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Regional

2016 Half Year Results Presentation

18 August 2016

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1 – Overview

Hugh Scott-Barrett

Overview

- Operating Profit up 16% to £13.7 million underpinned by like-for-like 3.9% net rental income growth on wholly-owned portfolio
- 8% increase in Interim 2016 dividend to 1.62p (Interim 2015: 1.5p) at top end of target of 5% to 8% growth per annum
- EPRA NAV unchanged at 71p with income growth offsetting modest outward yield shift
- Capex investment continuing with £13.5 million on the Mall in H1, including completion of key initiatives at Blackburn and Maidstone
- Strong letting momentum maintained since the EU referendum
- Enhanced focus on recycling of capital reflected in active consideration of unsolicited offer for sale of The Mall, Camberley around current valuation

Capex investment and continued occupier demand driving sustainable growth

2 – Financial Review

Charles Staveley

Operating Profit – Group

		H1 2016 £m		H1 2015 £m
Wholly-owned		**13.2**		11.9
Other UK Shopping Centres		**0.4**		0.5
Snozone		**1.0**		1.0
Group / Central				
- External fee income[1]	**1.3**		1.2	
- Internal fee income / recharges	**2.6**		2.1	
- Administration expenses	**(4.5)**		(4.5)	
- Net interest expense	**(0.3)**		(0.4)	
		(0.9)		(1.6)
Operating Profit		**13.7**		11.8
Operating Profit per share (pence)		**1.9**		1.7

[1] Including service charge

Operating Profit – Wholly-owned assets

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	Six months to 30 June 2016			Six months to 30 June 2015
	The Mall portfolio	Marlowes, Hemel[1] £m	Total wholly-owned £m	£m
Rental income	24.0	1.8	**25.8**	23.7
Car park income	3.5	0.4	**3.9**	3.4
Ancillary income	1.1	-	**1.1**	1.2
Gross rental income	28.6	2.2	**30.8**	28.3
Service charge and void costs	(1.6)	(0.4)	**(2.0)**	(2.0)
Bad debt	(0.2)		**(0.2)**	(0.3)
Other property expenses				
Car park costs	(1.5)	(0.1)	**(1.6)**	(1.6)
Head leases	(1.5)	-	**(1.5)**	(1.5)
IFRS head lease adjustment	1.8	-	**1.8**	1.8
Letting and rent review fees	(0.6)	-	**(0.6)**	(0.7)
Administration expenses	(0.3)	-	**(0.3)**	(0.4)
Repairs and maintenance	(0.2)	-	**(0.2)**	-
Other costs	(0.7)	(0.1)	**(0.8)**	(0.7)
	(3.0)	(0.2)	**(3.2)**	(3.1)
Net rental income	23.8	1.6	**25.4**	22.9
Interest Expense				
Interest on loans	(6.6)	(0.4)	**(7.0)**	(6.5)
Amortisation of refinancing costs	(0.7)	(0.1)	**(0.8)**	(0.6)
Notional interest charge on head leases[2]	(1.8)	-	**(1.8)**	(1.8)
	(9.1)	(0.5)	**(9.6)**	(8.9)
Operating Profit before internal recharges	14.7	1.1	**15.8**	14.0
Internal Management fees			**(2.6)**	(2.1)
Operating Profit			**13.2**	11.9

[1] Actual results from acquisition in February 2016

[2] Notional interest charge with offsetting opposite and materially equal credit within other property operating expenses above

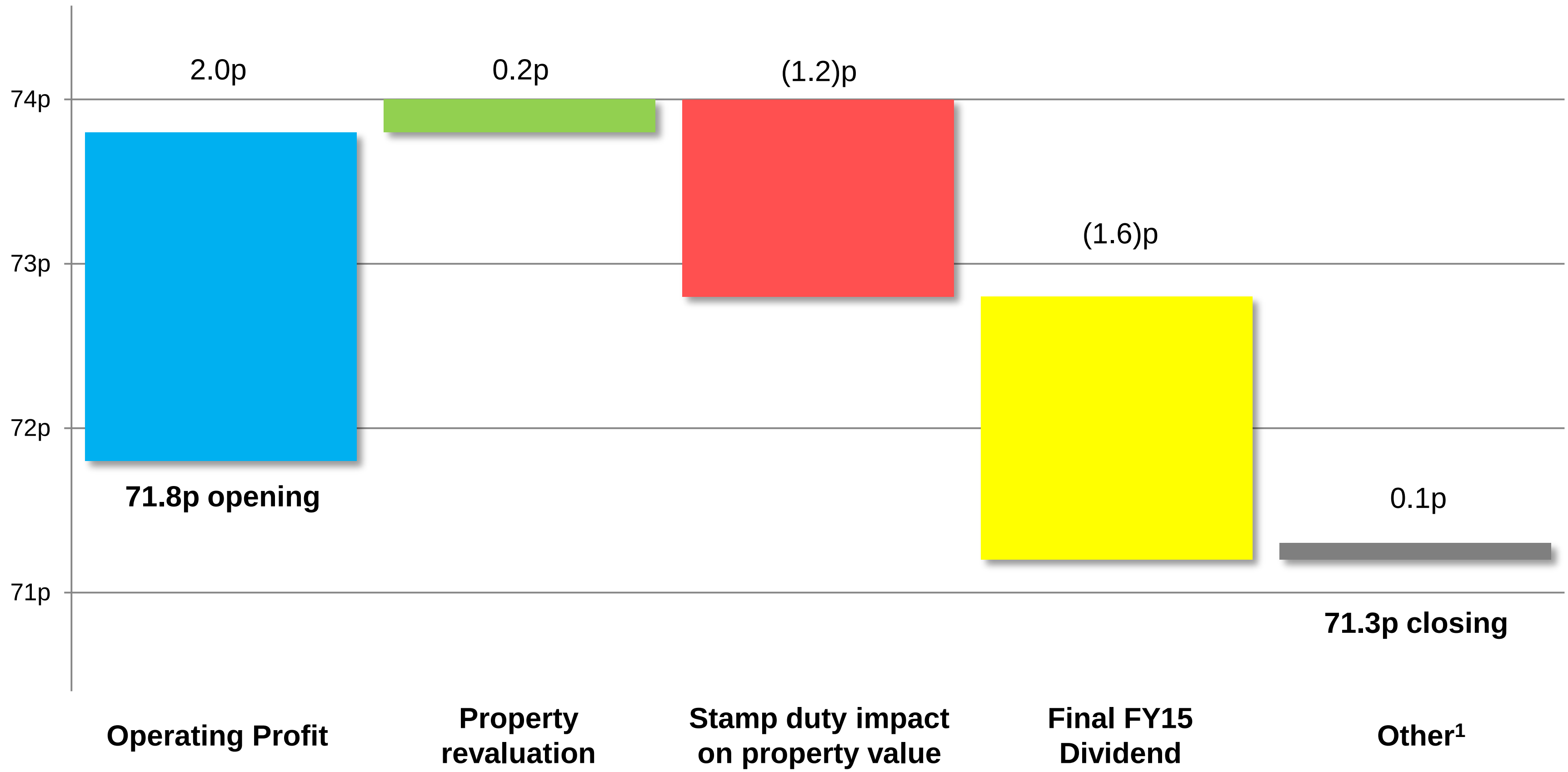
Costs

	H1 2016	H1 2015	H2 2015
	£m	£m	£m
Wholly-owned (like-for-like)			
- Service charge and void costs	**1.6**	2.0	1.6
- Bad debt	**0.2**	0.3	0.2
- Other property expenses	**3.0**	3.1	3.2
	4.8	5.4	5.0
Group / Central			
- Staff costs	**3.0**	3.0	3.0
- Other management expenses	**0.8**	1.0	0.5
- Depreciation	**0.1**	-	0.1
- Variable overhead	**0.6**	0.5	1.2
	4.5	4.5	4.8
Total	**9.3**	9.9	9.8

Continued focus on driving cost efficiencies

2016 Basic NAV Bridge

1p = £7m NAV



[1] Other includes a £3.6 million reversal of the 2012 write-off of part of the German investment and a £1.6 million deferred tax charge on the Ipswich revaluation gain.

Debt

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	Debt £m	Cash £m	Net debt £m	Loan to value %	Net debt to value %	Blended interest rate %	Fixed %	Duration to loan expiry (years)
The Mall	**379.8**	(16.2)	**363.6**	46	44	3.47	61	2.9
The Marlowes, Hemel	**26.9**	(2.5)	**24.4**	49	45	3.32	100	4.5[1]
Group RCF	**16.8**	(1.7)	**15.1**	-	-	3.52	-	2.9
On balance sheet debt	**423.5**	(20.4)	**403.1**					
Kingfisher Redditch (20%)[2]	**16.8**	(0.9)	**15.9**	51	48	3.67	99	2.8
Buttermarket Ipswich (50%)	**7.5**	(1.2)	**6.3**	34	29	3.51	-	0.5[3]
Off balance sheet debt	**24.3**	(2.1)	**22.2**					
See-through debt	**447.8**	(22.5)	**425.3**	48	45			

[1] Hemel debt for 5 years with two one year extensions. Interest rate hedged for the full 7 year term.

[2] Redditch refinanced during period at lower rate and removal of amortisation.

[3] Development facility expires six months after practical completion but with an option to convert to an investment facility until 11 December 2020.

Targeting see-through LTV at low end of 40%-50% range in short-medium term

Debt – Mall refinancing

- In advanced discussions with lenders to refinance existing facility
- Objectives
  - Diversify sources and maturity of funding (at least 7 years)
  - Benefit from lower current cost of funding
  - Increase quantum of debt available at asset level to efficiently fund future Capex
  - Obtain greater flexibility (e.g. for substitution of assets)
- Positive response provides confidence in meeting our objectives
- Subject to this and co-ordinating with asset recycling expect to conclude in H2 2016

3 – Operations

Mark Bourgeois

Portfolio activity

Benefits of Capex programme already coming through

Completed H1 2016

- Ipswich cinema/leisure construction
- Walthamstow TK Maxx and new catering offer
- Blackburn entrance facing new bus station
- Maidstone refurbishment

£13.5 million H1 Mall Capex

In progress H2 2016

- Maidstone TJ Hughes delivery
- Wood Green Travelodge / easygym office conversion
- Camberley Central Square refurbishment and catering offer
- Luton Food Zone
- Hemel master plan

Plan for £10 million + in H2

...delivering tangible benefits

- Repositioning of centres
- Strong leasing activity at premium to ERV
- Reciprocal investment from retail occupiers
- Introduction of new brands
- Increasing on-line / physical synergies
- Improvement in sales densities

The Mall, Blackburn

Buttermarket Centre, Ipswich

Retail and leisure markets remain robust

Momentum continuing post referendum

- July 16 Footfall +1.6% year on year
- Visa report July 16 national spending +1.6% year on year
- Strong letting activity since referendum:
  - 29 permanent deals exchanged/signed
  - 19 new leases/renewals agreed or progressed to legals
  - Pricing at pre-Brexit levels

Fundamentals remain strong

- Occupancy rate of 96.5%
- Low UK development pipeline restricting supply of quality retail and leisure space
- Affordable rents with portfolio rent to sales ratio of c 6%

Retail/leisure property increasingly regarded as platform for sustainable multichannel growth

- Click and collect now available across over 71% of the estate
- 89% of UK retail sales involve a physical store (Verdict)
- 50% of consumers who conduct a local search on their smartphone will visit a store within 1 day (Think with Google)

"The future of shopping isn't local vs online. It's both, together, all at once" – Think with Google

BHS - a repositioning opportunity

Walthamstow

- Unit to be subdivided into convenience / fashion and leisure
- In advanced legals with two occupiers which would deliver over 20% more income than the previous rent
- Good demand from fashion operators for remaining prime area with strategic options around unit size
- Handover target Q2 2017

Maidstone

- Detailed discussions with fashion anchor to take entire space
- Further strategic options available for subdivision fashion / leisure split

Blackburn

- Tenant identified to take BHS space not already sub-let to Sports Direct
- Handover target Q2 2017

BHS providing opportunity to reposition centres and increase income

Beyond retail – strong occupier demand

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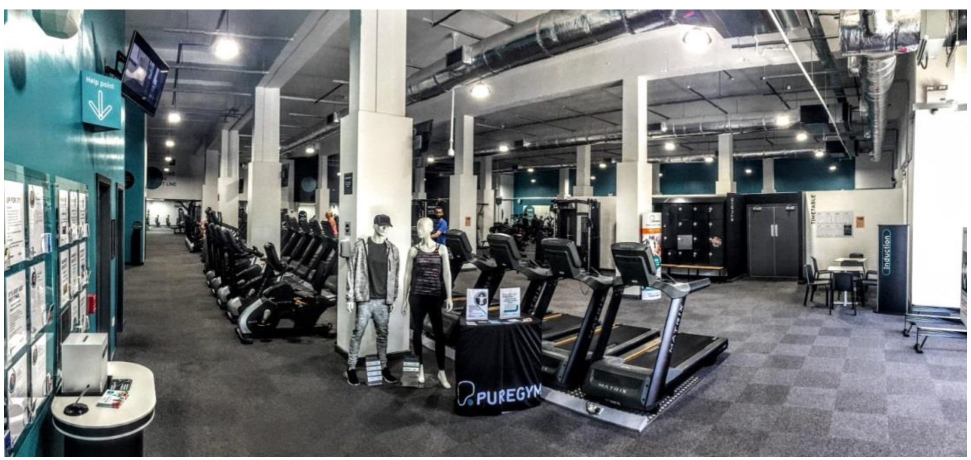
Leisure now 10.4% of ERV, up from 8.3% in Dec 15, with 10 leisure lettings and openings in H1 demonstrating strong levels of continued demand

Wood Green

Camberley

Luton



PureGym - Blackburn

Ipswich

Reciprocal investment by occupiers

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Occupiers responding positively to capex investment through new shopfits

Maidstone

Walthamstow

New Look - Blackburn

Redditch

Walthamstow extension

Continued momentum in highly attractive development opportunity

- Development agreement with council signed including head lease extension to 250 years
- BHS allows for acceleration in delivery of scheme repositioning
- Barratt London as preferred development partner
- Planning to be submitted H2 2016 with consent targeted for H1 2017
- Under offer from two major retailers for 34% of the new retail space

Hemel – development of master plan

Consolidation of town centre ownerships creates opportunity for new leisure core and enhanced retail offer

Progress to date:

Acquired Marlowes, Fareham House and Edmonds Parade

Completed master plan in conjunction with council

Commenced discussions with leisure, retail and food store operators

On track to deliver £350k of operational improvements

Ipswich – transformation complete

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Delivering an institutional class asset with a high quality contemporary offer

- Restaurant / gym offers due to open from Q3 2016
- Cinema/bowling space handed over to Empire – due to open Q4 2016
- 87% pre-let – projected scheme income of c. £3.3 million
- Weighted average lease length to expiry of 19 years
- Delivery on time and on budget

- March 2015 - acquired for £9.7 million (incl. costs)
- £17.0 million Capex invested
- 30 June 2016 valuation - £44.3 million

wagamama

COSY CLUB

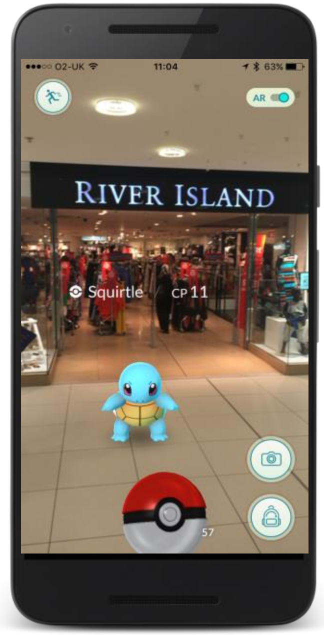
Pure Gym enjoy fitness

COAST TO COAST American Restaurant & Bar

PREZZO

Using technology to drive footfall

- In-Mall wifi usage up 63% in the 12 months to June 2016
- 21,000 Collect+ parcels handled in the half year, more than the total volume for the whole of 2015
- Pokémon Go – cross portfolio marketing campaign in response to explosion of interest in augmented reality game helping to drive footfall



collect+

4 – Outlook

Hugh Scott-Barrett

Outlook

- Strong operational performance in the first half of the year with continuing momentum since the EU referendum
- Confidence that the demand for good quality space at affordable rents will be resilient in face of macro-economic uncertainties
- Ongoing delivery of our £65 million Mall Capex plan continues to drive income growth. On track to invest £20 million plus in 2016, ahead of plan
- Capex priority given to projects generating strong income returns
- Recycling will enable us to take advantage of accretive investment opportunities, whilst having regard to prudent balance sheet management
- Interim dividend of 1.62p per share and continuing 5%-8% per annum growth target reflects the Board's confidence in the future prospects of the business

5 – Q&A

Dial-in for questions from webcast viewers:

020 3059 8125

Please quote “Capital & Regional” to the operator.

Appendix

The portfolio

A portfolio with income and capital growth potential

- 9 centres
- Market value of £1.0 billion+
- 4.6 million square feet
- Over 450 retailers and leisure operators
- Over 950 retail units
- Over 11,500 car park spaces
- 93 million visitors in 2015

The investment case

- Uniquely positioned portfolio of shopping centres with strong cash generating characteristics and future growth potential
- A dynamically managed £65 million Capex programme which unlocks growth potential and generates very attractive returns
- Entrepreneurial approach to acquisitions coupled with our asset management capabilities further boosts return potential
- Recycling of capital enables us to crystallise gains and reallocate funds to more accretive investments
- Targeting dividend growth in the range of 5% to 8% per annum in the medium term

New lettings, renewals and rent reviews

	Wholly-owned portfolio
Number of new lettings in H1 2016	27
Number of lease renewals settled in H1 2016	11
Total headline rent	£3.0m
Combined premium to ERV[1]	0.7%
Number of rent reviews settled in H1 2016	13
Revised passing rent	£2.0m
Uplift to previous passing rent	-

[1] For lettings and renewals (excluding development deals) with a term of five years or longer and which did not include a turnover element.

Wholly-owned portfolio information

Number of properties	7
Properties at valuation	£882.1m
Initial yield	6.0%
Equivalent yield	6.2%
Reversion	15.6%
Weighted average lease length to break	7.1 years
Weighted average lease length to expiry	8.4 years
Contracted rent at period end	£63.6m
Passing rent at period end	£59.2m
ERV at period end (per annum)	£68.5m

£65m Mall Capex plan

£28.4 million invested to 30 June 2016, including:

Blackburn	Unit subdivision and letting	Completed October 2015
	Gym	Delivered January 2016
	Entrance facing new bus station	Completed June 2016
Camberley	Key lettings and reconfigurations	Completed October 2014
Luton	Delivery of key lettings	Completed June 2015
Maidstone	Gym	Delivered December 2015
	Office conversion	Part delivered, remainder targeted June 2017
	Refurbishment	Completed June 2016
Walthamstow	Refurbishment	Completed May 2015
	Sports Direct	Delivered May 2015
	TK Maxx and new catering offer	Completed April 2016
Wood Green	Key restaurant and gym lettings	Part delivered, remainder targeted September 2016

Financial results summary

	H1 2016	H1 2015	FY 2015
Operating Profit[1]	**£13.7m**	£11.8m	£24.0m
Profit for the period	**£7.2m**	£57.0m	£100.0m
Dividend per share	**1.62p**	1.50p	3.12p
Net assets	**£499.4m**	£470.5m	£503.2m
NAV per share	**71p**	67p	72p
EPRA NAV per share	**71p**	67p	71p
See-through net debt[2]	**45%**	43%	41%

[1] As defined in Note 1 to the financial statements

[2] See-through net debt divided by property valuation

Net Assets – 30 June 2016

	Property £m	NAV £m	% of NAV
The Mall	875.3	452.7	90
The Marlowes, Hemel	54.5	28.1	6
Kingfisher, Redditch	31.9	15.6	3
Buttermarket, Ipswich	21.6	13.6	3
Other net assets	-	(10.6)	(2)
Net Assets	**983.3**	**499.4**	**100**

Net Assets per share		**71p**
EPRA NAV		**71p**

Debt – covenant headroom

- All debt facilities in the Group, associates and joint ventures were covenant compliant at 30 June 2016 with significant headroom on all covenant levels
- Mall debt
  - Projected Income Cover Ratio (ICR)
    - Covenant – no less than 125%
    - Headroom at 30 June 2016 equivalent to 51% fall in projected net income
  - Loan to Value (LTV)
    - Covenant – no greater than 75%
    - Headroom equivalent to 38% fall in 30 June 2016 valuation (£315 million)

Property valuations

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	June 2016		December 2015	
		NIY		NIY
Blackburn	£130.2m	6.29%	£127.8m	6.37%
Camberley	£88.5m	6.15%	£87.8m	6.14%
Hemel Hempstead	£54.5m	6.99%	-	-
Luton	£213.0m	6.25%	£215.1m	6.00%
Maidstone	£79.2m	6.92%	£81.4m	6.85%
Walthamstow	£96.8m	5.54%	£94.3m	5.49%
Wood Green	£219.9m	5.24%	£216.3m	5.25%
Redditch	£163.5m	6.24%	£164.4m	6.25%
Ipswich	£44.3m	5.75%	£27.9m	-
Portfolio	**£1,089.9m**	**6.03%**	**£1,015.0m**	**5.95%**

Valuations – LFL comparison to June 2007

	June 2016		June 2007		Margin
		NIY		NIY	(bps)
Blackburn	£130.2m	6.29%	£159.4m	3.54%[1]	275
Camberley	£88.5m	6.15%	£173.9m	4.57%	158
Luton	£213.0m	6.25%	£291.3m	4.03%	222
Maidstone	£79.2m	6.92%	£167.0m	4.27%	265
Walthamstow	£96.8m	5.54%	£102.6m	4.78%	76
Wood Green	£219.9m	5.24%	£226.9m	4.35%	89
Total	**£827.6m**	**5.96%**	**£1,121.1m**	**4.21%**	**175**

[1] Blackburn was subject to redevelopment in 2007

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Forward Looking Statement

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties.

Actual future results may differ materially from those expressed in or implied by these statements. Many of these risks and uncertainties relate to factors that are beyond the Group's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of government regulators and other risk factors such as the Group's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Group operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis.

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