LandSecurities

Land Securities preliminary results presentation

Thursday 18 May 2017

Speaker: Robert Noel – Chief Executive

Slide 2 – Title slide

Good morning everyone and welcome.

There shouldn't be any surprises for you in these results. The company is in great shape. Lease terms longer,
cost of debt down, earnings up and dividend up - another 10%.

Since May 2014, we've had a clear aim to get to December 2016 with:

- no developments on site which were not substantially pre-let
- a longer unexpired lease term in London offices
- a first-class portfolio of dominant and convenient retail destinations
- lower financial gearing

And this aim has been driven by two broad themes:

1. In London, preparing for what we thought could be an occupational supply/demand inflexion point in the office market at some point in 2017. This meant having our significant speculative development programme finished and let by then.

2. In retail, transforming our portfolio from one which wasn't, in 2010, largely suited to the changing retail landscape, to one which is.

And we've delivered against this plan.

Slide 3 - Delivering on a clear plan to strengthen the business

At our busiest in 2014 we had 2.6 million sq ft on site in London. Today, the only significant development we have on site is Westgate Oxford which, as you'll hear from Scott, is 80% spoken for 5 months from opening.

Our office lease term in London is now 10.3 years, our longest ever, and the longest in the sector. The retail portfolio is pretty much unrecognisable compared to 2010. Gone are the large bulky goods parks, supermarkets and tail of secondary shopping centres, all sold while the market was less discerning with the proceeds rotated into destinations like Trinity Leeds, the X-Leisure portfolio, Bluewater, Westgate Oxford and now the outlets.

And on gearing, as you know from March 2010 we ran a net debt neutral strategy. This served us well as we progressed our plans with the portfolio but, in the second half of the last financial year, with risk rising outside the business, we allowed net debt step down while taking advantage of the strong market conditions to sell over £1bn of weaker assets.

So, our LTV is low, and as you'll hear from Martin we've refinanced some of our debt during the year.

Today, we are quite comfortable with our position because the outside conditions are difficult to read. The devaluation of sterling has been good news for manufacturers but it's not such good news for retailers. It's also been good news for foreign investors, as evidenced by the sales of good quality assets but, as we stand here today, occupiers are a little more cautious.

As I warned in November, the vacancy rate in London is rising because take up is down, at a time when supply has risen. For the retailer, as we've all heard from the best of them in recent announcements, the climate is tough. The polarising of the best destinations versus the rest, that convinced us to reshape our portfolio so dramatically, continues at pace.

As we say, it's all about experience and this is driven by the ability to curate a great destination.

Slide 4 – Performance – creating shareholder value while strengthening the balance sheet

Turning to our performance, you've seen this chart before, now updated. It shows our ungeared total property return since March 2010, in green, against our key benchmark, the IPD quarterly universe, in blue.

This pink line shows our total business return over the period, that's a rise in net asset value per share, plus dividend and as I've said we've achieved this while slowly halving LTV over the period and crucially still consistently growing our earnings and dividend per share. Since 2010, we've increased both by around 40% and we retain good dividend cover.

And so now, at a point where nobody knows how the next couple of years will unfold, our first class, well-let, portfolio combined with historically low financial and operational gearing, puts us in a good place. We can deal with any environment on the front foot.

Slide 5 - Agenda

Colette and Scott will talk about our operations in a few minutes but before that, let me now hand over to Martin to take you through the financial results.

Martin.

Speaker: Martin Greenslade – Chief Financial Officer

Slide 6 – Title slide

Thank you Rob. Good morning everyone.

As Rob has said, the company is in great shape and these are a robust set of results. As always, our performance reflects actions we have taken this year as well as those taken in prior years as part of our longer-term strategy. We also saw better market conditions than we had expected, particularly in the second half when most sub sectors recovered some of their first half valuation declines.

But let's start with the headline numbers.

Slide 7 – Financial summary

Our profit before tax was £112m, down significantly on last year's £1.3bn profit. This reduction was principally due to the valuation deficit this year of £147m compared with a valuation surplus of £907m last year. Our adjusted diluted NAV per share ended the year 17p lower at £14.17, a reduction of 1.2% but it is up 9p on the half year.

Revenue profit was up 5.5%, more on that in a moment, with adjusted diluted earnings per share up 5.7% to 48.3p.

We are recommending a final dividend of 11.7p bringing the total dividend to 38.55p up 10.1%. This increase, which is ahead of growth in adjusted earnings per share, reflects the fact that we have very little speculative development risk left in the business and have completed our programme to dispose of weaker assets.

The 10.1% growth in the dividend is similar to the increase last year. I would love that to be the long term sustainable growth rate but that's unlikely. I am confident, however, that the total dividend for this year is a level from which we can continue to grow our dividend in a sustainable manner. The first quarterly dividend for next year will be 9.85p, up 10.1% on this year's quarterly dividend with the increase reflecting this year's dividend growth rate rather than our expectation for next year. Our aim will be to follow the pattern of previous years of three equal quarterly dividends followed by a review of the final dividend.

So, turning now to more detail on revenue profit.

Slides 8 and 9 – Revenue profit

This slide sets out the main components of our revenue profit on a proportionate basis.

Revenue profit increased by £20m to £382m, driven by a £25m reduction in net finance expense. This more than offsets the £4m decline in net rental income resulting from disposals, while indirect costs were broadly unchanged over last year, up £1m. I will cover net rental income in a minute but first a quick word about finance costs.

The £25m reduction in net finance expense is made up of a £31m lower interest bill partly offset by a £6m reduction in capitalised interest. Of the £31m interest saving, around £16m is attributable to the £400m

bond we redeemed in March 2016; £7m is due to lower average net debt; and £5m due to the sundry bond purchases during the year, including the bond tender in February this year.

Slide 10 – Net rental income analysis

Turning now to net rental income, here we have the changes in net rental income, split between London and Retail.

Overall, net rental income decreased by £4m, made up of a £10m increase in London and a £14m reduction in Retail.

Like-for-like net rental income was up £10m, split fairly evenly between London and Retail. In Retail, the increase mainly relates to new lettings, higher turnover rents and lower bad debts, partly offset by lower surrender premiums received and the failure of BHS. In London, the £4m increase reflects new lettings and settled rent reviews, partly offset by higher surrender premiums paid and lost income at Piccadilly Lights following the start of refurbishment. The Piccadilly Lights impact will increase in the coming year.

In total, our developments contributed an additional £27m of net rental income due to the practical completion of 20 Eastbourne Terrace and 1 New Street Square, alongside a full year's income at The Zig Zag Building, 62 Buckingham Gate and 1 & 2 New Ludgate.

And, finally, disposals. The scale of our disposal activity resulted in a loss of £40m of net rental income. The main impact was from sales we made in the previous financial year, namely our retail parks in Gateshead, Dundee and Derby and also Thomas More Square, Haymarket House and Holborn Gate in London. Disposals we made this year, in particular, Printworks Manchester and The Cornerhouse Nottingham, will continue to be felt in the coming year as they contributed £9m of net rental income to this year's results.

Turning now to the valuation surplus.

Slide 11 – Combined Portfolio valuation

The value of our Combined Portfolio at 31 March was £14.4bn. We reported a valuation deficit of £147m, a reduction of 1.0%, and within that, Retail saw values fall by 0.8% and London by 1.3%.

Within the like-for-like portfolio, the 1.4% decline includes a range of outcomes from London offices down 4.4% to Central London shops up 6.9%, the latter driven by Piccadilly Lights where the valuation is now based on the new screen, which Colette will cover in more detail in a moment. In Retail like-for-like, there was also a range between categories with Retail parks down 4.2%, and Leisure and hotels up 2.3%. Shopping centres were in the middle down 1.3%.

Outside the like-for-like portfolio, the surplus on the development programme is down to Nova and Westgate while completed developments have been more resilient than the like-for-like office portfolio, down only 0.4%, largely due to 20 Fenchurch Street.

Finally, in the appendices and in my Financial Review, you will see that rental values on like-for-like London offices are up 2.5%. That increase is due to a number of assets where the valuer has moved from using net effective rents last year to using headline rents this year. On an all "net effective basis", rental values on like-for-like London offices were actually flat. And if you look at all our London offices, not just those in the like-for-like portfolio, net effective rents were down 1.4%.

So, onto debt.

Slide 12 – Adjusted net debt

You will find the usual disclosure on cash flows for the year in the appendices. This chart shows how our net debt has changed with this year in blue and last year in red. You can see how our net debt declined last year, particularly in the second half during which we were significant net sellers. This year net debt has been broadly stable; in fact, we ended the year with net debt up just £22m overall. The difference between these two lines shown here in pink, amounts to an average lower net debt over the year of £578m. As I mentioned earlier, this lower average net debt is responsible for £7m of the £25m reduction in net finance expense this year.

Let's now look at our financing activity.

Slide 13 – Financing

Over the past 18 months, we've changed the maturity profile of our bond debt. In March 2016, we redeemed the £400m bond due for repayment in November 2017. During the course of this year, we purchased £690m of our bonds, £635m of which occurred in February 2017 as part of a tender exercise. Related to that, we

also issued a new £400m bond with a 7 year maturity and a £300m bond with a 12 year maturity. And since the year end, we have redeemed all £273m of the outstanding Queen Anne's Gate bonds. The impact of their activity will reduce our net finance expense in the coming year by approximately a further £24m.

With little change in our debt and property values over the year, our LTV is only up 0.2% to 22.2%. The bond refinancing during the year extended our debt maturities to 9.4 years and reduced our average weighted cost of debt to 4.2%. If you take into account the Queen Anne's Gate bond redemption, our pro forma cost of debt falls to 3.7% while the weighted average maturity is virtually unchanged.

So, let me summarise.

Slide 14 – Financial summary

We have portfolio of resilient assets, our balance sheet is in good shape, our cost of debt is down and our earnings are up. Taken together, that has allowed us to raise the dividend in a meaningful way again this year. Now let me hand you over to Colette.

Speaker: Colette O'Shea – Managing Director, London Portfolio

Slide 15 – Title slide

Thank you Martin.

Our London Portfolio is exactly where we wanted it to be at this stage:

Slide 16 – Quality portfolio

- Our speculative development programme is complete
- Our average office lease length is 10.3 years, our longest ever
- And our customers come from a diverse range of sectors.

At our Investor Conference last September, I talked about our 4 areas of focus:

Slide 17 – Our focus

- One, letting the remaining space in the development programme
- Two, extracting reversion from the Portfolio
- Three, anticipating our customer's changing needs
- Four, advancing our pipeline of developments and restocking the Portfolio with new product

I'll come back to where we're concentrating our efforts in a minute, but first let me update you on our view of the market. On the next two slides, I'm going to talk about our supply forecasts, take up and the vacancy rate.

Slide 18 – Central London supply – Mar 2016, Sep 2016, Mar 2017

Starting with development and refurbishment completions as a contributor to the supply story, the bars on this chart show our forecasts today v's 6 and 12 months ago. The red dotted line shows average completions

Supply projections between 2016 and 2019 have fallen over the year. Approximately 7 million sq ft has been pushed out beyond 2019 but we don't see the full impact of this as the back filling we identified at the investor conference has continued, particularly as more refurbishments are brought to the market.

Supply continues to grow to 2020, but by 2021 we're forecasting a fall.

Slide 19 – Central London annual take-up and vacancy

Back to today. Supply is running above the long-term average. But, take up the blue bars on this chart is falling and, as a consequence the vacancy rate, the red line, has been rising for the past 5 consecutive quarters and is now at 4.7% we expect this trend to continue.

As expected, this has led to a shift in the balance of negotiating power from landlord to occupier, and a weakening of net effective rents. The future of headline rents will depend on business confidence and demand. As you'd expect, we monitor both closely.

Slide 20 – Investment market held up well

The investment market has held up well, with slight valuation falls in the first half reversing in the second half due to a combination of few sellers and high demand from overseas buyers, particularly Asia based capital, which led to record volumes traded in Q1 2017.

Although volumes are down 17% over the last 12 months, again as I said at the investor conference, the assets that have traded particularly well are high quality buildings in core locations with longer income streams. This very much reflects our own portfolio.

However, we expect a weaker outlook for the short let, more risky assets and that these will present opportunities for us to buy. But we won't be rushed.

Going back to our areas of focus, Martin has talked about our valuations so I'll update you on the London activity that delivered that performance.

First, development lettings.

Slide 21 – Development lettings virtually complete

We had 540,000 sq ft left to let at the beginning of the year and virtually half is now let or in solicitor's hands. Whilst the volume of leasing is down on the last two years, we've had far less space to let.

Our City programme completed during the year and is fully let. In the West End we've let or have in solicitor's hands 242,000 sq ft. We achieved an average rent of £76 per square foot an average lease term of 14 years and an average rent free of 9 months for every 5 years, which is well ahead of our underwriting.

More specifically, in Victoria, things have moved on at pace. The Cardinal Place tube entrance has opened, we've moved in, and the place is really beginning to buzz. If you haven't been recently, come and see for yourself.

Slide 22 – Nova – exceptional office space

Our focus remains on Nova which finished in April. We've delivered two exceptional office buildings and Nova Food; the restaurant quarter is now open.

The combination of high quality product, amenity and flexibility ensures we're letting well and delighted to have recently completed with Motorola, Brambles and Child & Child. This takes the scheme to 54% let and generated excellent momentum before our launch last month.

Slide 23 – Residential – steady progress

We've made steady progress with our residential campaign in Victoria selling 18 units. Our remaining exposure £77m represents less than 1% of the London Portfolio. Completions are progressing well at The Nova Building and many residents have now moved in.

Slide 24 – Asset management – meeting all our targets

Now to asset management where we're meeting all our targets.

With Deloitte's new 20-year lease at 1 New Street Square we've increased our portfolio WAULT as I said to 10.3 years.

Our voids have risen from 2.9% to 7.0% but the majority of this is Piccadilly Lights which remains in like for like while we replace the screens. More on this in a minute

We've completed £13m of investment lettings. Terms were 40% above passing rent in 43 transactions. The average lease term is 10 years, if you take out Portland House where we're doing short lettings as part of our asset plan.

And we've completed £15m of lease regears, retaining and increasing rent by 14% and extending leases by an average of 4 years.

We've also been busy with rent reviews, reviewing over £40m of rental income ... that's 12% of our income, increasing passing rent by 12%.

Slide 25 – Asset management – working efficiently and effectively

More specifically, at Cardinal Place we're into our second rent review cycle and had £15m subject to review. We've reviewed £11m and after creating good evidence through a regear - increased the office rent by 14% and the retail by 23%. During the year, we also re-let 113,000 sq ft.

Slide 26 – Asset management - One New Change and 140 Aldersgate Street

At One New Change, 92% of the rent was due to be reviewed over 2 years. We've already reviewed 65% increasing the office rent by 3% and the retail by 18%.

And we're not just focusing on our larger assets. We're looking at every part of the portfolio. For example, at 140 Aldersgate Street we've reviewed 44% of the rent increasing the passing rent by 33%.

So, to Piccadilly Lights, our star performer in London.

Slide 27 – Piccadilly Lights – implementing a plan to create value

In October 2012, we completed our freehold ownership of the entire island site at the world-famous Piccadilly Lights.

Since then, we've instigated a clear plan to create value.

Slide 28 – Piccadilly Lights – moved souvenir shop

First, we moved a souvenir shop;

Slide 29 – Piccadilly Lights – created 3 new retail units and additional screen

This enabled us to reconfigure the retail to create new, flagship units for Boots, Barclays and GAP. We let these on 10 – 15 year leases at 30% ahead of passing rents.

Slide 30 – Piccadilly Lights – created 3 new retail units and additional screen

In turn, these deals released a restriction enabling us to install an additional screen – generating a further £2.4m per annum.

We also safe guarded the future development at One Sherwood Street, behind the screens, which I'll talk about later.

Turning to the screen itself.

Slide 31 – Piccadilly Lights - cutting edge technology

The plan was to create a block vacant possession date of December 2016. Which we did. We also secured planning consent for Europe's most technically advanced digital screen. You'll be relieved to know that we're preserving the historic image the world knows and loves, whilst using cutting edge – and seriously cool interactive technology. It'll even react to the weather if it rains the screen can rain too.

We've pre-let 50% of the space to Coca Cola, Samsung and Hyundai at 17% above passing rent, and have just launched a marketing campaign for the remaining three screens. The total ERV for the screens is the equivalent of a 250,000 sq ft Grade A building in Victoria!

We flick the switch in November.

Whilst all this has been happening, we've been busy on our pipeline. We're tracking £2bn of assets we'd like to own, as well as working on a potential 1.4 million sq ft of new development

Slide 32 – Future development

The developments are made up of 5 schemes in 3 London boroughs, where the specifications are all different, responding to our deepening understanding of our customers' future needs.

Slide 33– Future Development - 21 Moorfields

At 21 Moorfields, we've secured consent for 522,000 sq ft in 2 buildings. We've finished demolition and committed to build to grade. All of this is in line with the plan we've shared with you previously.

This approach means we get the time consuming below ground works out of the way and will have created a raft above the new Crossrail station by June 2018. In turn, this means we can construct the new buildings in 24 months giving us great flexibility on strategy.

As you know, we've agreed heads of terms with Deutsche Bank for a new HQ on the site. Negotiations are progressing and we'll update you with further news when we can.

Slide 34 – Future development - Nova East

At Nova East, we're continuing to progress designs and secure LUL approvals, ready for building 196,000 sq ft.

And next door, the Victoria Palace Theatre completes its refurbishment ready for the eagerly awaited opening of Hamilton in November.

Slide 35 – Future development – 1 Sherwood Street

I said I'd talk more about 1 Sherwood Street, behind Piccadilly Lights. The new screen is being constructed on a standalone structure which frees up everything behind. We've secured consent for 142,000 sq ft and plan to start detailed design later this year.

Slide 36 – Future development - Southwark Estate

In Southwark, we've obtained consent for 134,000 sq ft at Sumner Street and anticipate an earliest construction start in October 2019. We're also well underway with a feasibility study for 360,000 sq ft directly on the Thames at Red Lion Court.

So, in summary, we're all over our portfolio.

Slide 37 – A sustainable business

We've completed and virtually let the 3 million sq ft speculative development programme and transformed the Portfolio to one that's well positioned for current market conditions and the short-term outlook.

We've 1.4 million sq ft of developments in the pipeline and will be ready to start as soon as we think conditions are right.

We're evolving our product to reflect shifts in workplace trends and the changing needs of our current and future customers.

And with the portfolio in such good shape, the team are focussing more on future opportunities.

I'll now handover to Scott.

Speaker: Scott Parsons – Managing Director, Retail Portfolio

Slide 38 – Title slide

Thanks Colette, and good morning everyone.

It's been a productive year in our Retail business and in a challenging retailer and economic environment we've delivered a good set of results all driven by our view that "Everything is experience".

And alongside our ever-present focus on asset management we've been particularly active on the transaction front so I'll kick off with a few updates that reinforce how we're proactive and disciplined when it comes to capital allocation.

Slide 39 – Focussing on destination leisure

In the last quarter of the financial year, we sold the Cornerhouse in Nottingham and the Printworks in Manchester. Both assets were sold after adding value through our asset management strategy and overall generated proceeds of about 5% over book value.

As I've highlighted before when it comes to our leisure our focus is on a family-friendly offer that trades well all day long.

Cornerhouse and Printworks were our last two wet-led leisure assets and today our portfolio comprises only schemes with a broad offer all anchored by dominant cinemas.

Slide 40 – Accor - crystallising valuation upside

And on the hotel front, we've now sold all seven of the hotels where Accor exercised their break options in early 2016.

I've spoken a lot about how our hotels are underpinned by vacant possession values that are higher than their investment values now buildings that are worth more empty than they are when fully let are a rare treat and I'm pleased to report that our total sales proceeds were about 9% above book values.

Our remaining 22 Accor hotels are all let without breaks until 2031, and saw income grow by about 3.4% over the year. Of the remaining portfolio, approximately 70% by value is in London hotels.

Slide 41 – Active asset managers

And lastly on the sales front, a few days post 31st March we exited our Metro joint venture with Delancey, selling them our 50% stake in Shopstop in Clapham Junction. Delancey simultaneously sold their 50% stake in Southside Wandsworth to Invesco who are now our JV partners and as part of the transaction we've taken over asset management of the centre.

Southside was our only property where asset management was outsourced and in an environment where consumer experience is critical I feel better knowing that the Land Securities team and not a third party is delivering that experience across every single asset within our portfolio.

Slide 42 – Acquiring experience led assets

And speaking of delivering on consumer experience, since 31st March we've acquired a £330 million portfolio of three outlet centres from Hermes where we're excited about achieving strong growth in the years ahead by applying some of the magic that we've clearly demonstrated at Gunwharf Quays.

The portfolio is made up of centres in Braintree Street and in Castleford, which is right next door to our Xscape Yorkshire leisure destination.

Our business plan is focussed around working closely with our strong brand partners to improve the consumer experience just like we've done at Gunwharf by improving the catering & retail mix and increasing average dwell times and spend.

The outlet model for the best assets enables greater control over brand mix because the typical lease is outside the Landlord and Tenant Act and break options provide the landlord with the opportunity to replace brands that are not meeting turnover targets.

At Gunwharf, this hands-on strategy has really paid off over the past 5 years our efforts have driven average retail sales densities up by over 40%.

We're now the largest owner/operator of outlet assets in the UK.

So, we've bought assets where we're confident that we can deliver a fantastic experience but we're also developing.

Slide 43 – Delivering experience at Westgate

At Westgate, we're on time and on budget for opening in the Autumn, delivering a much needed and eagerly anticipated retail heart for the city of Oxford.

John Lewis has begun fitting out its new full-offer department store Curzon is fitting out the cinema and Next and Primark will soon be taking possession of their units.

The amazing rooftop restaurants are all but fully let. Westgate Social, our new foodie quarter is fully let with cool operators that are all new to Oxford and the mix of brands has gone from strength to strength.

We're now 71% let with a further 9% in solicitors' hands and since the half year we've signed pre-lets with brands like Hobbs, Cath Kidston, Seasalt, Levis, Molton Brown and a flagship store for Uniqlo.

We're also really proud of what we've achieved with our Community Employment Programme at Westgate and across our retail business which has facilitated training, helped fill skills shortages, and provided job outcomes for local people.

Elsewhere in the portfolio, we've enjoyed similar success and retailer support for our selective development and reconfiguration activities.

Slide 44 – Everything is experience

The leisure extension at White Rose was 100% pre-let and achieved practical completion in March with the six new restaurants and the state of the art IMAX cinema opening soon.

We're now on site at Bluewater redeveloping the former Glow space to expand the thriving cinema, catering and leisure space which is about 80% pre-let or in solicitors' hands.

And our potential development at Selly Oak in Birmingham has more than 90% of the retail space pre-let or in solicitors’ hands.

Throughout the portfolio, we’ve continued to deliver and agree upsizes for key MSU retailers from H&M at Bluewater and Glasgow to Next at White Rose to New Look at Trinity.

On top of the MSU upsizes, we’ve driven some great wins on shop units, leisure and catering too.

Slides 45 and 46 – Strong brand partnerships

Our focus on destination centres combined with our asset management skills has enabled us to develop strong partnerships with key brands partnerships that will be reinforced with the acquisition of the three outlet centres.

We got to know Michael Kors, for example when we added them to the line-up at Gunwharf Quays. Our partnership approach continued with lettings to them at Bluewater then Cardiff and then Westgate.

D&D’s first restaurant outside London was at Trinity Leeds we then brought them to One New Change and they’ve recently opened their latest restaurant at Nova Victoria.

Curzon will open in the Autumn at Westgate after working with us to bring a much-requested cinema to residents in Victoria.

The list goes on and on with multiple deals with brands like Victoria’s Secret, Tommy Hilfiger, Coach, Gant, Hugo Boss and Estee Lauder who’s five brands have all signed up at Westgate under their own fascias the only centre outside London to offer this.

So overall, disciplined capital allocation and expert asset management with a genuine focus on consumer experience and partnering with our customers adds up to some reassuring figures.

Slide 47 – Solid performance

And I’m pleased to report that we’ve had a solid year of performance across the portfolio.

We completed over 120 investment lettings over the financial year equating to more than £15m in rent per annum with around £3m in solicitors' hands.

Like for like voids are 2.8% up slightly and mainly driven by the Bhs space at Trinity which since the year end is now all let or in solicitors' hands and some strategic voids at Bluewater to accommodate retailer upsizes and enable the introduction of new brands to the centre.

Administrations are down, at just 0.4%.

Importantly, despite the challenging market and bumps like BHS, we continue to achieve growth in like-for-like net rental income with our ever-active asset management driving growth of 2% over the year.

Moving on to sales and footfall we continue to outperform the benchmarks.

Slide 48 – Outperforming the benchmarks

Our same centre sales demonstrate that a great destination can perform well even in an omni-channel world.

The BRC Benchmark for Same Centre Physical Store Sales in blue, was down 1.9%. If you include online sales in green the benchmark was up 0.3%. But our same centre retail sales were up 1.7%, outperforming sales growth for bricks & mortar retail as well as all retail including online.

While the market has been tough for fashion and department stores we've seen particularly strong performance from sportswear, jewellery and health & beauty and highlights this year include travel where our customers like Virgin Holidays and Kuoni sold almost £50m of holidays at Bluewater alone up 24% on last year and Trinity Kitchen where our fun and vibrant street food vans saw sales increase by 25%.

Slide 49 – Summary

So, to wrap things up, we're pleased with our performance in what's been a challenging year for retail. We've sold in line with our strategy and our business plans. And we've bought and developed selectively, with strong retailer support.

At our interim results in November, I'll look forward to updating you on the integration of the outlet portfolio and of course on Westgate's grand opening.

Now let me hand you back to Rob. Many thanks.

Speaker: Robert Noel – Chief Executive Officer

Slide 50 - Outlook

Thanks Scott. So, before we hand over to you for questions I'd like to summarise our outlook for this year.

Slide 51 - London and Retail

In London offices, as you've heard from Colette, our outlook for supply hasn't changed significantly from our previous estimates.

We've entered a period of above average supply and below average demand.

As we explained in November, the vacancy rate is rising and so we expect net effective rental values to weaken further unless we have more certainty over our future outside the EU.

From a valuation standpoint, any negative effects will be more keenly felt by vacant and short let buildings. This is why we've been so keen to have a long WAULT, and our developments let, at this point.

There will, no doubt, be many twists and turns in the weeks and months ahead. But remember, whatever happens, there will always be demand - even in the nadirs of 1992, 2002 and 2009 take up never dropped much below 75% of the long run average.

As ever, we'll watch the supply landscape like a hawk, particularly the vacancy rate and where it peaks. Remember, this is what gave us the conviction to be first out of the blocks with our successful speculative development programme from 2010.

And as you've heard, we already have a 1.4 million sq ft programme which is being made battle ready and we'll focus on growing this.

In Retail, price rises are difficult for the consumer and difficult for retailers.

However, as you've just heard from Scott, we believe our strong destinations will continue to serve us well, and we remain pleased with our current position having sold our secondary assets during 2014 and 15.

If we can add to what we have, we will, as we are doing in Oxford. And we'll continue to work the portfolio to keep it ahead of the curve as you've seen with the sales of some provincial hotels, Printworks and Cornerhouse and the acquisition of the outlets.

In November, I said I thought we were in the right position for the current environment and that remains our view today.

Uncertainty usually produces opportunity and although it's unlikely we'll be big net investors this year, we're fully prepared.

In a market whose direction is difficult to read just now - we have great assets, a strong balance sheet and all of our options open, exactly as we planned.

- End -

Forward Looking Statements

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