

Capital & Counties Properties PLC
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21 July 2020

CAPITAL & COUNTIES PROPERTIES PLC ("CAPCO")

TRADING UPDATE AND PUBLICATION OF CIRCULAR

Capco today releases a trading update and further to the announcement on 30 May 2020, intends to publish a circular on the proposed acquisition of a stake in Shaftesbury PLC. Financial information below represents unaudited figures for the six months ended 30 June 2020, and Capco's interim results for this period will be released on 12 August 2020.

- The Company is confident in the long-term resilience, attractiveness of and prospects for prime central London, in particular the West End
- Covent Garden is a pedestrianised open air environment and is well positioned as lock down measures ease and consumers return to central London
- Additional streets around the Piazza have been pedestrianised, allowing for greater freedom of movement and increased al fresco dining across the estate
- As a responsible, long-term owner of the estate, Capco has been working with local communities and continues to provide assistance to local charity partners in the West End
- The majority of retail and dining concepts on the Covent Garden estate have reopened
- Capco has provided support to retail and hospitality customers experiencing cash flow pressures, with rental agreements being adjusted on a case by case basis to include deferrals and turnover-linked arrangements where appropriate
- Covent Garden total property value of £2.2 billion, a decrease of 17 per cent since 31 December 2019
- Acquisition of 20.94 per cent stake in Shaftesbury PLC completed with a further 5.31 per cent agreed subject to shareholder approval
- Strong balance sheet with loan to property value of 32 per cent, net debt to gross assets ratio of 26 per cent and £616 million of cash and undrawn facilities
- £90 million of deferred consideration from the Earls Court sale received in March 2020, with a further £105 million expected to be received later this year and £15 million due in 2021

Covent Garden property valuation

As at 30 June 2020, Covent Garden total property value was £2.2 billion, representing a 17 per cent like-for-like decrease (31 December 2019: £2.6 billion). Substantially all of the valuation movement relates to the retail, leisure and F&B (food and beverage) portfolio which represents 75 per cent of total property value. (Portfolio value by use represented by retail 52 per cent, F&B 20 per cent, office 16 per cent, residential 9 per cent and leisure 3 per cent). The main contributors were a 12 per cent (like-for-like) decline in ERV to £95.5 million, yield expansion of 17 basis points to 3.82 per cent (equivalent basis) and other movements including the valuer's assumption on loss of near-term income (£31 million).

Supporting the re-opening of retail and hospitality tenants

On 23 March 2020 the majority of retail and F&B tenants closed across the estate. Throughout this period of COVID-19 uncertainty, Capco's priority has been the health and safety of its people, customers and visitors.

As a long-term investor in the estate, Capco took early action ensuring the safety and security of Covent Garden whilst also providing support on a case by case basis to customers experiencing cash flow challenges as a result of COVID-19. This supports the reopening of stores during this period of significant disruption, ensuring the business is well positioned to benefit from a recovery and prosper over the medium-term. Bespoke solutions have been agreed which include rent deferrals, rent-free periods and other arrangements reflecting the position of each customer. For certain tenants which are experiencing short-term cash flow issues, rental agreements will be linked to turnover for the second half of the year in exchange for other provisions such as lease extensions.

98 per cent of Q1 2020 rents were collected. Rent collection for the March (Q2) and June (Q3) quarter rent dates have been significantly lower than normal levels with 44 per cent collected for the second quarter and 27 per cent for the third quarter. Overall 71 per cent of rent has been collected in the first six months of the year compared to 99 per cent for the equivalent period in 2019.

Quarterly rent collection summary

| | Gross rents £m | Received £m | Collected % | Alternative arrangements % | Outstanding % |
|----------------|-------------------------------|------------------------|------------------------|---|--------------------------|
| | | | | - | 2% |
| Q1 | 16.2 | 15.9 | 98% | | |
| | | | | 53% | 3% |
| Q2 | 16.9 | 7.5 | 44% | | |
| | | | | 27% | 2% |
| H1 2020 | 33.1 | 23.4 | 71% | | |
| Q3 2020 | 17.9 | 4.8 | 27% | 67% | 6% |

The majority of retail and hospitality customers on the estate have reopened or are set to reopen imminently. Whilst initial indicators are encouraging, the trading environment remains challenging. It is too early to predict when footfall will return to previous levels whilst physical office occupancy remains significantly reduced, and with the ongoing travel restrictions and fragile consumer sentiment.

Operational performance and leasing update

Capco began the year with a strong leasing pipeline however activity levels were affected significantly by the pandemic from early February onwards. 22 leasing transactions completed with a rental value of £2.7 million (H1 2019: £13.0 million).

During this challenging period a small number of tenants have entered into administration representing £3.0 million of passing rent. EPRA vacancy has increased by 0.9 percentage points to 4.1 per cent (31 December 2019: 3.2 per cent). Approximately 12 per cent of ERV is in or is held for development or refurbishment (31 December 2019: 8 per cent). Opportunities will be taken to ensure that the best possible tenant line-up is maintained across the estate. Notwithstanding the significant disruption to the occupational market, leasing interest in the Covent Garden estate has been encouraging.

Since the announcement of Capco's 2019 results, Bucherer's expansion in the Royal Opera House Arcade is underway and its opening is on track for later this year, while Ganni has opened its new flagship on Floral Street and will be

joined by American Vintage later in the year. Jewellery brand Vashi is the latest signing on James Street for a new London flagship store while Bubblewrap and Belgian chocolatier Neuhaus have both agreed terms to open in the Market Building.

Covent Garden offers a welcoming open air environment for visitors. Capco is implementing a number of marketing initiatives and collaborating with stakeholders to promote Covent Garden and the West End, encouraging a return of footfall to normal levels over time.

Capco continues to engage directly with the consumer offering differentiated experiences. Covent Garden now hosts a new al fresco, socially distanced dining area on the Piazza. With many of the area's restaurants open for take away, it provides the opportunity for visitors to dine outside in the heart of the West End.

In partnership with Westminster City Council, there are additional pedestrianised streets in the Covent Garden area to allow for greater freedom of movement and use of outdoor space. Newly pedestrianised streets include Henrietta Street, Floral Street, Maiden Lane and Tavistock Street alongside extended car-free hours for the Piazza and King Street. Further to this, there are additional outdoor seating areas across these streets for our restaurants, providing approximately 200 incremental outdoor covers.

Capco remains confident in its tenant mix, continuing to focus on concepts with strong financial covenants, differentiated offerings, successful multi-channel programmes, close customer relationships and brands that recognise the value of high-profile locations with a complementary leisure and dining offering.

As a responsible, long-term owner of the estate, Capco has been working with local communities and continues to provide assistance to local charity partners in the West End. Financial aid has been provided to COVID-19 funds supporting homelessness, food banks, the elderly as well as hospitality and retail foundations.

Strong liquidity and balance sheet position

The financial information below represents unaudited figures as at 30 June 2020:

- Group loan to property value of 32¹ per cent (31 December 2019: 16 per cent), reflecting property value and net debt as at 30 June 2020
- Group net debt to gross assets of 26¹ per cent (31 December 2019: 15 per cent), taking into account the value of the investment in Shaftesbury shares, as at 30 June 2020
- Group undrawn facilities and cash of £616 million (31 December 2019: £895 million)
- Group net debt of £721 million (31 December 2019: £442 million)
- Capital commitments of £93 million (includes £88 million in respect of second tranche of Shaftesbury shares) (31 December 2019: £14 million)
- Weighted average cost of debt of 2.6 per cent (31 December 2019: 3.0 per cent)
- Weighted average debt maturity of 4.4 years (31 December 2019: 4.9 years)
- There is significant headroom against the LTV covenant position, and interest cover covenant waivers in respect of the current financial year have been agreed with Covent Garden group lenders to address interruption to near-term income.

1. Before £88 million investment in the second tranche of Shaftesbury shares payable in August 2020 (subject to shareholder approval) and receipt of a further £105 million of deferred consideration from the sale of Earls Court expected later this year (with the balance of £15 million due in 2021).

Acquisition of shareholding in Shaftesbury PLC

As announced on 30 May 2020, Capco agreed to acquire a 26.3 per cent shareholding in Shaftesbury across two tranches ("the Investment") for total consideration of £436 million, at a price of 540 pence per Shaftesbury share.

The Investment comprises the acquisition of 64.4 million shares for £347.7 million in cash, representing 20.94 per cent of Shaftesbury's shares, which completed on 3 June 2020 (the "First Tranche") and the proposed acquisition of a subsequent tranche of approximately 16.3 million shares for £88.2 million in cash, representing 5.31 per cent of Shaftesbury's shares (the "Second Tranche").

Capco expects to publish a shareholder circular later today in respect of the acquisition of the Second Tranche, which when aggregated with the First Tranche, constitutes a Class 1 transaction for the purposes of the Listing Rules and is therefore conditional on approval by shareholders at the General Meeting to be held on 10 August 2020.

The Shaftesbury Investment is a unique opportunity to acquire a significant stake in an exceptional mixed-use real estate portfolio, adjacent to Capco's world-class Covent Garden estate. It represents an attractive investment and entry price relative to historical levels and the Board's view of the future long-term prospects for prime central London. The Investment is consistent with Capco's strategy to invest in complementary opportunities on or near the Covent Garden estate.

Earls Court deferred proceeds

£90 million of deferred consideration from the Earls Court sale was received in March 2020. In addition, a further £105 million of deferred consideration is expected to be received later this year with the balance of £15 million due in 2021.

Lillie Square (50:50 joint venture)

The completion of Phase 2 continues with 66 units handed over in the first half of this year, representing £81 million of cash proceeds received (£40 million Capco share).

A further 120 units remain in Phase 2, of which 93 have been pre-sold representing approximately £120 million of further proceeds (£60 million Capco share). The property valuation of the Lillie Square joint venture as at 30 June 2020 was £138 million (Capco share), a slight decline (like-for-like) against the 31 December 2019 valuation of £177 million.

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About Capital & Counties Properties PLC

Capital & Counties Properties PLC is one of the largest listed property investment companies in central London and is a constituent of the FTSE-250 Index. Capco's landmark estate at Covent Garden was valued at £2.2 billion (as at 30 June 2020) where its ownership comprises over 1.2 million square feet of lettable space. Capco owns a 20.94 per cent shareholding in Shaftesbury PLC. The Company is listed on the London Stock Exchange and the Johannesburg Stock Exchange.

This press release includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Capital & Counties Properties PLC to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by applicable law, Capital & Counties Properties PLC undertakes no obligation to update the forward-looking statements, whether as a result of new information, future developments or otherwise.