

PRELIMINARY RESULTS

Year ended 31 March 2018



Landsec



Introduction

Robert Noel

Chief Executive Officer



Landsec

Agenda

Introduction

Robert Noel

Financial results

Martin Greenslade

London Portfolio

Colette O'Shea

Retail Portfolio

Scott Parsons

Outlook

Robert Noel



Optionality for a range of conditions

Anticipating markets

- Speculative development programme complete
- Healthy investment and leasing volumes in London
- Low investment volumes in retail and weaker leasing in retail markets
- Optionality into practice
 - Committed to 21 Moorfields
 - Sold 20 Fenchurch Street
 - Acquired outlets



Customer

Fast changing customer landscape

- Office occupiers driven by efficiency and flexibility
- Retailers facing profound change in shopping habits
- Delivering relevant product
 - Westgate Oxford
 - 21 Moorfields
 - Densification of suburban assets



Westgate Oxford



21 Moorfields, EC2



O2 centre, NW3

Efficiency

Focused on NAV per share and EPS

- Sale of 20 Fenchurch Street combined with capital return
- Further reduced cost of debt and increased duration
- Positioned to grow earnings through development and acquisition



Sustainability

Customers, communities, employees and partners

- Relevant product
- Economic impact
- Social impact
- Environmental impact

Building
trust

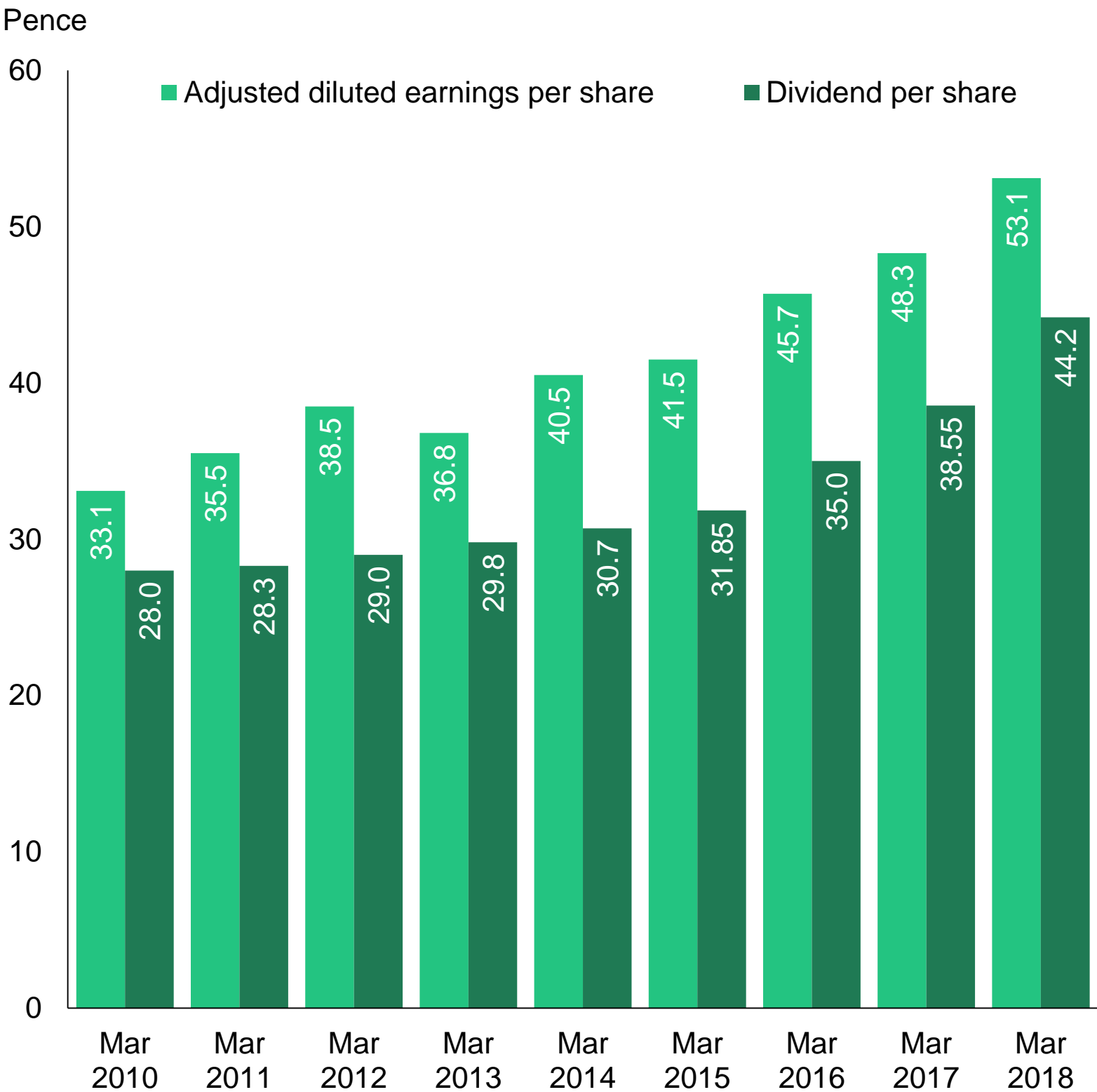
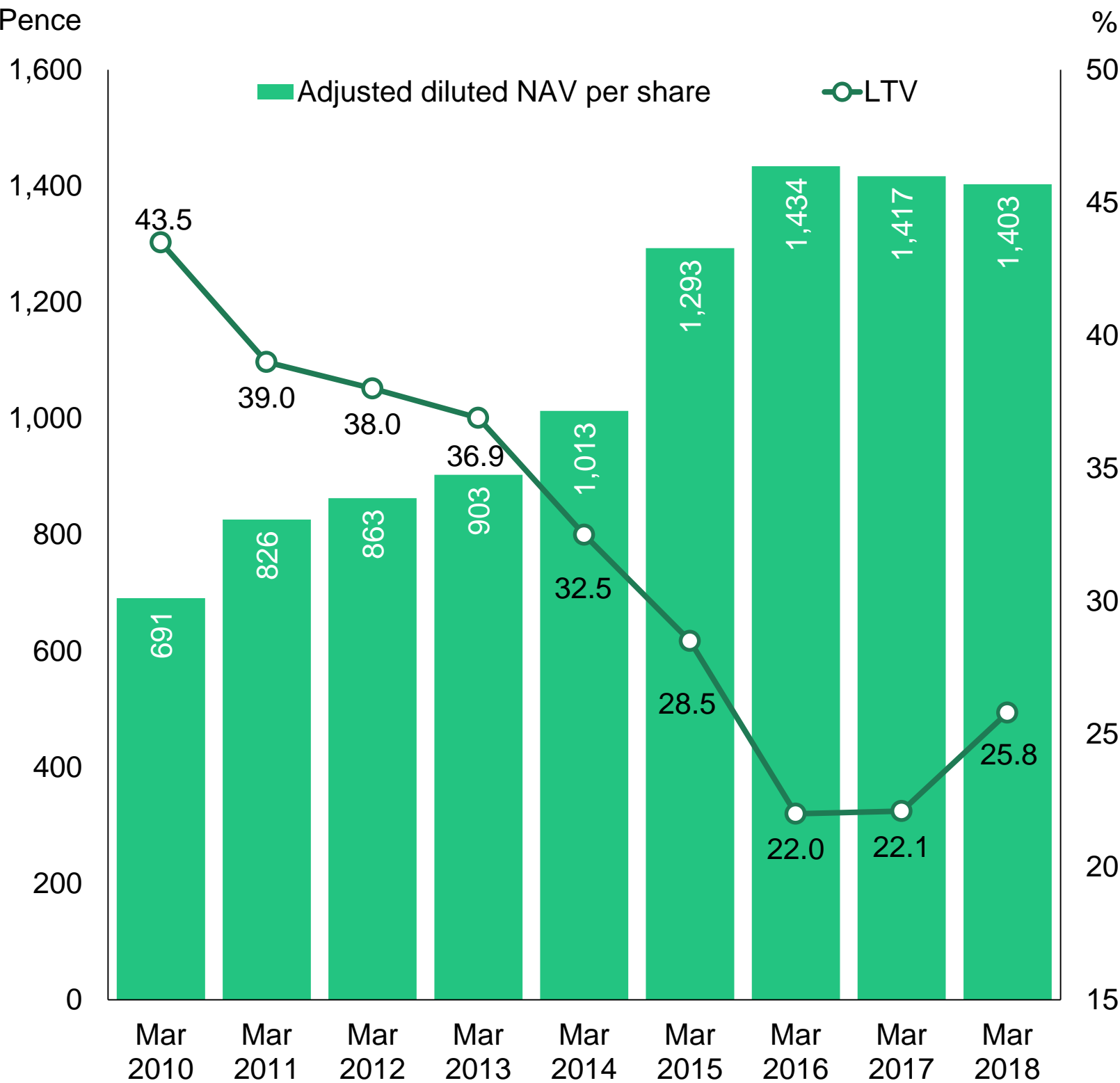


Landsec's Construction Academy, HMP Brixton



Trinity, Leeds

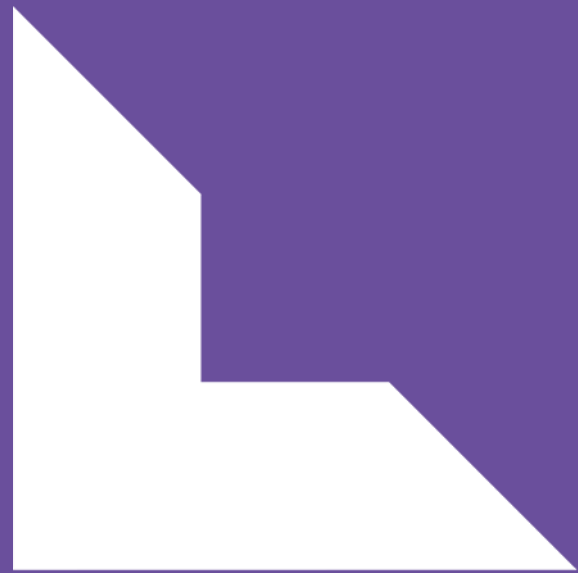
Actions translating into results



Financial results

Martin Greenslade

Chief Financial Officer



Landsec

Financial summary

| Year ended 31 Mar 17 | | Year ended 31 Mar 18 | Change |
|-------------------------|--|-------------------------|---------------------|
| | | | % |
| £382m | Revenue profit ⁽¹⁾ | £406m | 6.3 |
| £(147)m | Valuation deficit ⁽¹⁾ | £(91)m | -0.7 ⁽²⁾ |
| £112m | (Loss) / profit before tax | £(251)m | |
| 48.3p | Adjusted diluted earnings per share ⁽¹⁾ | 53.1p | 9.9 |
| 1,417p | Adjusted diluted net assets per share | 1,403p | -1.0 |
| 38.55p | Dividend per share | 44.2p | 14.7 |

(1) On a proportionate basis

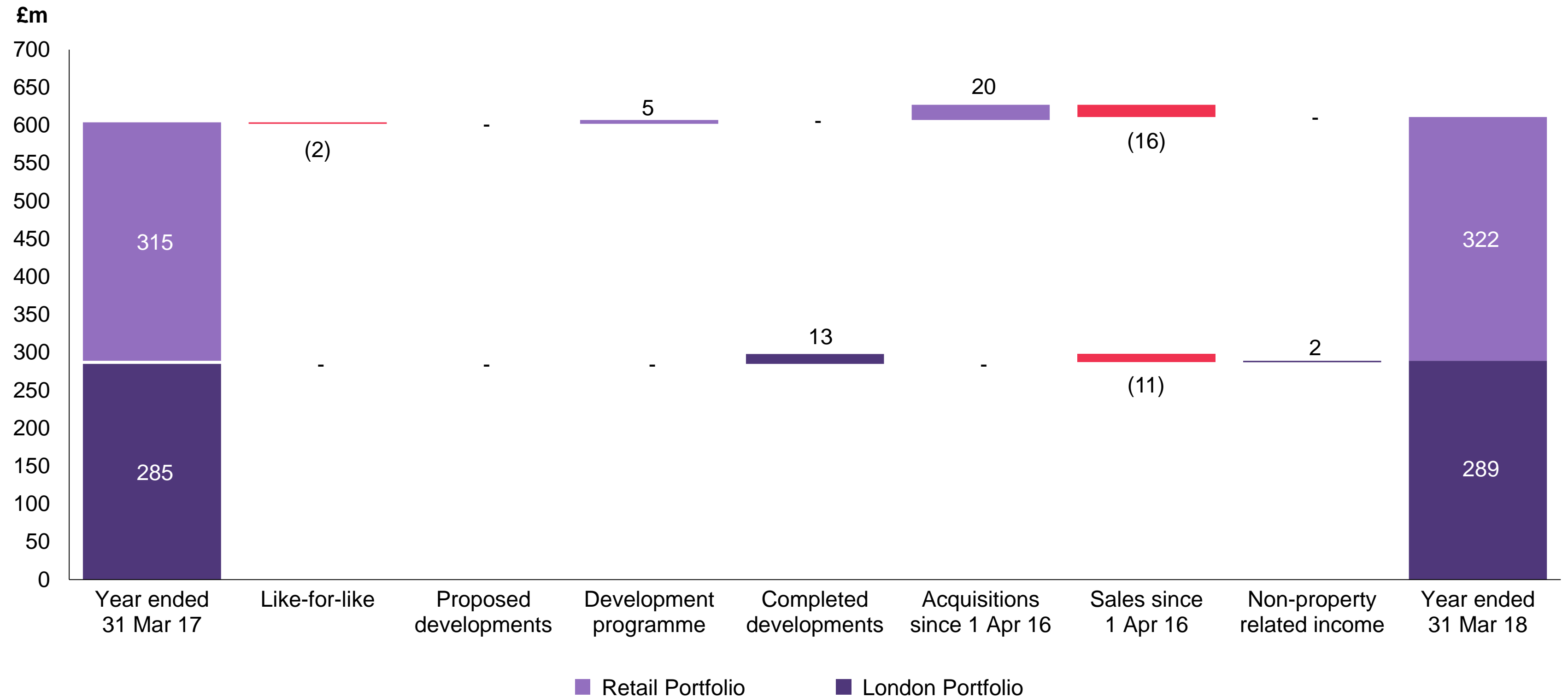
(2) The percentage change for the valuation deficit represents the fall in value of the Combined Portfolio over the year, adjusted for net investment

Revenue profit

| | Year ended 31 Mar 18 | Year ended 31 Mar 17 | Change |
|--|-------------------------|-------------------------|--------|
| | £m | £m | £m |
| Gross rental income ⁽¹⁾ | 661 | 637 | 24 |
| Net service charge expense | (11) | (5) | (6) |
| Net direct property expenditure | (39) | (32) | (7) |
| Net rental income | 611 | 600 | 11 |
| Indirect costs | (39) | (39) | - |
| Segment profit before finance expense | 572 | 561 | 11 |
| Net unallocated expenses | (43) | (40) | (3) |
| Net finance expense | (123) | (139) | 16 |
| Revenue profit | 406 | 382 | 24 |

(1) Includes finance lease interest, after rents payable

Net rental income analysis

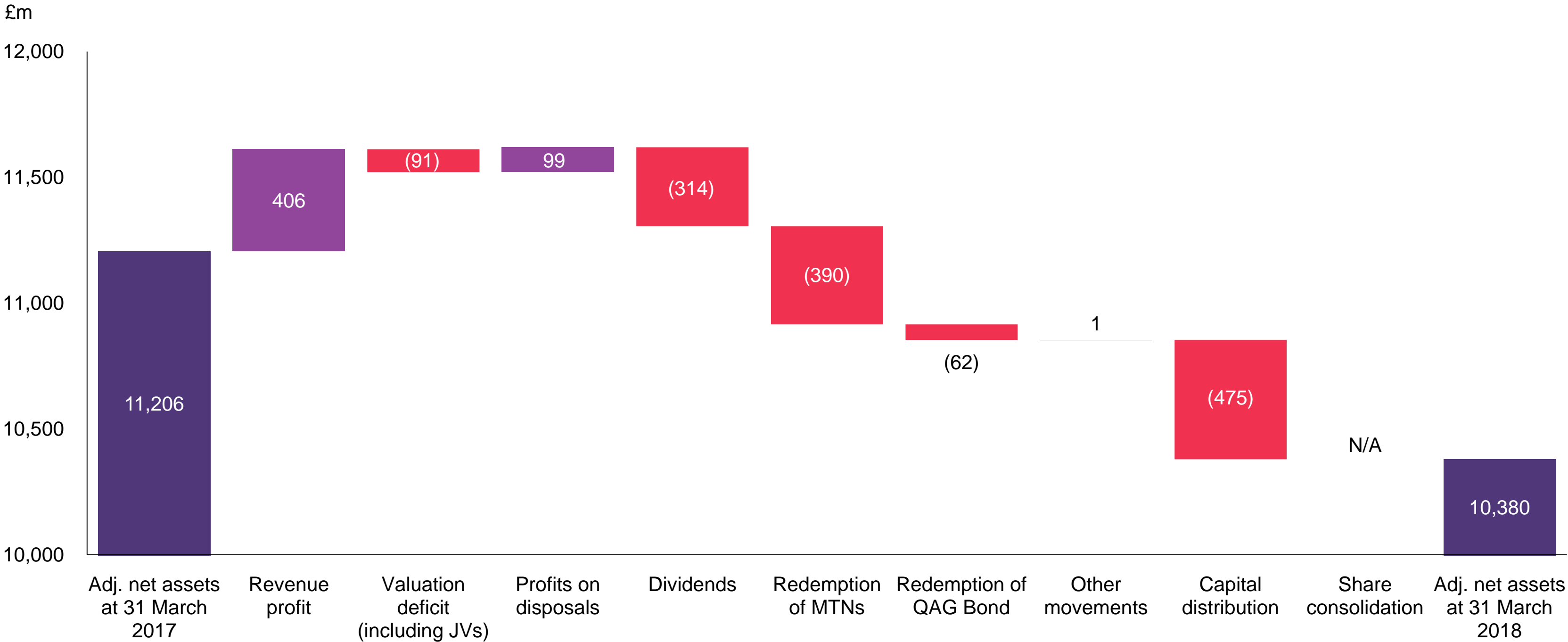


Combined Portfolio valuation

| | Market value at 31 Mar 18 | Combined Portfolio by value | | Valuation deficit year to 31 Mar 18 | |
|---------------------------------|------------------------------|--------------------------------|-------------|--|-------------|
| | £m | % | % | | £m |
| Like-for-like | 11,500 | 81.5 | -1.5 | | (169) |
| Development programme | 447 | 3.2 | | 18.3 | 68 |
| Completed developments | 1,816 | 12.9 | | 1.0 | 17 |
| Acquisitions | 340 | 2.4 | -1.9 | | (7) |
| Total Combined Portfolio | 14,103 | 100.0 | -0.7 | | (91) |

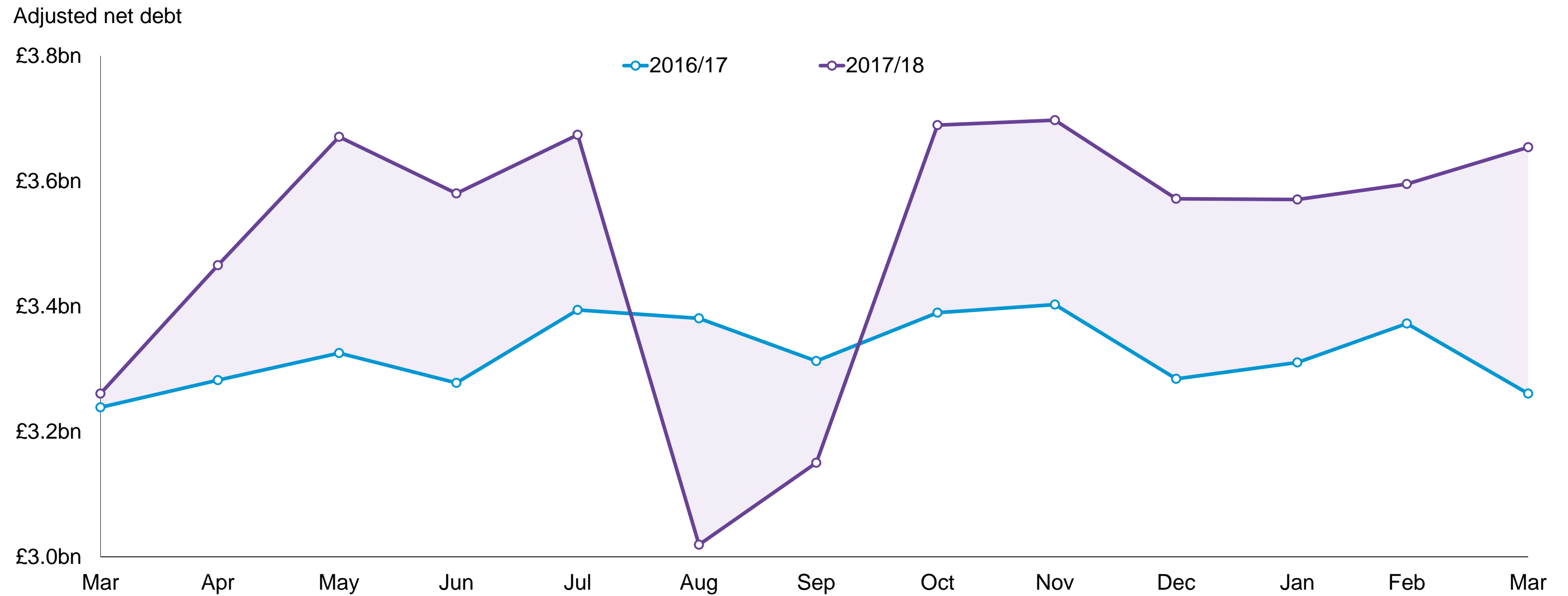
Movement in adjusted net assets

| Pence per share | | | | | | | | | | |
|-----------------|-----|-------|-----|-------|-------|------|----|-------|-----|--------|
| 1,417p | 53p | (12)p | 13p | (40)p | (51)p | (8)p | 0p | (60)p | 91p | 1,403p |



Adjusted net debt⁽¹⁾

Year-on-year comparison by month



(1) On a proportionate basis

Financing

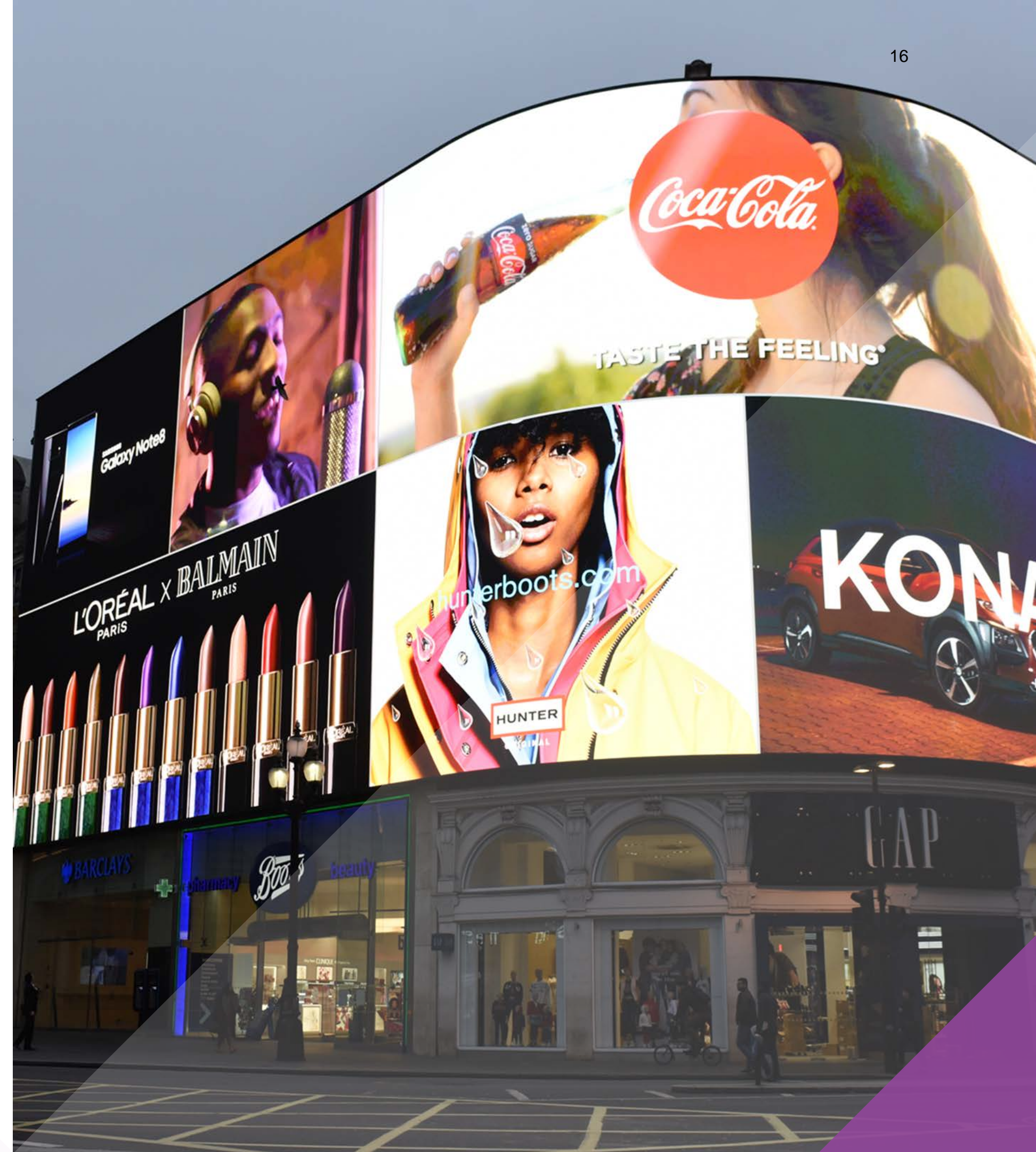
- Group LTV⁽¹⁾ at 25.8% up from 22.2% at 31 March 2017
- Weighted average maturity of debt extended to 13.1 years
- Weighted average cost of debt reduced to 2.6%
- £1.1bn cash and available facilities

| Debt and gearing | 31 Mar 18 | 31 Mar 17 |
|----------------------------------|------------|-----------|
| Adjusted net debt ⁽¹⁾ | £3,652m | £3,261m |
| Weighted average maturity | 13.1 years | 9.4 years |
| Weighted average cost | 2.6% | 4.2% |
| Group LTV ⁽¹⁾ | 25.8% | 22.2% |
| Security Group LTV | 27.2% | 28.3% |

(1) On a proportionate basis

Financial summary

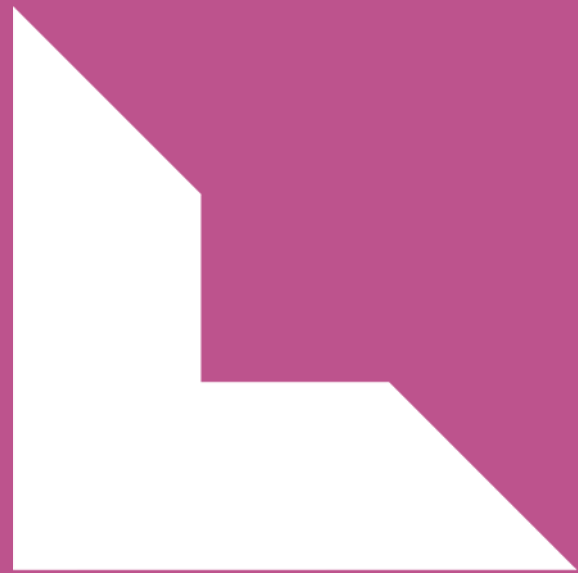
- Increased earnings
- Large dividend increase
- Active balance sheet management
 - Opportunistic sales and acquisitions
 - £1.5bn of bonds repurchased
 - £475m return of capital
- Financial flexibility



London Portfolio

Colette O'Shea

Managing Director



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A strong year with plenty of future opportunity

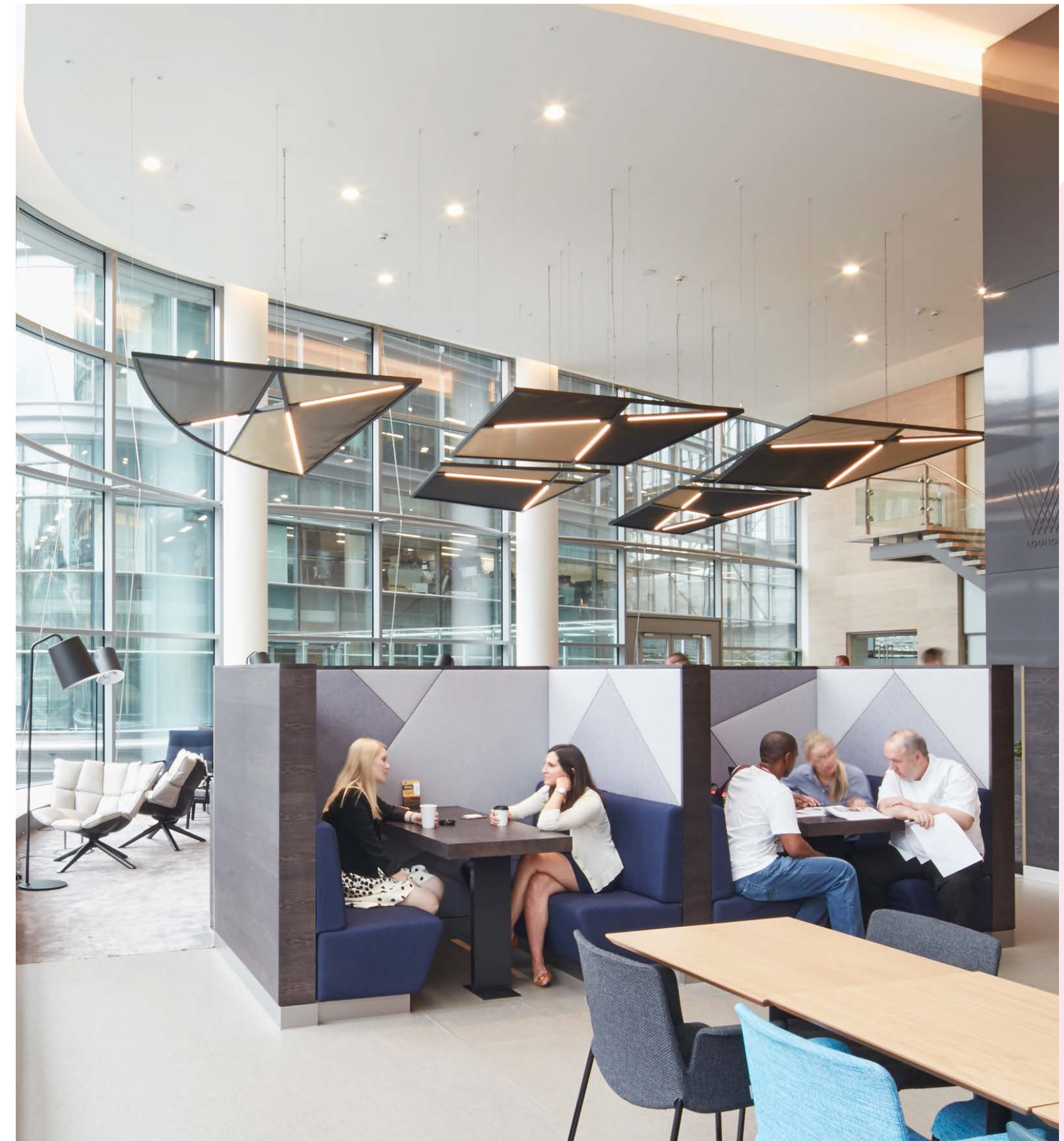
- £45m of development lettings
 - Sold 20 Fenchurch Street for record price
 - Finished letting 3m sq ft speculative development programme
- Progressing a 1.4m sq ft pipeline of development opportunities of which 40% is already pre-let and on-site



Nova, SW1

Occupational market

- Rise in vacancy rate to 4.8%
- Take-up of 14m sq ft over the financial year, up 15% on 2016/2017 and higher than the 10-year average
- Serviced office sector accounted for 17% of total take-up during the financial year versus a 10-year average of 5%
- 3% of portfolio let to serviced office occupiers
- Second-hand space supply in March 2018 at highest level since Q1 2012



80 Victoria Street, SW1

Our offices in demand

- Voids down to 2%
- 3m sq ft speculative development programme complete
 - Average rent of £68 per sq ft
 - 32% of rent subject to fixed uplifts
 - Average lease term of 16 years
 - Average rent free of 25 months
- Pre-let minimum of 469,000 sq ft at 21 Moorfields



Investment market

- London remains a destination of choice
- Prime rents declined in some submarkets, but offset by tightening yields
- Strong demand, investment volumes reached £14bn in the financial year, 7% above the 10-year average
- Demand remains underpinned by foreign buyers
- Sold 20 Fenchurch Street at yield 3.4%
- Portfolio valuations held up
- Continued bifurcation of the market



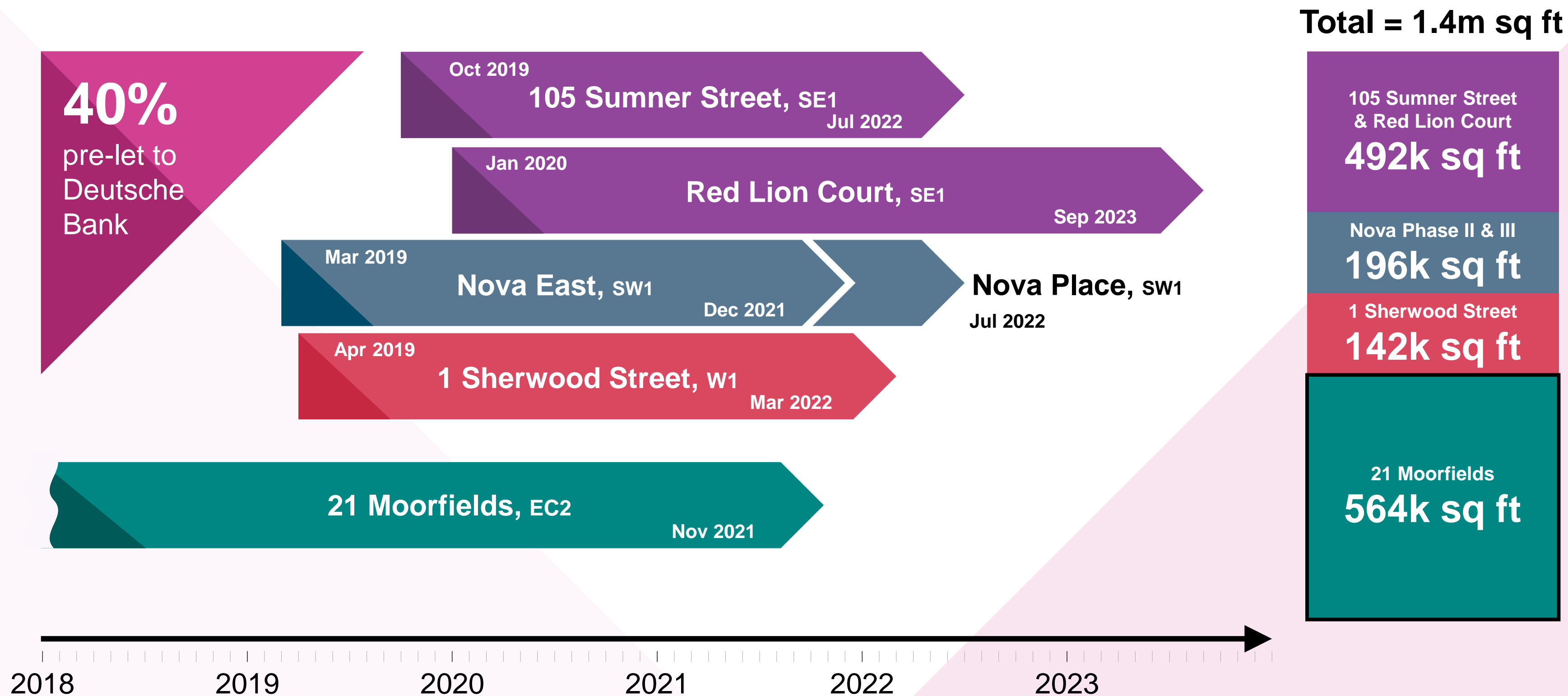
Development activity

Readying the next phase of development

- Achieved £45m of development lettings
 - Nova 97% let, average rent of £75 per sq ft and average lease term of 14 years
 - Pre-let to Deutsche Bank
- Continued work on a 1.4m sq ft pipeline of development opportunities
 - 564,000 sq ft at 21 Moorfields
 - 800,000 sq ft in Victoria, Soho and Southwark
- Represents over half the 2010 speculative development programme (our share)



Pipeline of development opportunities



Note: Earliest start on-site dates

21 Moorfields

Building on a strong partnership

- 1.9 acre development sitting above Liverpool Street Crossrail Station
- Planning consent secured
- TfL enabling works finished
- On track to complete piling in March 2019
- Projected TDC of £583m and net ERV of £38m



Nova East

Continuing our success at Nova

- Focused on Nova East, the second phase of Nova
- 14 storey office building of 137,000 sq ft with 12,000 sq ft floorplates that sits behind Victoria Palace Theatre
- The scheme will open up a route through the Victoria estate
- Working towards a start on-site date of March 2019
- Potential later second building of 59,000 sq ft beside the theatre

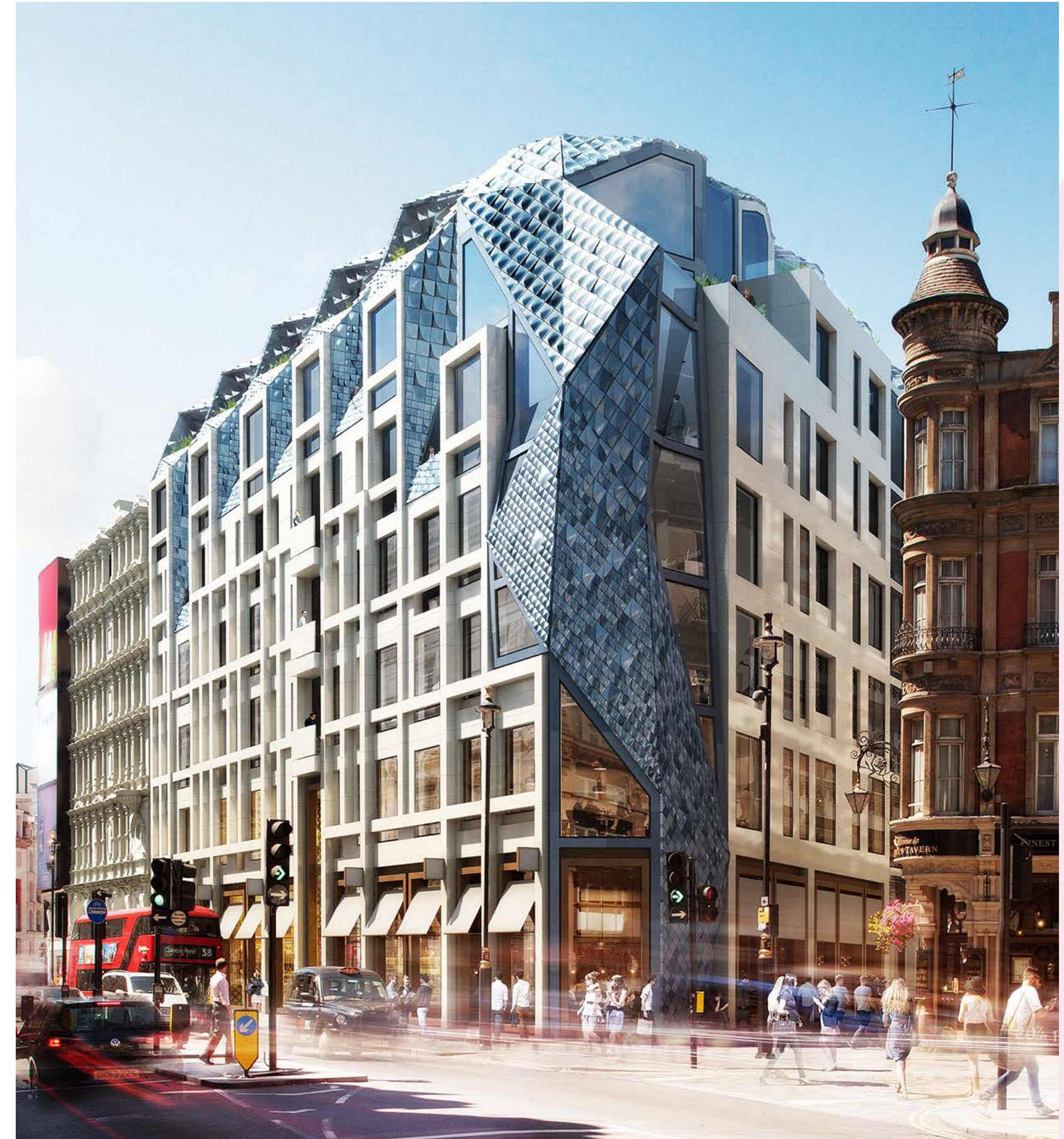


Nova East, SW1

1 Sherwood Street

Modern space where customers want to be

- Planning and listed building consent secured for 142,000 sq ft
- Combines historic listed buildings with modern architecture
- Opportunity for large, flexible floorplates of 20,000 sq ft in the West End
- Detailed design has commenced with a potential start on-site in April 2019



1 Sherwood Street, W1

Southwark Estate

Responding to customers' occupational needs

105 Sumner Street

- Planning consent for two buildings totalling 135,000 sq ft
- Focused on placemaking
- Less conventional designs



105 Sumner Street, SE1

Red Lion Court

- On the river
- Aiming to submit planning application this financial year



Red Lion Court, SE1 - (current building)

1.4m sq ft pipeline of development opportunities

40% de-risked and optionality

- 564,000 sq ft on-site
- 800,000 sq ft in design
- Optionality over delivery plans
- Opportunity to start from 2019



Asset management

Driving the portfolio hard

- Office WAULT is 9.6 years and our voids are only 2%
- Completed £10m of investment lettings in 27 transactions
- 14% above passing rent and average lease length 10 years
- Completed over £36m of rent reviews at 14% above passing rent, in partnership with our customers



One New Change, EC4



One New Change, EC4

40 Strand and 123 Victoria Street

Working in partnership

40 Strand

- Principal occupier is Bain
- Reviewed £5m increasing passing rent by 12%



40 Strand, WC2

123 Victoria Street

- Successfully settled 5 rent reviews totalling £6m
- Average of 10% ahead of passing rent

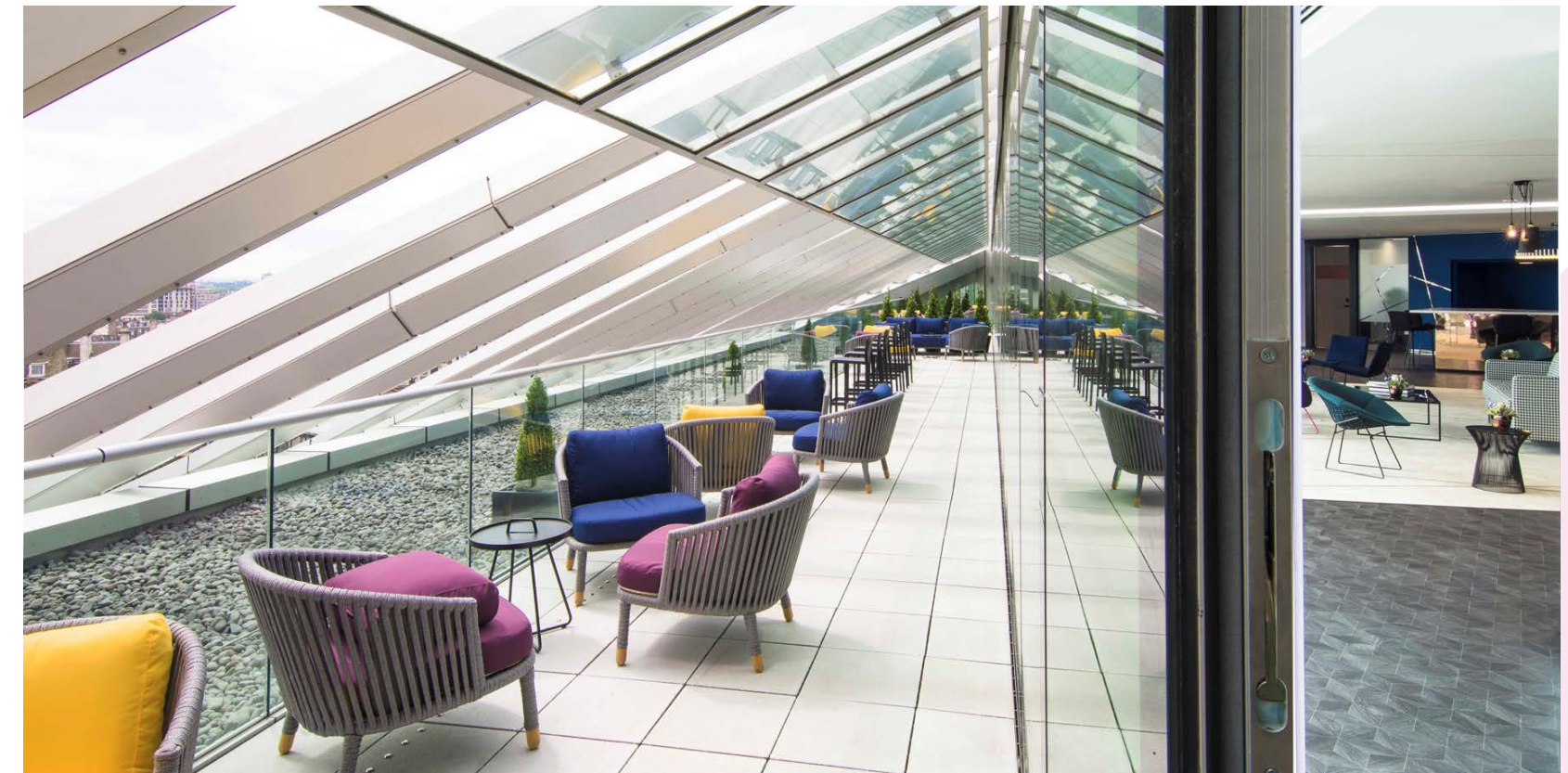


123 Victoria Street, SW1

Asset management

Working in partnership with our customers

- Intuit has taken 38,000 sq ft at 80 Victoria Street, moving from 123 Victoria Street
- Doubled their space and lease length to 10 years
- LEO (London Executive Offices) offers flexibility to our customers



LEO at Nova, SW1 – Fit-out

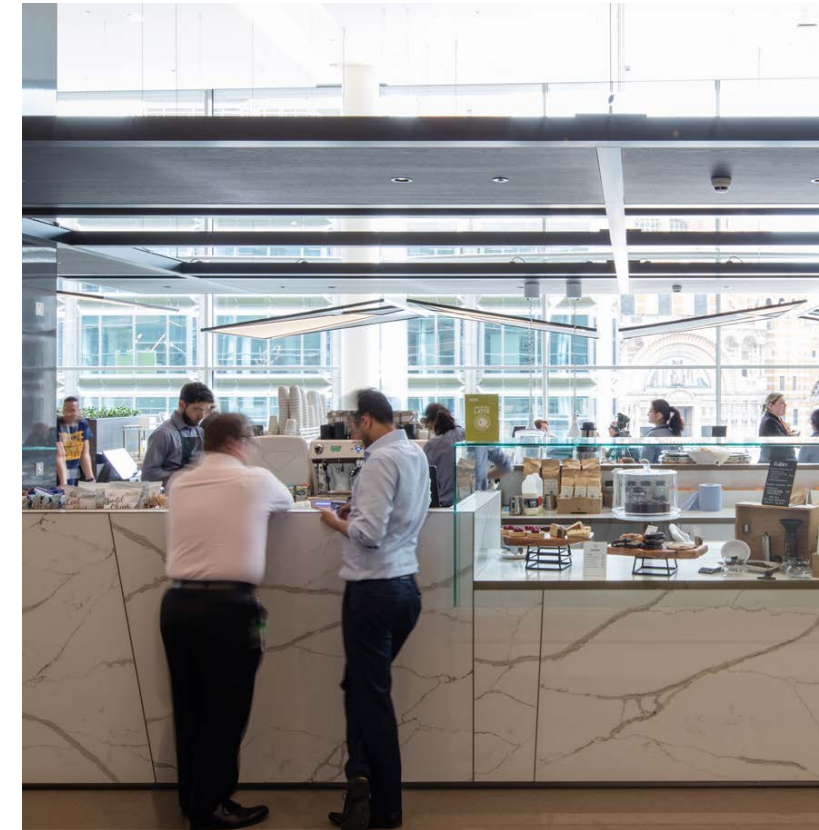


LEO at Nova, SW1 – Fit-out

Cardinal Place

More services more activity

- V Café offers flexibility to our customers
- Completed second rent review cycle
- £15m reviewed, office rents increased by 12% and retail by 19%
- Refurbished and let 81,000 sq ft at an average rent of £68 per sq ft on an average lease of 7 years



V Café, 80 Victoria Street, SW1



Cardinal Place, SW1

Summary

Focused on
brilliant
basics

Continually
looking for
opportunities
to drive value

Anticipating
our
customers'
needs

Progressing
development
opportunities



Retail Portfolio
Scott Parsons
Managing Director

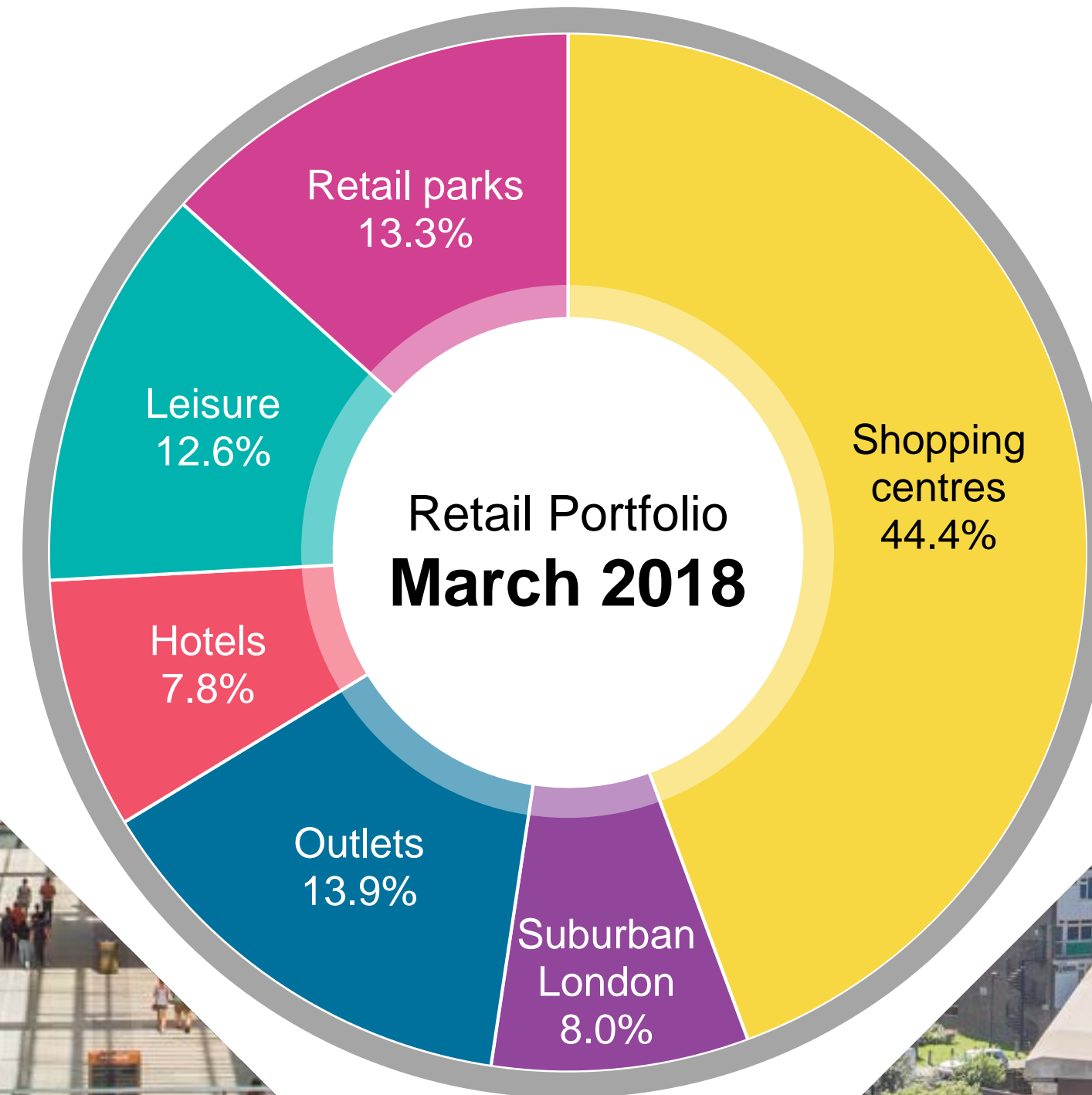


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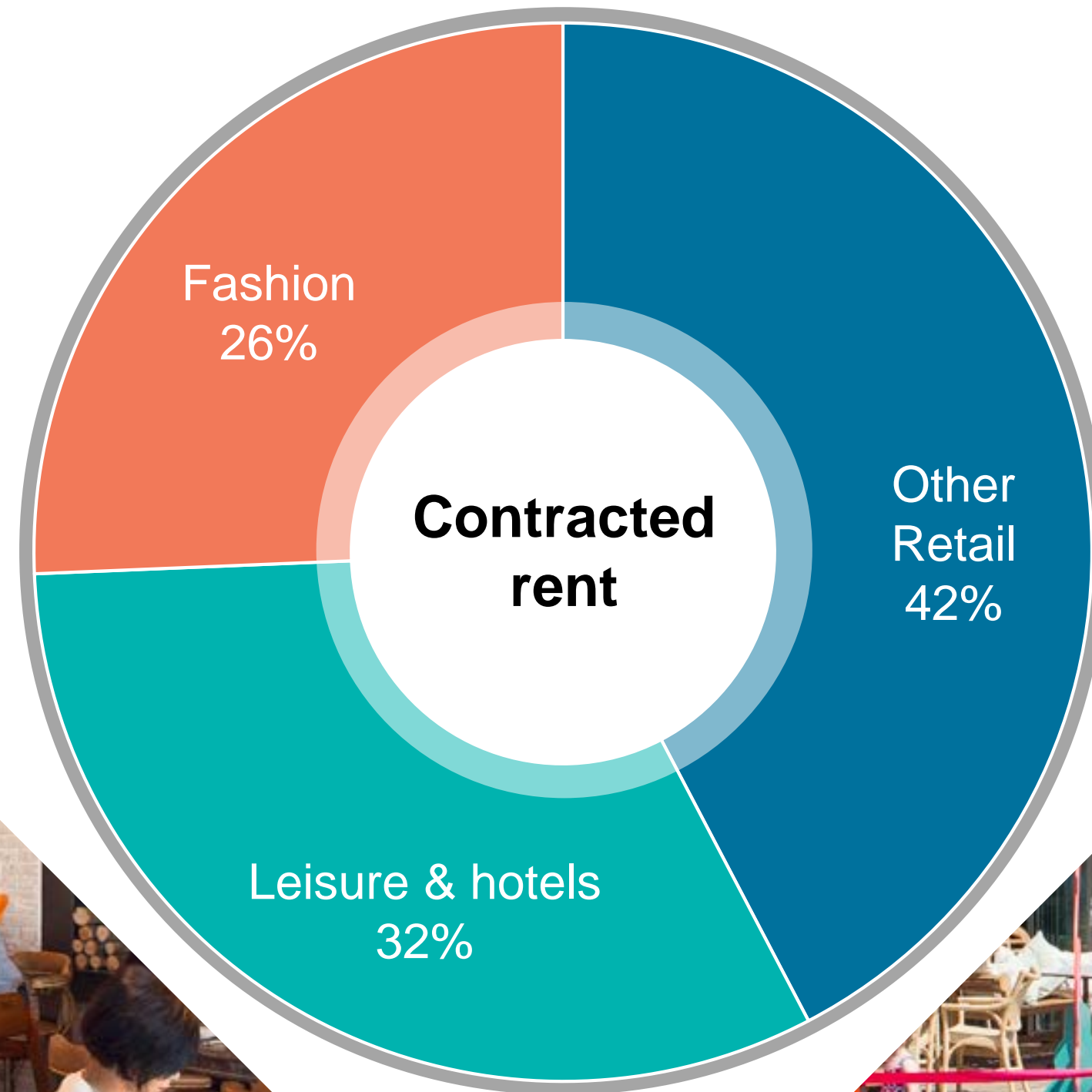
A diversified, experiential destination business



Balanced portfolio by capital value

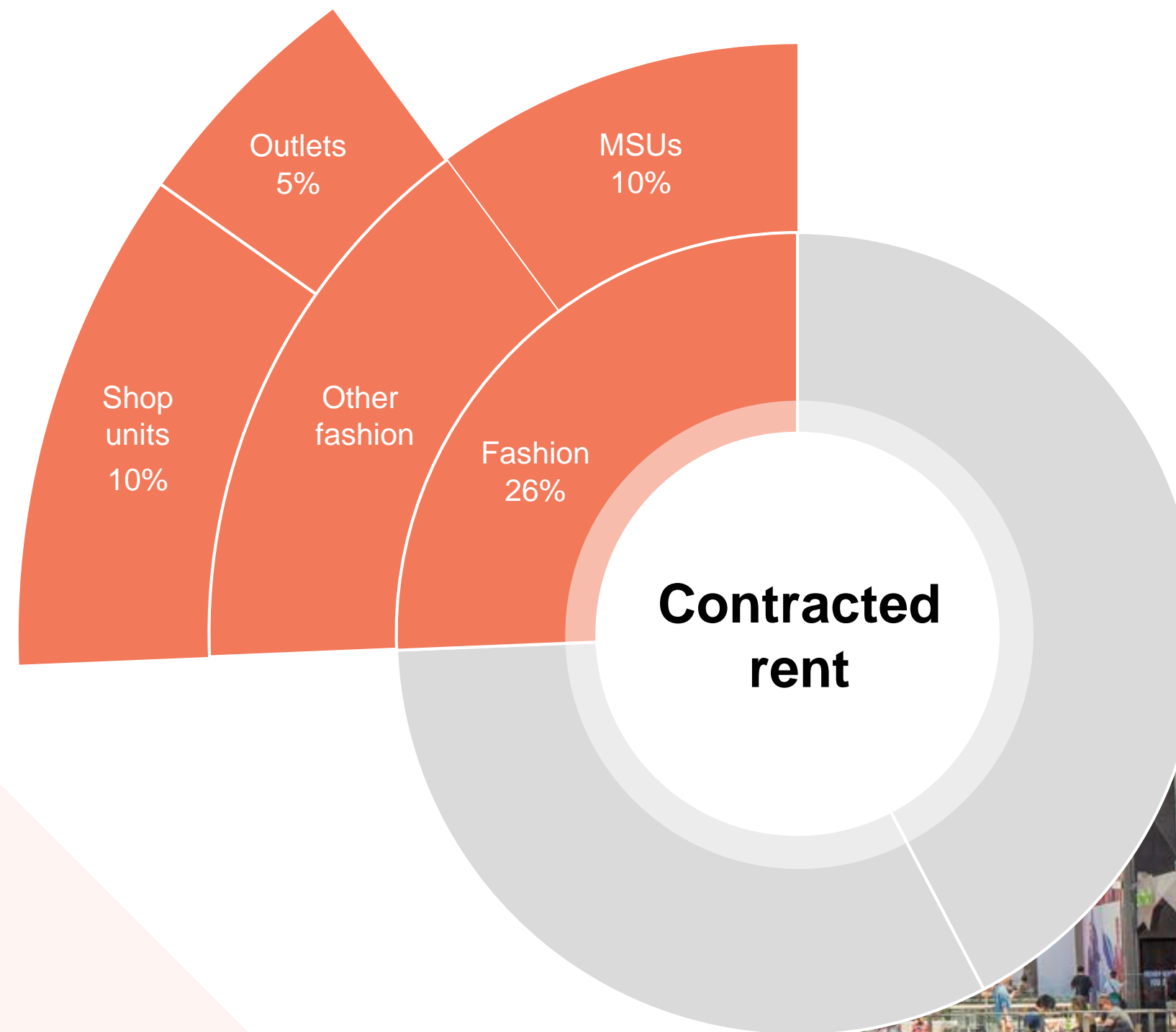


Diversified customer base

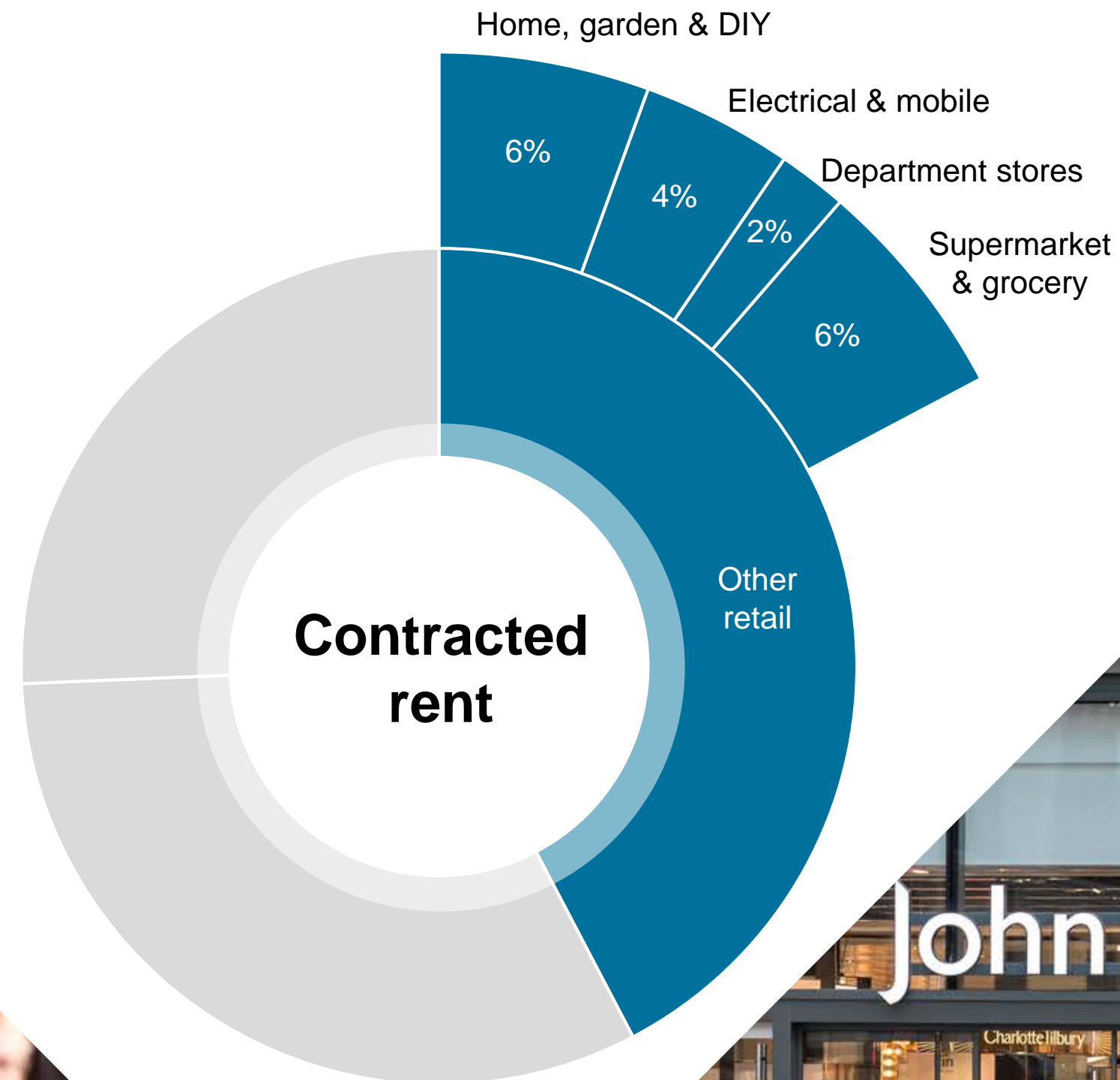


Curating brand mix

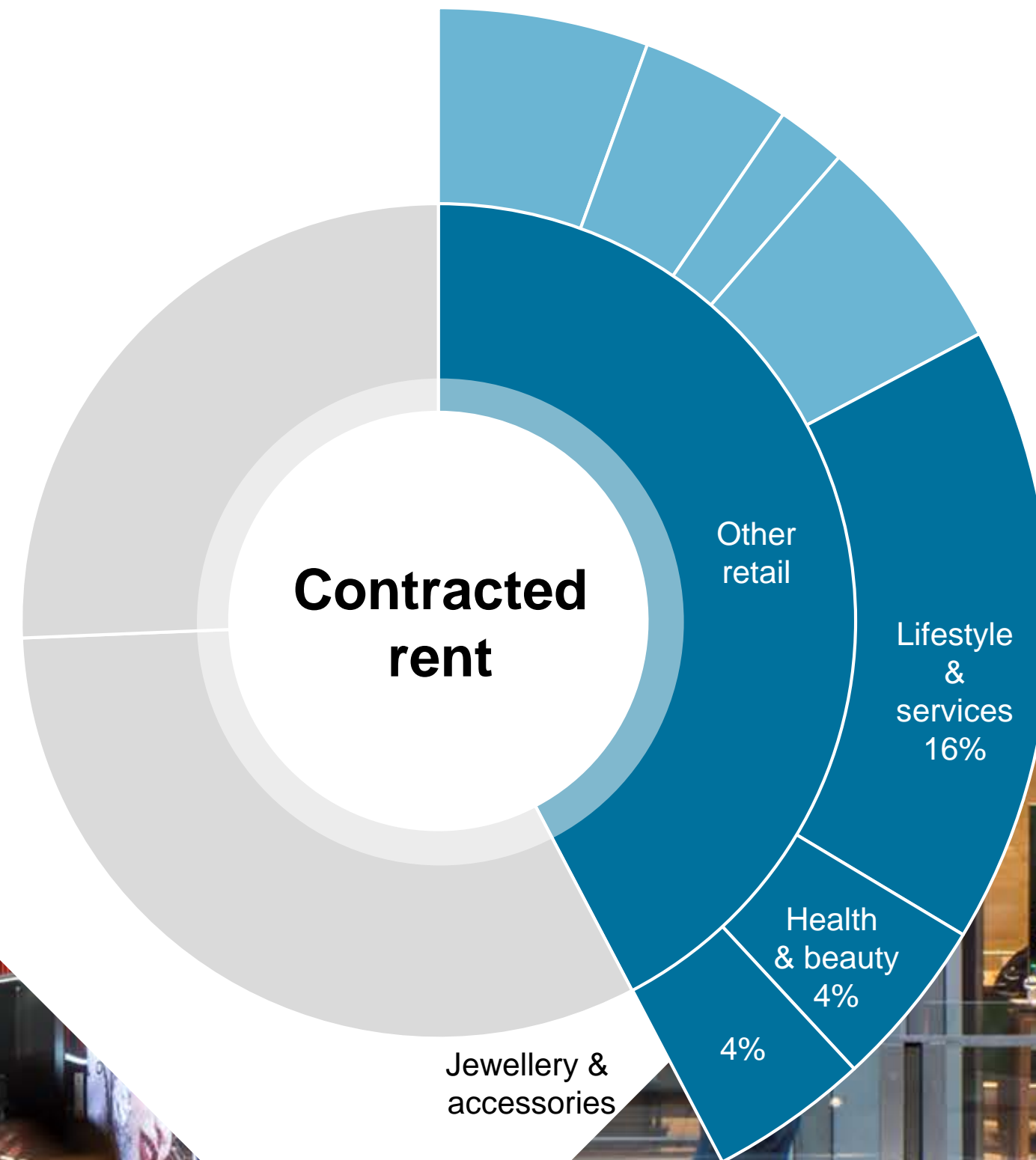
- Anchors driving footfall
- Sales growth at outlets
- Depth of brand mix
- Importance of physical stores



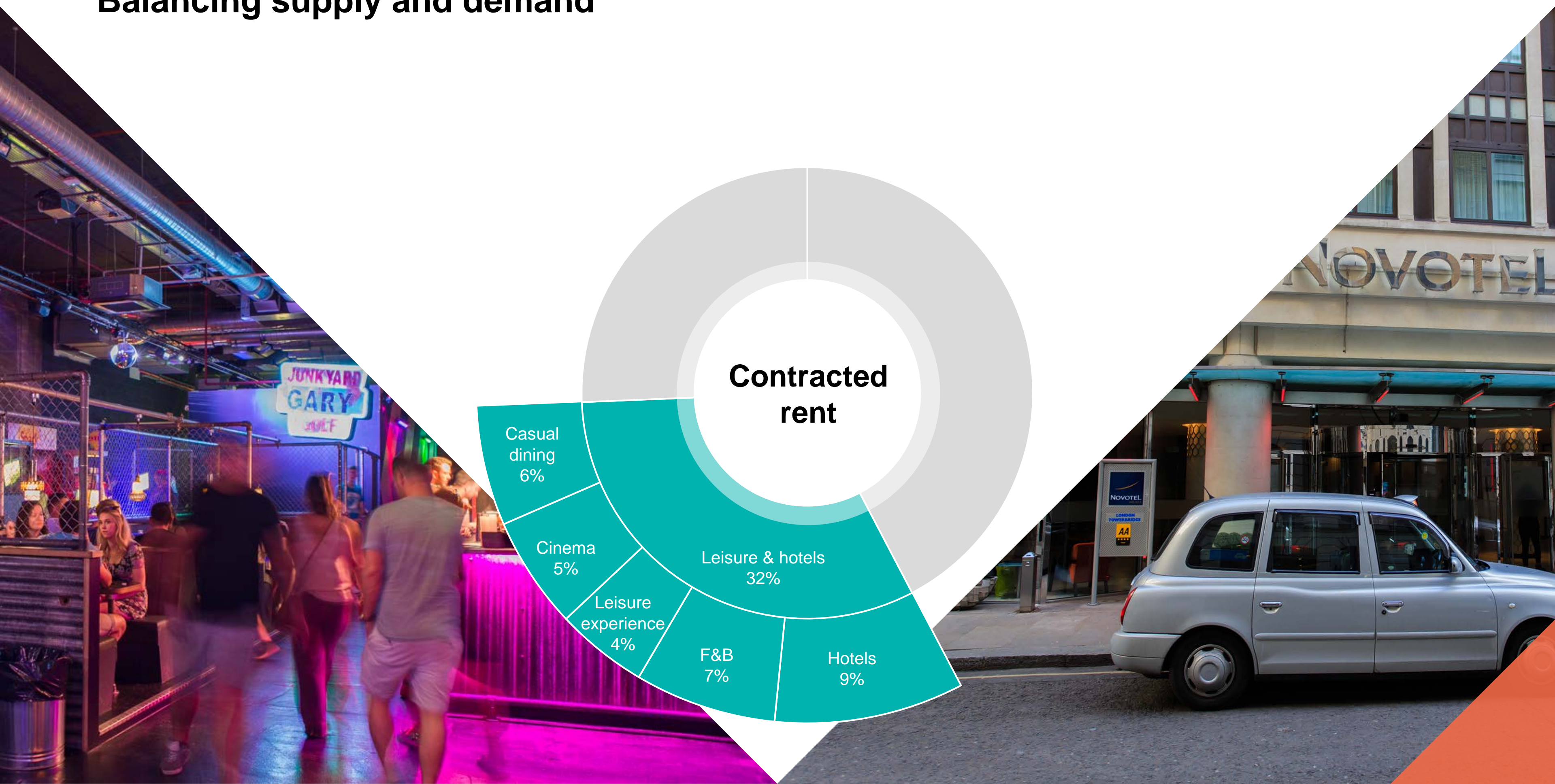
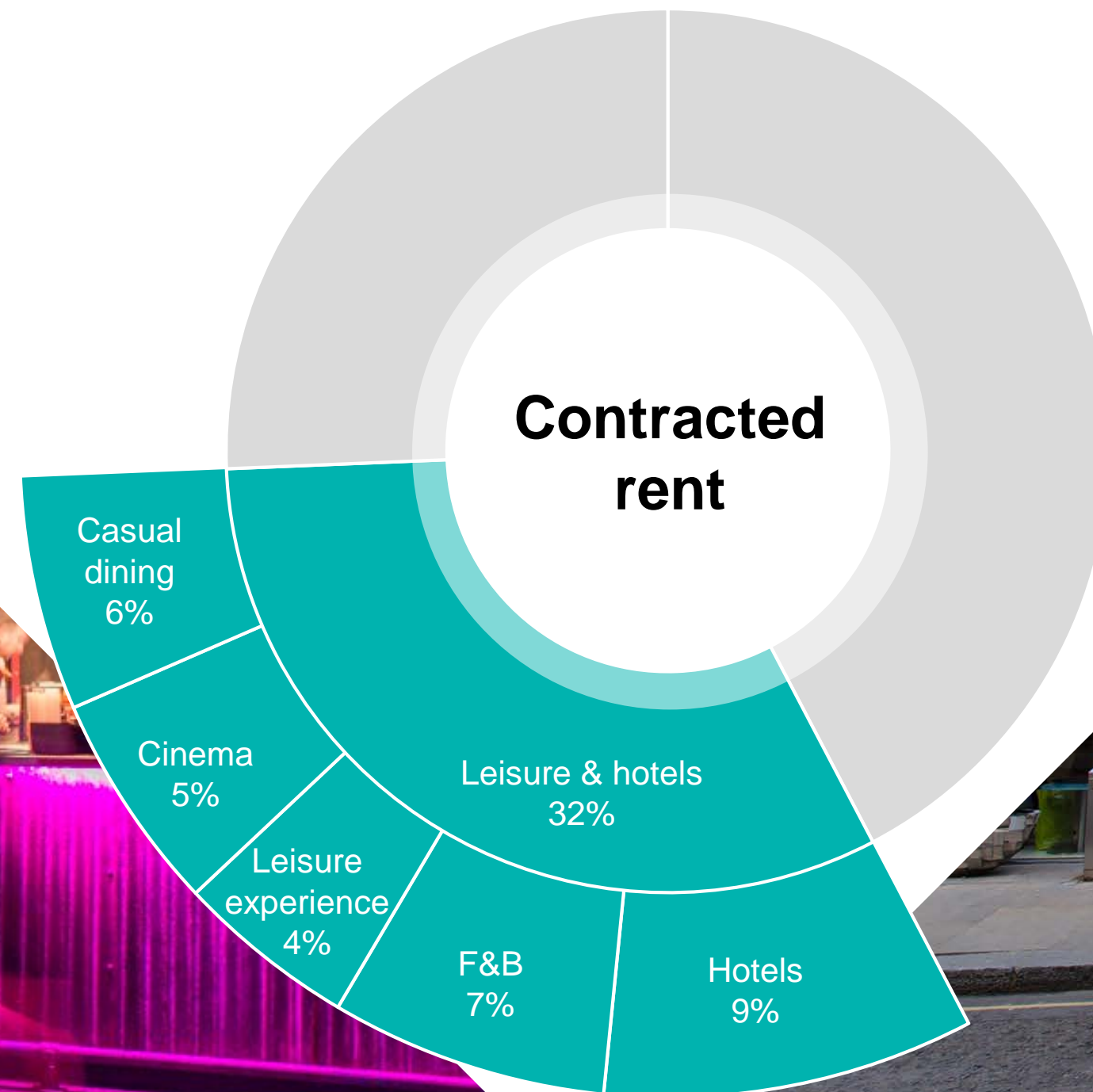
Healthy mix of non-fashion retail



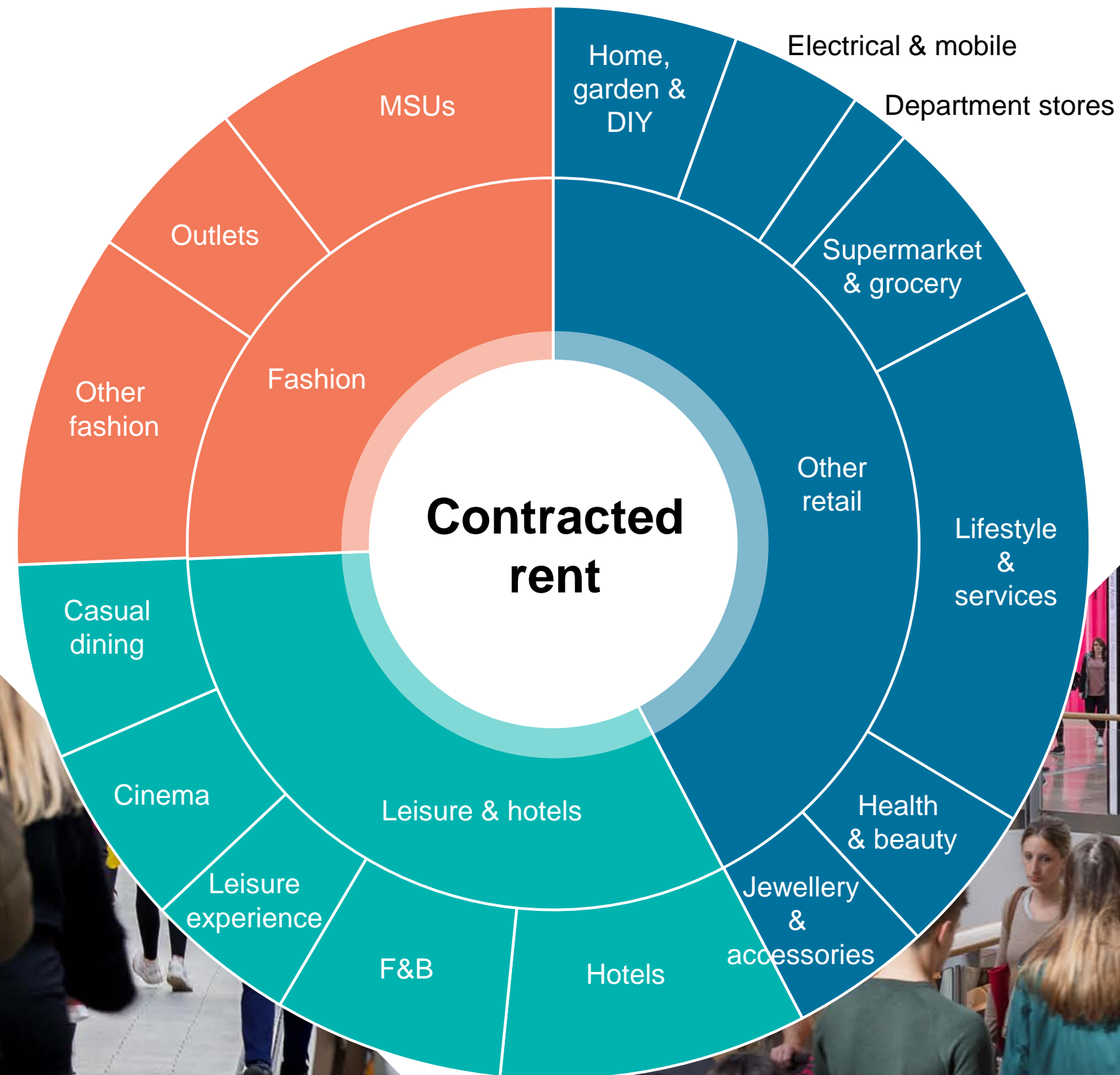
Growing subsectors



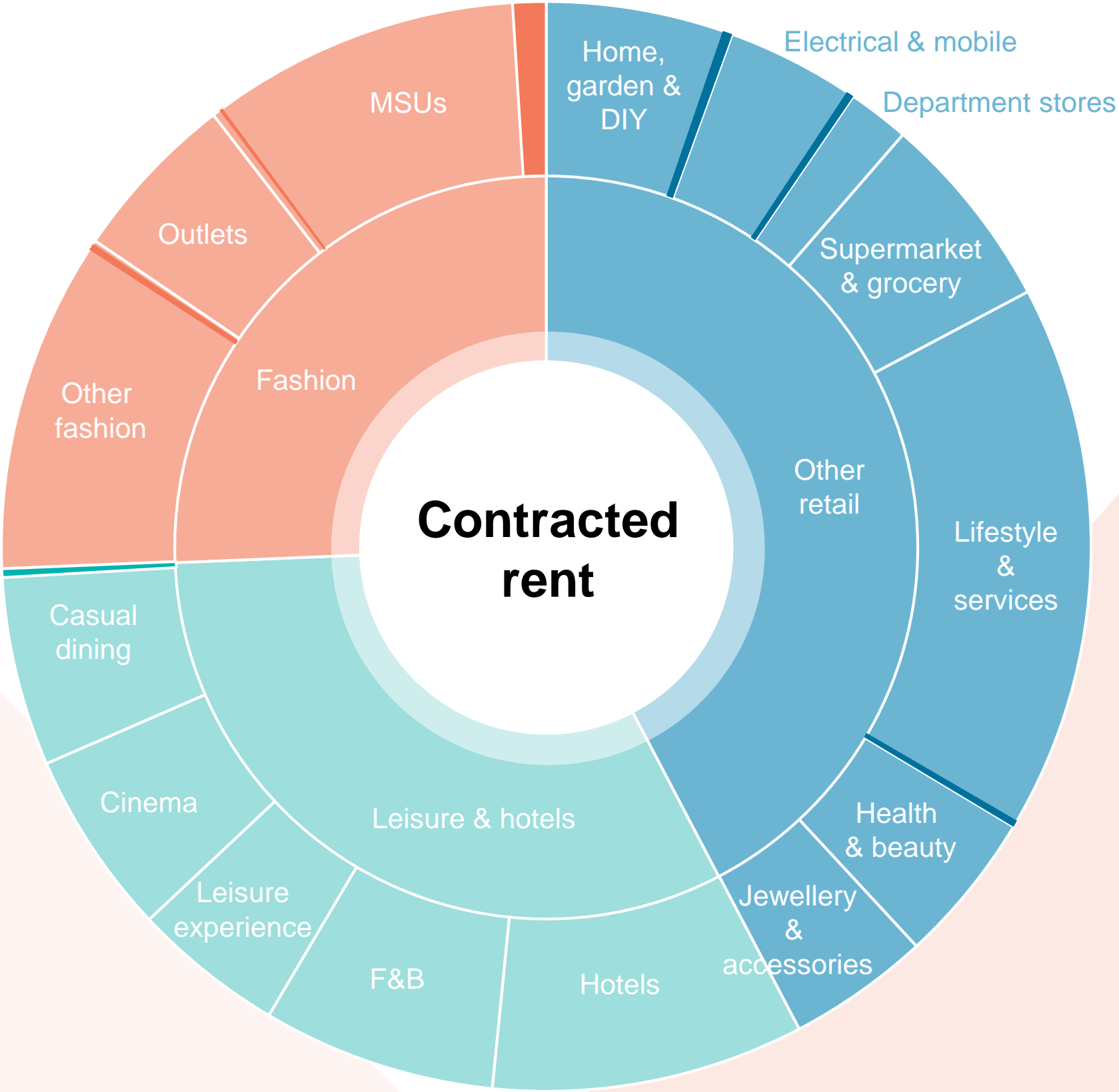
Balancing supply and demand



Strength and resilience



Limited impact of CVAs



Outperforming the benchmarks

Footfall down
1.9%

Outperformed
benchmark
by

60bps

Sales down
0.5%

Outperformed
benchmark
by

170bps



Consistent lettings and low voids

- 141 lettings, £13.4m rent
- Lettings 7% ahead of previous passing rents
- Voids down to 2.7%



Bluewater, Kent

Asset management wins



Westgate's brand appeal

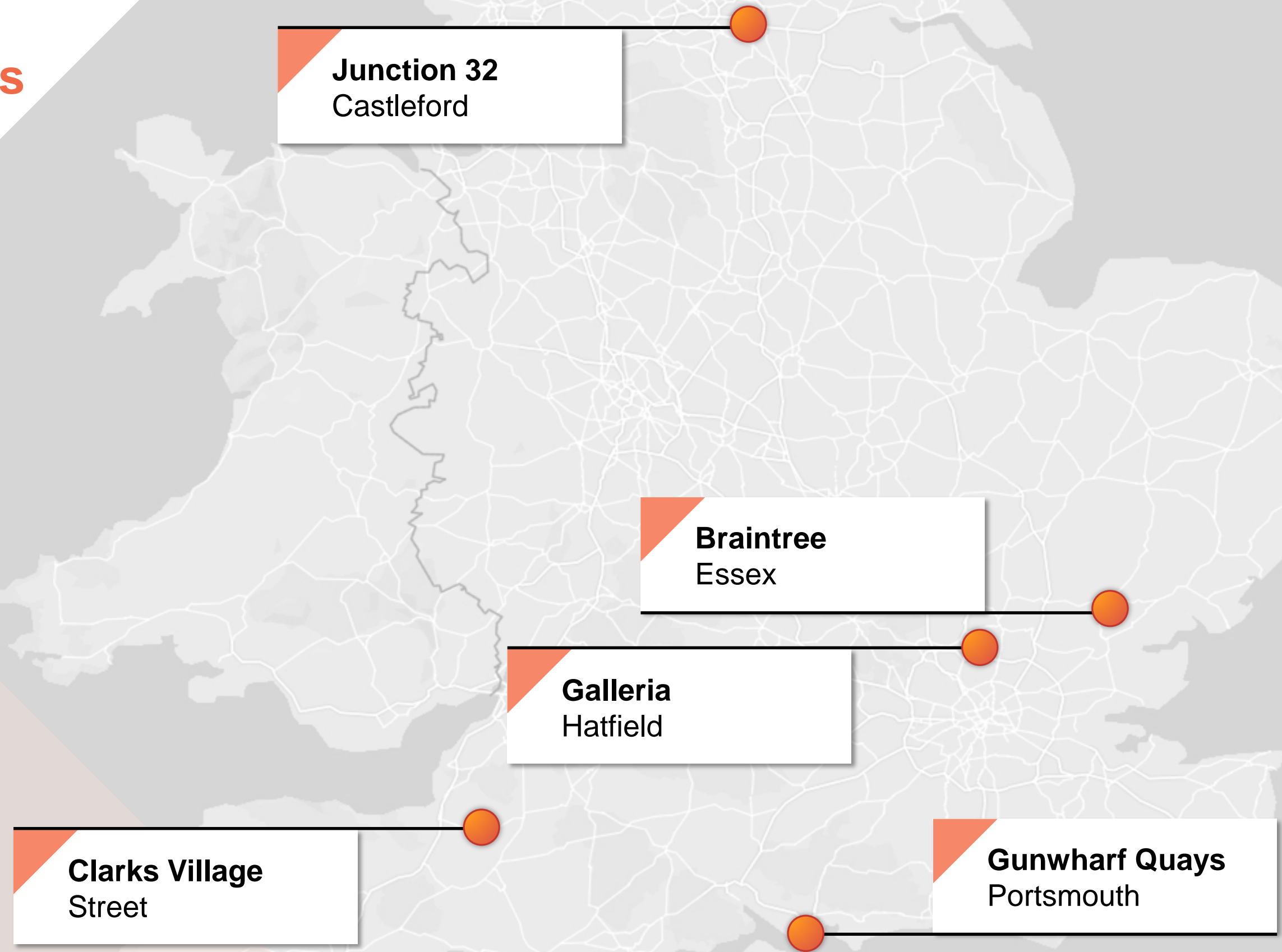
9 million
footfall since
opening

96%
let or ISH



Outlets

Growing sales densities



Mixed-use development potential



W12 shopping centre, London



O2 centre, London



Great North Leisure, London



Lewisham shopping centre, London



Brighton Marina



Easton Park, Essex



Ebbsfleet, Kent

Conclusion

More than a retail business...
a destination business



Outlook

Robert Noel

Chief Executive Officer



Landsec

Outlook

- Positioned for growth
- Development continues with pre-lets
- Growing pipeline of future schemes
- Monitoring market for buying opportunities



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