Capital & Regional

2014 Results Presentation

4 March 2015

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1 - Overview

Hugh Scott-Barrett

Overview: A business transformed

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- Acquisition of controlling Mall stake ahead of H2 2014 property valuation increases. Remaining minorities bought out and fund restructured with annual cost savings of £1.5m+
- Increase in basic NAV per share of 11% to 60p notwithstanding doubling of equity base
- De-gearing targets exceeded with successful sales of €350m German portfolio and Lincoln for £46m
- REIT conversion achieved, effective from 31 December 2014
- 46% increase in full year dividend to 0.95p for 2014. Commitment to commence REIT level payment from 2015 interim
- Strong start implementing growth strategy in 2015 with tactical acquisition of Buttermarket Shopping Centre, Ipswich

C&R now positioned as a dominant community shopping centre REIT with significant organic growth prospects and offering attractive dividend yield to investors

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2 - Financial Review

Charles Staveley

Financial Results

	2014	2013	
Net assets	**£419.0m**	£188.7m	+122%
NAV per share	**60p**	54p	+11%
EPRA NAV per share	**59p**	56p	+5%
Operating Profit[1]	**£19.3m**	£13.0m	
Profit for Year	**£75.2m**	£9.1m	
Return on equity	**28.1%**	5.1%	
Proforma see-through net debt[2]	**45%**	54%	

[1] As defined in Note 1 of the financial statements.

[2] See-through net debt divided by property valuation. 2014 adjusted for £42.1 million of German joint venture net proceeds received in February 2015 and £8.9 million of payments due in respect of Mall performance fee and income due to former unit holders. 2013 adjusted for £8.4 million Hemel Hempstead net proceeds received in February 2014.

Proforma 2014 Operating Profit[1] – Mall

			£m
Rental income			48.5
Car park income			6.6
Ancillary income			2.4
Gross Rental Income			**57.5**
Service charge & void costs			(3.1)
Bad debt			(0.7)
Asset Manager & Operator fees			(4.1)
Other property operating expenses	- Car park costs	(3.2)	
	- Head leases	(3.0)	
	- IFRS head lease adjustment	3.6	
	- Letting & rent review fees	(1.6)	
	- Administration expenses	(1.8)	
	- Repairs & maintenance	(0.4)	
	- Other costs	(1.7)	
			(8.1)
Net Rental Income			**41.5**
Interest expense	- Interest on loans	(13.1)	
	- Amortisation of refinancing costs	(1.9)	
	- Notional interest charge on head leases[2]	(3.6)	
			(18.6)
Mall Operating Profit[1]			**22.9**

1 Proforma adjusted from actual results by £0.4m – being impact of Fund Manager cost saving (£1.5m) less reversal of one-off head lease credit (£0.3m) and increased interest charge (£0.8m) reflecting a full year charge on the basis of the year end debt and interest position. See the Financial Review within year end results announcement for full reconciliation.

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

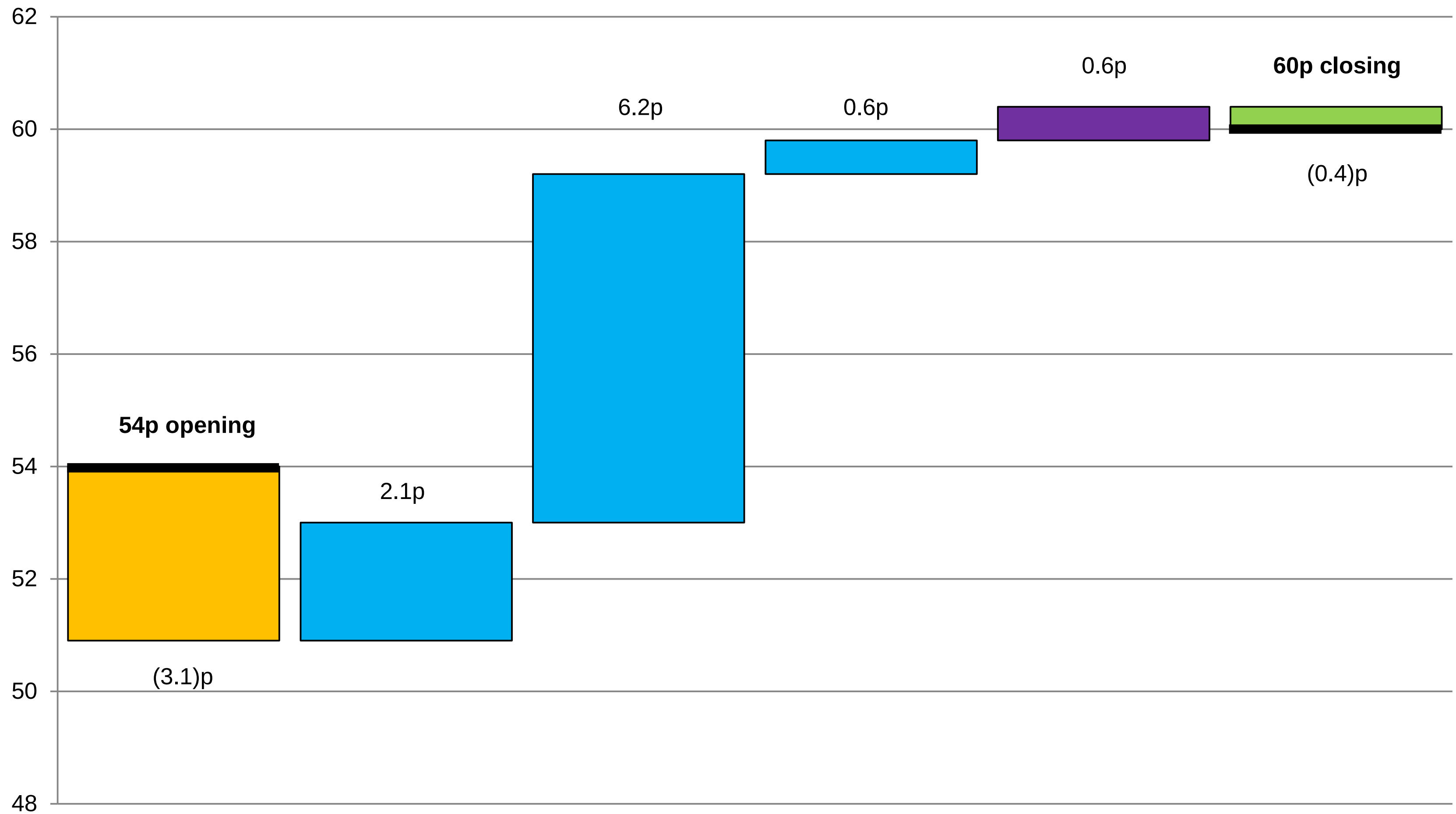
Proforma 2014 Operating Profit - Group

	Actual £m	Adjustments £m	Proforma £m
Mall[1]	14.6	8.3	22.9
Other UK Shopping Centres[2]	0.3	0.5	0.8
Snozone	1.2	-	1.2
Property management / other items[3]	(2.5)	(1.1)	(3.6)
Discontinued operations[4]	5.7	(5.7)	-
Operating profit	**19.3**	**2.0**	**21.3**
Earnings per share (pence)			**3.0**

[1] Adjustment reflects £7.9 million to show as if ownership was 100% for the full year and £0.4 million of adjustments as detailed in the previous slide.
[2] Adjusted to add back the Group's share of operating losses in respect of Lincoln until its disposal in November 2014.
[3] £1.4 million adjusted to remove Germany and Lincoln management fees (including £0.9 million of Lincoln performance fees) and £0.3m saving on Group RCF interest reflecting an interest charge equivalent to the non-utilisation fee for 12 months on an undrawn £20 million facility.
[4] Profits in respect of the Group's German joint venture removed following its disposal which completed in February 2015.

NAV Bridge - 2014

1p = £7m NAV



Dilutive impact of capital raise and costs of Aviva/Karoo Mall unit acquisition	UK Shopping Centres			Discontinued operations (Germany)	Other (including Dividends)
	Operating Profit	Property revaluation	Other movements (including profit on Lincoln sale)		

Quarterly valuation analysis for The Mall

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Significant value generated since acquisition

	Valuation growth	Components of growth: Yield shift	Components of growth: Income/ initiatives
Q1 2014	-	-	-
Q2 2014	£20.6m	100%	-
Q3 2014	£17.8m	79%	21%
Q4 2014	£21.7m	50%	50%

Sale of German Portfolio

Realised in single transaction at small premium to year end NAV

- Conditional exchange on 24 December 2014
- Completed on 10 February 2015
- Net cash proceeds after costs of c. £42.1 million
  - Used to repay Group RCF of £21 million; and
  - Fund £5m investment in Ipswich
- Profit on year end NAV of c. £0.6m to be recognised in 2015
- 5.1% retained interest but no material economic exposure

Proforma Debt[1]

	Debt	Cash	**Net debt**	Loan to value	Net debt to value	Average interest rate	Fixed	Weighted average duration to expiry
	£m	£m	**£m**	%	%	%	%	(years)
The Mall	**380.0**	(22.0)	**358.0**	51	48	3.45	61	4.4
Group[2]	**-**	(21.4)	**(21.4)**	-	-	-	-	1.5
On balance sheet debt	**380.0**	(43.4)	**336.6**					
Kingfisher Redditch (20%)	**16.9**	(1.4)	**15.5**	56	51	4.59	100	4.3
Off balance sheet debt	**16.9**	(1.4)	**15.5**					
See-through debt	**396.9**	(44.8)	**352.1**	51	45			

[1] Proforma adjusted for receipt of £42.1 million of German proceeds and £8.9 million of payments due in respect of Mall performance fees and Mall income due to former unit holders.

[2] Group RCF of £20m undrawn and fully available following receipt of German disposal proceeds.

The investment in the 50:50 Buttermarket, Ipswich JV will increase see-through net debt to property value to 46%.

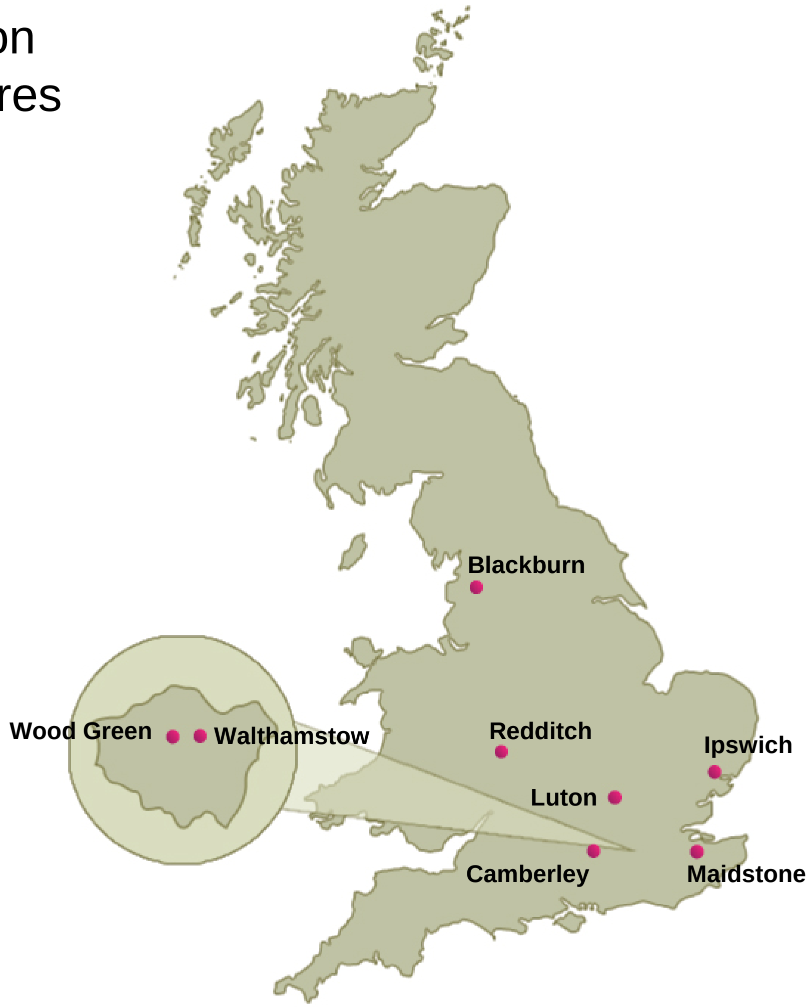
3 - Operations

Mark Bourgeois

The Portfolio

A portfolio with income and capital growth potential

- Specialist property company focussed on dominant UK community shopping centres
- 7 centres
- £895m value (NIY 6.27%)
- 4.2m square feet
- 430 retailers
- 885 retail units
- £64.5m passing rent
- Over 10,000 car park spaces
- 83.3m visitors in 2014



Statistics above at 30 December 2014 and exclude Buttermarket Centre, Ipswich

Retail landscape

Favourable conditions support rental growth

- Retail sales across the portfolio up 2.2% in 2014 (2013: -0.5%)[1]
- 70% of our occupiers offer click & collect services (2013: 58%)
- Administrations at their lowest number since 2007

UK Shopping centres (like for like)	**December 2014 £m**	**December 2013 £m**
Contracted rent	67.8	67.6
Passing rent	64.5	64.1

[1] C&R trade index

Letting trends

- Fashion retailers are still taking space in shopping centres where refurbishment/reconfiguration have made it attractive and affordable
- Demand from leisure operators remains strong - income opportunities beyond retail form a significant part of C&R's growth, currently generating 20% of gross income and expected to grow further
- Changing demographics are significantly impacting demand for space in and around London. Fashion retailers are excited by Walthamstow extension plans whilst Walthamstow and Wood Green residential opportunities offer increasing potential

SWAROVSKI

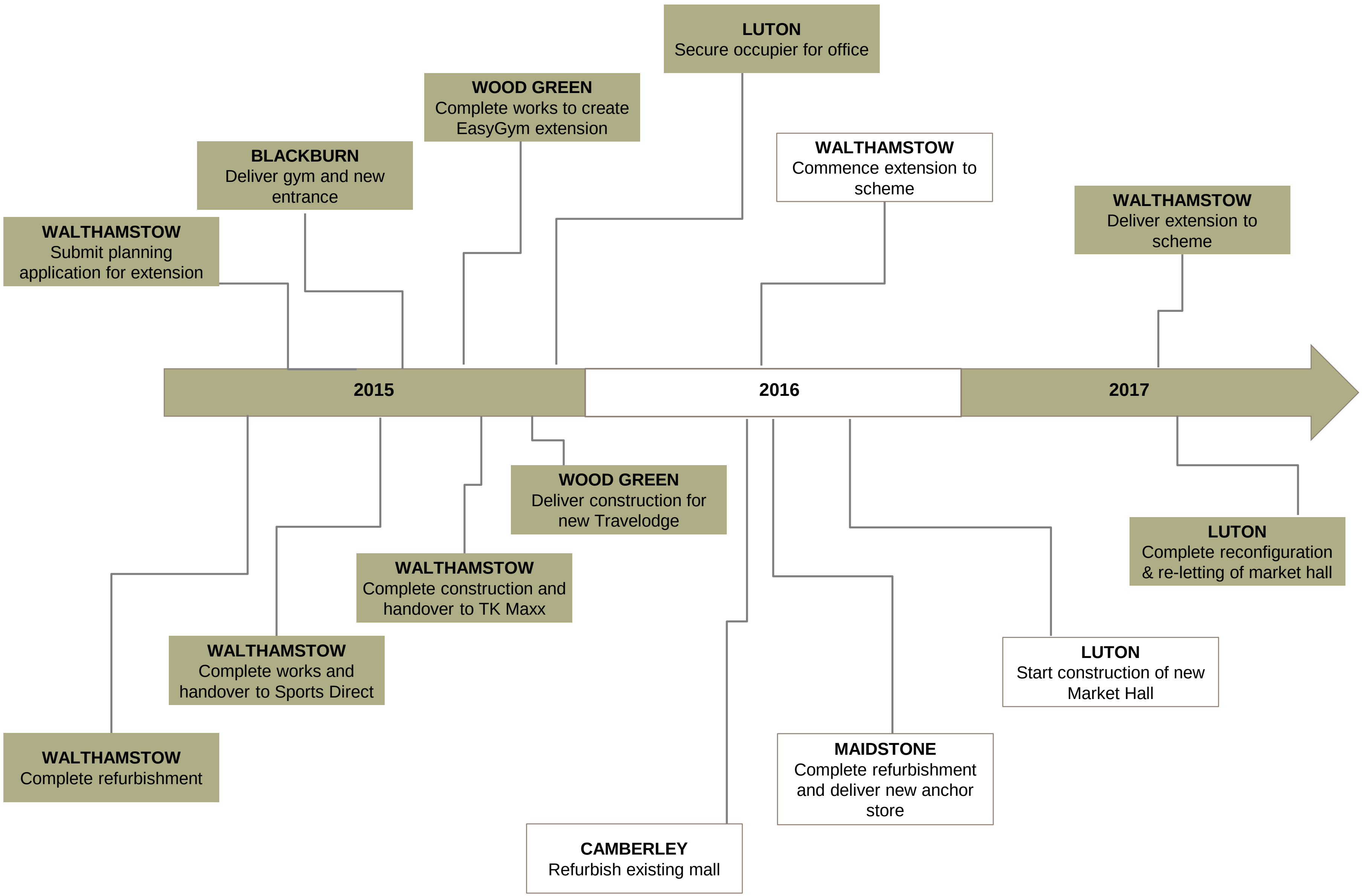
Ed's Easy Diner

New lettings, renewals and rent reviews

Strong leasing activity as occupier confidence grows

	UK Shopping Centres
Number of new lettings YTD 2014	66
Headline rent of new lettings (£m)	£3.74
Comparison to ERV (%)	2.0%
Number of lease renewals settled in YTD 2014	34
Revised passing rent (£m)	£1.50
Comparison to ERV (%)	0.1%
Number of rent reviews settled in YTD 2014	28
Revised passing rent (£m)	£3.40
Uplift to previous passing rent (£m)	£0.05

An accretive capex plan



Asset Management

Walthamstow – refurbishment bearing fruit

- £4m refurbishment programme to complete April 2015
- New letting to Dorothy Perkins/Burton with strong interest from fashion occupiers as refurbishment nears completion
- Commenced construction of new TK Maxx and Sports Direct units with projected cost of £4.5m and due for completion in Q4 2015
- Extension plans for 100,000 sq ft retail extension and in excess of 200 homes progressing. Planning application Q3 2015, construction targeted H1 2016

Asset Management

Wood Green – Activities 'beyond retail' contribute to income enhancement

- Travelodge
  - Lease agreed to deliver new hotel (initially 35 rooms) from substantially vacant office building
  - £1.9m capital expenditure, expected income return approaching 15%

- EasyGym
  - Lease agreed to extend into adjoining office building
  - £0.7m capital expenditure to deliver over 10% income return

- Supermarket
  - Terms agreed and lawyers instructed for 16,000 sq ft supermarket on former garage site with reconfiguration and modernisation of adjoining retail/market hall space
  - Capital expenditure of £5m with expected income return of c.10%

Asset Management

Blackburn

- Lease agreed with Pure Gym for 10,000 sq ft gym amalgamating 10 under-performing retail units
- To complete December 2015
- £3m capital expenditure with expected income return in excess of 10%

Maidstone

- Successful defence against proposed out of town retail
- Work on £4m refurbishment to commence Q2 2015
- Scheme will be positioned to grow occupancy and rents
- Progress with local authority on extension proposals

Camberley

- Recent letting activity supports acceleration of £4.5m refurbishment programme, a first step in the comprehensive redevelopment/extension
- To be completed 2016, targeting 10% income return
- Positive discussions continue with anchor store and local authority around proposed extension

Waterside Shopping Centre, Lincoln

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Successful asset management driving investment returns

- Acquired in 2011 for £24.8m in 50% Joint Venture
- Net expenditure £8.2m
- Expected income growth £0.9m (10.9% income return)
- Sold in November 2014 for £46.0m (20% IRR)

Buttermarket Shopping Centre, Ipswich

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Tactical acquisition of underperforming asset

- £9.2m acquisition (8.46% NIY) in 50:50 JV with Drum Property Group
- Freehold 235,000 sq ft retail space over two core trading levels in three acre site in retail heart of town. Integrated 420 space car park and adjoining bus station
- Strong local demographic, 270,000 shopping population. One hour to Liverpool St
- Current major occupiers: Boots, New Look, TK Maxx. Blighted by TJ Hughes department store closure in 2011
- Major asset repositioning opportunity for retail/leisure hybrid model
  - Improve ground floor retail mix with introduction of leisure quarter to include cinema, restaurants and gym
  - Advanced pre-letting negotiations
  - Delivery capex c. £26m - largely funded y new debt within JV structure
  - Potential to deliver attractive returns

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4 - Strategy & Outlook

Hugh Scott-Barrett

Strategy

- Aim to deliver significant income and NAV growth through:

  a) delivery of asset management programme across existing portfolio
  b) growth by acquisition to take advantage of capacity in management platform

- Prime focus on dominant UK community shopping centres

- Opportunity for consolidation provided by diversified and fragmented ownership structure of secondary shopping centres. Focus on “off market” transactions where scale, management platform and joint venture opportunities give us an edge

- Leverage attractive opportunities to reconfigure and/or reposition smaller shopping centres, e.g. Waterside Lincoln, Buttermarket Ipswich

Capital & Regional’s ambition is to become the leading dominant community shopping centre REIT

Outlook

- Strong retailer support for plans to refurbish and reconfigure Mall schemes
- “Beyond retail” interest for leisure and residential space gathering momentum and highly complimentary to existing assets
- Growth in income on back of asset management initiatives should drive future increases in property valuations
- Dividend policy to distribute at least 90% of Mall Operating Profit, commencing from 2015 interim
    - To be paid approximately 50% as interim and 50% as final
    - Based on Proforma Mall Operating Profit for 2014 we anticipate paying a 2015 dividend of at least 2.9p per share

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5 - Q&A

Appendix

Net Assets – 30 December 2014

	Property £m	NAV £m	% of NAV
The Mall	790.8	377.2	90
Kingfisher, Redditch	29.8	13.6	3
Germany	-	41.4	10
Other net assets	-	(13.2)	(3)
Net Assets	**820.6**	**419.0**	**100**

Net Assets per share		**60p**	
EPRA NAV		**59p**	

Property valuations

	December 2014		December 2013	
		NIY		NIY
Blackburn	£120.0m	6.65%	£100.0m	8.07%
Camberley	£84.3m	6.50%	£73.6m	7.25%
Luton	£207.5m	6.10%	£194.0m	6.34%
Maidstone	£72.4m	7.15%	£63.8m	7.90%
Walthamstow	£71.0m	6.15%	£75.5m	6.51%
Wood Green	£189.5m	5.90%	£177.8m	6.10%
Redditch	£151.0m	6.26%	£135.0m	7.31%
Portfolio	**£895.7m**	**6.27%**	**£819.7m**	**6.86%**

FT article on Walthamstow

Financial Times – 6 February 2015

London's Walthamstow: transformation from transient to trendy

The district has overcome its end-of-line status and is now attracting young buyers keen to put down roots

http://www.ft.com/cms/s/0/230e6062-a70b-11e4-8a71-00144feab7de.html

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