

Half-yearly results 2017



Welcome

Robert Noel

Chief Executive



Landsec

A busy six months



— Best six months' leasing activity since financial crisis



— Prepared to buy when we see opportunities



— Continued debt management



— No asset is sacrosanct

■ EPS



■ NAV PS



■ Cost of debt



■ Debt duration



■ Undrawn committed facilities



Financial results

Martin Greenslade

Chief Financial Officer



Landsec

Financial summary

Six months ended 30 Sept 16		Six months ended 30 Sept 17		Change
£m		£m		%
193	Revenue profit ⁽¹⁾	203		5.2
(260)	Valuation deficit ⁽¹⁾	(19)		-0.1 ⁽²⁾
(95)	Loss before tax	(33)		
24.3p	Adjusted diluted earnings per share ⁽¹⁾	25.7p		5.8
1,417p ⁽³⁾	Adjusted diluted net assets per share	1,432p		1.1
17.9p	Dividend per share	19.7p		10.1

(1) On a proportionate basis

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

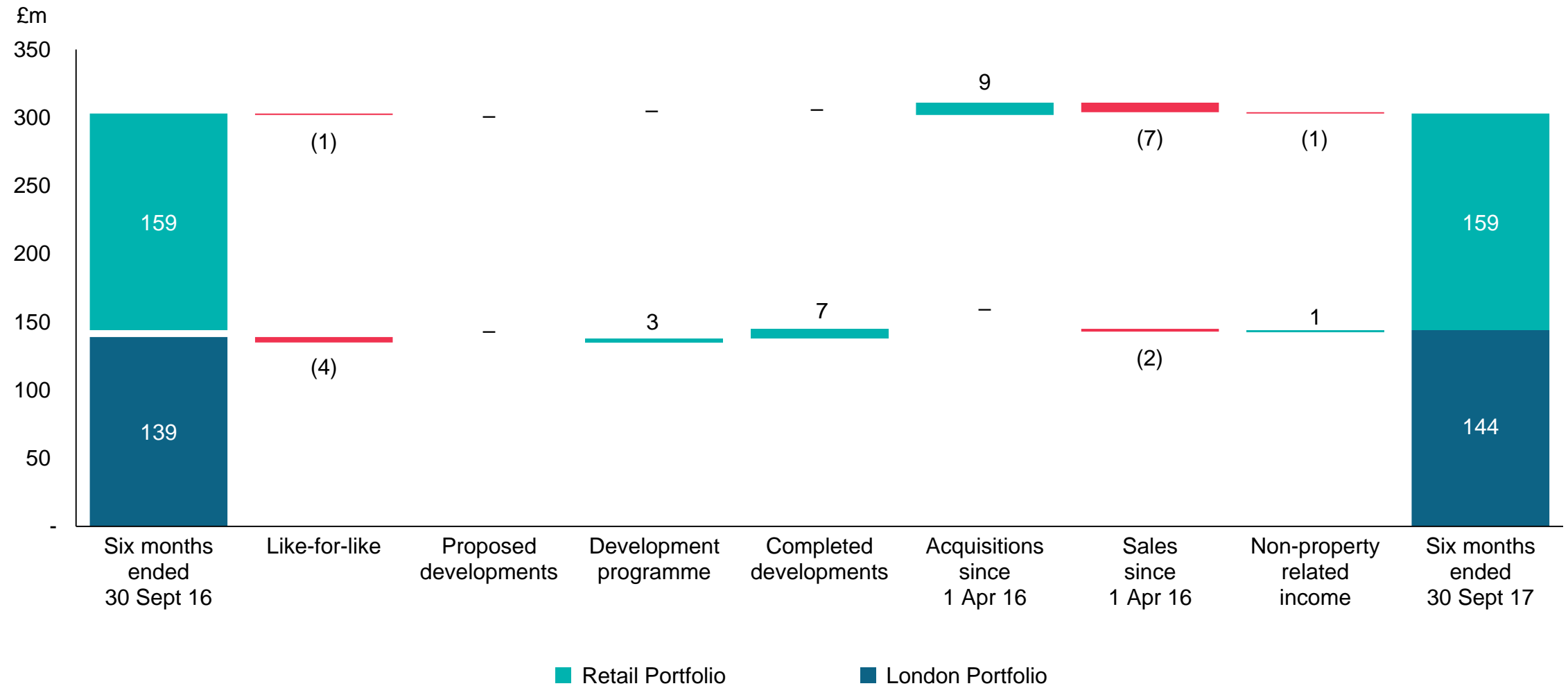
(3) As at 31 March 2017

Revenue profit

	Six months ended 30 Sept 17	Six months ended 30 Sept 16	Change
	£m	£m	£m
Gross rental income ⁽¹⁾	325	314	11
Net service charge expense	(5)	(2)	(3)
Net direct property expenditure	(17)	(14)	(3)
Net rental income	303	298	5
Indirect costs	(20)	(18)	(2)
Segment profit before finance expense	283	280	3
Net unallocated expenses	(19)	(18)	(1)
Net finance expense	(61)	(69)	8
Revenue profit	203	193	10

(1) Includes finance lease interest, after rents payable

Net rental income analysis

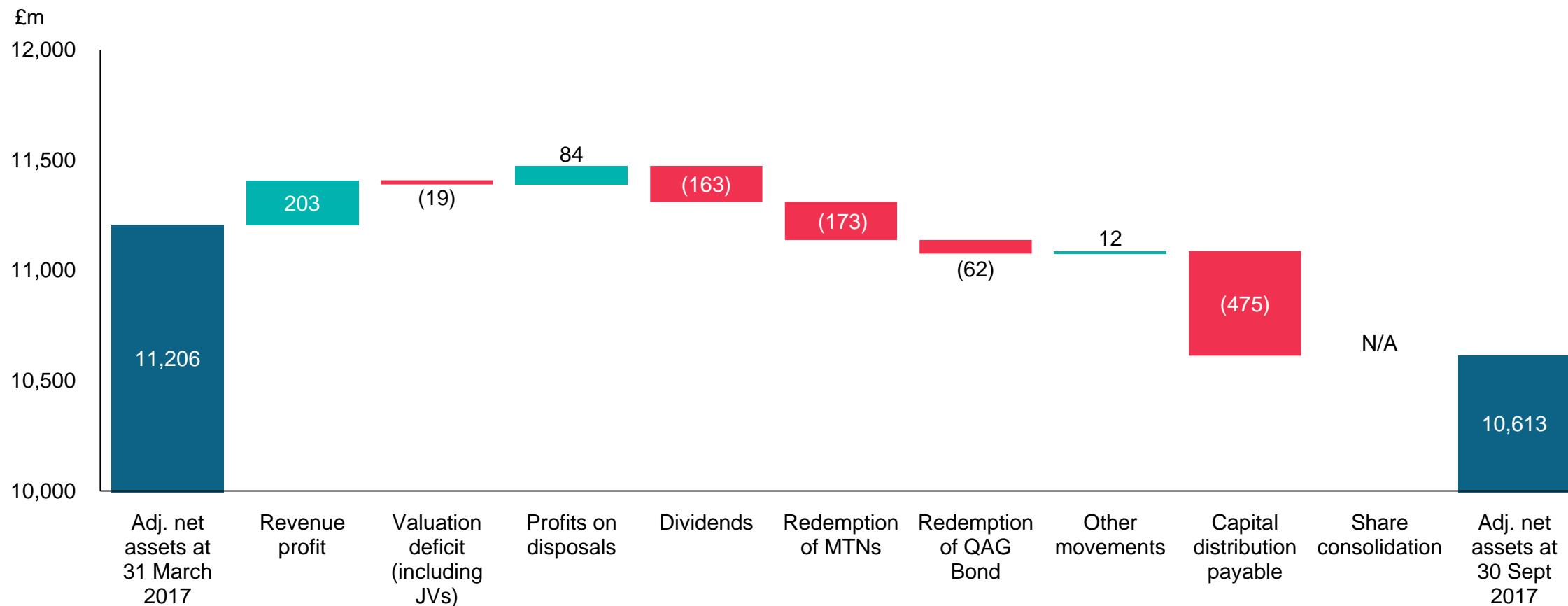


Combined Portfolio valuation

	Market value at 30 Sept 17	Combined Portfolio by value		Valuation deficit Six months to 30 Sept 17	
	£m	%	%		£m
Like-for-like	11,742	82.5	-0.5		(56)
Proposed developments	110	0.8		19.4	18
Development programme	663	4.6		3.4	22
Completed developments	1,379	9.7		0.4	5
Acquisitions	337	2.4	-2.2		(8)
Total Combined Portfolio	14,231	100.0	-0.1		(19)

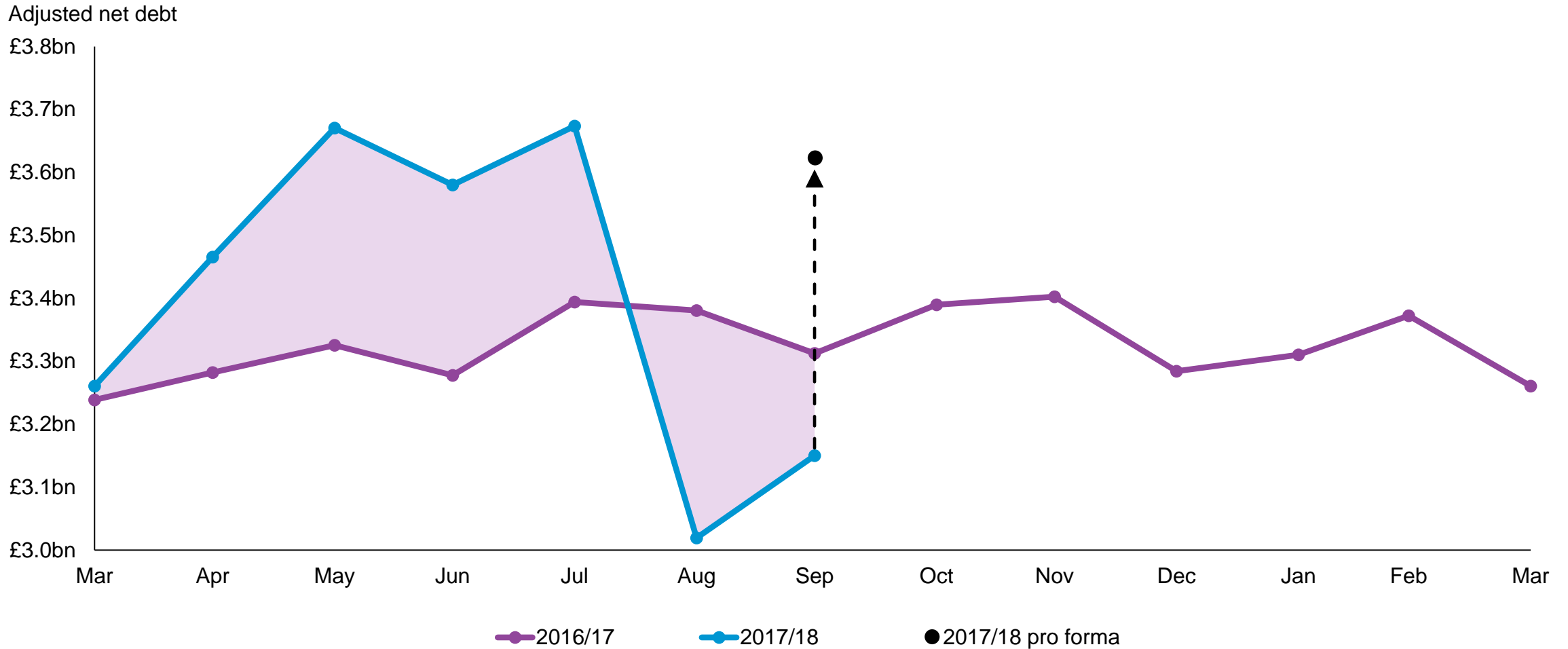
Movement in adjusted net assets

Pence per share and number of shares										
1,417p	26p	(2)p	10p	(21)p	(22)p	(8)p	1p	(60)p	91p	1,432p
791m									(50)m	741m



Adjusted net debt⁽¹⁾

Year-on-year comparison by month



(1) On a proportionate basis

Financing

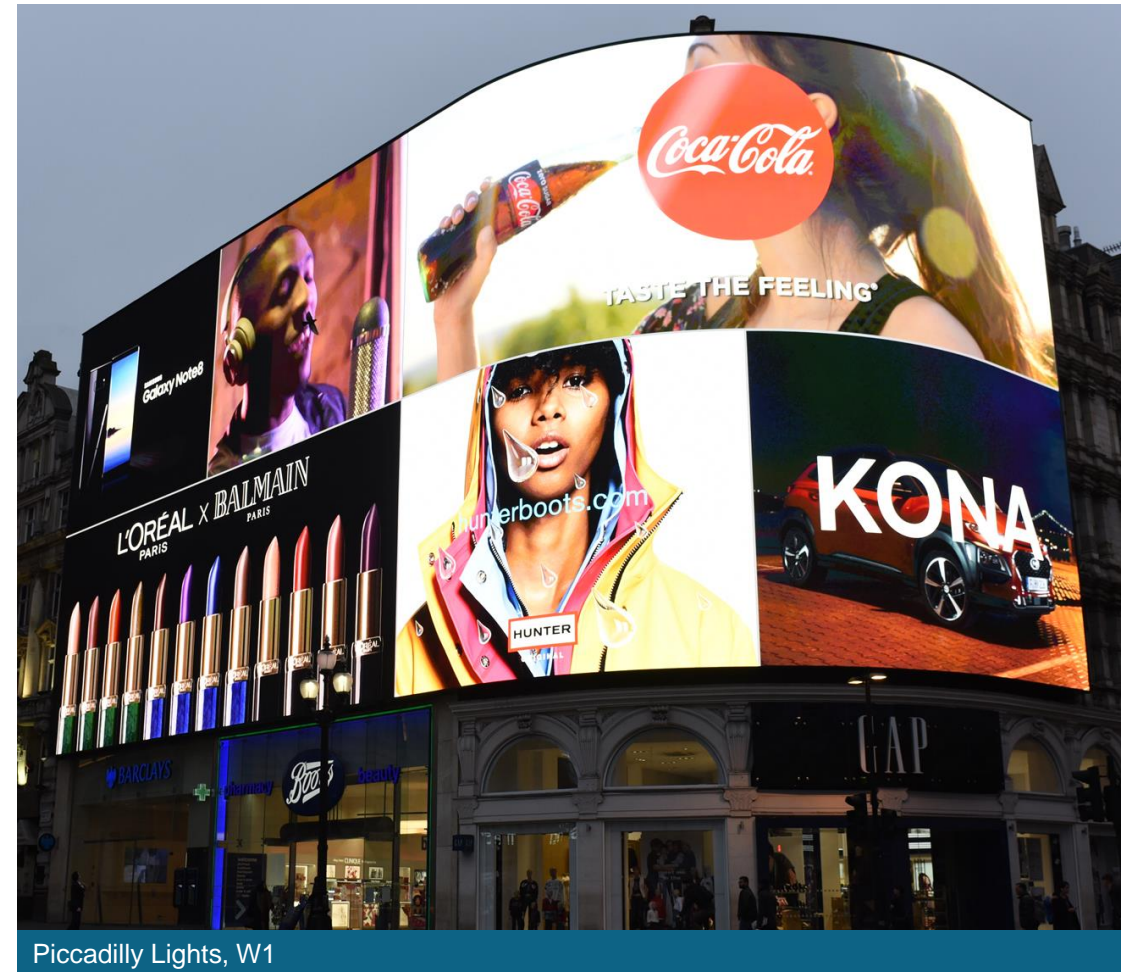
- Group LTV⁽¹⁾ at 21.8% down from 22.2% at 31 March 2017
- Pro forma Group LTV: 25.1%
- Weighted average maturity of debt: 15.1 years
- Weighted average cost of debt: 3.8%
- Pro forma weighted average cost of debt: 3.4%
- £1.8bn cash and available facilities

Debt and gearing	30 Sept 17	31 Mar 17
Adjusted net debt	£3,150m	£3,261m
Weighted average maturity	15.1 years	9.4 years
Weighted average cost	3.8%	4.2%
Group LTV ⁽¹⁾	21.8%	22.2%
Security Group LTV	24.5%	28.3%

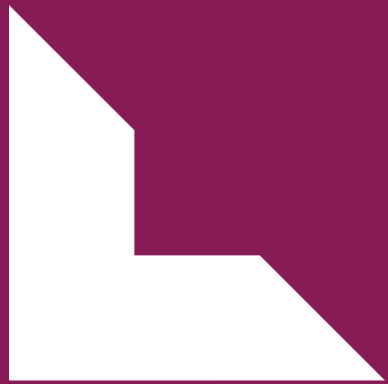
(1) On a proportionate basis

Financial summary

- Increased earnings
- Active balance sheet management
 - Opportunistic sale
 - £475m return of capital
 - £1bn long-term debt issued
- NAV per share up
- Modest gearing



London Portfolio
Colette O'Shea
Managing Director



Landsec

Highlights

- Achieved a UK record price for an office building
- Agreed significant office pre-let in the City of London
- Switched on the lights of the largest outdoor advertising screen in Europe



20 Fenchurch Street, EC3



21 Moorfields, EC2



Piccadilly Lights, W1

Strong operations

- Letting remainder of the development programme
- Crystallising reversion within the portfolio
- Progressing future development pipeline



Nova Victoria, SW1



One New Change, EC4



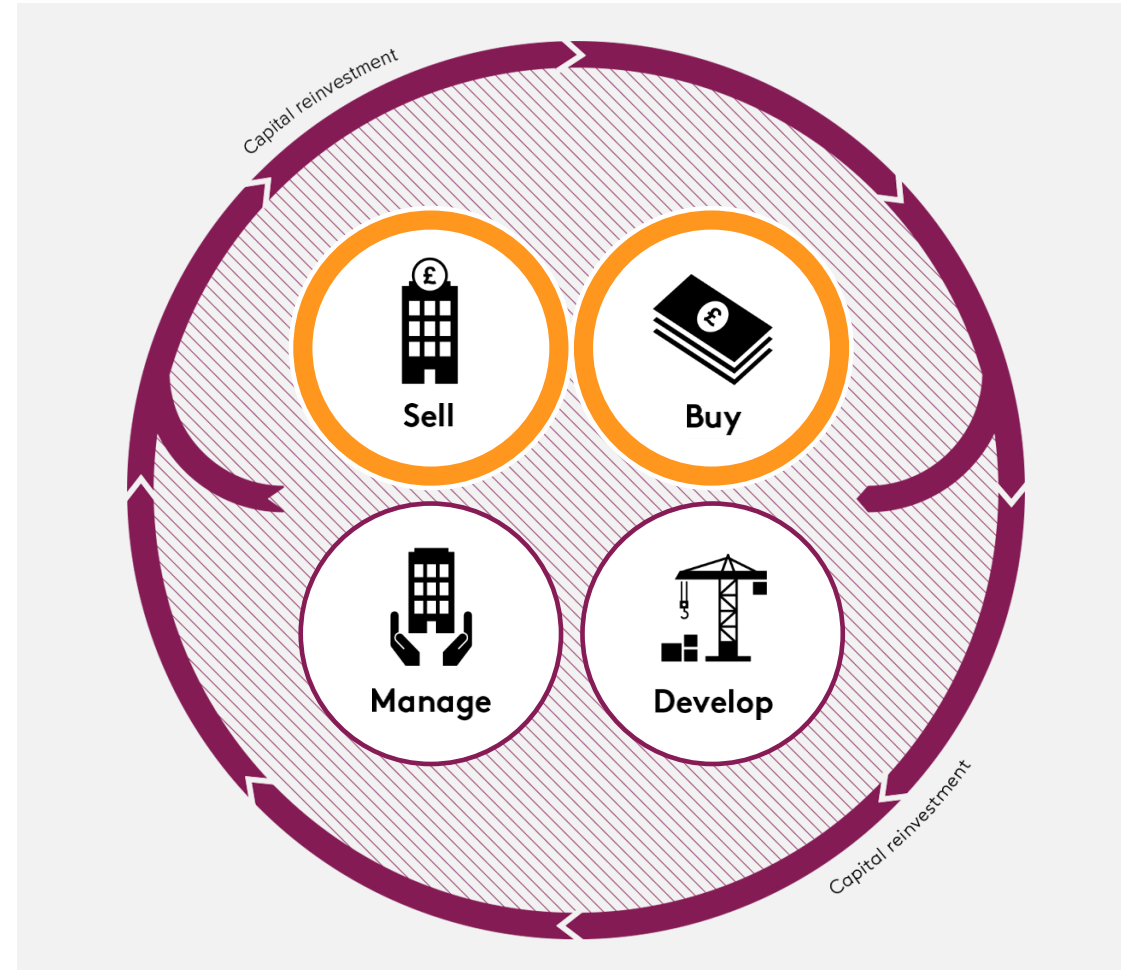
62 Buckingham Gate, SW1



Cardinal Place, SW1

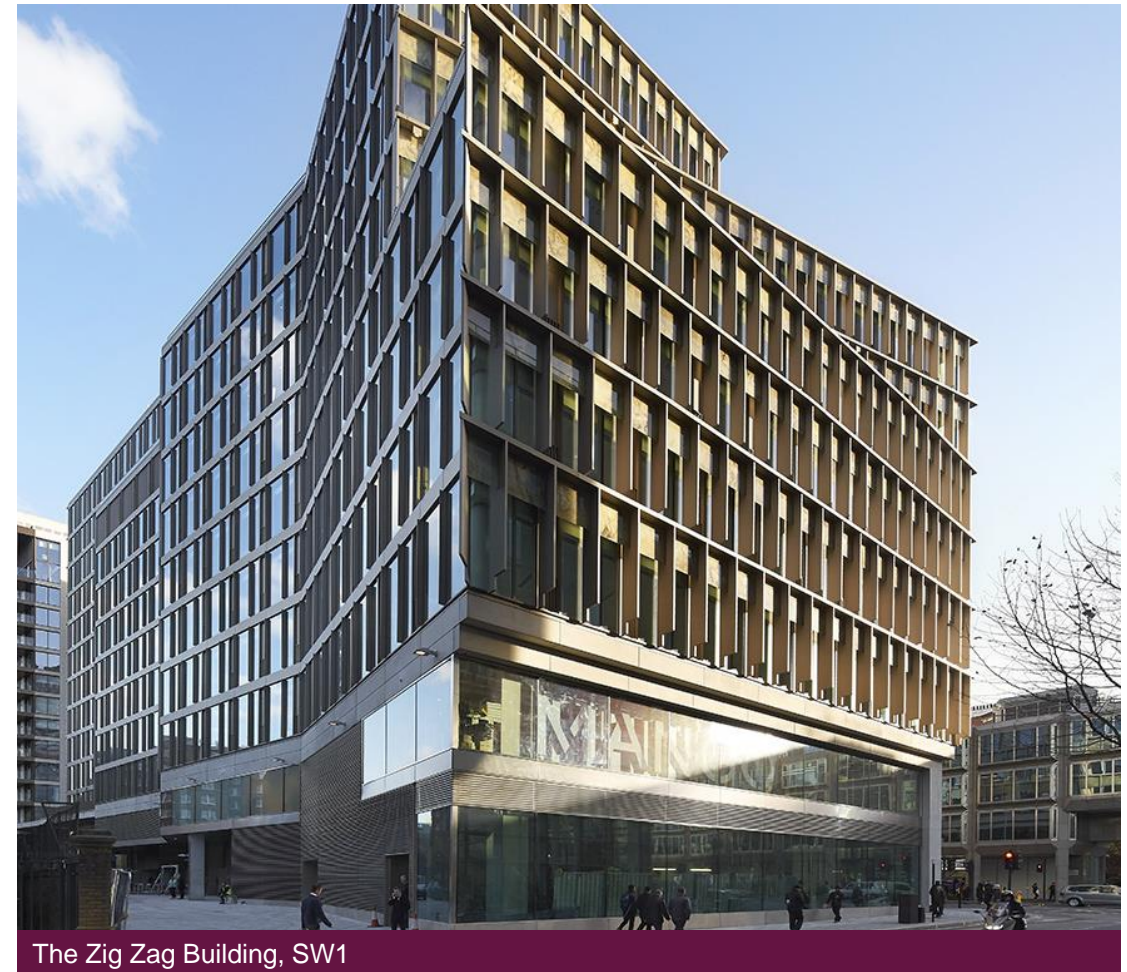
Investment market

- H1 2017 investment volumes 62% higher than H1 2016
- Record pricing of trophy assets have supported values
- Investment volumes year to date equal whole of 2016
- Yields remained firm whilst rental values weakening
- Increase in buildings offered for sale since the summer will test valuations



Occupational market

- Take-up level in Q2 and Q3 above the 10-year average
- Vacancy rate broadly stable at 4.6%
- 16% of H1 take-up by serviced office sector
- 1.7m sq ft take-up by serviced office sector in last 12 months vs long-term average of 0.5m sq ft
- Customers looking for quality, efficiency, flexibility, resilience and a workplace environment to attract talent
- Aggregate anticipated supply 2017 – 2020 was 42m sq ft in March 2017 now 40m sq ft



Development lettings

Attracting great businesses

- Let or ISH 186,000 sq ft since March with 151,000 sq ft left to let
- Average lease term 12 years
- The Zig Zag Building now 95% let
- Nova now 75% let or in solicitors' hands
- Only 5% of the 3m sq ft development programme left to let
- Nova meets customers technical demands, is well located and an inspiring place for talent

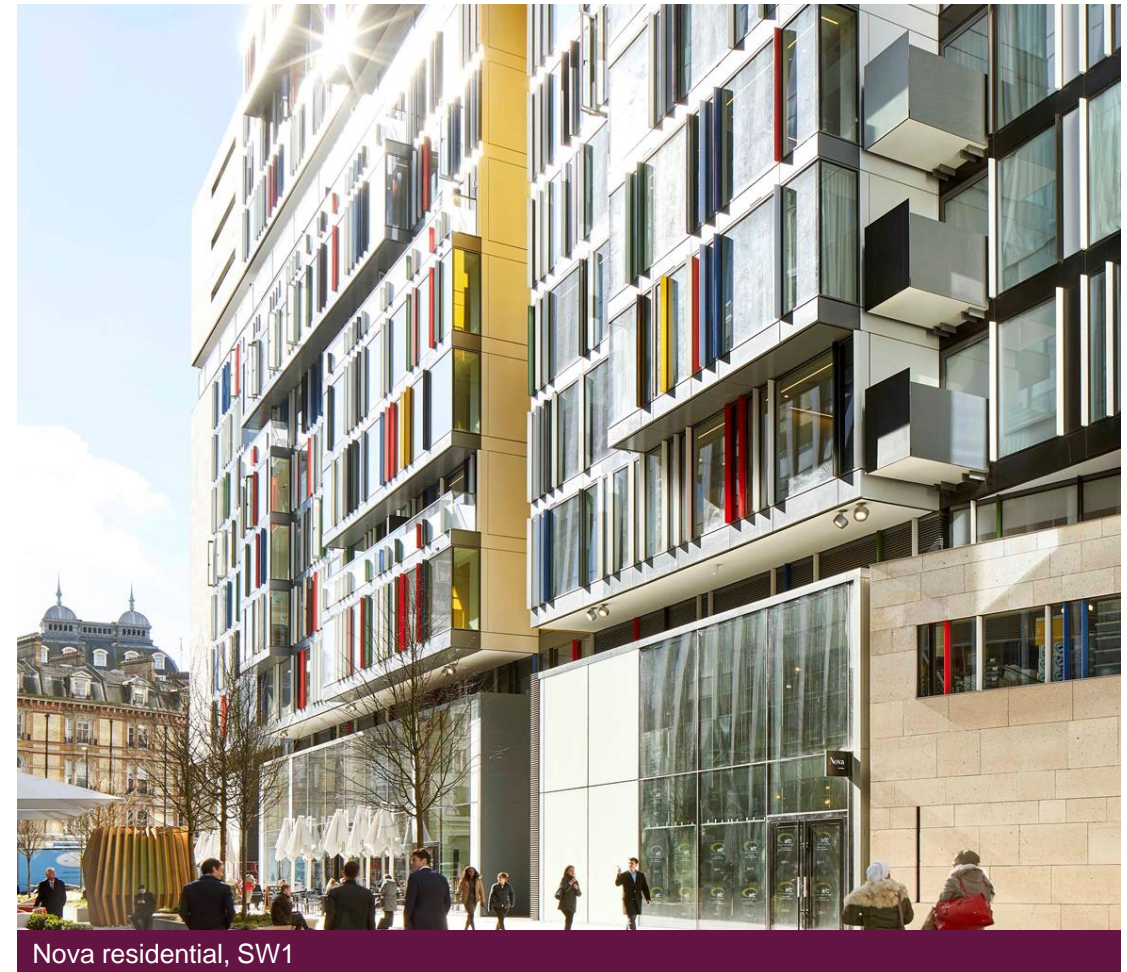


Nova Victoria, SW1

Residential

Small exposure

- Our £49m exposure represents 0.6% of the London Portfolio
- Sold 7 units since March at Kings Gate and Nova at an average of £2,311 per sq ft
- 2 out of 100 units left to sell at Kings Gate
- 18 out of 170 units left to sell at Nova
- Sold 9 out of 18 units at Oriana at an average of £1,617 per sq ft



Asset management

Delivering results

- Completed £18m of rent reviews at 20% above passing rent
- Voids broadly flat at 3%, excluding Piccadilly Lights
- Office WAULT now 9.9 years



Cardinal Place, SW1

Asset management

Crystallising reversion and seizing opportunities to add value

- Completed significant rent reviews at Moorgate Hall and Westminster City Hall, increasing passing rents by 19% and 45%, respectively
- Continued momentum at Cardinal Place. We have now reviewed £14m of the £15m due for review as at 1 April 2016, increasing the office rent by 13% and the retail rent by 18% above passing



Moorgate Hall, EC2



Westminster City Hall, SW1



Cardinal Place, SW1

Asset management

Continued momentum at One New Change

- We have now reviewed nearly all of the £22m due for review as at 1 April 2016, increasing the office rent by 3% and the retail by 10% above passing
- The retail element of ONC increased in value by 1.5% over the six month period
- Former Banana Republic unit let to Molton Brown, Nespresso and The Body Shop: Superdry unit let to Whatever It Takes Fitness: increasing passing rents in these four transactions by 61%



One New Change, EC4

Piccadilly Lights

Implementing a plan to create value

- Refurbishment completed on time and budget
- L’Oreal, Hunter, Stella McCartney and Ebay have joined the Coke, Samsung and Hyundai line-up
- Introduced flexibility for advertisers, letting on shorter term leases, taking on associated letting risk
- Created 1 Sherwood Street redevelopment opportunity behind the screen



Piccadilly Lights, W1

Sale of 20 Fenchurch Street

Right product, in right place, at right time

- Completed the 38 storey tower in 2014
- 87% pre-let at PC on long leases
- Agreed a sale of 100%, gross proceeds of £1,282.5bn
- Net initial yield of 3.4% showing a 12% premium to March 2017 book value
- Crystallised profit of £800m (100%)
- 25.9% IRR since start of development in 2010



21 Moorfields

Pre-let secured

- 1.9 acre site sitting above Liverpool Street Crossrail Station
- Purchased 79-year leasehold interest from an administrator in 2012
- Settled CPO claim with Crossrail and agreed two new 250 year leases with TfL
- Finished demolition and started piling in August 2017



21 Moorfields, EC2

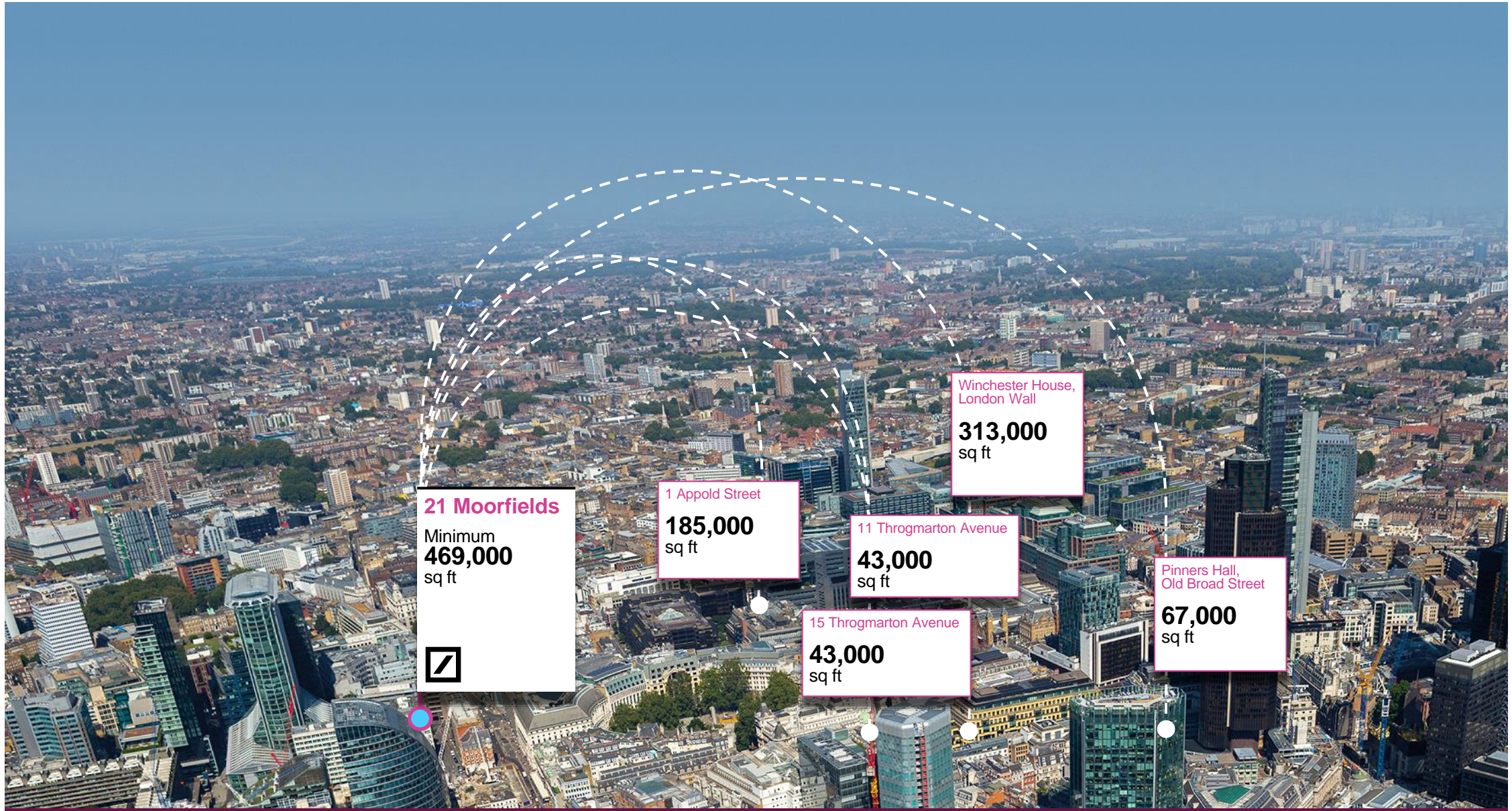
21 Moorfields

Building on a strong partnership

- Deutsche Bank Wealth and Asset Management business took 90,000 sq ft in 2015 at The Zig Zag Building
- Planning submitted last month to provide a 564,000 sq ft building with trading floors, a gym and a highly resilient and flexible services infrastructure
- Enviable workspace experience



21 Moorfields, EC2



21 Moorfields, EC2

21 Moorfields

Creating the workplace of the future

- Deutsche Bank will vacate 5 buildings totalling 650,000 sq ft and relocate into one building taking a minimum of 469,000 sq ft
- Deutsche Bank will start fitting out in 2021 ready for occupation in 2023
- Development costs of circa £500-600m with development yield around 6%



Future pipeline

- Tracking range of assets
- Progressing future pipeline of 1.4m sq ft



21 Moorfields, EC2
564,000 sq ft



Southwark estate, SE1
492,000 sq ft



Nova East, SW1
196,000 sq ft



1 Sherwood Street, W1
142,000 sq ft

Summary

- More leasing activity than in any other six month period since financial crisis
- Portfolio team all over our assets
- Record pricing at the Walkie Talkie
- Secured conditional pre-let to Deutsche Bank
- Ready for future opportunities



Retail Portfolio

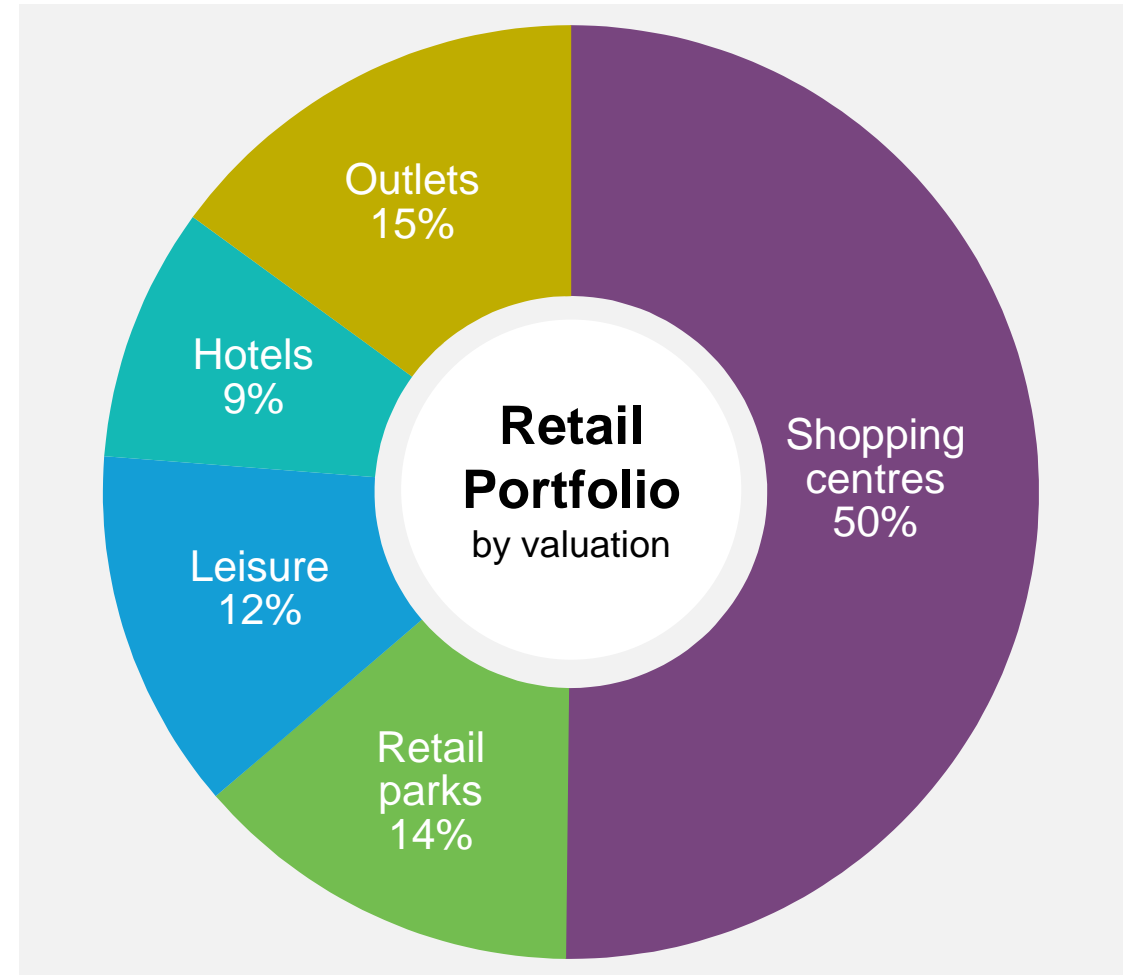
Scott Parsons

Managing Director



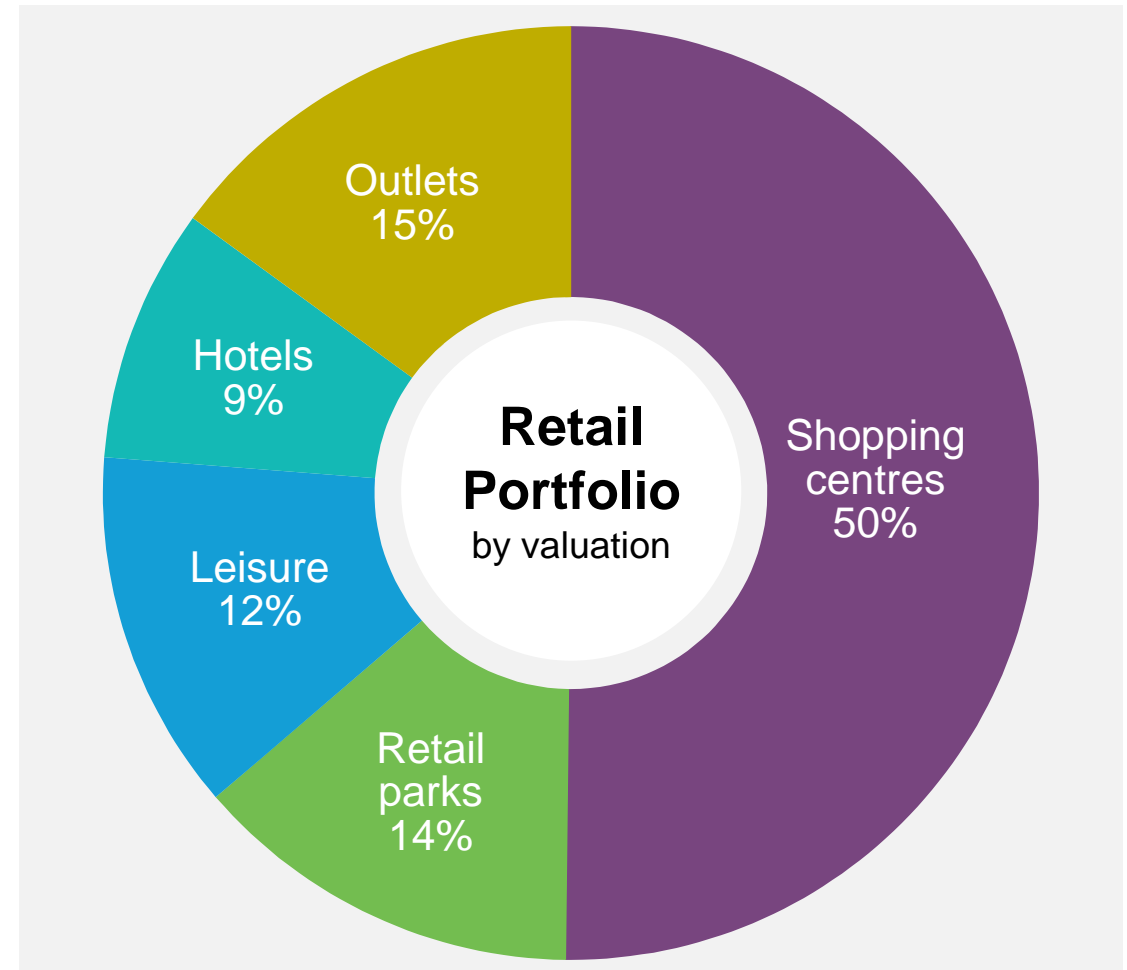
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A solid performance



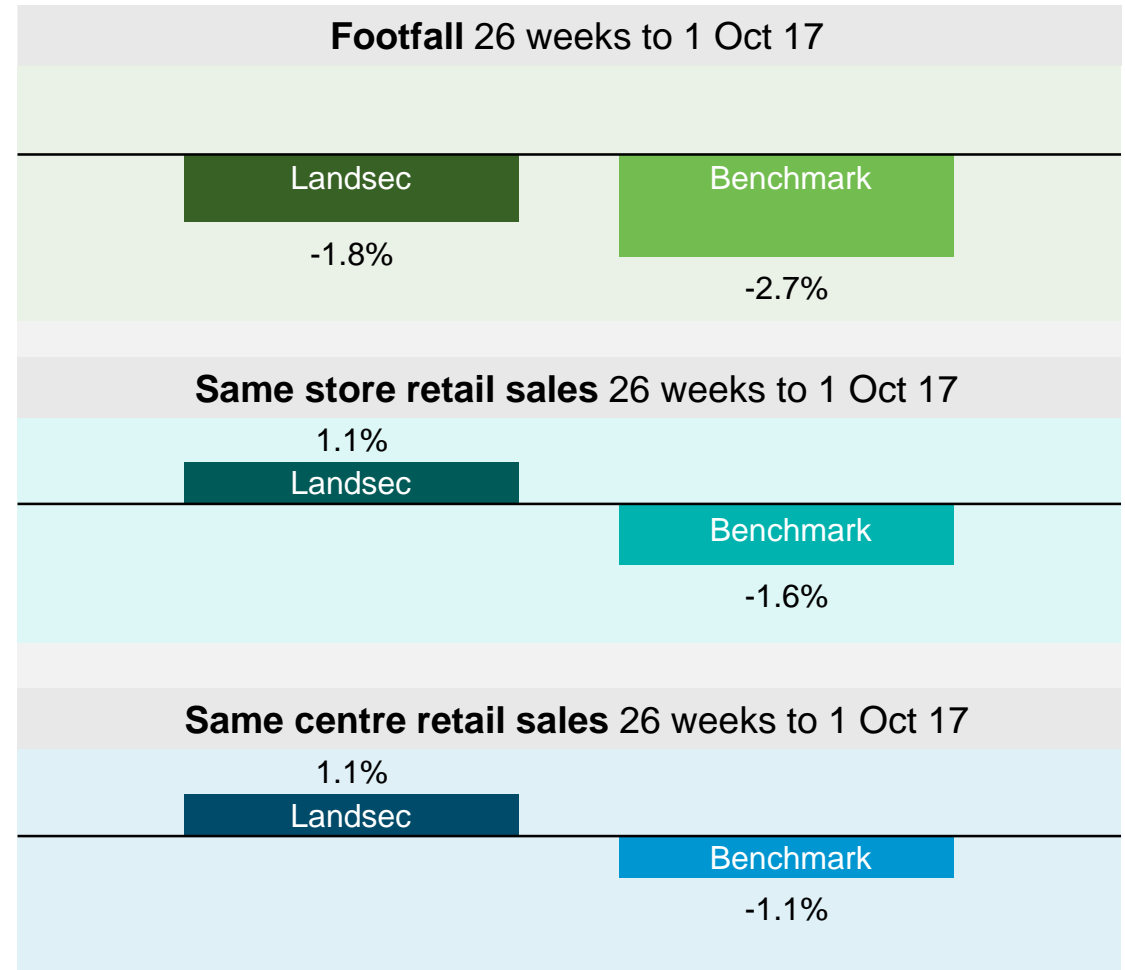
A solid performance

- £6.6m lettings
- Like-for-like voids ↓20bps at 2.6%
- Administrations ↓10bps to 0.3%
- Net rental income in line with last year
- Sales and footfall figures ahead of benchmarks



A solid performance

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Destination shopping centres

A great day out

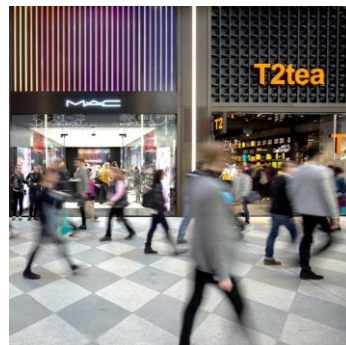
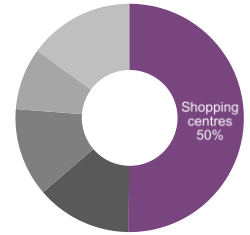
- Curating new brands
- Primark, Apple, Missguided at Bluewater
- Flagship Next and leisure extension open at White Rose
- Southside refurbishment and expansion complete



The Beach at Bluewater, Kent

Westgate Oxford

A transformational new destination

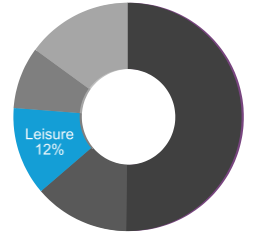


Westgate Oxford

Leisure

Occupiers investing in our locations

- Leisure spend relatively resilient
- Key operators reporting strong results
- Cinema upgrades and refurbishments

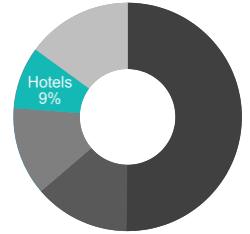


Xscape, Yorkshire

Hotels

Profitable and trading well

- Positive trading environment
- Turnover up
- Long unexpired lease term
- Euston hotel CPO

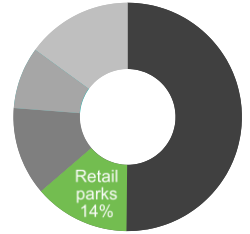


Novotel, London Tower Bridge

Retail parks

Quality and resilience

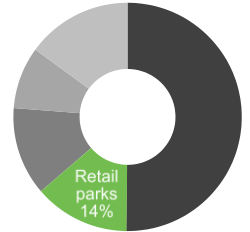
- Fully let portfolio
- Selective pre-let extensions
- Affordable rents



Bishop Centre, Taplow

Selly Oak

93% pre-let or in solicitors' hands

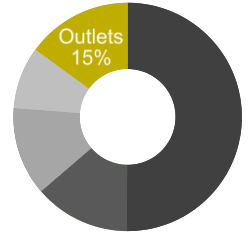


Selly Oak, Birmingham

Outlets

Curating consumer experience

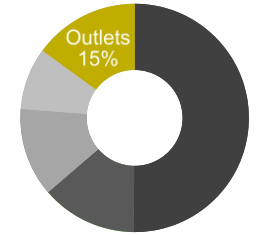
- Largest owner-manager in UK
- Positive sales growth across portfolio
- Focus on brand mix and upsizes



Gunwharf Quays, Portsmouth

Three new outlet destinations

Strong growth potential



Clarks Village, Street

Summary

Everything is experience

- Solid performance in the first half
- Resilient portfolio
- Vibrant destinations
- Sales growth ahead of benchmarks
- Four fantastic experience-led destinations added to the portfolio



Dino Mania, Clarks Village



Fireworks Extravaganza, Gunwharf Quays



Wonder Weekend, Trinity Leeds



The Beach, Bluewater



Launch event, Westgate Oxford



Student night, St David's

Outlook

Robert Noel

Chief Executive



Landsec

Summary and outlook

Great operations

- Strong leasing activity
- Opportunistic buying
- Profitable selling
- Balance sheet management
- Successful completion of Westgate Oxford

Technology driving everything

- Working, shopping, playing, travelling, living
- Customer requirements
- Society's expectations of business



Westgate Oxford



21 Moorfields, EC2



20 Fenchurch Street, EC3



Piccadilly Lights, W1

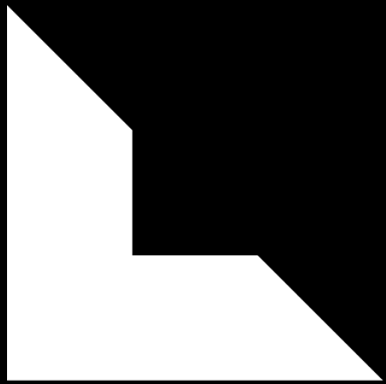


Cardinal Place, SW1



Outlets

Q&A



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