intu

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FOR IMMEDIATE RELEASE

Press release

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INTU PROPERTIES PLC

4 MARCH 2020

Update on strategy to fix the balance sheet

As previously announced, intu properties plc ('intu', the 'Company' or the 'Group') has been reviewing a range of options to fix its balance sheet and establish a more appropriate long-term capital structure.

intu has, over the past several months, engaged in extensive discussions with its shareholders and potential new investors regarding a possible equity raise of between £1 billion and £1.5 billion. Following these discussions intu has concluded it is unable to proceed with an equity raise at this point.

While a number of intu's shareholders and potential new investors indicated their support for an equity raise, the Board believes the current uncertainty in the equity markets and retail property investment markets precluded a number of potential investors from committing capital into the business and intu was therefore unable to reach the target quantum at the current time.

However, during this process, intu received several expressions of interest to explore alternative capital structures and asset disposals.

Accordingly, intu will continue and broaden its conversations with its stakeholders with a view to discussing the range of options available to the Company to demonstrate the equity value of the business and to utilise its assets to provide further liquidity. These include alternative capital structures and solutions and further disposals. intu will also continue to keep under review the feasibility of an equity raise.

intu is today providing a trading update on its position at the end of 2019 together with guidance for 2020. It intends to publish its audited preliminary results announcement on Thursday 12 March 2020.

Trading update

Outside the challenges caused by tenant CVAs and administrations, intu delivered a robust operational performance in 2019 and income has been resilient in what has been a challenging year for retail and retail property:

- footfall in intu centres increased by 0.3 per cent and footfall in intu UK centres was flat (significantly outperforming the Springboard footfall monitor once again which was down on average by 2.5 per cent). Footfall at the Group's centres through the first eight weeks of 2020 increased by 0.9 per cent compared to the same period in 2019
- full year 2019 like-for-like net rental income in line with the guidance given in the November 2019 trading update, down by 9.1 per cent. Guidance for 2020 remains unchanged, being a further decline but at a slower rate than 2019
- in 2019, 205 leases signed representing on average a one per cent increase against the previous passing rent
- occupancy at 31 December 2019 stable at 95 per cent, in line with June 2019 and September 2019 (a reduction against December 2018 (97 per cent.) due to units closed in the first half of 2019 predominantly from tenants who went through an administration or CVA process in 2018)
- a reduction in the rent roll impact of CVAs and administrations over the second half of 2019

Rental resilience

intu's underlying rental income remains resilient and over the past five years intu has delivered underlying rental increases on new lettings and rent reviews, despite ongoing pressure from CVAs and administrations, demonstrating continued occupier demand for intu's space. Occupancy has remained high at 95 per cent as at 31 December 2019, with a strong pipeline of negotiations which continue to underpin occupancy going forwards.

Rental income is underpinned by a strong and diverse tenant customer base, with around 800 unique tenant customers and many of the best-known names in the retail and leisure market. According to Market Data, retailers trading in intu's centres typically outperform their UK chain average sales by 28 per cent and outside London and the South East, intu has the majority of the best performing malls in terms of sales productivity in each region.

With the continued evolution of the retail market, the Company has worked closely with an external consultancy firm, with particular expertise in the retail sector, to model the potential impact of current market forces on the sustainability of rent levels of its individual tenant customers. While there may be rental pressure over the short term, intu is confident in the quality of its asset base and the long-term attractiveness of its space to retailers.

Further details are set out in Appendix 4.

Valuations and covenants update

The independent valuations of intu's portfolio at 31 December 2019 delivered a valuation deficit of £2.0 billion for 2019, a like-for-like decrease in value of 22 per cent for the year and around 33 per cent from the peak valuation in December 2017. Weak sentiment rather than hard transactional evidence has been the key driver in the valuation deficit with net initial yield (topped-up) increasing by 95 basis points to 5.93 per cent.

At the end of December 2019, intu's debt to asset ratio was 68 per cent following the property revaluation deficit. Adjusted for the disposals of intu Asturias which completed in January 2020 and intu Puerto Venecia which is expected to complete in early April 2020, this will reduce to 65 per cent.

Within the next 12 months, £189.7 million of borrowings are due to be repaid or refinanced. Settlement amounts are also due on termination of the Group's unallocated swaps in the same period. These settlement amounts would have been £93.0 million as at 31 December 2019.

Since 1 January 2020, intu has utilised around £50 million from available resources to reduce the leverage levels in a small number of its facilities, including to manage the relevant LTV covenants. Over the last year, intu disposed of nearly £600 million of assets, reduced its capital expenditure pipeline by £60 million and paused the dividend to improve liquidity. The £95.4 million of net disposal proceeds after repaying asset-level debt, working capital adjustments, fees and taxation from intu Puerto Venecia are expected in early April. As at 28 February 2020, intu had £168.3 million of cash (taking into account the intu Puerto Venecia sales proceeds) and £129.2 million of available facilities.

intu is in compliance with its debt covenants and is servicing its debt with a Group interest cover ratio for 2019 of 1.67 times. However, there is a risk that, depending on the performance of intu's business and movements in valuations, it could be in breach of certain covenants at their scheduled testing date in July 2020. Sensitivities to illustrate the potential impact are:

- as at 31 December 2019, a further 10 per cent fall in property valuations, equivalent to a fall of 40 per cent from the December 2017 valuation peak, would (taking into account the Spanish sales proceeds):
    - create covenant cure requirements of £113 million under the group's asset-level borrowings; and
    - require cures on the RCF's net worth and borrowings to net worth covenants, involving repayment of £161 million of borrowings on this facility
- a further 10 per cent decline from 2019 net rental income would create a covenant cure requirement of £34 million under the group's asset-level borrowings

intu will, accordingly, be seeking to take timely mitigating actions (which may include seeking waivers where appropriate) to deal with any covenant breaches in July 2020.

Matthew Roberts, Chief Executive of intu commented:

"We remain focused on fixing our balance sheet in the near term to ensure this business has the financial footing it needs to realise its significant potential. While it is disappointing that the extreme market conditions have prevented us from moving forward with our planned equity raise, I am pleased that a number of alternative options have presented themselves during the process which we will now explore further.

We have a concentrated and well-invested portfolio of many of the UK's best retail and leisure destinations where both shoppers and customers want to be. Operationally our business is strong, delivering a resilient rental performance despite ongoing pressure from CVAs and administrations, with stable occupancy rates and footfall that consistently outperforms the benchmark. Our centres are the best performers in the regions in which we are present and independent research shows that stores with intu outperform retailers' average sales by nearly 30 per cent. This is a compelling proposition and one that will stand the test of time.

We will face further challenges in what has been an extraordinary few months for intu and the wider sector, but I am confident that we will face these head on and emerge a leaner, fitter and more focused business"

ENQUIRIES

intu properties plc

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A conference call for analysts and investors will be held today at 08:30 GMT.A copy of this announcement is available on our website intugroup.co.uk.

Further information is set out in the following appendices to this announcement:

- Appendix 1 – Property valuations at 31 December 2019
- Appendix 2 – Strategy update
- Appendix 3 – Summary unaudited financial and operational highlights
- Appendix 4 – Further information regarding intu

IMPORTANT INFORMATION

The trading update and other financial information for the year ended 31 December 2019 herein has not been audited and is subject to change. This announcement is for informational purposes only and does not purport to be complete.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No. 596/2014.

Certain information contained in this announcement, including information as to the Group's strategy, market position, plans or future financial or operating performance, constitutes "forward-looking statements". Generally, words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "seek", "continue" or similar expressions identify forward looking statements.

These forward looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Group and are difficult to predict, that may cause actual results to differ materially from any future results or developments expressed or implied from the forward looking statements. Such factors include, but are not limited to: (i) general macroeconomic conditions and real estate activity in the markets in which the Group operates; (ii) the Group's earnings, financial position, cash flows, return on capital, and capital expenditures; and (iii) the Group's ability to implement its business strategy.

Market, Economic and Industry Data

The market, economic and industry data used in announcement has been sourced by the Company from its own internal research, as well as various third party sources, including reports and analysis produced by Javelin Group (Accenture), CACI Ltd., Revo, the Centre for Retail Research and the British Retail Consortium (together, the "Market Data").

Industry data pertaining to the Group, its business and the markets in which it operates consist of the Company's estimates based on data compiled by professional organisations, on data from other external sources and on data from internal information currently available to the Group. In determining such sources to be reliable, and in determining the basis for the statements presented in this announcement as statements of belief, the Company has also relied upon its own estimates, assumptions and judgements in respect of the conclusions drawn by such sources.

The person responsible for arranging the release of this announcement is Susan Marsden, Company Secretary of intu properties plc.

Appendix 1

Property valuation table by centre

Market value £m	31 December 2019	31 December 2018	Revaluation deficit	Net initial yield (topped up)
intu Trafford Centre	1,669.5	2,098.0	–22%	5.3%
intu Lakeside	1,000.0	1,250.0	–22%	5.2%
intu Metrocentre	676.8	841.8	–20%	6.0%
intu Merry Hill	587.6	777.2	–24%	5.7%
intu Watford	324.9	407.4	–20%	4.5%
Manchester Arndale	309.0	409.9	–24%	6.0%
intu Braehead	288.9	429.9	–33%	8.5%
intu Xanadú	233.8	243.1	–1%[A]	5.0%
St David's, Cardiff	230.0	294.6	–21%	6.1%
intu Eldon Square	214.1	280.7	–24%	5.7%
intu Milton Keynes	212.5	256.5	–18%	5.7%
intu Victoria Centre	201.0	261.0	–24%	7.0%
Cribbs Causeway	159.3	216.7	–27%	6.6%
intu Chapelfield	106.5	133.6	–20%	6.1%
intu Derby	77.3	372.5	–20%[B]	7.7%
Other	342.1	508.8		
Investment and development property including Group's share of joint ventures[C]	**6,633.3**	**8,781.7**	**–22%**	**5.9%**

A Calculated in local currency.

B Represents like-for-like valuation movement on property. Market value at 31 December 2018 included at 100 per cent, 31 December 2019 includes impact of joint venture accounting.

C Excludes intu Puerto Venecia and intu Asturias which are classified as assets held for sale.

Appendix 2

Strategy update

Fixing the balance sheet remains our key priority. With a largely new Board and a restructured executive team, we have already made significant progress with our strategic objectives.

Strategic objective	Key actions	What have we done
Fix the balance sheet To reduce net external debt and create liquidity to deal with the upcoming refinancing activity, with the first material debt maturities in early 2021	• pausing the dividend for the time being • disposing and part disposing of assets in the UK and Spain • reducing the capital expenditure pipeline	• no 2018 final or 2019 dividends proposed or paid • disposals of nearly £600m of assets: • part disposed of intu Derby • disposed of intu Puerto Venecia for £201m (€238m) and intu Asturias for £123m (€145m) • disposed of £81m of sundry assets • reduced capital expenditure pipeline by £60m
Simplify, enhance and drive efficiency To deliver our strategy and reshape intu, we need to ensure we have the correct leadership team in place, with the right skill sets and teams to deliver this vision	• updating management structure for our forward-looking strategy • delivering a thriving culture of happy and high-performing colleagues • considering new approach to incentive plans • focusing on wellbeing and ESG	• refreshed the Board since 2018 with four of the seven members new to intu and one new in role • restructured Executive Committee • created customer and centre performance directorates • delivered £5m of annualised cost savings, of which £2m will benefit our customers through lower service charges • signed 'Time to Change' pledge
Sharpen customer focus To improve our relationships with those who pay us to take space, working closer with them and taking a partnership approach to maximise returns for both parties	• identifying, nurturing and supporting leading brands • investing in data and sharing the insight • developing new product and service propositions for our customers to reduce their costs, remove hassle and improve sales • leading the way in modernising the lease structure, to include store-generated online sales	• CEO meetings with top-30 customers • appointed Customer Performance Director • created Customer Performance Team with insight, digital and sector specialist teams • enhanced customer understanding with store-level affordability database • multichannel-focused approach to align with retailers
Transform our centres To deliver what future visitors and customers want with a project pipeline for new uses	• focusing on placemaking, so our centres are places where people love to be • evolving the visitor experience further to increase footfall and dwell time • delivering seamless customer offering to allow new brands easy access to centres • intensifying our estate, using a capital light model, introducing new uses	• appointed Centre Performance Director • opened intu Lakeside leisure extension • increased experiential offering; Big Bug Tour and Upside Down House • curating new retail concepts such as Birdhouse Café and Fashion House • identified around 6,000 potential residential units across eight sites, seven potential hotel sites for around 800 rooms and four flexible working sites

Appendix 3

Summary unaudited financial and operational highlights

IFRS (£m)	**2019**	2018
Revenue	**542**	581
Loss for the year attributable to owners of intu properties plc	**(1,951)**	(1,132)
Alternative performance measures (£m)	**2019**	2018
Net rental income	**402**	451
Underlying earnings	**127**	193
Property revaluation deficit	**(1,980)**	(1,405)
Market value of investment and development property	**6,633**	9,167
Net external debt	**4,498**	4,867
Debt to assets ratio (per cent)	**68%**	53%
Interest cover	**1.67x**	1.91x
EPRA NAV per share (pence)	**147p**	293p
Operational performance	**2019**	**2018**
Leasing activity		
number	**205**	248
new rent	**£26m**	£39m
new rent relative to previous passing rent	**+1%**	+6%
Rental uplift on rent reviews settled	**+6%**	+7%
Footfall	**+0.3%**	–1.6%
Occupancy (EPRA basis)	**95%**	97%
Net promoter score	**75**	73
Carbon emission reduction	**15%**	17%

The information in this Appendix has not been audited and is subject to change. The Company intends to publish its audited preliminary results announcement on Thursday 12 March 2020. While these financial statements are being prepared on a going concern basis, the notes which will accompany them will indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern, including as a result of the matters described elsewhere in this announcement.

Appendix 4

Further information regarding intu

1 Background

1.1 Overview of intu

intu owns, manages and develops some of the most popular shopping centres in some of the strongest locations in the UK.

intu's portfolio is made up of 17 centres in total, nine[1] of which are in the top-20 of the most popular out-of-town and city centre flagship destinations in the UK. These nine[1] centres represent approximately 77 per cent. of intu's portfolio by gross asset value as at 31 December 2019.

intu's portfolio consistently exceeds the industry average for visitor numbers, welcoming approximately 40 per cent. of the UK population every year. intu's shopping centres receive an average of 360 million visitors each year. intu's centres provide employment for more than three per cent. of the country's retail workforce.

The Company continues to work hard to create winning destinations, with a blend of shopping, dining, events and leisure. intu is recognised by retail and leisure brands for its broad national coverage, high footfall and compelling mix of retailers, all under one roof and one brand, in order to create an attractive retail and leisure destination for visitors.

1.2 Market backdrop

The Company believes the UK retail market is undergoing a number of structural changes, resulting in an evolution in the role of the physical store and impacting the traditional landlord-tenant relationship and business model. The Company believes these changes are driven by a number of factors including:

- the evolving demands of the retail consumer alongside advances in technology;
- the shifting role of the physical store;
- the potential for the perceived value of a physical store to a retailer to also change;
- the continued value of the food and beverage and leisure offering to retailer performance; and
- the need for landlords to adapt to these trends.

In recent years, a number of weaker retailers have struggled to remain relevant in an increasingly multi-channel environment. This has contributed to a higher level of administrations and CVAs, which has been exacerbated by the recent political uncertainty in the UK and weaker consumer sentiment. In this rapidly changing retail

[1] Includes the centre:mk which is adjoined to intu Milton Keynes and shopped as one destination.

property environment, investor sentiment in both the equity markets and the retail property investment market has deteriorated, and continues to remain subdued.

These dynamics have contributed and continue to contribute to a reduced level of investor demand for shopping centres, resulting in the lowest levels of transactions in the UK shopping centre investment market since 1993. In the absence of significant transaction data, the deterioration in investor sentiment is a key driver for an expansion in valuation yields and the corresponding downward pressure on property valuations.

It is against this backdrop that intu's portfolio value has declined by 32.2 per cent. on a like-for-like basis between 31 December 2017 and 31 December 2019, with a like-for-like decline of 13.3 per cent. in the year ended 31 December 2018 and a further like-for-like decline of 21.9 per cent. in the year ended 31 December 2019. intu's net initial yield (topped up) increased by over 157 basis points between 31 December 2017 and 31 December 2019, which implies that 26 per cent. of this overall decline in valuations has been driven by an upward movement in yields. Estimated rental values ("ERVs") have also undergone a further reappraisal and are now more in line with current rental values, which the Company believes is increasingly of focus for potential purchasers. This decline in valuations has contributed to a significant increase in the Company's debt to asset ratio, from 45.9 per cent. as at 31 December 2017 to 67.8 per cent. as at 31 December 2019 (without taking into account the expected proceeds from the sale of intu Puerto Venecia and intu Asturias).

The Company believes the impact of recent yield and ERV movements suggest an acceleration in the decline in asset valuations in the second half of 2019 towards the point where it believes valuations should start to stabilise, supported by more certainty around longer-term rental levels following a continued period of lower tenant customer failures.

2 Strengths of the Company

The Company believes:

2.1 intu is sharpening its customer focus as the retail environment evolves

Attractive locations attracting diverse visitor audiences, such as those provided by intu, remain in high demand to retailers and are critical to delivering a successful multi-channel retail strategy.

The physical store is not dying, it is evolving. 90 per cent. of all retail spend is influenced by a store, with the presence of a physical store doubling a retailer's online sales in that local catchment, according to Market Data. The true value of a physical store is not limited to the sales generated by that store, but should also consider online sales inspired by showrooming, the halo effect of one store on sales in the catchment area, and fulfilment value in meeting visitor demand for online sales (both click and collect and returns).

Looking ahead to 2026, Market Data suggests that approximately 80 per cent. of transactions will still touch a store in 2026, even with the overall percentage of online sales increasing from 20 per cent. to 31 per cent. Although direct in-store spend on comparison goods is expected to grow at a lower rate than other channels (2.5 per cent. compound annual growth rate from 2017 to 2026), the growth in click and collect and online sales researched in-store gives an overall compound annual growth rate in sales that touch a store of three per cent.

However, all physical stores are not equal and to have a successful multi-channel strategy, stores will need to "showroom" products effectively and therefore be in the right locations attracting the right tenant customers. While the Company envisages the overall footprint of physical retail will shrink, they believe that intu's focused, high quality portfolio of centres should deliver significantly more productive stores for retailers, enhancing competition for that space.

As the role of the store changes, intu's relationship with its tenant customers will need to change too. As data becomes increasingly important, it is key that intu and its tenant customers can join forces and share data to ensure that both the Company and its tenant customers benefit and potentially share the risk and reward.

intu's ongoing transformation of its centres is nothing new; it is a continuous process but the speed of change is increasing. The Company believes that the best locations will need to deliver new and varied experiences for its visitors and world class service, thereby maximising footfall and dwell time which are key for intu's tenant customers. These will be the locations where tenant customers focus their physical footprint as they rationalise their store portfolios.

2.2 intu's portfolio is highly attractive to both visitors and tenant customers

intu owns nine[2] of the UK's top-20 centres. On average, over one million people a day visit one of intu's centres where visitor satisfaction, as measured by net promoter scores, continues to grow. intu owns many of the best centres in the UK, such as intu Trafford Centre, intu Lakeside, intu Merry Hill and intu Metrocentre, and it is these types of centres where retailers want to focus their physical space. This can be seen by Next, Primark, River Island and Zara upsizing and international retailers such as Victoria's Secret, Abercrombie & Fitch and Uniqlo growing their UK presence in these centres in the last year.

This means that intu is one of the first stops and a major provider of space in the UK for many global brands, such as Apple and Inditex. intu has seen an increasing take up of space from digitally native brands such as AliExpress and Morphe, as well as key brands moving into destination centres away from the high street. A recent example of this was Zara moving into St David's in Cardiff.

intu is also an innovator, having successfully introduced the "instagrammable" upside down house at intu Lakeside and intu Trafford Centre and launching the first shopping centre branded cashback loyalty wallet, intu Pocket.

In addition to the retail and leisure mix, the Company also believes that there is opportunity for further diversification of sites, with the introduction of residential, office and hotels, which would increase intu centres' importance at the heart of communities.

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[2] Includes the centre:mk which is adjoined to intu Milton Keynes and shopped as one destination.

2.3 intu will be well positioned to deliver resilient rental income

intu's underlying rental income remains resilient and over the past five years intu has delivered underlying rental increases on new lettings and rent reviews, despite ongoing pressure from administrations and CVAs, demonstrating continued retailer demand for intu's space. For the year ended 31 December 2019, 159 rent reviews were settled, and intu recorded a six per cent increase in rental uplift on these rent reviews. Occupancy has remained high at 95 per cent. as at 31 December 2019, with a strong pipeline of negotiations which continue to underpin vacancy levels going forwards.

Rental income is underpinned by a strong and diverse tenant customer base. Although CVAs have negatively impacted net rental income for the year ended 31 December 2019, 16 per cent. of intu's rent roll has already been through a CVA process. intu regularly assesses the credit risk of its tenant customer base and of the remaining 84 per cent. of intu's rent roll, 77 per cent. are considered (based on Experian credit scores) to be below average risk, while the remaining 7 per cent. are considered to be above average risk. The tenant customer base remains broad and diverse, with exposure to many of the best-known names in the retail and leisure market as well as some of those who have been experiencing difficulties. intu has around 800 unique tenant customers. Overall, the weighted average unexpired lease term for intu is 6.3 years.

With the continued evolution of the retail market, intu's data and insight team are working to be at the forefront of understanding the challenges to, and the possible impact on the sustainability of rent levels of, its individual tenant customers. The Company has worked closely with an external consultancy firm, with particular expertise in the retail sector, to model the potential impact of these market forces on the sustainability of its rents.

The analysis suggests that over 70 per cent. of intu's space is utilised by stores that are performing well and paying rents that imply sustainable occupancy cost ratio ('OCR') levels.

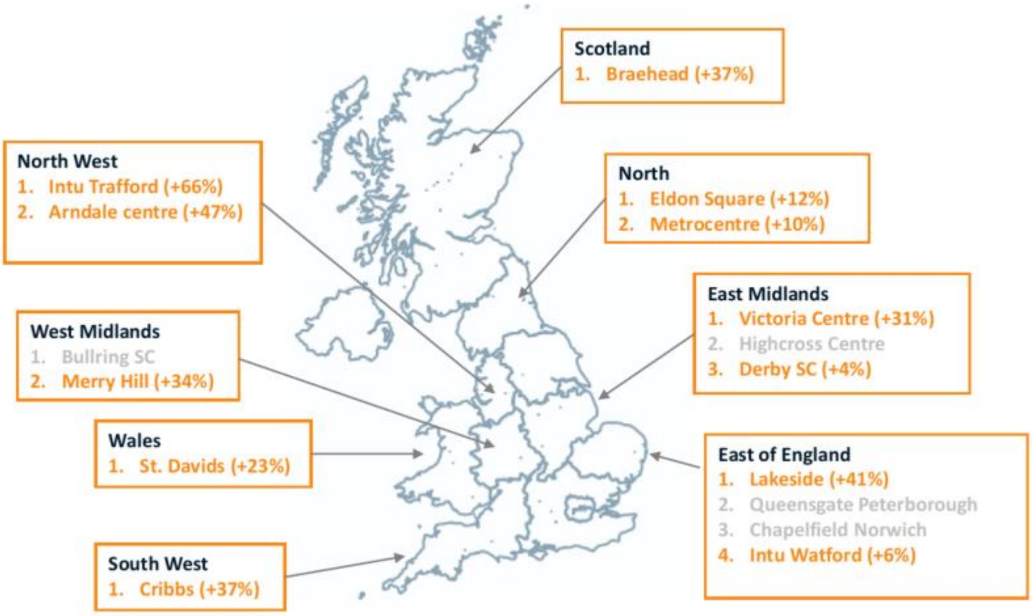
Of the remaining space, intu has a strong track record and detailed plans in place to either replace underperforming tenant customers with other retailers or to reposition the underperforming space, which could maintain current or generate higher rental levels, and result in sustainable OCR levels.

Approximately 13 per cent of intu's space is underperforming but occupied by tenant customers in a strong financial position (based on Experian credit scores), with around two thirds having five or more years remaining on their leases. The remaining 16 per cent. of intu's space is occupied by tenant customers which have been through a CVA or administration process already, or are perceived to be in a weak financial position (based on Experian credit scores). This is comprised of:

- approximately two-thirds being department stores (eight in city centres and six in out-of-town centres); and
- approximately one-third being other retailers, mainly clothing and accessories retailers.

If increased productivity is not possible, intu would then take actions to mitigate any rental impact. intu has a strong track record of mitigating the impact of unsustainable space (including department store space) by repurposing and re-letting to alternative tenant customers. For example, BHS closed 10 of its units in intu centres in August 2016, representing one per cent. of intu's rent roll at the time. The majority of this space was repurposed and/or repositioned in the first two years, with the final unit completed in 2019. intu sought to introduce replacement brands which were more attractive to visitors, such as Uniqlo, Next, Primark and Sports Direct. Repurposing and re-letting this space generated a like-for-like rental uplift of 15 per cent. Where capital expenditure was required, intu invested £9 million at intu Metrocentre to create a Next flagship store from the former BHS store and 12 adjacent units, and this investment delivered a stabilised initial yield of 6 per cent.

In summary, while there may be rental pressure over the short term, intu is confident in the quality of its asset base and the long-term attractiveness of its space to retailers. According to Market Data, retailers trading in intu's centres typically outperform the UK chain average sales by 28 per cent. and outside London and the South East, intu has the highest performing malls in each region.



Source: Company data

Recent examples of brands using intu centres to grow include Uniqlo and Abercrombie & Fitch, which opened their first stores outside London at intu centres, and Harrods, which is due to open its first stand-alone beauty hall at intu Lakeside.

intu has a high-quality asset base which continues to be attractive to retailers. Without assessing any mitigating factors, and without the implementation of intu's strategy to re-let or repurpose any of its underperforming space, intu's total rents would only have to decrease by 16 per cent. for all of its space to be sustainable for all of its current tenant customers. However, the analysis suggests that over one-third of these tenant customers are in a strong financial position, and the majority of them have five or more years remaining on their leases. Of the remaining tenant customers intu has proven mitigating actions that it would seek to undertake to reduce the impact going forwards, particularly in the case of space currently allocated to department stores.

2.4 intu's portfolio is well invested

intu's centres are well invested, with an average of approximately £250 million each year having been invested in intu's centres over the last five years. This investment has come from a combination of investment from intu itself, with £103 million per year being invested in value enhancing projects, including the leisure extension at intu Lakeside and the extension of intu Watford, and £24 million each year being invested in placemaking projects which enhance the appeal of centres to shoppers. A further £15 million per year has been spent on maintenance capital expenditure which has been recouped from tenant customers through the service charge. However, in addition to this, tenant customers themselves have spent on average £112 million per year on shop fits, which have kept their stores relevant to current visitor tastes and also illustrates tenant customers' confidence in intu's centres over the longer term.

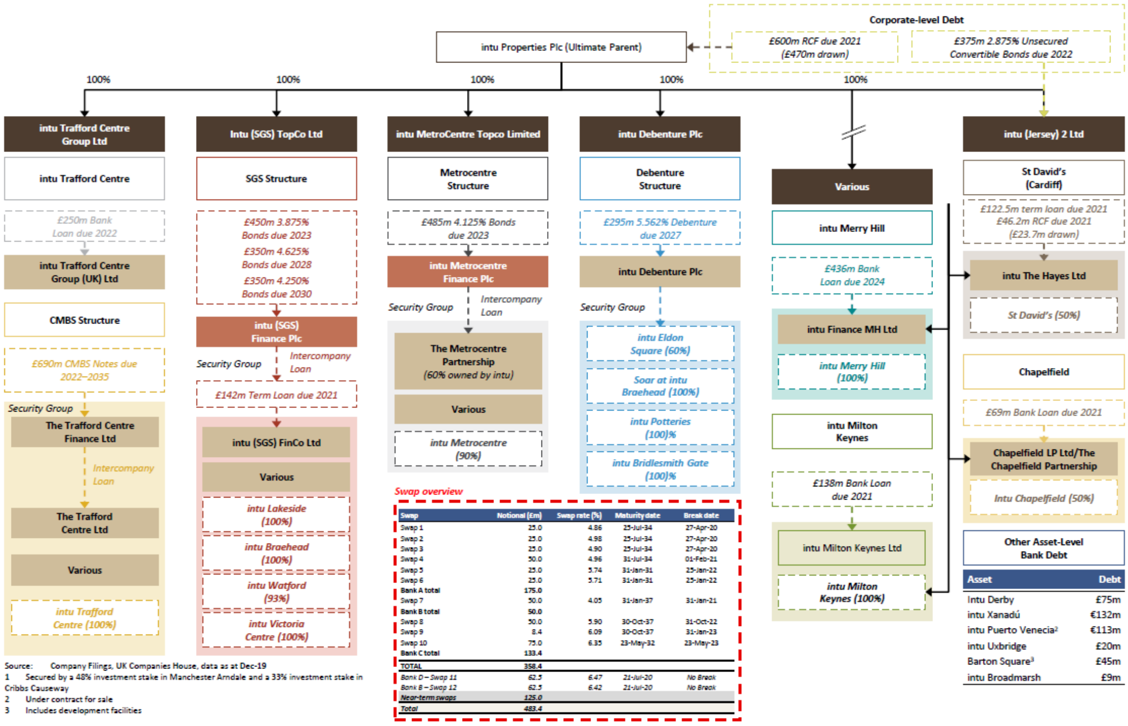
2.5 intu is well positioned to develop a higher quality portfolio of centres

The nine[1] top-20 centres owned by intu represent £5.1 billion of intu's portfolio value (82 per cent. of UK portfolio by value) and of this, five centres valued at £3.8 billion are 100 per cent. owned by intu, providing significant strategic optionality to introduce partners into a number of these centres. The remaining eight centres (£1.1 billion) are outside of the UK's top-20 centres and provide opportunistic disposal options (in whole or in part) for non-core assets.

[1] Includes the centre:mk which is adjoined to intu Milton Keynes and shopped as one destination.

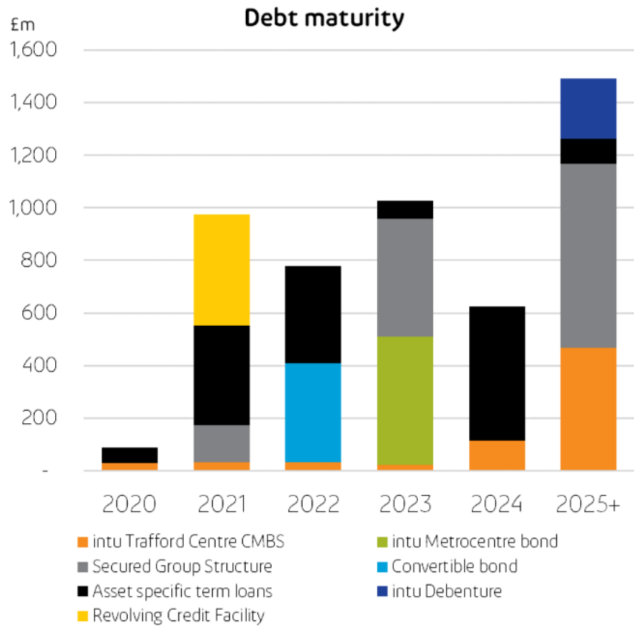
3 Debt structure

The following diagram summarises the debt structure of intu as at 28 February 2020, taking into account the approximately £50 million utilised from available cash resources to reduce the leverage levels in a small number of the Group's facilities in order to meet the relevant loan to value covenants as at 31 December 2019.



intu has two corporate-level debt instruments, being the £600 million revolving credit facility and its £375 million 2.875 per cent. unsecured convertible bonds due 2022. The revolving credit facility is secured by the Group's investments in Manchester Arndale and Cribbs Causeway. In addition, the Group has a number of unallocated swaps with various banks for which the Company or a subsidiary of the Company has provided standalone guarantees. The previously announced amendment and extension of the revolving credit facility was conditioned upon the completion of an equity raise and, therefore, the existing £600 million revolving credit facility will remain in place. The Group has a number of different financing arrangements at the asset-level, which are each secured by the relevant asset(s) or the Group's interest in the relevant asset(s), as applicable, and as set out in the diagram above. These asset-level financings include the financing arrangement referred to as the Secured Group Structure, which is secured by four of the Group's properties. Each of the asset-level financings provide for recourse by the lender for that facility to the relevant asset-owning entity and related Group entities under the relevant arrangements and, except in the case of the Broadmarsh and Barton Square financings, lenders have not been given recourse to the wider Group.

The following diagram sets forth the debt maturity of intu's various financing arrangements as at 31 December 2019.



4 Debt covenants

The following tables set forth information regarding the Group's compliance with its debt covenants as at 31 December 2019 and certain other more detailed information on some of the Group's borrowings.

4.1 Secured Group Structure

	Loan *£ million*	Maturity	LTV covenant	LTV actual	Interest cover covenant	Interest cover actual
Term loan............................	141.8	2021				
3.875 per cent. bonds..........	450.0	2023				
4.625 per cent. bonds..........	350.0	2028				
4.250 per cent. bonds..........	350.0	2030				
	1,291.8		80.0%	70.1%	125.0%	184.5%

Covenants are tested on the Secured Group Structure, the principal assets of which are intu Lakeside, intu Braehead, intu Watford and intu Victoria Centre. During the year ended 31 December 2019, intu Derby was withdrawn and the extension of intu Watford was added to the Secured Group Structure. Following this exchange, on 1 July 2019, £210.0 million of the Secured Group Structure term loan was repaid. As at 31 December 2019, an aggregate principal amount of £1,150 million of bonds were outstanding, with bond repayment dates up to 2030. No bonds issued by intu (SGS) Finance plc are due for repayment in the next 12 months.

The Secured Group Structure has a tiered operating covenant regime giving the Group a significant degree of flexibility when the covenants are below certain levels.

The T1 covenant regime applies when both: (i) the loan to value ratio is lower than or equal to 55 per cent.; and (ii) the debt service cover ratio is equal to or higher than 1.6:1x. The T2 covenant regime applies when either: (i) the loan to value ratio is greater than 55 per cent. but less than or equal to 72.5 per cent.; or (ii) the debt service cover ratio is equal to or higher than 1.4:1x but less than 1.6:1x, and, in either case, the T3 covenant regime does not apply. An obligation to appoint a property manager (the “PM Trigger”) applies when the loan to value ratio is greater than 63.75 per cent. or the debt service cover ratio is less than 1.50x. The T3 covenant regime applies when either: (i) the loan to value ratio is greater than 72.5 per cent. but less than or equal to 80 per cent.; or (ii) the debt service cover ratio is at least 1.25:1x but less than 1.4:1x.

Currently, the T2 covenant regime and the PM Trigger apply to the Secured Group Structure. Whilst the T2 covenant regime and the PM Trigger apply, certain additional covenant restrictions apply to the Secured Group Structure over and above the general covenant restrictions which apply whilst only the T1 covenant regime is applicable. These include:

(i) greater restrictions on developments of the properties within the Secured Group Structure;

(ii) restrictions on incurring further indebtedness;

(iii) restrictions on making certain withdrawals;

(iv) a liquidity facility and/or liquidity reserve (equal to the scheduled interest for the next quarterly period) must be put in place; and

(v) if uncured after 6 months, a third party property manager must be appointed to advise (on a non-binding basis) in relation to the management of the properties within the Secured Group Structure.

If the T3 covenant regime was to apply to the Secured Group Structure, further additional covenant restrictions would apply to the Secured Group Structure over and above the general covenant restrictions which apply whilst the T2 covenant regime and the PM Trigger are applicable. These include:

(i) a liquidity facility and/or liquidity reserve (equal to the scheduled interest for the next two quarterly periods) must be put in place;

(ii) a third party property manager must be appointed to advise (on a binding basis) in relation to the management of the properties within the Secured Group Structure;

(iii) creditor (rather than intu) valuations must be used for loan to value ratio purposes;

(iv) prohibitions on making restricted payments (distributions of excess cash to other intu group companies by way of repayment of intra-group debt or otherwise);

(v) compliance certificates must be delivered quarterly (rather than semi-annually);

(vi) restrictions on making certain withdrawals, disposals and acquisitions;

(vii) restrictions on accepting a surrender or (in relation to a Scottish lease) renunciation, or exercise a termination right, in respect of any lease; and

(viii) requirement to use excess cash to mandatorily prepay the bonds and the term loan on their relevant interest payment dates, pro rata.

4.2 The Trafford Centre Securitisation

As at 31 December 2019 , an aggregate principal amount of £697.8 million of notes were outstanding, with bond repayment dates up to 2035.

There are no financial covenants on the intu Trafford Centre debt. However, as this debt is amortising and the amortisation payments are included in the definition of finance costs, the affordability of the amortisation payments in relation to the cash generated by the asset (debt service) is assessed quarterly. Where this falls below specified levels restrictions come into force:

(i) The Trafford Centre Limited may not accept a surrender of any lease except on arm's length terms and that The Trafford Centre Limited must deposit in a designated account any compensation, premium or other payment whatsoever received from the relevant tenant in connection with the surrender, unless a debt service ratio of at least 1.3:1 will be maintained following such surrender. Currently, the debt service ratio is less than 1.3:1 and The Trafford Centre Limited must comply with this requirement;

(ii) The Trafford Centre Limited may not carry out or allow any development at the property unless certain requirements are met, including that for the duration of the period required to fully implement such development:

(A) the debt service ratio is (and, in the reasonable opinion of the directors of The Trafford Centre Limited, will be) at least 1.4:1; or

(B) such arrangements (which may include depositing additional funds in a designated account) are put in place to protect against any short-term shortfalls in income that may arise as a result of the development and ensure that the ratings of the Trafford notes are not negatively affected.

Currently, the debt service is less than 1.4:1 and The Trafford Centre Limited must comply with this restriction.

4.3 Metrocentre Securitisation

	Loan *£ million*	**Maturity**	**LTV covenant**	**LTV actual**	**Interest cover covenant**	**Interest cover actual**
4.125 per cent. bonds..........	485.0	2023	100.0%	71.4%	125.0%	193.8%

The Group retains operating control at loan to value below 70 per cent. and interest cover above 1.4x. No financial covenant default occurs unless loan to value exceeds 100 per cent or the interest cover falls below 1.25x. A "Trigger Event" occurs where the loan to value ratio of the Metrocentre Securitisation is greater than 70 per cent. Currently, a Trigger Event has occurred and is continuing. Whilst a Trigger Event is continuing there are additional restrictions on each of the obligor entities in the Metrocentre Securitisation. These include:

(i) prohibitions on making restricted payments (distributions of excess cash to other intu group companies by way of repayment of intra-group debt or otherwise);

(ii) restrictions on accepting a surrender or exercising a termination right, in respect of any lease;

(iii) if uncured after 6 months, security trustee (rather than intu) valuations must be used for loan to value ratio purposes;

(iv) if uncured after 12 months, a third party property manager must be appointed, and each of the obligor entities in the Metrocentre Securitisation must follow its recommendations; and

(v) if uncured after 18 months, a requirement to use excess cash in the securitisation built up under (i) above mandatorily to prepay the intercompany loan agreement or make a market offer to the holders of all the Metrocentre Securitisation notes.

As at 31 December 2019, an aggregate principal amount of £485.0 million of notes were outstanding, with note repayment dates up to 2023. No notes issued by intu Metrocentre Finance plc are due for repayment in the next 12 months.

4.4 intu Debenture plc

Loan *£ million*	Maturity	Capital cover covenant	Capital cover actual	Interest cover covenant	Interest cover actual
231.4	2027	150.0%	150.0%	100.0%	102.5%

The debenture is currently secured on a number of the Group’s properties including intu Eldon Square, intu Potteries and Soar at intu Braehead.

Should the capital cover or interest cover test be breached, intu Debenture plc (the “Issuer”) has three months from the date of delivery of the valuation or the latest certificate to the Trustees to make good any deficiencies. Subsequent to 31 December 2019, the Group has placed £15.0 million of additional security in a charged account.

The Issuer may withdraw property secured on the debenture by paying a sum of money or through the substitution of alternative property provided that the capital cover and interest cover tests are satisfied immediately following the substitution.

4.5 Financial covenants on corporate facilities

The following sets forth the financial covenants applicable under the terms of the revolving credit facility and the convertible bonds.

	Net worth covenant *£ million*	Net worth actual *£ million*	Interest cover covenant	Interest cover actual	Borrowings/net worth covenant	Borrowings/net worth actual
£600m facility, maturing in 2021[(1)]......................................	1,200	1,235	120.0%	165.8%	125.0%	118.7%
£375m 2.875 per cent convertible bonds due 2022[(2)]....	n/a	n/a	n/a	n/a	175.0%	33.3%

Notes:

(1) Tested on the Borrower Group which excludes, at the Group's election, certain subsidiaries with asset-specific finance. The facility is secured by the Group's investments in Manchester Arndale and Cribbs Causeway.

(2) Tested on the Group excluding, at the Group's election, the borrowings on certain subsidiaries with asset-specific finance.

4.6 Other asset-specific debt

	Loan outstanding at 31 December 2019 *£ million*	Maturity	LTV covenant	LTV actual	Interest cover covenant	Interest cover actual
Term facilities						
intu Uxbridge[(1)]..................................	20.0[(5)]	2020	70.0%	64.1%	125.0%	314.0%
St David's, Cardiff.............................	145.2	2021	65.0%	63.1%	150.0%	208.0%
intu Milton Keynes	137.5	2021	65.0%	64.7%	150.0%	213.9%
intu Trafford Centre, Barton Square[(2)(3)]...	25.0	2021	65.0%	28.6%	150.0%	401.1%
intu Trafford Centre...........................	250.0	2022	65.0%	60.6%	103.0[(3)]%	105.0%
intu Chapelfield.................................	69.0[(6)]	2023	65.0%	64.8%	150.0%	186.4%
intu Merry Hill....................................	435.9[(4)]	2024	75.0%	74.3%	150.0%	254.0%
intu Derby[(1)].......................................	38.8	2024	58.5%	50.2%	250.0%	416.1%
intu Xanadú[(1) (€)]	131.5	2022	65.0%	48.6%	150.0%	452.8%
Held for Sale						
intu Asturias[(1) (€)]................................	60.5	2021	65.0%	39.3%	150.0%	649.6%
intu Puerto Venecia[(1) (€)].....................	112.5	2025	65.0%	45.0%	150.0%	486.5%

Development facilities	Loan outstanding at 31 December 2019 *£ million*	Maturity	Loan to development cost covenant	Loan to development cost	Loan to gross development value covenant	Loan to gross development value
intu Trafford Centre, Barton Square[(2)]	19.9	2021	34.0%	26.5%	65.0%	35.9%
intu Broadmarsh................................	9.4	2022	60.0%	10.5%	55.0%	50.0%

Notes:

(1) Debt shown is consistent with the Group's economic interest. For intu Derby, this is the Group's economic interest as at 31 December 2019 considering its joint venture partner's structured equity interest.

(2) In addition to this term facility, the Group has a committed development funding facility of £25.0 million of which £19.9 million was drawn as at 31 December 2019.

(3) Covenant is a debt service cover ratio (includes interest and scheduled debt repayments).

(4) Loan is stated after a partial repayment of £25.0 million on 20 January 2020.

(5) Loan is stated after a partial repayment of £6.0 million on 31 January 2020.

(6) Loan is stated after a partial repayment of £5.0 million on 14 February 2020.

4.7 Interest rate swaps

The table below sets out the nominal amount and average rate of hedging, excluding lenders' margins, in place under current and forward-starting swap contracts.

	Nominal amount	Average rate
	(£ million)	*(%)*
In effect on or after:		
1 year	1,932.4	2.63
2 years	1,750.2	2.78
5 years	592.6	5.03
10 years	582.3	5.01
15 years	400.2	4.76

Liberty International Group Treasury Limited ("LIGT") has entered into agreements for interest rate hedging with Barclays, HSBC, Lloyds and Merrill Lynch International (the "Interest Rate Hedging Agreements"). Pursuant to the Interest Rate Hedging Agreements, LIGT has entered into certain fixed-floating interest rate swaps with Barclays, HSBC, Lloyds and Merrill Lynch International. These unallocated swaps have an aggregate notional principal amount of approximately £483 million.

The term of each unallocated swap runs until its respective maturity date, the last of which runs until 2037, but each also has a mandatory or discretionary break clause which, unless otherwise agreed, would lead to earlier termination between 2020 and 2023. In the event of an early termination of an unallocated swap, a settlement amount is immediately payable by LIGT. The aggregate settlements amounts for the unallocated swaps as at 31 December 2019 would have been £220.0 million. Within the next 12 months, settlement amounts are due to become payable on some of the unallocated swaps. These settlement amounts would have been equal to £93.0 million as at 31 December 2019 (which is accounted for as a liability). Each unallocated swap is guaranteed by intu or, in the case of Merrill Lynch International, by Liberty International Holdings Limited.

5 Risk Factors

The Group is subject to a number of risks which may impact its business, financial condition and results of operations.

Risks related to intu's financial condition

- Deterioration in the retail property market has had, and may continue to have a significant impact on the Group's business.
- The trend towards online shopping has had a negative impact on the physical retail sector and may have an effect on the Group's business, property valuations, financial condition and results of operations.
- The Group may be unable to implement its new five-year strategy successfully.

Risks related to intu's indebtedness

- A substantial majority of the Group's borrowings are secured on Group assets and any failure to meet the requirements of the debt incurred may have an adverse effect on the Group's business, property valuations, and its financial condition and results of operations.
- intu's ongoing leverage and debt service obligations could adversely affect its business and restrict its operational flexibility.
- The Group may be unable to access credit markets on favourable terms, or at all.
- The Group is exposed to market risk including interest rate risk.

Risks related to the impact of the macroeconomic environment on the Group and its tenant customers

- Tenant customers (including anchor tenant customers and multiple retailers), who provide a significant portion of the Group's rental income, have been impacted by structural changes to and general economic uncertainty in the retail industry.
- The Group is subject to risks associated with the disposal of properties, including low disposal prices and/or an inability to sell properties.
- The Group may be subject to reduced occupancy.
- The Group may be negatively impacted by the UK's withdrawal from the European Union.
- The Group is subject to risks in relation to acquisitions.

Risks related to property valuations

- The valuation of the Group's properties is inherently subjective and uncertain and is based on assumptions which may prove to be inaccurate.
- The Group's consolidated balance sheet and income statement may be significantly affected by fluctuations in the fair market value of the Group's properties as a result of revaluations.

Risks related to the operation of the Group's business

- The Group has reduced, and may continue to reduce, its planned capital expenditure, which may have an adverse impact on the value of its centres.
- The changing structure of retail property leases may have an adverse effect on the Group's business.
- The Group's joint ventures and other forms of co-ownership subject the Group to certain risks of shared ownership and control of the properties affected.
- Damage to the Group's reputation or brand or negative publicity could have a material adverse effect on the Group's business, results of operation and financial condition.
- Competition from other retail premises and other retail sales channels could have an adverse effect on the Group's business, property valuations, its financial condition and results of operations.

- The Group may face restrictions or liabilities under laws and regulations in the jurisdictions in which it operates.
- The Group may become subject to disputes with tenant customers and other commercial parties.
- The Group may be liable for environmental issues relating to its operations and properties.
- The Group may be insufficiently insured against all losses or damage of its properties.
- Failure or security breaches of the Company's information technology ("IT") systems, data security and/or data protection regulations may result in losses.
- The Group may not be successful in completing development projects as planned, or on commercially favourable terms.
- The Group is subject to risks as a result of its status as a REIT.
- If the Group's REIT status were to be terminated, it could have an adverse impact on the Group and its shareholders.