

# Appendices

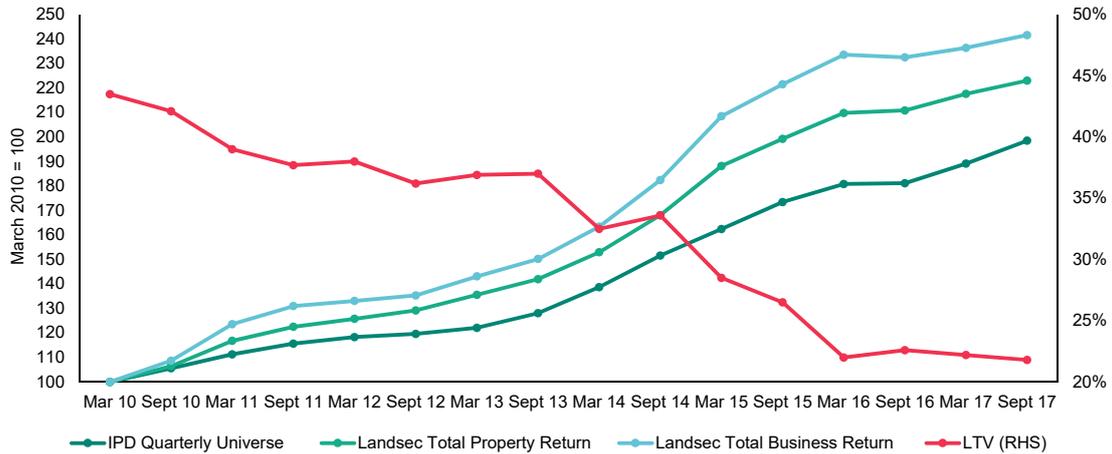


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## Performance

Creating shareholder value while strengthening the balance sheet



(1) Source: IPD Quarterly Universe and Landsec

## Top 10 assets by value as at 30 September 2017

| Name                               | Principal occupiers  | Ownership Interest % | Floor area Sq ft (000)     | Annualised net rent <sup>(1)</sup> £m | Let by Income % | Weighted average unexpired lease term Years |
|------------------------------------|--|----------------------|----------------------------|---------------------------------------|-----------------|---|
| New Street Square, EC4             | Deloitte, Taylor Wessing, Alix Partners, NetSuite, Stewarts Law, OC&C        | 100                  | Office: 669<br>Retail: 23  | 33.8                                  | 99              | 7.6   |
| Cardinal Place, SW1 <sup>(2)</sup> | EDF Trading, AT&T, Experian, Ruffer, Cambridge Associates, Capital Economics | 100                  | Office: 456<br>Retail: 59  | 21.1                                  | 86              | 6.4   |
| One New Change, EC4                | K&L Gates, CME, Dealogic, CBRE, Madison, Topshop, Panmure Gordon & Co        | 100                  | Office: 345<br>Retail: 216 | 28.0                                  | 99              | 6.6   |
| Bluewater, Kent                    | John Lewis, M&S, House of Fraser, Boots, Next, Top Shop, H&M                 | 30                   | Retail: 1,810              | 28.7                                  | 95              | 6.3   |
| Trinity Leeds                      | H&M, Topshop, Next, Primark, Boots, M&S, Everyman                            | 100                  | Retail: 789                | 28.0                                  | 98              | 7.1   |
| Gunwharf Quays, Portsmouth         | Polo Ralph Lauren, M&S, Nike, Gap, Ted Baker, Michael Kors, Under Armour     | 100                  | Retail: 571                | 24.8                                  | 99              | 6.1   |
| 1 & 2 New Ludgate, EC4             | Mizuho, Ropes & Gray, Commonwealth Bank of Australia, Petronas               | 100                  | Office: 355<br>Retail: 27  | 4.3                                   | 100             | 15.1  |
| Queen Anne's Gate, SW1             | Central Government   | 100                  | Office: 354                | 32.2                                  | 100             | 9.1   |
| White Rose, Leeds                  | Sainsbury's, Next, M&S, Debenhams, Top Shop                                  | 100                  | Retail: 815                | 21.4                                  | 99              | 6.3   |
| 62 Buckingham Gate, SW1            | Rolls Royce, Schlumberger, Bill & Melinda Gates Foundation                   | 100                  | Office: 256<br>Retail: 20  | 18.2                                  | 100             | 7.5   |

Aggregate value of top 10 assets: £5.8bn (41% of Combined Portfolio)

(1) Landsec share

(2) Cardinal Place, SW1 now excludes 16 Palace Street, SW1

## Combined Portfolio valuation movements

Six months ended 30 September 2017

|                            | Market value  | Valuation change<br>– Combined<br>Portfolio excl.<br>development<br>programme | Valuation change<br>– development<br>programme | Valuation change<br>– Combined<br>Portfolio | Net initial<br>yield |
|----------------------------|---------------|---|--|---|----------------------|
|                            | £m            | %   | %  | %   | %                    |
| Shopping centres and shops | 4,206         | -0.9  | 2.9  | -0.6  | 4.2                  |
| Retail parks               | 873           | 0.4   | 51.8   | 0.9   | 5.3                  |
| Leisure and hotels         | 1,377         | -0.1  | –  | -0.1  | 5.0                  |
| Central London shops       | 1,472         | 0.2   | -0.6   | 0.2   | 2.5                  |
| London offices             | 6,240         | -0.2  | 3.2  | –   | 3.0                  |
| Other                      | 63            | -4.5  | 17.6   | -4.1  | 1.5                  |
| <b>Total portfolio</b>     | <b>14,231</b> | <b>-0.3</b>   | <b>3.4</b>                                     | <b>-0.1</b>                                 | <b>3.7</b>           |

## Like-for-like portfolio valuation analysis

Six months ended 30 September 2017

|                                      | Market value<br>30 September<br>2017 | Valuation<br>movement | Rental value<br>change <sup>(1)</sup> | Net initial<br>yield | Equivalent<br>yield | Movement<br>in equivalent<br>yield |
|--------------------------------------|--------------------------------------|-----------------------|---------------------------------------|----------------------|---------------------|------------------------------------|
|                                      | £m                                   | %                     | %                                     | %                    | %                   | bps                                |
| Shopping centres and shops           | 3,635                                | -0.7                  | -0.7                                  | 4.3                  | 4.8                 | 2                                  |
| Retail parks                         | 861                                  | 0.4                   | -0.6                                  | 5.5                  | 5.6                 | -4                                 |
| Leisure and hotels                   | 1,371                                | -0.1                  | 0.7                                   | 5.0                  | 5.4                 | –                                  |
| Central London shops                 | 1,347                                | 0.3                   | 0.7                                   | 2.6                  | 4.1                 | 2                                  |
| London offices                       | 4,468                                | -0.8                  | -0.5                                  | 4.1                  | 4.6                 | -1                                 |
| Other                                | 60                                   | -5.2                  | 0.7                                   | 1.5                  | 3.5                 | -12                                |
| <b>Total like-for-like portfolio</b> | <b>11,742</b>                        | <b>-0.5</b>           | <b>-0.3</b>                           | <b>4.2</b>           | <b>4.8</b>          | <b>–</b>                           |

(1) Rental value change excludes units materially altered during the period

## Yield changes Like-for-like portfolio

|                                      | 31 March 2017     |                  | 30 September 2017 |  |                  |
|--------------------------------------|-------------------|------------------|-------------------|--|------------------|
|                                      | Net initial yield | Equivalent yield | Net initial yield | Topped-up net initial yield <sup>(1)</sup> | Equivalent yield |
|                                      | %                 | %                | %                 | %  | %                |
| Shopping centres and shops           | 4.3               | 4.8              | 4.3               | 4.5  | 4.8              |
| Retail parks                         | 5.5               | 5.6              | 5.5               | 5.8  | 5.6              |
| Leisure and hotels                   | 5.2               | 5.4              | 5.0               | 5.3  | 5.4              |
| Central London shops                 | 2.5               | 4.0              | 2.6               | 3.2  | 4.1              |
| London offices                       | 4.0               | 4.6              | 4.1               | 4.4  | 4.6              |
| Other                                | 1.9               | 3.6              | 1.5               | 1.5  | 3.5              |
| <b>Total like-for-like portfolio</b> | <b>4.2</b>        | <b>4.8</b>       | <b>4.2</b>        | <b>4.5</b>                                 | <b>4.8</b>       |

(1) Topped-up net initial yield adjusted to reflect the annualised cash rent that will apply at the expiry of current lease incentives

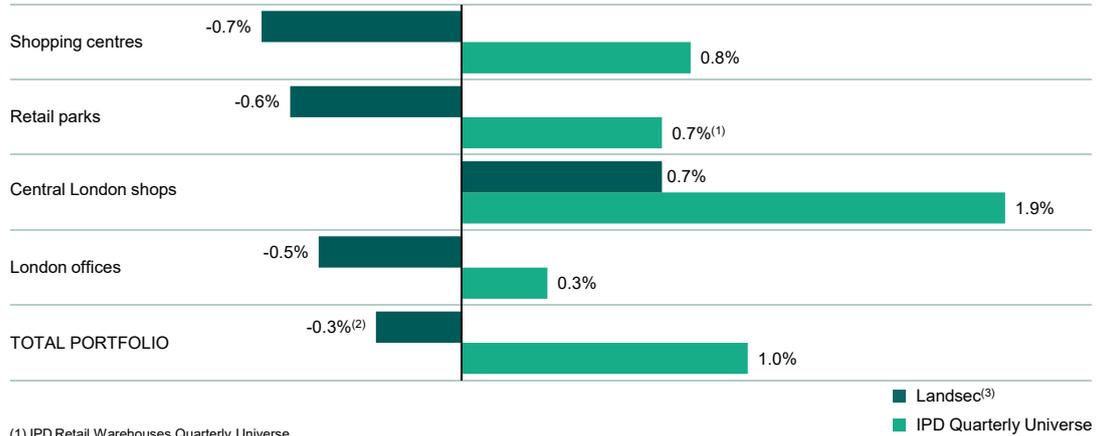
## Property – gilt yield spread



(1) Source: Bloomberg, IPD Monthly Index All Property

### Rental value performance

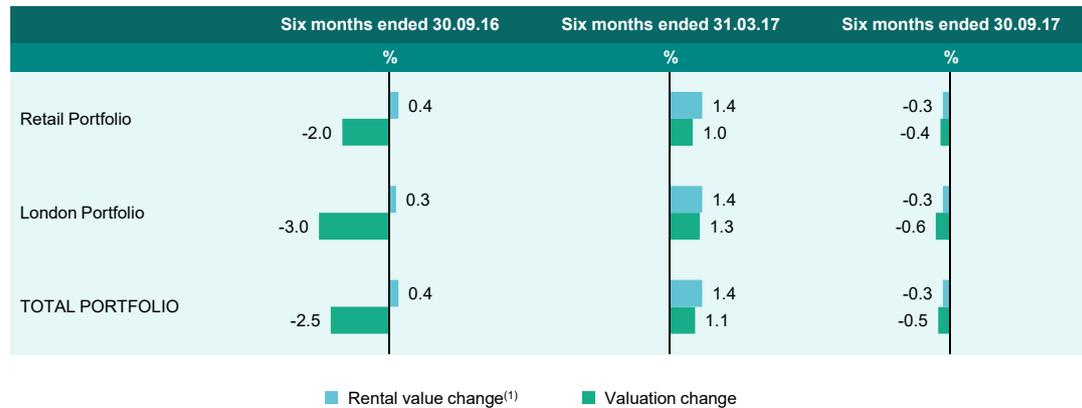
Like-for-like properties vs IPD Quarterly Universe (six months ended 30 September 2017)



### Rental and capital value trends

Like-for-like portfolio

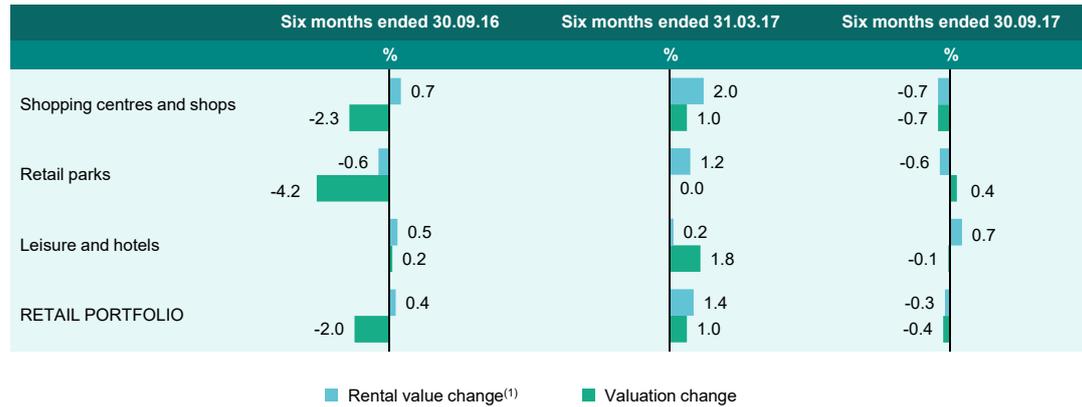
Like-for-like portfolio value at 30 September 2017: £11,742m



### Rental and capital value trends

#### Retail like-for-like portfolio

Like-for-like portfolio value at 30 September 2017: £5,885m

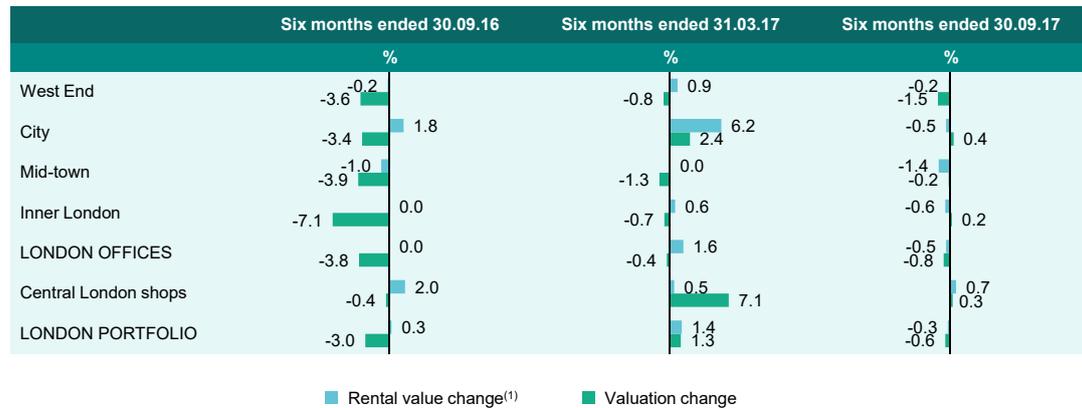


(1) Rental value change figures exclude units materially altered during the period

### Rental and capital value trends

#### London like-for-like portfolio

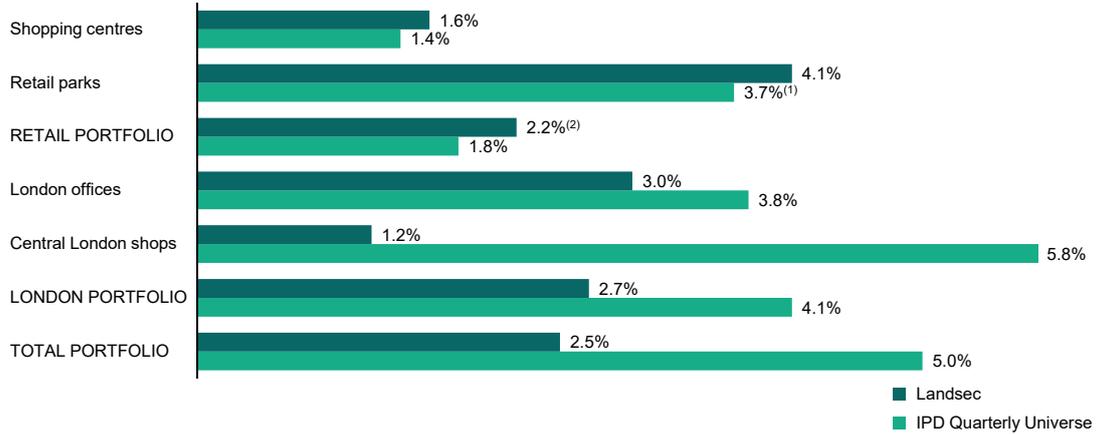
Like-for-like portfolio value at six months ended 30 September 2017: £5,857m



(1) Rental value change figures exclude units materially altered during the period

### Portfolio performance relative to IPD Quarterly Universe

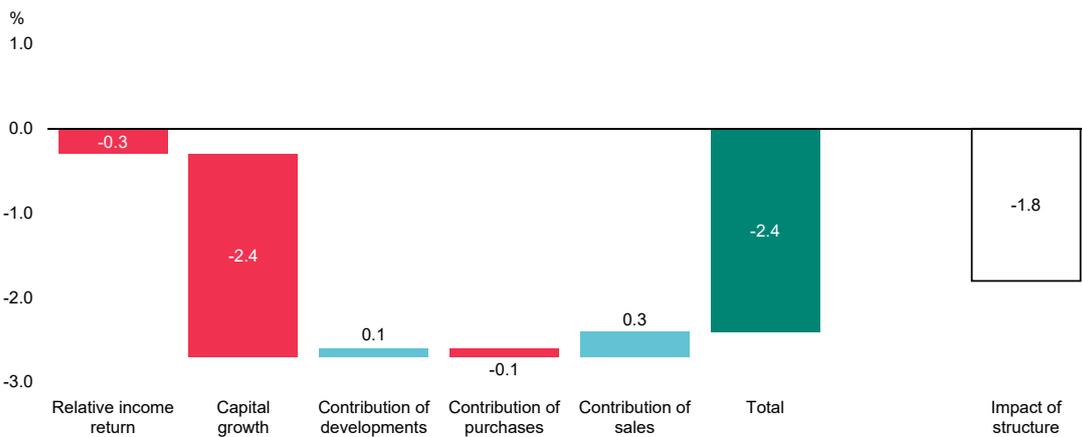
Ung geared total return (six months ended 30 September 2017)



(1) IPD Retail Warehouses Quarterly Universe  
 (2) Includes leisure, hotel portfolio and other

### Analysis of performance relative to IPD

Attribution analysis, ungeared total return, six months ended 30 September 2017, relative to IPD Quarterly Universe



Source: IPD

## Development programme returns

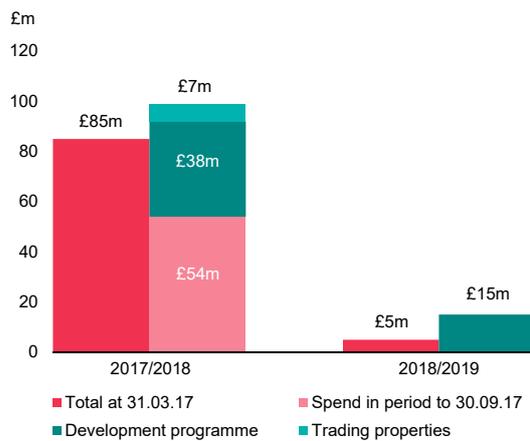
| Property                             | Floor space (net internal area) | Letting status at 30 September 2017 | TDC <sup>(1)</sup> | Net income / ERV <sup>(2)</sup> | Gross yield on cost | Valuation surplus to date | Market value at 30 September + outstanding TDC <sup>(1)</sup> | Gross yield on: Market value at 30 September + outstanding TDC |
|--------------------------------------|---------------------------------|-------------------------------------|--------------------|---------------------------------|---------------------|---------------------------|---|--|
|                                      | Sq ft (000)                     | %                                   | £m                 | £m                              | %                   | £m                        | £m  | %  |
| Nova, Victoria, SW1 <sup>(3)</sup>   | 561                             | 58                                  | 259                | 20.2                            | 7.8                 | 144                       | 411   | 4.9  |
| Selly Oak, Birmingham <sup>(3)</sup> | 190                             | 90                                  | 30                 | 2.5                             | 8.3                 | 4                         | 33  | 7.6  |
| Westgate Oxford <sup>(3)</sup>       | 800                             | 83                                  | 212                | 13.7                            | 6.5                 | 38                        | 262   | 5.2  |
| <b>Total</b>                         | <b>1,551</b>                    |                                     | <b>501</b>         | <b>36.4</b>                     | <b>7.3</b>          | <b>186</b>                | <b>706</b>  | <b>5.2</b>   |

(1) Excludes allowances for letting voids and rent free periods, but includes estimated tenant capital contributions  
 (2) Represents net headline annual rent on let units plus net ERV at 30 September 2017 on unlet units  
 (3) Landsec share, except floor space

**Development programme – yield on TDC**  
 London Portfolio: 7.8% (headline rents) 6.7% (P&L rents)  
 Retail Portfolio: 6.7% (headline rents) 6.3% (P&L rents)

## Development expenditure

### Estimated future spend



| Outstanding cash spend | 30.09.17    | 31.03.17    |
|------------------------|-------------|-------------|
| Development programme  | £53m        | £80m        |
| Trading properties     | £7m         | £10m        |
| <b>Total</b>           | <b>£60m</b> | <b>£90m</b> |

Estimated future spend includes the cost of residential space, but excludes interest

## Future development opportunities

| Property                             | Annualised net rent 30.09.17 | Current area | Proposed area | Earliest start / possession / programme date | Comment  |
|--------------------------------------|------------------------------|--------------|---------------|--|--|
|                                      | £m                           | Sq ft (000)  | Sq ft (000)   |  |  |
| 21 Moorfields, EC2                   | –                            | –            | 564           | April 2017                                   | Demolition completed. Enabling work for piling commenced April 2017. Revised planning application submitted in October 2017, with target committee date February 2018. |
| Nova East, SW1                       | –                            | –            | 196           | July 2018                                    | Land returned to Landsec in 2016 by LUL. Planning secured. Earliest start date July 2018.  |
| 1 Sherwood Street, W1                | 1.8                          | 49           | 142           | November 2018                                | Site behind Piccadilly Lights, W1. Planning secured. Subject to securing vacant possession.  |
| Southwark estate, SE1 <sup>(1)</sup> | 4.5                          | 148          | 492           | October 2019                                 | Continue to work up plans for the Southwark estate, including planning resolution at Sumner Street.  |
| <b>Total</b>                         | <b>6.3</b>                   | <b>197</b>   | <b>1,394</b>  |  |  |

(1) Southwark estate, SE1 includes: Red Lion Court, 105 Sumner Street and 133 Park Street

## Retailer affordability

### Shopping centres

| Footfall and sales (26 weeks to 1 October 2017 vs 26 weeks to 2 October 2016) |   |   |              |
|---|---|---|--------------|
| Benchmarks  |   |   |              |
| Footfall  | -1.8%   | UK Footfall <sup>(1)</sup>                            | -2.7%        |
| <b>Same centre</b>  |   |   |              |
| Landsec retail sales <sup>(2)</sup>   | 1.1%  | BRC Physical retail store sales <sup>(3)</sup>        | -1.1%        |
| <b>Same store</b>   |   |   |              |
| Landsec retail sales <sup>(5)</sup>   | 1.1%  | BRC Physical retail store sales <sup>(3)</sup>        | -1.6%        |
| <b>Occupancy cost trends</b>  |   |   |              |
|   | Rent to physical store sales ratio <sup>(6)</sup> | Occupancy cost to physical store sales <sup>(7)</sup> | Rent / Sq ft |
|   | %   | %   | £            |
| Overall   | 10.0  | 17.2  | 38           |
| Excluding anchor stores   | 11.4  | 19.3  | 48           |
| Excluding anchor stores and MSUs  | 11.8  | 19.6  | 56           |
| Catering only   | 10.4  | 17.8  | 46           |

#### Key observations:

- Same centre retail sales were up 1.1% against a physical stores benchmark of -1.1%, driven by active asset management
- Rent to physical store sales ratios indicate rents are affordable

Source: Landsec, unless specified below; data is exclusive of VAT and for the 6 month figures above, based on c.1490 retailers that provide Landsec with turnover data

(1) UK Footfall Benchmark provided by ShopperTrak (formerly Tyco Footfall)

(2) Landsec shopping centres same centre total sales. Based on all store sales in centres and takes into account new stores and new space

(3) BRC – KPMG Retail Sales Monitor (RSM). Based on an average of two quarters non-food retail sales growth for physical i.e. bricks and mortar stores only (does not include online sales)

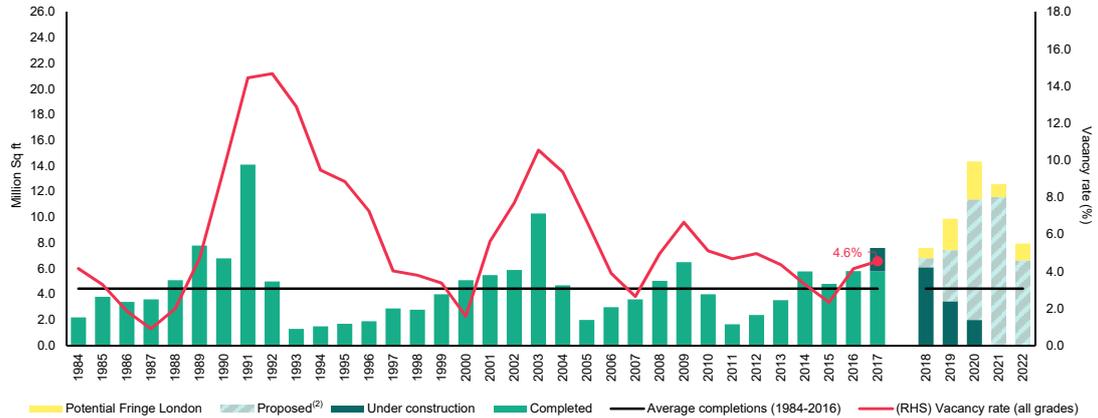
(4) BRC – KPMG Retail Sales Monitor (RSM). Based on an average of two quarters non-food retail sales growth including online sales

(5) Landsec shopping centres same store / same tenant like-for-like sales

(6) Rent as a percentage of total annual physical store sales

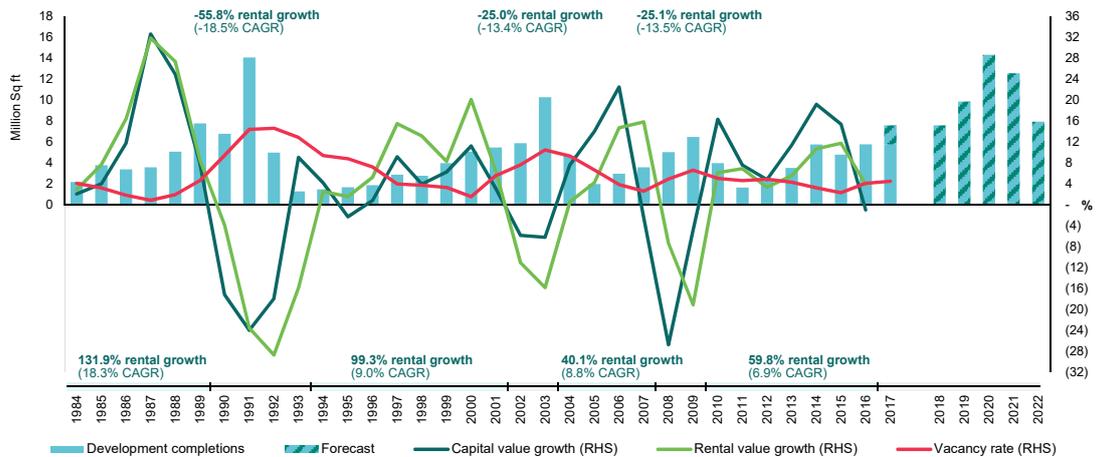
(7) Total occupancy cost (rent, rates, insurance and service charge) as a percentage of total annual physical store sales

### Central London supply as at 30 September 2017 Grade A completions and vacancy rate<sup>(1)</sup>



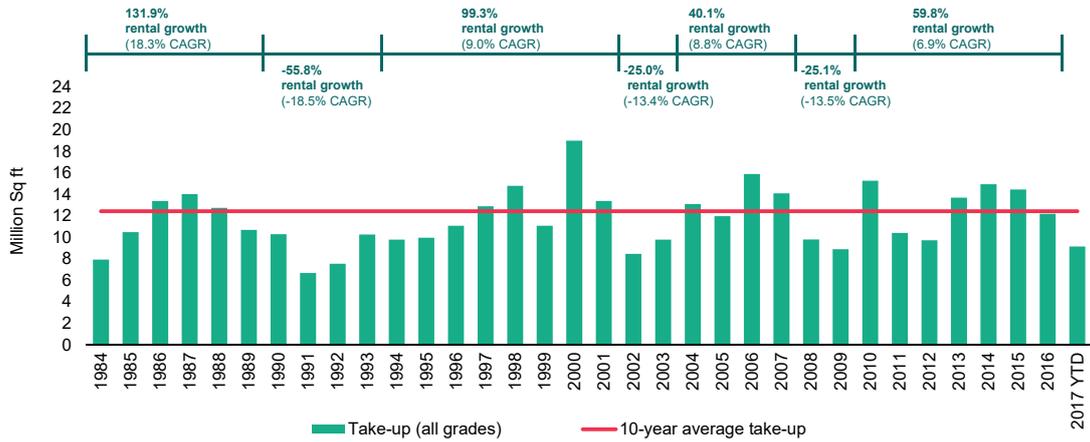
(1) Completions / under construction includes fringe. Vacancy rate as at Q3 2017. Supply pipeline monitors schemes above 20,000 sq. ft. (2017 onwards)  
 (2) Landsec estimate based on data from CBRE and Knight Frank  
 Source: CBRE, Knight Frank, Landsec

### Central London office market Development completions, vacancy and IPD rental and capital growth



Source: CBRE, Knight Frank, IPD Annual Index, Landsec

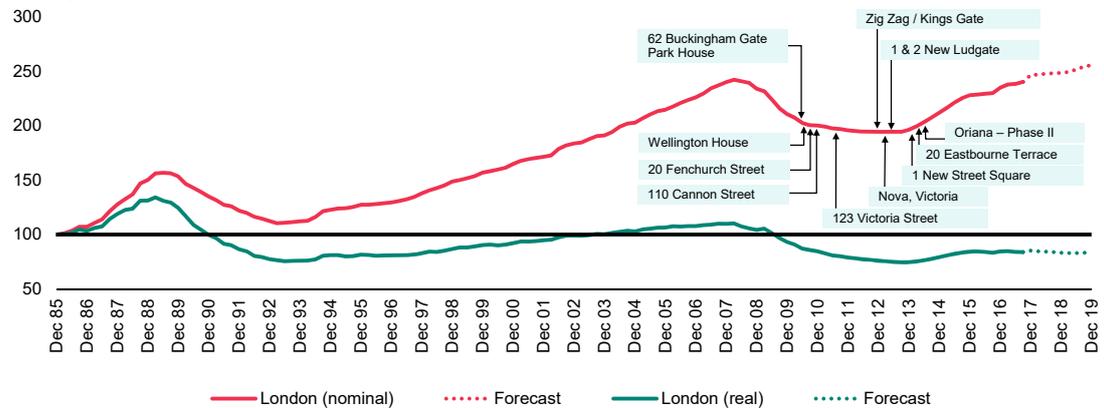
### London office market – take-up



Source: CBRE, IPD Annual Index

### Landsec's London developments Construction contracts negotiated

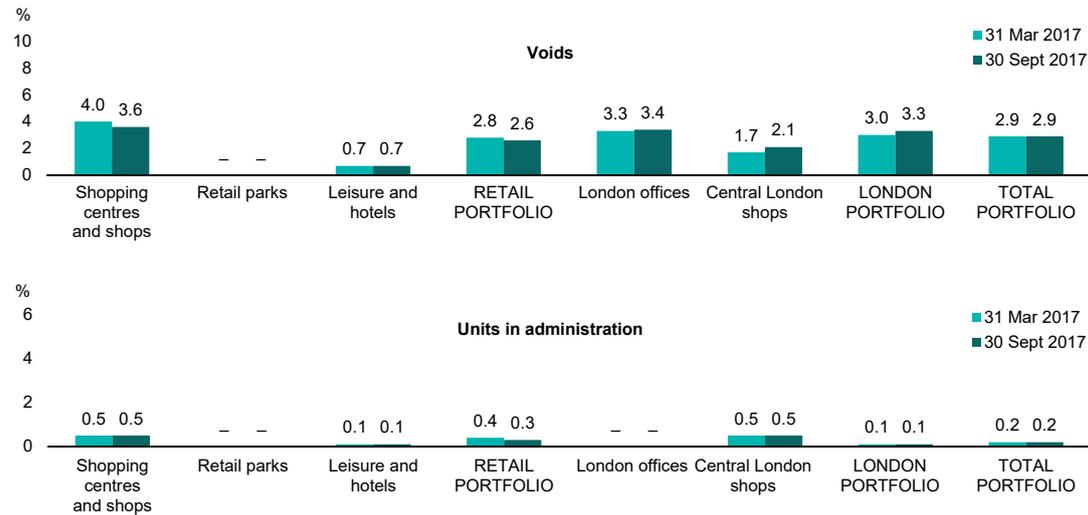
Tender prices Dec 1985 = 100



Source: Arcadis, HM Treasury, Landsec

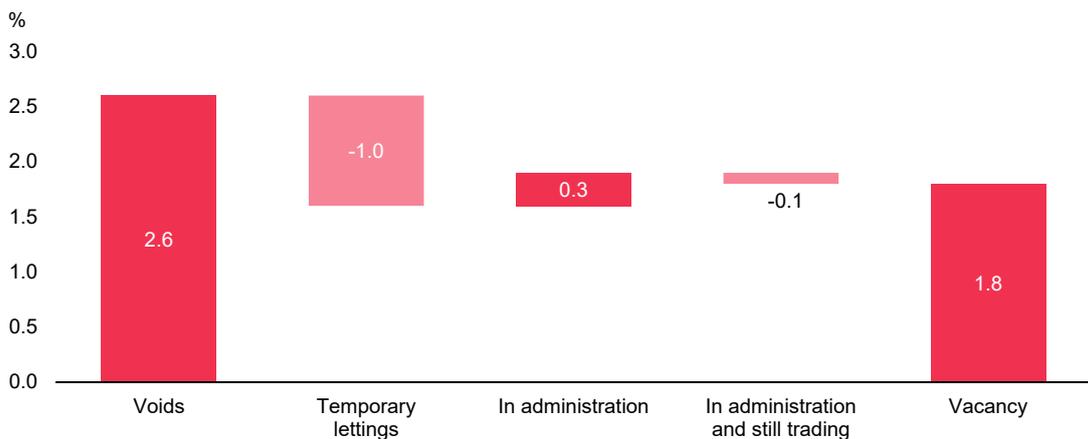
### Voids and units in administration

#### Like-for-like portfolio



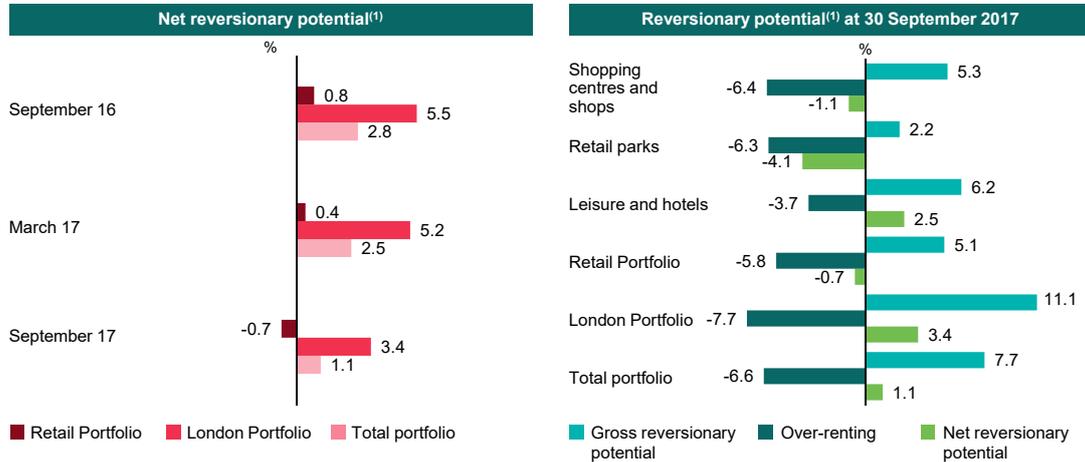
### Retail Portfolio vacancy as at 30 September 2017

#### Like-for-like Retail Portfolio



### Reversionary potential

#### Like-for-like portfolio



(1) Excludes voids and rent free periods

### Combined Portfolio – excluding development programme

#### Lease maturities (expiries and break clauses)



## Rent reviews and lease expiries and breaks<sup>(1)</sup>

### Retail Portfolio excluding developments

|   | Outstanding<br>£m | 2017/18<br>£m                  | 2018/19<br>£m | 2019/20<br>£m | 2020/21<br>£m | 2021/22<br>£m | Total to 2022<br>£m |
|---|-------------------|--------------------------------|---------------|---------------|---------------|---------------|---------------------|
| Rents passing from leases subject to review             | 68.3              | 32.7                           | 31.5          | 24.4          | 20.1          | 13.3          | 190.3               |
| Adjusted ERV <sup>(2)</sup>                             | 66.1              | 31.9                           | 30.0          | 22.8          | 20.3          | 13.1          | 184.2               |
| Over-renting <sup>(3)</sup>                             | (3.8)             | (1.4)                          | (1.9)         | (1.7)         | (0.6)         | (0.5)         | (9.9)               |
| <b>Gross reversion under lease provisions</b>           | <b>1.6</b>        | <b>0.6</b>                     | <b>0.4</b>    | <b>0.1</b>    | <b>0.8</b>    | <b>0.3</b>    | <b>3.8</b>          |
|   |                   | 2017/18 +<br>outstanding<br>£m | 2018/19<br>£m | 2019/20<br>£m | 2020/21<br>£m | 2021/22<br>£m | Total to 2022<br>£m |
| Rents passing from leases subject to expiries or breaks |                   | 22.6                           | 15.3          | 23.0          | 22.7          | 24.2          | 107.8               |
| ERV   |                   | 22.8                           | 15.2          | 22.6          | 22.4          | 23.1          | 106.1               |
| <b>Potential rent change</b>                            |                   | <b>0.2</b>                     | <b>(0.1)</b>  | <b>(0.4)</b>  | <b>(0.3)</b>  | <b>(1.1)</b>  | <b>(1.7)</b>        |

(1) This is not a forecast and takes no account of increases or decreases in ERV before the relevant review dates

(2) Adjusted ERV reflects ERV when reversion is expected at next rent review, or passing rent where the reversion to ERV is expected after 2022

(3) Not crystallised at rent review because of upward only rent review provisions

## Rent reviews and lease expiries and breaks<sup>(1)</sup>

### London Portfolio excluding developments

|   | Outstanding<br>£m | 2017/18<br>£m                  | 2018/19<br>£m | 2019/20<br>£m | 2020/21<br>£m | 2021/22<br>£m | Total to 2022<br>£m |
|---|-------------------|--------------------------------|---------------|---------------|---------------|---------------|---------------------|
| Rents passing from leases subject to review             | 13.5              | 17.0                           | 29.7          | 16.8          | 65.8          | 37.3          | 180.1               |
| Adjusted ERV <sup>(2)</sup>                             | 14.2              | 18.5                           | 30.8          | 17.3          | 65.7          | 37.5          | 184.0               |
| Over-renting <sup>(3)</sup>                             | (0.1)             | -                              | (0.1)         | -             | (1.5)         | (0.4)         | (2.1)               |
| <b>Gross reversion under lease provisions</b>           | <b>0.8</b>        | <b>1.5</b>                     | <b>1.2</b>    | <b>0.5</b>    | <b>1.4</b>    | <b>0.6</b>    | <b>6.0</b>          |
|   |                   | 2017/18 +<br>outstanding<br>£m | 2018/19<br>£m | 2019/20<br>£m | 2020/21<br>£m | 2021/22<br>£m | Total to 2022<br>£m |
| Rents passing from leases subject to expiries or breaks |                   | 3.2                            | 9.4           | 22.6          | 23.0          | 8.8           | 67.0                |
| ERV   |                   | 4.1                            | 11.9          | 28.5          | 25.1          | 9.7           | 79.3                |
| <b>Potential rent change</b>                            |                   | <b>0.9</b>                     | <b>2.5</b>    | <b>5.9</b>    | <b>2.1</b>    | <b>0.9</b>    | <b>12.3</b>         |

(1) This is not a forecast and takes no account of increases or decreases in ERV before the relevant review dates

(2) Adjusted ERV reflects ERV when reversion is expected at next rent review, or passing rent where the reversion to ERV is expected after 2022

(3) Not crystallised at rent review because of upward only rent review provisions

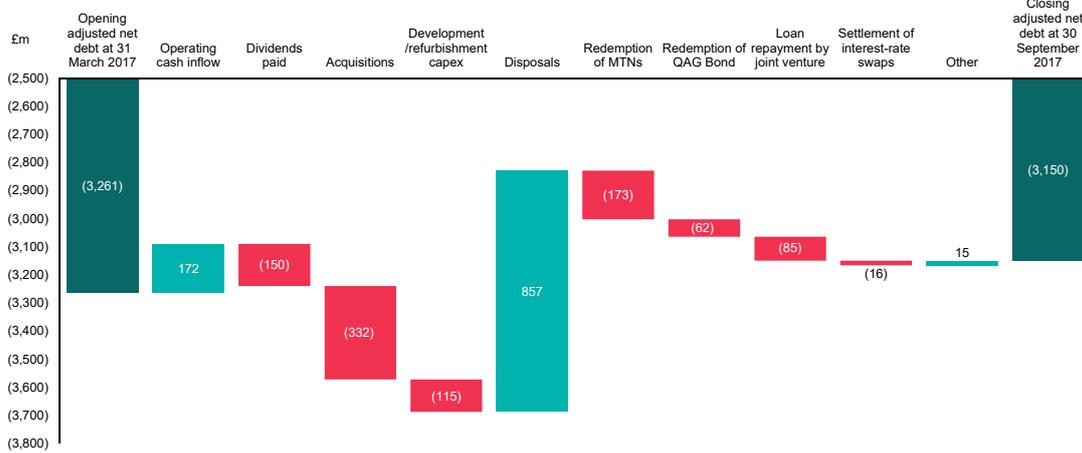
## Reconciliation of cash rents and P&L rents to ERV

|   | Rents and ERVs at 30.09.17 |                  |              |
|---|----------------------------|------------------|--------------|
|   | Retail Portfolio           | London Portfolio | Total        |
|   | £m                         | £m               | £m           |
| <b>Annualised rental income</b>   | 358.4                      | 291.7            | 650.1        |
| SIC15 adjustments and ground rent   | (21.6)                     | (47.6)           | (69.2)       |
| <b>Annualised net rent</b>  | <b>336.8</b>               | <b>244.1</b>     | <b>580.9</b> |
| Add back ground rents payable   | 10.0                       | 3.4              | 13.4         |
| Additional cash rent from unexpired rent free periods                               | 11.1                       | 60.0             | 71.1         |
| Contracted additional income<br>(from development programme and reconfigured units) | 14.3                       | 11.2             | 25.5         |
| Net (over renting)/reversion on rent review or break/expiry                         | (2.1)                      | 10.0             | 7.9          |
| Other   | (0.5)                      | 23.6             | 23.1         |
| <b>Gross ERV from portfolio currently let (or agreed to be let)</b>                 | <b>369.6</b>               | <b>352.3</b>     | <b>721.9</b> |
| Voids including development programme   | 10.7                       | 18.5             | 29.2         |
| <b>Gross ERV</b>  | <b>380.3</b>               | <b>370.8</b>     | <b>751.1</b> |

## Net rental income analysis

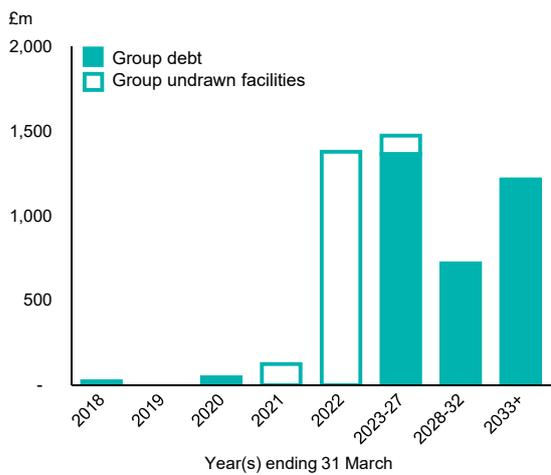
|                                     | Six months to 30 September |            |                  |            |                             |            |
|-------------------------------------|----------------------------|------------|------------------|------------|-----------------------------|------------|
|                                     | Retail Portfolio           |            | London Portfolio |            | Combined Portfolio variance |            |
|                                     | 2017                       | 2016       | 2017             | 2016       | £m                          | %          |
| Like-for-like investment properties | 146                        | 147        | 107              | 111        | (5)                         | -1.9       |
| Proposed developments               | -                          | -          | -                | -          | -                           |            |
| Development programme               | -                          | -          | 3                | -          | 3                           |            |
| Completed developments              | -                          | -          | 24               | 17         | 7                           |            |
| Acquisitions since 1 April 2016     | 9                          | -          | -                | -          | 9                           |            |
| Disposals since 1 April 2016        | -                          | 7          | 8                | 10         | (9)                         |            |
| Non-property related income         | 4                          | 5          | 2                | 1          | -                           |            |
| <b>Total net rental income</b>      | <b>159</b>                 | <b>159</b> | <b>144</b>       | <b>139</b> | <b>5</b>                    | <b>1.7</b> |

### Cash flow and adjusted net debt<sup>(1)</sup>



(1) On a proportionate basis

### Expected debt maturities (nominal)



| Year(s) ending 31 March | Expected debt maturities <sup>(1)</sup> £m |                      |
|-------------------------|--|----------------------|
|                         | Drawn debt                                 | Available facilities |
|                         | Group debt                                 | Group debt           |
| 2018                    | 23   | –                    |
| 2019                    | –  | –                    |
| 2020                    | 46   | –                    |
| 2021                    | –  | 125                  |
| 2022                    | –  | 1,380                |
| 2023-27                 | 1,366                                      | 109                  |
| 2028-32                 | 720  | –                    |
| 2033+                   | 1,217                                      | –                    |

(1) Includes settlement of commercial paper and debt reserving but excludes cash

## Financing

- Group LTV<sup>(1)</sup> at 21.8% down from 22.2% at March 2017
- Pro forma Group LTV: 25.1%<sup>(2)</sup>
- 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

|   | 30.09.17 | 31.03.17 |
|---|----------|----------|
| Bond debt                                     | £3,023m  | £2,798m  |
| Total bank facilities and cash <sup>(1)</sup> | £2,179m  | £2,105m  |
| Drawn facilities <sup>(1)(3)</sup>            | (£330m)  | (£532m)  |
| Available facilities and cash <sup>(1)</sup>  | £1,849m  | £1,573m  |
| Adjusted net debt                             | £3,150m  | £3,261m  |
| Proportion of debt at fixed interest rates    | 96.5%    | 88.9%    |
| Security Group LTV                            | 24.5%    | 28.3%    |
| Group LTV <sup>(1)</sup>                      | 21.8%    | 22.2%    |
| Interest cover ratio                          |          |          |
| Group (excl. joint ventures)                  | 5.2x     | 3.8x     |
| REIT (finance cost ratio)                     | 1.7x     | 2.5x     |

(1) On a proportionate basis  
 (2) Pro forma adjusted for the £475m capital distribution to shareholders which was paid in October 2017  
 (3) Includes settlement of commercial paper in issue and any debt reserving

## Financial history



(1) On a proportionate basis  
 (2) If adjusted for the £475m capital distribution to shareholders: adjusted net debt £3,625m; adjusted net assets £10,613m; LTV 25.1%

## The Security Group

Our Security Group funding arrangements provide flexibility to buy and sell assets, develop a significant pipeline and raise debt via a wide range of sources. This is subject to covenant tiering which progressively increases operational restrictions in response to higher gearing levels or lower interest cover

### Covenant Tiering

| Operating Tier | LTV <sup>(1)</sup> | Key restrictions   | Valuation tolerance from current Tier | Incremental debt from current Tier £bn |
|----------------|--------------------|--|---------------------------------------|--|
| Tier 1         | ≤55%               | • Minimal restrictions   | <i>Current</i>                        | <i>Current</i>                         |
| Tier 2         | >55%-65%           | • Additional liquidity facilities  | -55%                                  | +4.2                                   |
| Initial Tier 3 | >65%-80%           | • Payment restrictions<br>• Debt amortisation                            | -62%                                  | +5.6                                   |
| Final Tier 3   | >80%               | • Disposals pay down debt<br>• Potential appointment of property manager | -69%                                  | +7.6                                   |

### Control Framework

- There are covenants to protect security effectiveness, limit portfolio concentration risk and control churn of the portfolio
- The structure, which is overseen by a Trustee, is designed to flex with the business and broadly the covenants can be altered in 3 ways<sup>(2)</sup>:
  1. Trustee discretion – if the change is not materially prejudicial to the interests of the most senior class of debt holders
  2. Rating affirmation – that the change will not lead to a credit rating downgrade
  3. Lender consent
- An example of how sector and regional concentration limits have changed to reflect the shape of the business is shown on the next slide

(1) Tiering can also be determined with reference to Interest Cover, although this is deemed a less likely limitation

(2) Please refer to our most recent Base Prospectus (which is on our website) for full details of the Security Group's terms and conditions

## The Security Group

### Portfolio concentration limits

#### 30 September 2012

| Sector concentration (% of collateral value)   | £bn | %  | Maximum permitted % |
|--|-----|----|---------------------|
| Office   | 3.9 | 44 | 60                  |
| Shopping centres and shops                     | 3.0 | 33 | 60                  |
| Retail warehouses                              | 1.1 | 13 | 55                  |
| Industrial                                     | –   | 1  | 35                  |
| Residential                                    | 0.1 | 1  | 35                  |
| Leisure and hotels                             | –   | –  | –                   |
| Other  | 0.8 | 8  | 15                  |
| Regional concentration (% of collateral value) | £bn | %  | Maximum permitted % |
| London   | 5.5 | 62 | 75                  |
| Rest of South East and Eastern Midlands        | 1.0 | 11 | 40                  |
| North  | 1.2 | 13 | 40                  |
| Wales and South West                           | 0.5 | 5  | 40                  |
| Scotland and Northern Ireland                  | 0.5 | 6  | 40                  |
| Non-UK   | –   | –  | 5                   |

#### 30 September 2017

| Sector concentration (% of collateral value)   | £bn | %  | Maximum permitted % | Acquisition headroom £bn |
|--|-----|----|---------------------|--------------------------|
| Office   | 6.1 | 44 | 85                  | 37.2                     |
| Shopping centres and shops                     | 5.4 | 40 | 100                 | N/A                      |
| Retail warehouses                              | 0.9 | 6  | 55                  | 14.9                     |
| Industrial                                     | –   | –  | 20                  | 3.4                      |
| Residential                                    | 0.1 | 1  | 20                  | 3.3                      |
| Leisure and hotels                             | 1.3 | 9  | 25                  | 2.9                      |
| Other  | –   | –  | 15                  | 2.4                      |
| Regional concentration (% of collateral value) | £bn | %  | Maximum permitted % | Acquisition headroom £bn |
| London   | 8.5 | 62 | 100                 | N/A                      |
| Rest of South East and Eastern Midlands        | 2.5 | 18 | 70                  | 23.8                     |
| North  | 1.5 | 11 | 40                  | 6.7                      |
| Wales and South West                           | 0.6 | 4  | 40                  | 8.2                      |
| Scotland and Northern Ireland                  | 0.5 | 4  | 40                  | 8.3                      |
| Non-UK   | –   | –  | 5                   | 0.7                      |

Portfolio concentration limits have been amended over time to reflect the changing shape of the business.

## **Important notice**

This presentation may contain certain ‘forward-looking’ statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward-looking statements.

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