Growth (%) on prior period	-1.89%	-3.51%	
³ HIGHEST TRADING DENSITY GROWTH CATEGORY	May Trading density (R/m ²)	May Growth (%)	Dec Growth (%)
Watches – High End	R340 132	26.2%	-9.3%
³ SIGNIFICANT CATEGORIES BY R/M ² AND GROWTH (%)			
Fine Jewellery - High End	R218 573	0.5%	-18%
Footwear	R81 807	3.2%	1%
Men's Wear	R45 851	-37.4%	-31%
Restaurants and Coffee Shops	R49 355	-3.3%	-1%
Unisex Wear	R13 646	-2.6%	-24%



1. Average net rental methodology detailed in annexures.
2. Vacancy includes pre-let deals, where there are signed offers or leases, but beneficial occupation is pending
3. Trading density over a 12 month rolling period



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MELROSE ARCH



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MELROSE ARCH

RETAIL	Jun-18	Dec-17	Jun-17
¹ Average net rental (R/m ²)	R231	R236	-
² Vacancy (%)	1.0	0.5	0.3
Average Escalation (%)	7.6		
OFFICE	Jun-18	Dec-17	Jun-17
¹ Average net rental (R/m ²)	R197	R195	-
² Vacancy (%)	6.9	4.8	1.3
Average Escalation (%)	8.1		
³ TRADING DENSITY UPDATE (R/m ²)	May-18	Dec-17	Jun-17
Centre	R27 602	R28 162	R26 927
Growth (%) on prior period	-1.99%	4.58%	
³ HIGHEST TRADING DENSITY GROWTH CATEGORY	May Trading density (R/m ²)	May Growth (%)	Dec Growth (%)
Car Services / Dealerships	R138 540	28.9%	83.9%
³ SIGNIFICANT CATEGORIES BY TRADING DENSITY R/M ² AND GROWTH (%)			
Speciality	R149 771	21.3%	-7.4%
Liquor Stores	R99 027	-0.4%	16.9%
Restaurants & Coffee Shops	R41 218	14.4%	34.9%
Fast Foods	R37 117	10.5%	21.5%
Men's Wear	R32 517	21.5%	38.6%



1. Average net rental methodology detailed in annexures.
2. Vacancy includes pre-let deals, where there are signed offers or leases, but beneficial occupation is pending.
3. Trading density over a 12 month rolling period.





BOTSHABELO MALL



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BOTSHABELO MALL

RETAIL

¹Average net rental (R/m²)

²Vacancy (%)

Jun 2018

R122

7.3

Dec 2017

R115

8.5

³TRADING DENSITY UPDATE (R/m²)

Centre

Growth (%) on prior period

May 2018

R28 181

21.5%

Dec 2017

R23 202

³HIGHEST TRADING DENSITY CATEGORY GROWTH

Cell Phones

May Trading
Density(R/m²)

R116,428

May Trading Density
Growth(R/m²)

50.3%

³SIGNIFICANT CATEGORIES BY TRADING DENSITY R/M² AND GROWTH (%)

Fast Food

Specialised Foods

Unisex Wear

Grocery/Supermarket

Men's Wear

R54 765

R51 029

R31 023

R28 542

R24 820

-6.6%

38.0%

15.0%

11.7%

8.7%



1. Average net rental methodology detailed in annexures.

2. Vacancy includes pre-let deals, where there are signed offers or leases, but beneficial occupation is pending.

3. Trading density growth is based on 19 months of data



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OFFICES

STANDARD BANK CENTRE



UMHLANGA RIDGE

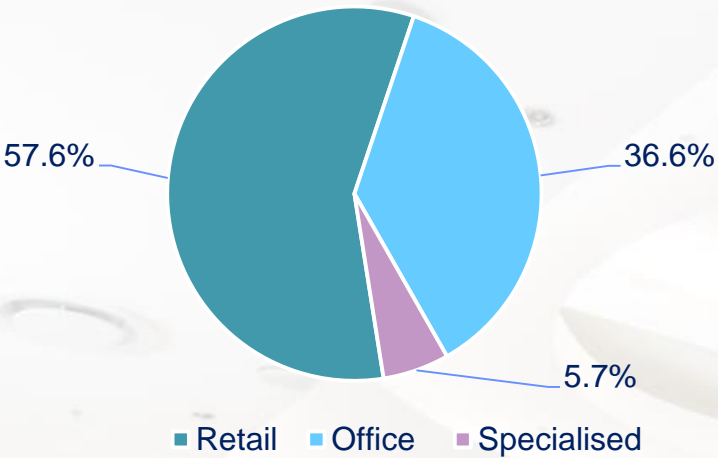


CENTURY CITY

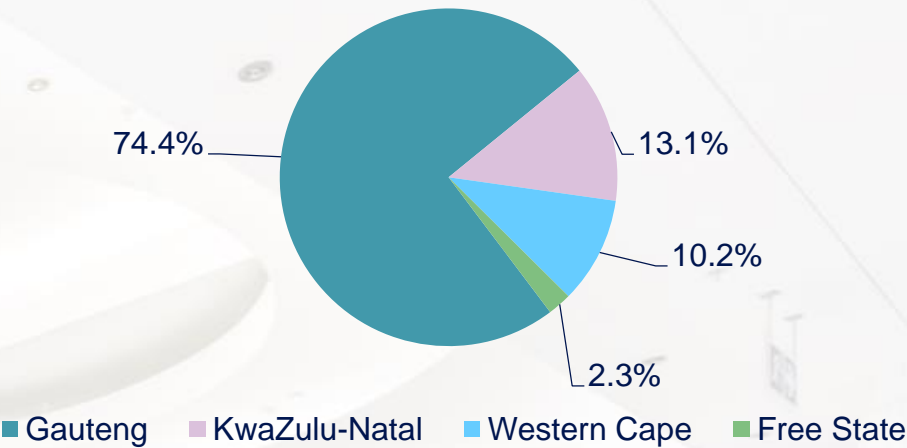


PORTFOLIO PROFILE

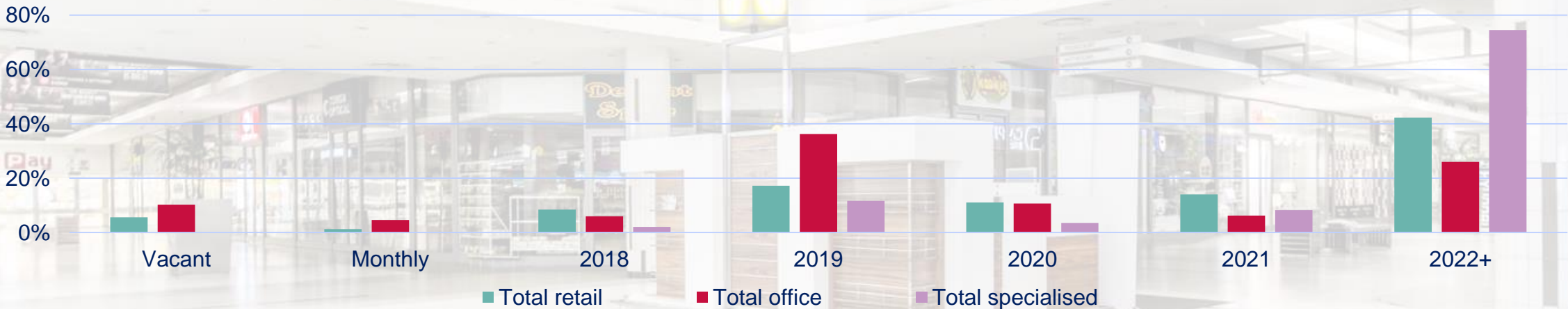
Sector composition by GLA (m²) - June 2018



Geographic profile by GLA (m²) – June 2018

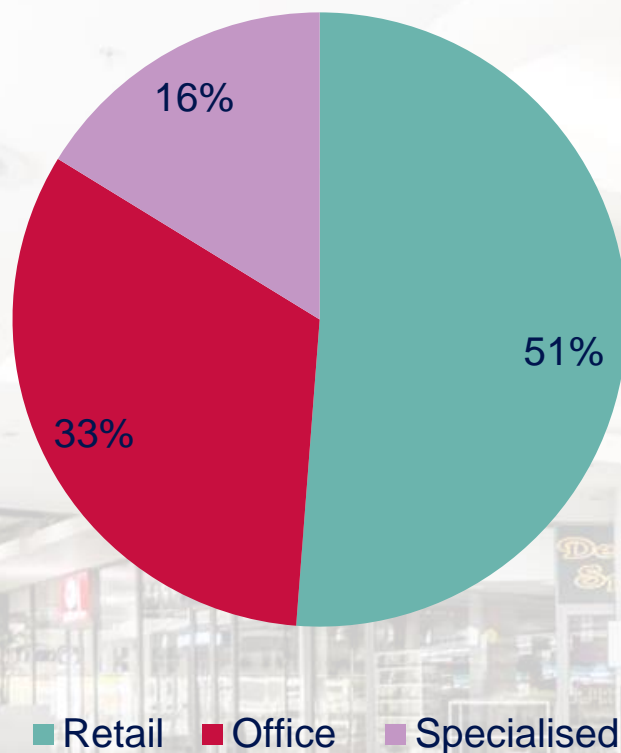


5 year expiry profile by GLA (m²)

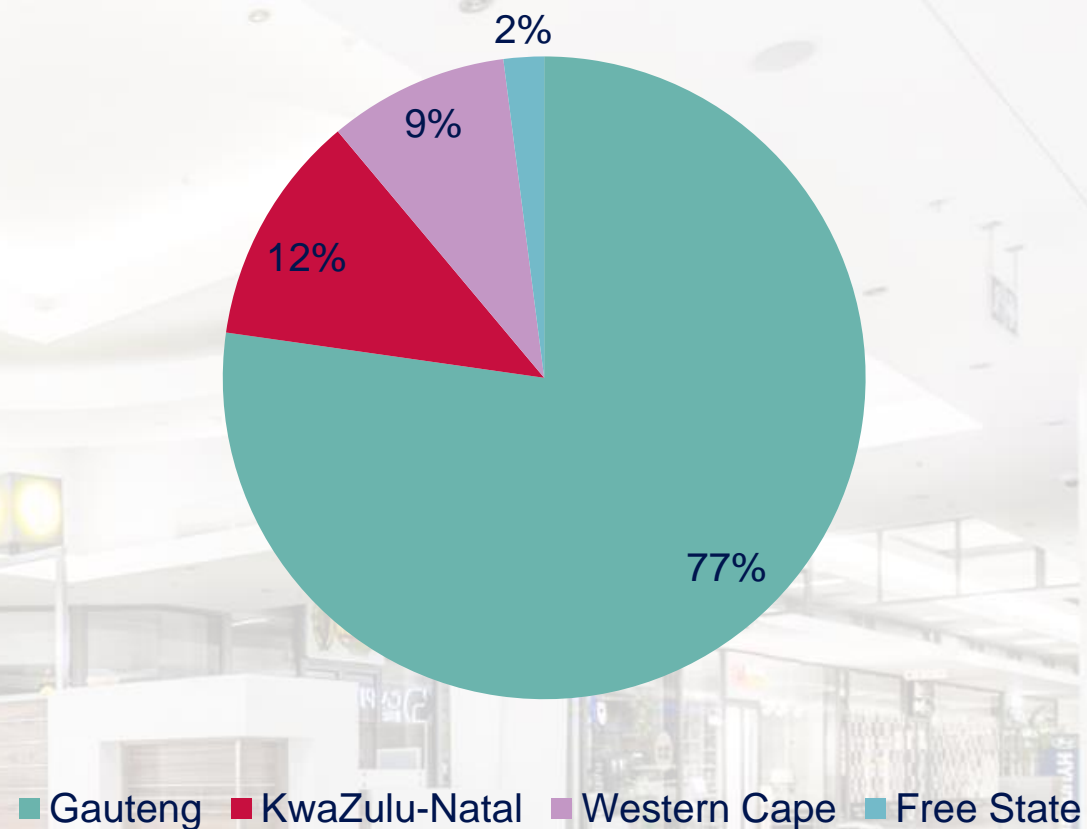


PORTFOLIO PROFILE POST NEW L2D

Sector composition by GLA (m²) - Post New L2D

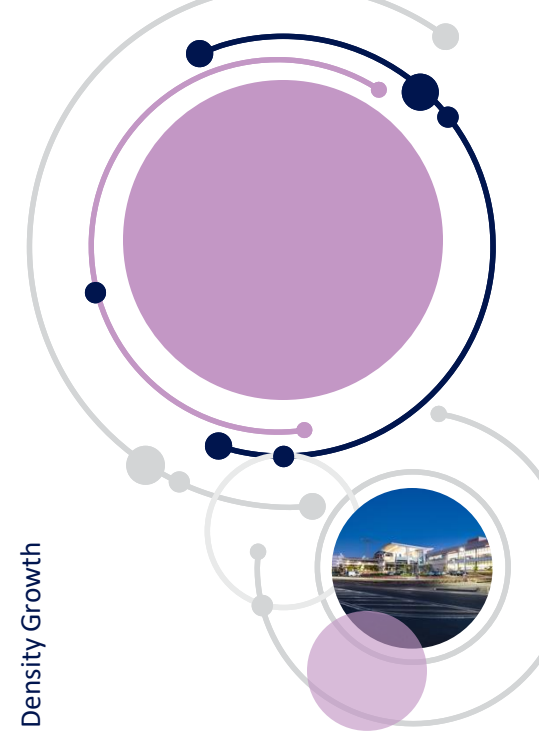
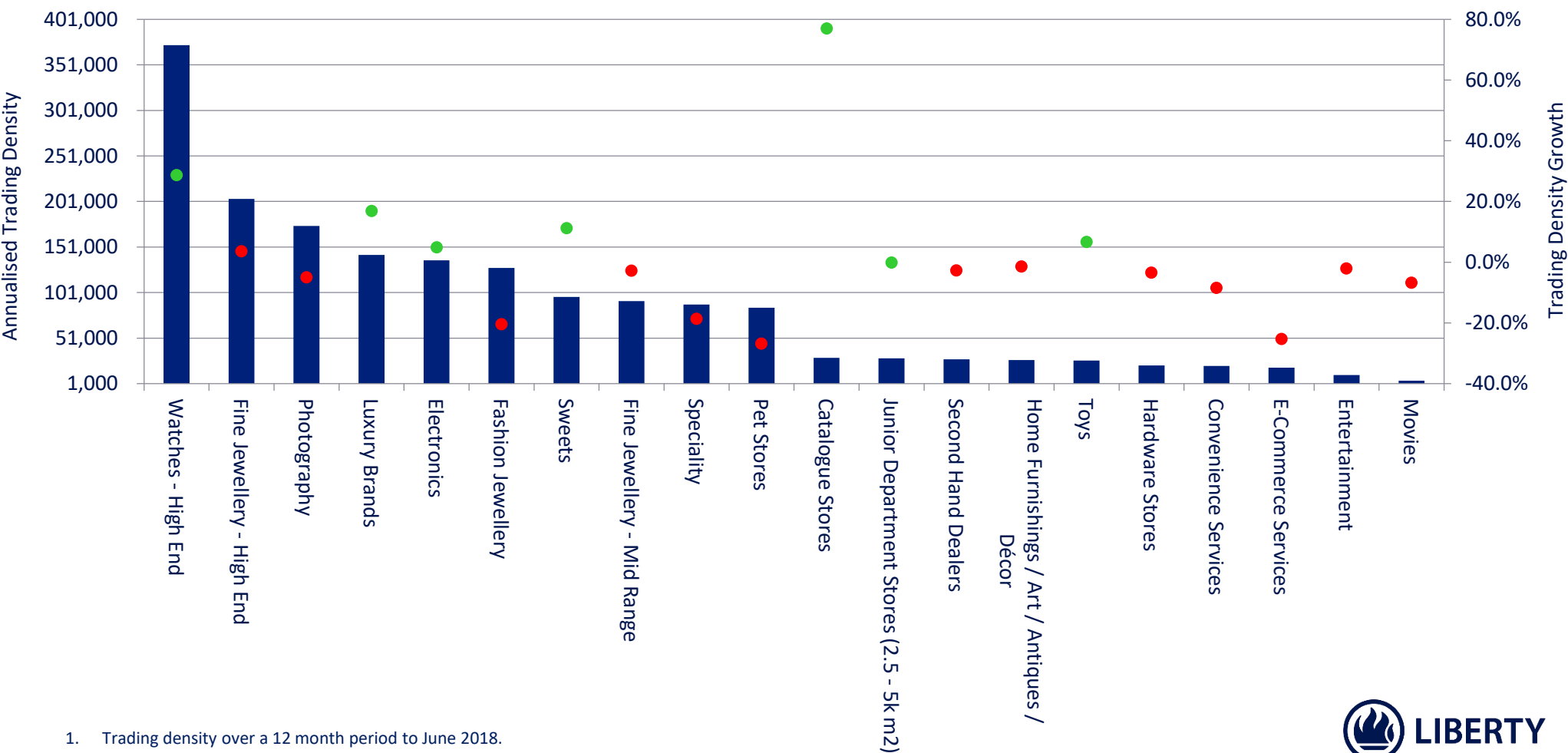


Geographic profile by GLA (m²) - Post New L2D



CATEGORIES BY TRADING DENSITY GROWTH

Top and Bottom 10 Trading Density Categories by R/m



1. Trading density over a 12 month period to June 2018.

KEY STRATEGIC APPOINTMENTS IN THE PERIOD



Roy Lighton
Development Executive



Carmen Collison
Asset Management Executive



Bharathi Kawal
Asset Manager



Mel Urdang
Retail Leasing Executive



Zwelakhe Mngomezulu
Property Analyst



Melinda Isaacs
Development Manager



Steph Goodwin
Human Resources Business Partner



Saadiyah Kahn
Valuation Manager



Ben Swanepoel
Chief Risk & Compliance Officer



Lerato Masango
Communications Manager



Katija Jaime
Finance Manager



Tirya Moodley
Financial Accountant

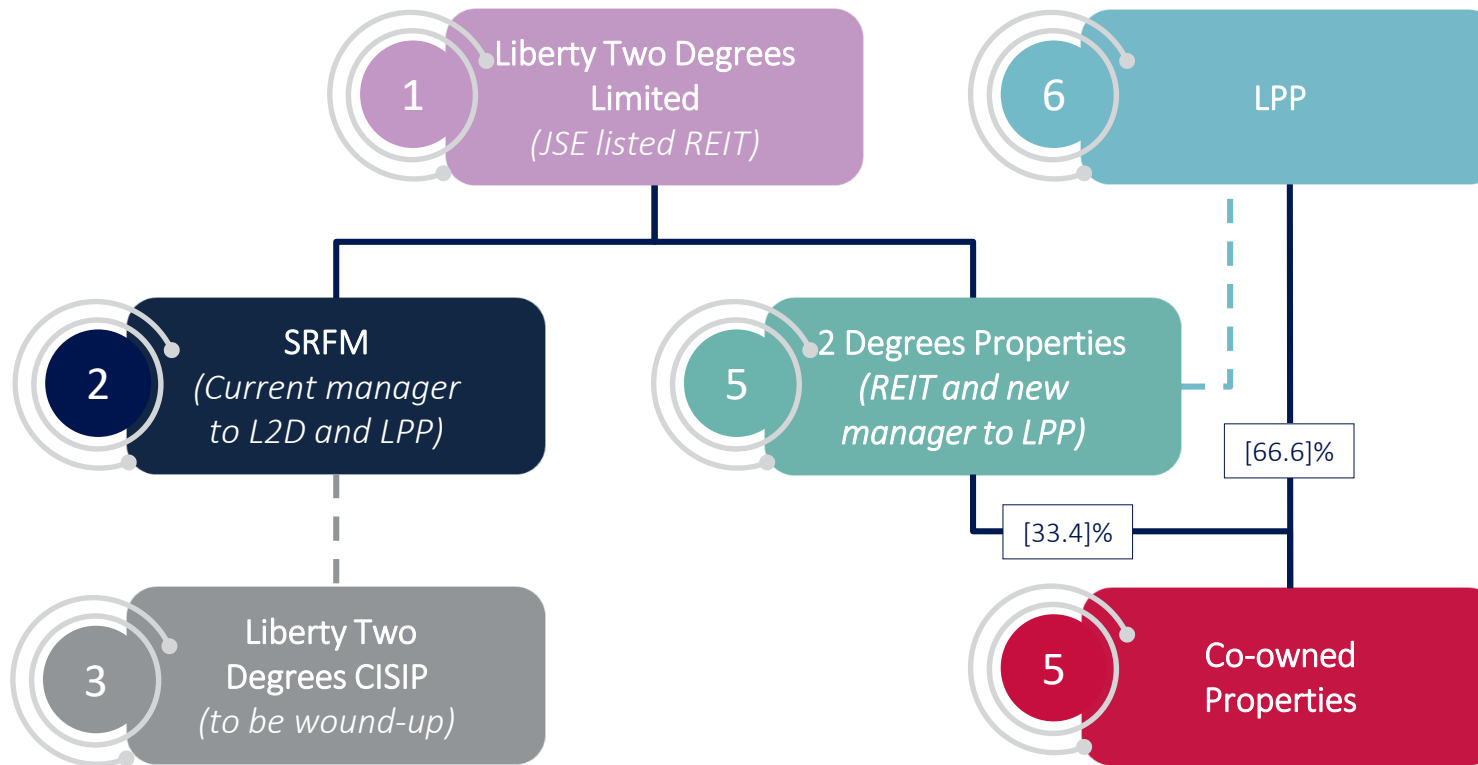
"L2D promotes a high performance culture, driving innovation and the execution of strategy in order to create value for all stakeholders."



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STRUCTURE AS A RESULT OF THE PROPOSED TRANSACTION



— — — Investment Management Agreement

— — — Trust Deed



DEVELOPMENTS

Successful Opening of Midlands Lifestyle Centre



Sandton City Food Court Refurbishment



Sandton City Fun District



AVERAGE RENTAL METHODOLOGY



Average gross rental:

Calculated by total income divided by the total building GLA, as per the annual financial statements.



Average net rental calculation at June 2017:

Total rent = basic rent + turnover rent at June 2017 year to date.

Total leased GLA = total building GLA – vacancies for June 2017.

Average net rent (R/m^2) = total rent divided by total leased GLA.



Average net rental calculation at December 2017 and June 2018:

Method of calculation was revised, to reflect a more realistic position.

Total rent = basic rent + turnover rent at December 2017/June 2018 year to date.

Total leased GLA = total building GLA – vacancies, over the 12/6 month period.

Average net rent (R/m^2) = total rent divided by total leased GLA.



GLA RECONCILIATION

Liberty Two Degrees (“L2D”) total gross lettable area (“GLA”) reported at 30 June 2018 increased by 35,943m², as per the breakdown provided below:

Sector profile	GLA June 2018 (m ²)	GLA December 2017 (m ²)	Variance (m ²)
Retail	523,107	500,973	22,134
Office	332,290	332,290	0
Specialised	52,089	38,280	13,809
Total	907,486	871,543	35,943

Please note that the properties are valued as a complex and not by sector (retail, office or specialised). It is therefore recommended that information provided in the operational overview be used during analysis. All GLA figures above reflect the 100% GLA of all properties within the portfolio.



DISCLAIMER

- This document contains forecasts and forward looking statements that reflect Management's expectations as at June 2018
- 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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