

# Capital & Regional plc

## Interim Results Presentation

20 September 2006



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## 2006 Interim presentation - agenda

1. Overview – Martin Barber
2. Financials – William Sunnucks
3. Operating Review
  - Shopping Centres – Ken Ford
  - Retail Parks & Trade Parks – Andy Lewis-Pratt
  - Leisure – PY Gerbeau
  - Germany – Xavier Pullen
4. Questions and Answers





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## Financial highlights

- NAV up 19% to £11.84 per share
- Recurring pre-tax profit up 26% to £15.0m
- Interim dividend increased 29% to 9p per share
- Profit after tax £135.9m
- Property under management £6bn
- Sale of Morfa Retail Park to Junction Fund £105m





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## Financials - agenda

- Income statement
- Net Asset Value
- Earnings businesses
- IFRS
- Tax





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## Recurring pre-tax profits – see note 2 of press release

	<b>6 months to 30 June 2006</b>	<b>6 months to 30 June 2005</b>
	<b>£m</b>	<b>£m</b>
Net rents	38.2	26.6
Net interest	(28.2)	(19.7)
	<hr/>	<hr/>
	10.0	6.9
Management fees	13.5	11.0
Snozone operating profit	1.2	1.0
Management expenses	(9.7)	(7.0)
	<hr/>	<hr/>
Recurring pre tax profit	15.0	11.9
	<hr/>	<hr/>



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## Income statement

	6 months to 30 June 2006 £m	6 months to 30 June 2005 £m
Recurring pre-tax profit	15.0	11.9
Performance fees	24.4	17.4
Cost of performance fees	(8.1)	(6.1)
Variable overhead	(5.1)	(6.5)
Revaluation gains	98.0	42.8
Gain on interest rate swaps	18.7	(10.2)
Other non-recurring items	(0.4)	(4.1)
Profit on disposal	4.7	5.3
Pre tax profits	147.2	50.5
Tax	(11.3)	10.3
Profit after tax	135.9	60.8
Return on equity	19.4%	12.5%

# Performance fees



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	<b>Mall</b>	<b>Junction</b>	<b>X-Leisure</b>
Geared return (6 months)	18.7%	6.0%	17.1%
Benchmark	8.9%	8.7%	6.0%
Performance fee estimate	£15.2m	£6.0m	£3.2m
	£24.4m		






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## Revaluation surplus

	6 months to 30 June 06 £m
Mall (8.5% uplift)	60.3
Junction (3.5% uplift)	12.1
X-Leisure (6.9% uplift)	5.2
Swansea	7.5
Xscapes	5.2
Germany	3.8
Trade Parks	4.6
Other	(0.7)
<b>Total revaluation surplus</b>	<b>98.0</b>



## Three balance sheets presentation – 30 June 2006

	Enterprise £m	See through £m	Statutory £m
Mall	3,058	799	407
Junction	1,421	388	223
X-Leisure	769	81	37
Xscapes	244	134	51
Germany	164	143	164
Swansea	106	106	106
Trade Parks	87	87	87
Hemel Hempstead	17	17	17
Great Northern	94	94	94
<b>Total property</b>	<b>5,960</b>	<b>1,850</b>	<b>1,187</b>
Working capital etc	(14)	14	52
Debt	(3,005)	(1,024)	(399)
<b>Net assets</b>	<b>2,941</b>	<b>840</b>	<b>840</b>
C&R Shareholders	833	833	833
Minority Interest	7	7	7
Fund Investors	2,101		
<b>Total equity</b>	<b>2,941</b>	<b>840</b>	<b>840</b>
<b>Loan to Value</b>	50%	55% 	34%
<b>Gearing</b>	102%	122%	47%



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## Calculating NAV per share under IFRS

	Net asset £m	Shares (millions)	NAV per share
<b>Basic</b>	834*	71.0	£11.74
Own shares held	-	(1.6)	
Unconverted CULS	3	2.1	
Unexercised share options	1	0.6	
<b>Triple net</b>	838	72.1	£11.63
Fair value adjustment to borrowings (net of tax)	2		
Add back deferred tax	13	-	
<b>EPRA, diluted</b>	853	72.1	£11.84

\*excluding minority interests and the equity element of the CULS



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Earnings  
businesses

Assets  
businesses

**SNO! ZONE**  
(ski slopes)

CRPM  
(property management)

Fund  
co-investment

**FIX**  
YOUR TRADE CENTRE

  
German  
portfolio



**£0.81 per share**



**£11.03 per share\***

\* fully diluted NAV per share for assets business at 30 June, excl. Snozone and CRPM

# Property management business – CRPM



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	<b>June 06</b>	<b>June 05</b>
	<b>£m</b>	<b>£m</b>
Total recurring fee income	13.5	10.9
Fixed management expense	(7.7)*	(5.5)
Recurring profit (IFRS)	<u>5.8</u>	<u>5.4</u>
Performance fees	24.4	17.4
Variable management expense	(5.1)	(6.5)
Total profit	<u>25.1</u>	<u>16.3</u>

\* excludes 21% of management expense allocated to the property investment business





	<b>Sales</b> <b>£000</b>	<b>Costs*</b> <b>£000</b>	<b>2006</b> <b>profit</b> <b>£000</b>	<b>2005</b> <b>profit</b> <b>£000</b>
Milton Keynes	2,663	(2,053)	610	396
Castleford	2,714	(1,790)	924	624
Braehead	711	(935)	(224)	-
Snozone Holdings	-	(128)	(128)	-
Cash profit	6,088	(4,906)	1,182	1,020
Adjustment for landlord contribution			(367)	
			<u>815</u>	

\*costs include arms length rent paid to the Xscape partnerships

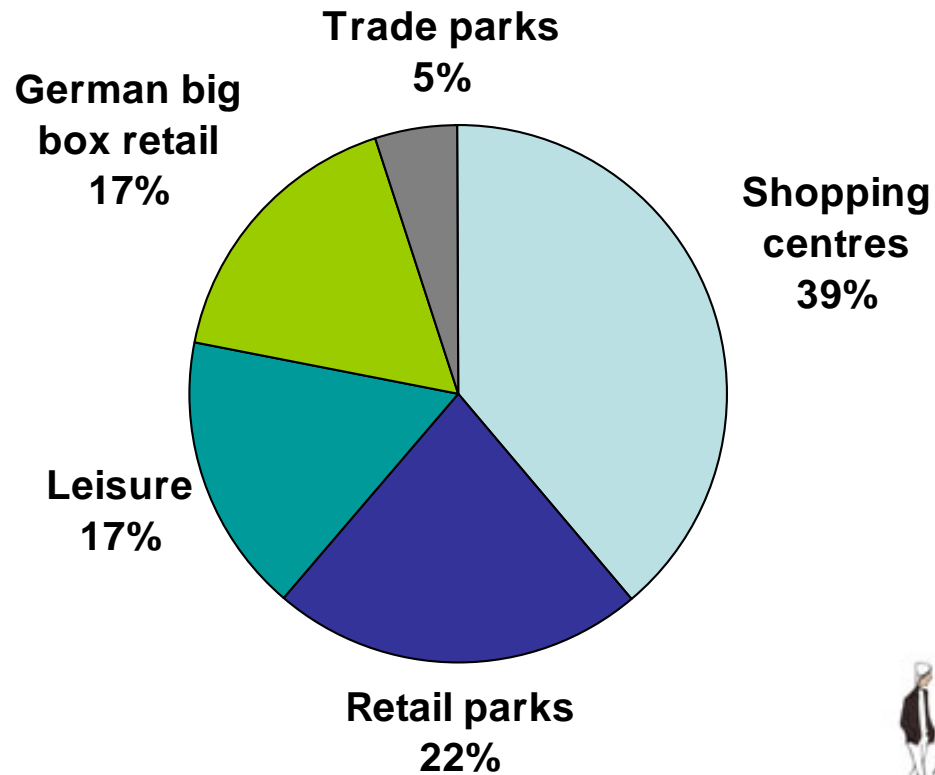




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# C&R property exposure

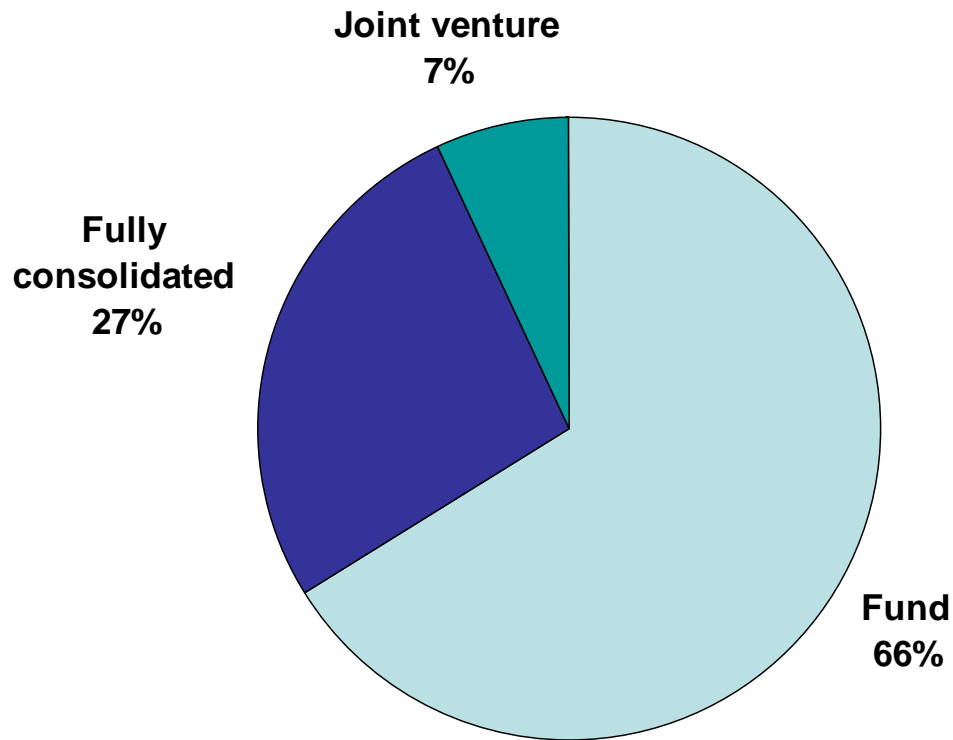
including transactions committed since 30 June 2006





# Split of property exposure by investment type

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## IFRS – impact on net assets

	<b>30 June 2006</b>
	<b>£m</b>
<b>Net assets under UK GAAP</b>	<b>818.5</b>
Negative goodwill (Great Northern)	10.6
Deferred tax provision (CGT)	(12.3)
Fair value of interest rate swaps	13.7
Other	3.3
<b>Net assets under IFRS</b>	<hr/> <b>833.8</b> <hr/>







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## IFRS – impact on profit

30 June 2006

£m

**Profit / loss for the period under UK GAAP**

**24.6**

Fair value of interest rate swaps

18.7

Tenant incentive amortisation

2.4

Revaluation

98.0

Deferred tax

(8.6)

Other

0.8

**Profit for the period under IFRS**

**135.9**





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# IFRS tax charge

**Six months to  
30 June 2006**

**£m**

Current tax charge (driven by £24m performance fees)	4.6
Deferred tax	
on Swansea	1.6
on interest rate swaps	5.6
on other items	(0.5)
<b>Tax charge (8% of PBT)</b>	<b>11.3</b>





## Effective tax rates

	<b>C&amp;R at present</b>	<b>C&amp;R as a REIT</b>
Recurring net fee income*	c. 20%	30%
Recurring net UK property income*	0%	0%
Performance fees (net of variable overheads)	30%	30%
CGT on selling property**	0%	0%
CGT on selling fund units	0%	30%
WHT on dividends paid overseas	0%	22%

Notes:

\* Interest payments offshore allocated against property income first for this simplification

\*\* No CGT on property held by Jersey companies – about 74% of C&R portfolio



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## The Mall Fund statistics


	31 August 2006	30 June 2006	30 December 2005
<b>Gross property asset value</b>	<b>£3.025bn</b>	<b>£2.988bn</b>	<b>£2.338bn</b>
<b>No. of properties</b>	<b>23</b>	<b>23</b>	<b>21</b>
<b>No. of lettable units</b>	<b>2,375</b>	<b>2,375</b>	<b>2,118</b>
<b>Initial property yield</b>	<b>4.42%</b>	<b>4.49%</b>	<b>5.09%</b>
<b>Equivalent yield</b>	<b>5.26%</b>	<b>5.29%</b>	<b>5.73%</b>
<b>No. of Investors</b>	<b>45</b>	<b>40</b>	<b>36</b>
<b>C&amp;R share</b>	<b>24.2%</b>	<b>26.1%</b>	<b>26.1%</b>
<b>Debt</b>	<b>£1.41bn</b>	<b>£1.41bn</b>	<b>£1.062bn</b>

# The Mall: growth

## LFL: 21 Mall comparison



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	H1. 06
ERV	+3.54%
Mall income	£63.0m (-0.4%)
Ancillary revenue	£2.1m (+17.5%)
Car parking	£5.8m (+7.8%)
Footfall	-1.9% (-2.4% index)
12 months to June 06	250m (+17.9%)



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## The Mall - investor performance

	H1. 06	H1. 05
Property Level	12.2%	6.0%
IPD benchmark	8.9%	5.0%
Fund Level	18.7%	6.7%
12 months to 30 June	22.6%	Property Level
	34.4%	Fund Level
Since inception	19.0% pa	Property Level
March 2002	27.3% pa	Fund Level



## The Mall - the retail climate

	H1. 06	H1. 05
• Lettings:	132	70
• Rent reviews settled:	67 (+4%)	150 (+3%)
• Lease expires:	33 (66% RR)	13 (85% RR)
• Average void:	4.75%	4.5%
• Less strategic vacancies:	-1.2%	-1.6%
• Available to let:	3.5%	2.9%



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## The Mall - retail climate

### Failures

#### H1. 06

8 retailers

20 units

£2.04 (1.43%)

#### H1. 05

8 retailers

23 units

£1.71m (1.35%)

### Reletting Statistics (from Jan 05)

Units	71	£6.0m pa
Admin	37	£3.4m pa
Relet	29	£2.5m pa (+1.06%)
Available to let	5	
Advanced negotiation on units in admin	24	£1.7m pa

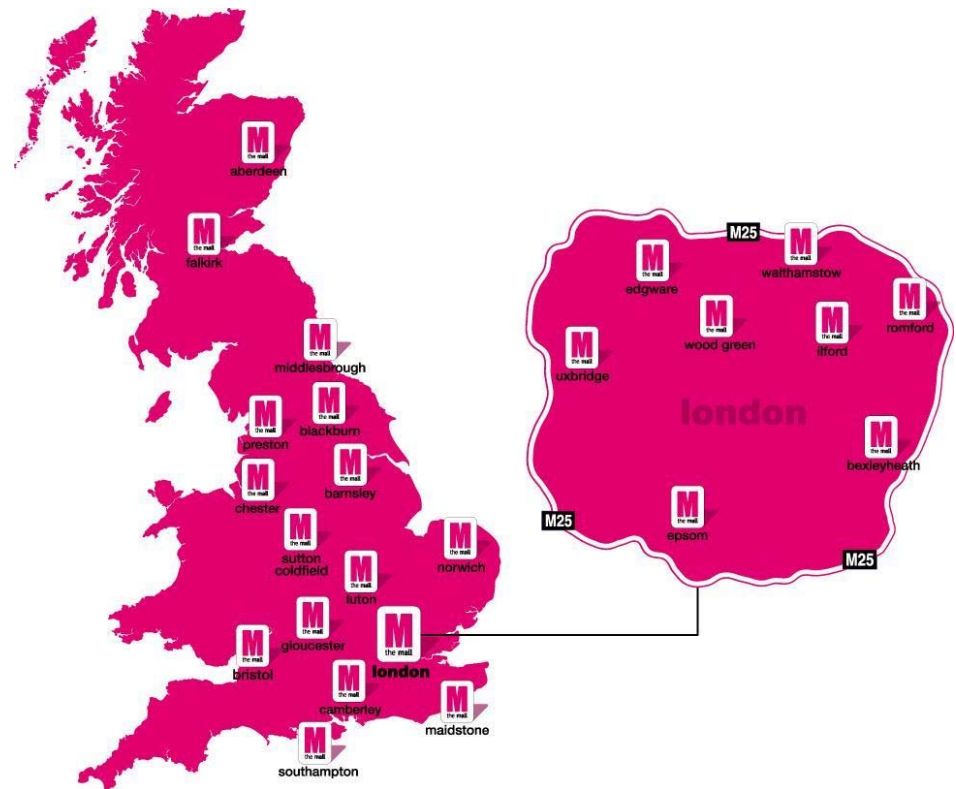




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## Our Malls - pipeline

Aberdeen	-	Refurbishment / Primark opening
Falkirk	-	Reconfiguration / Desire opened
Middlesbrough	-	Reconfiguration / H&M opened/ George opened / Top Shop Nov 06 / New Look Nov 06 Car Park purchase and refurbishment
Blackburn	-	Extension – planning received / Pre-lettings
Preston	-	Reconfiguration
Barnsley	-	Adjacent new development
Chester	-	Car Park / Food Court / Extension
Sutton Coldfield	-	Being covered
Norwich	-	Lettings & Reconfiguration
Luton	-	Master planning Phase 1 George Square extension
Gloucester	-	Reconfiguration and extension
Bristol	-	Extension / refurbishment / adjacent development
Southampton	-	Re-modelling extension
Camberley	-	Extension
Maidstone	-	Pre-let development

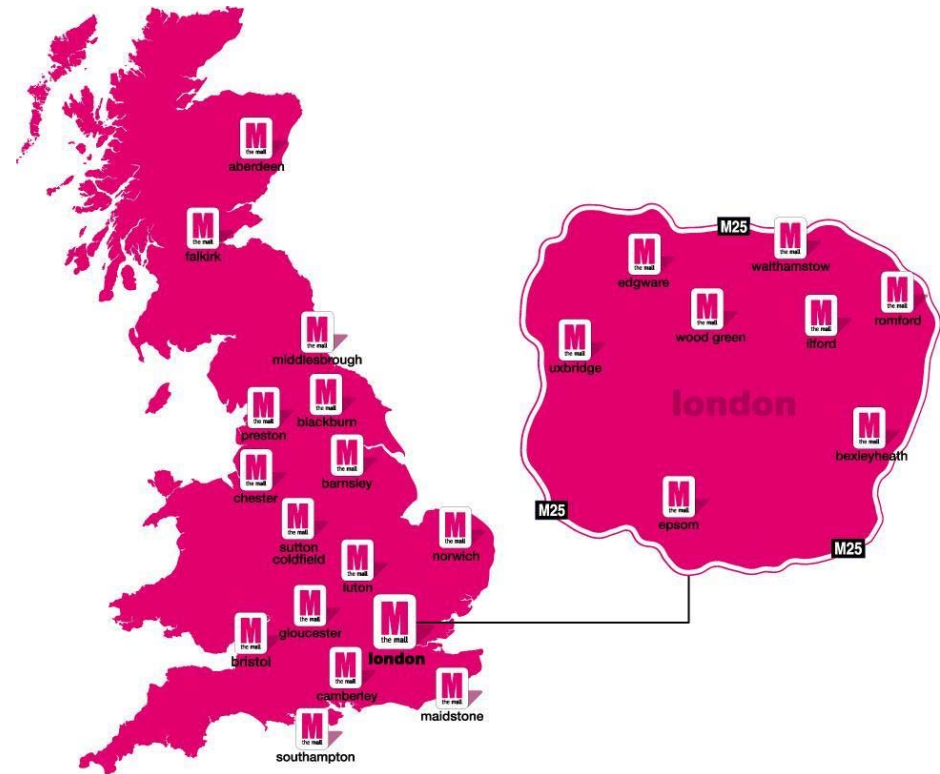




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## Our Malls - pipeline

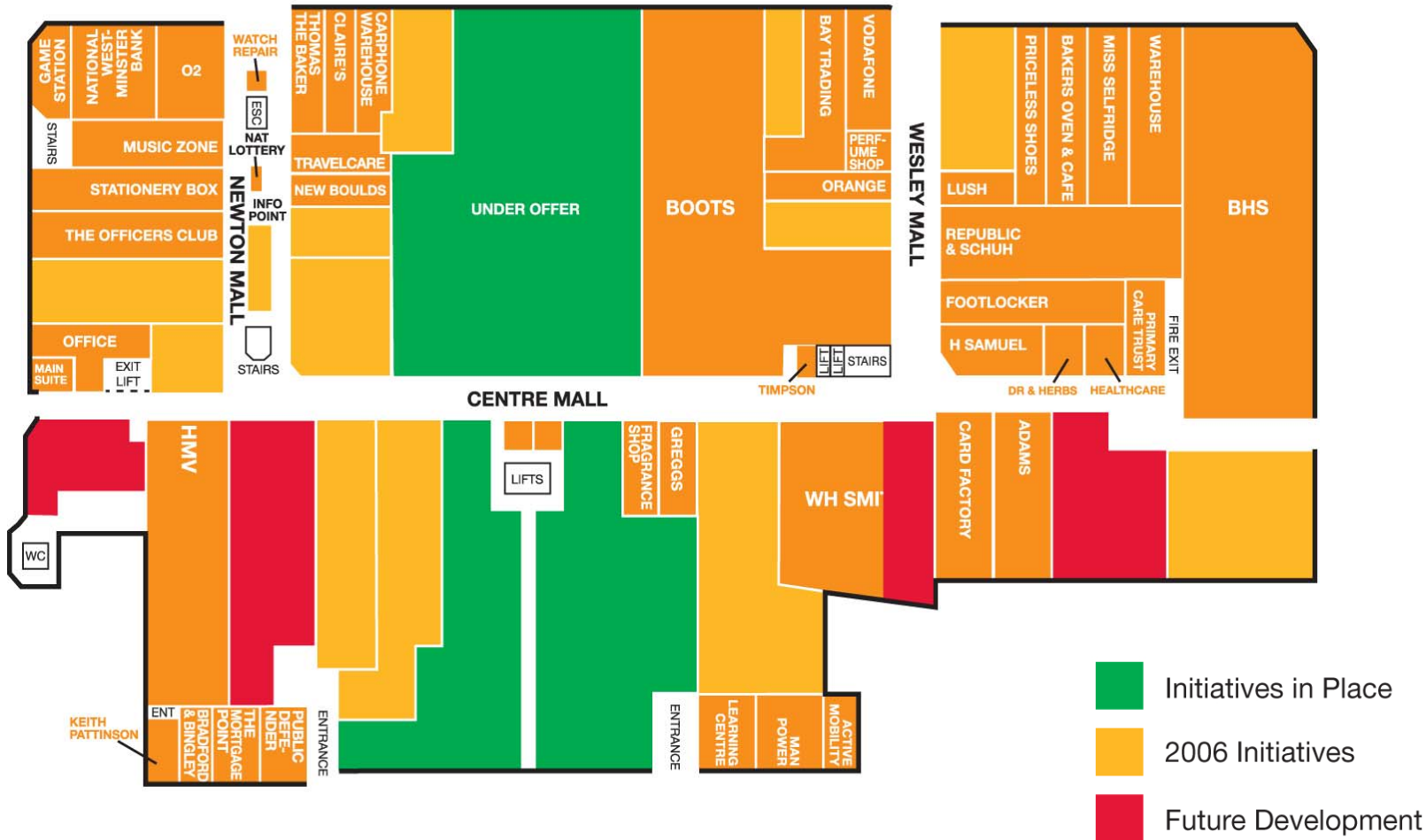
- Uxbridge - Car Park / re-modelling
- Edgware - Extension (250,000 sq ft)
- Wood Green - Extension (100,000 sq ft)
- Walthamstow - Extension (80,000 sq ft)
- Ilford - Reconfiguration
- Romford - Reconfiguration
- Bexleyheath - Refurbishment
- Epsom - Reconfiguration





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# The Mall, Middlesbrough





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## The Mall, Middlesbrough - George opening





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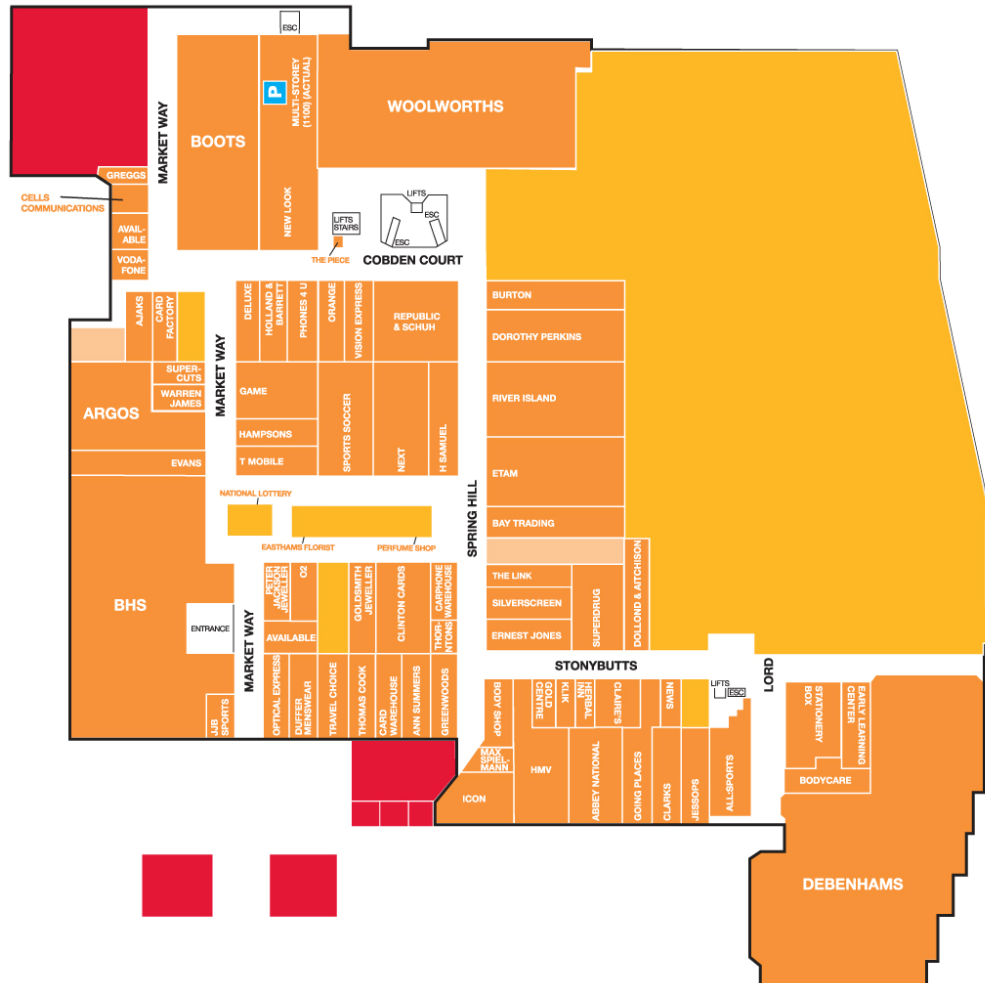
## The Mall, Middlesbrough - H&M opening





# The Mall, Blackburn - initiatives

## Level 1



- Initiatives in Place
- 2006 Initiatives
- Future Development





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## Blackburn – proposed visual










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# The Mall Walthamstow - initiatives



-  Initiatives in Place
-  2006 Initiatives
-  Future Development

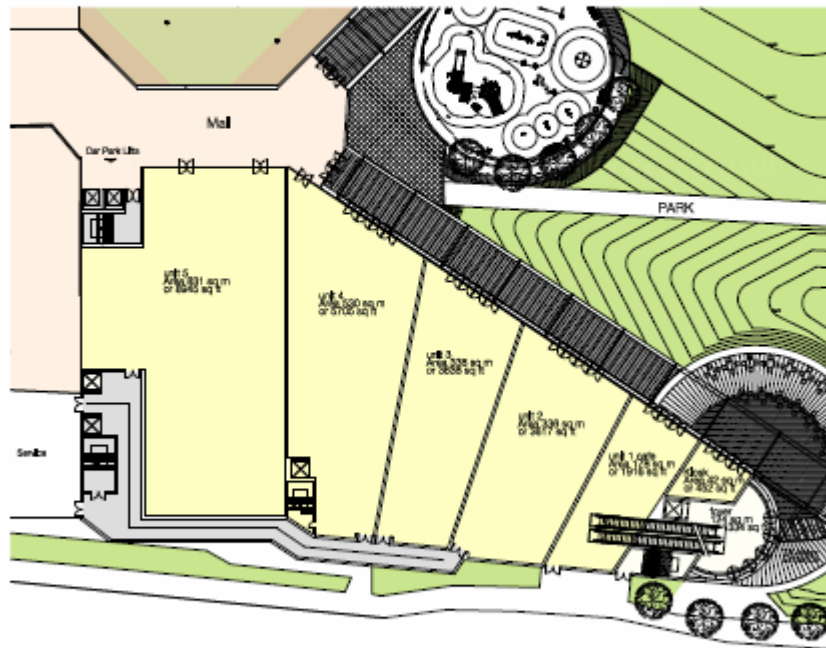


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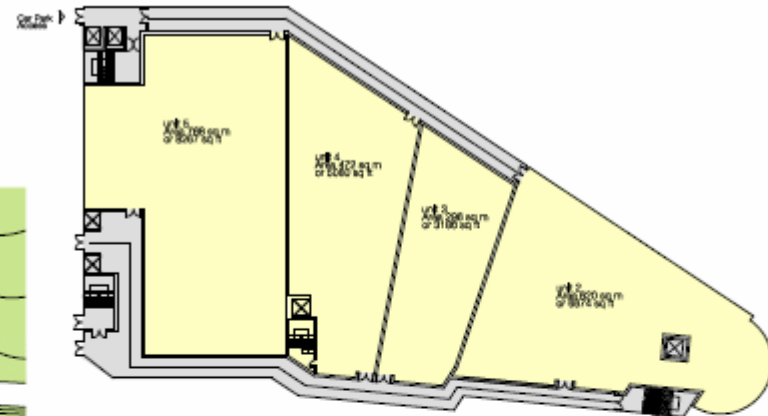
# The Mall - Walthamstow



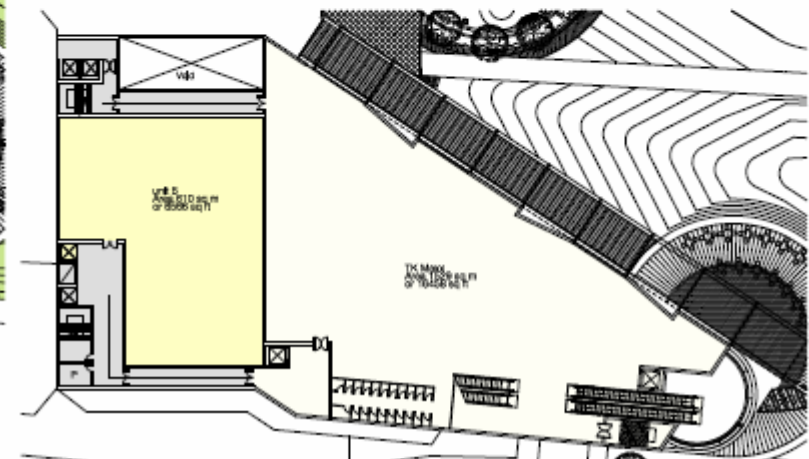
Site Plan



Ground Floor



Basement



First Floor



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## Walthamstow – proposed visual





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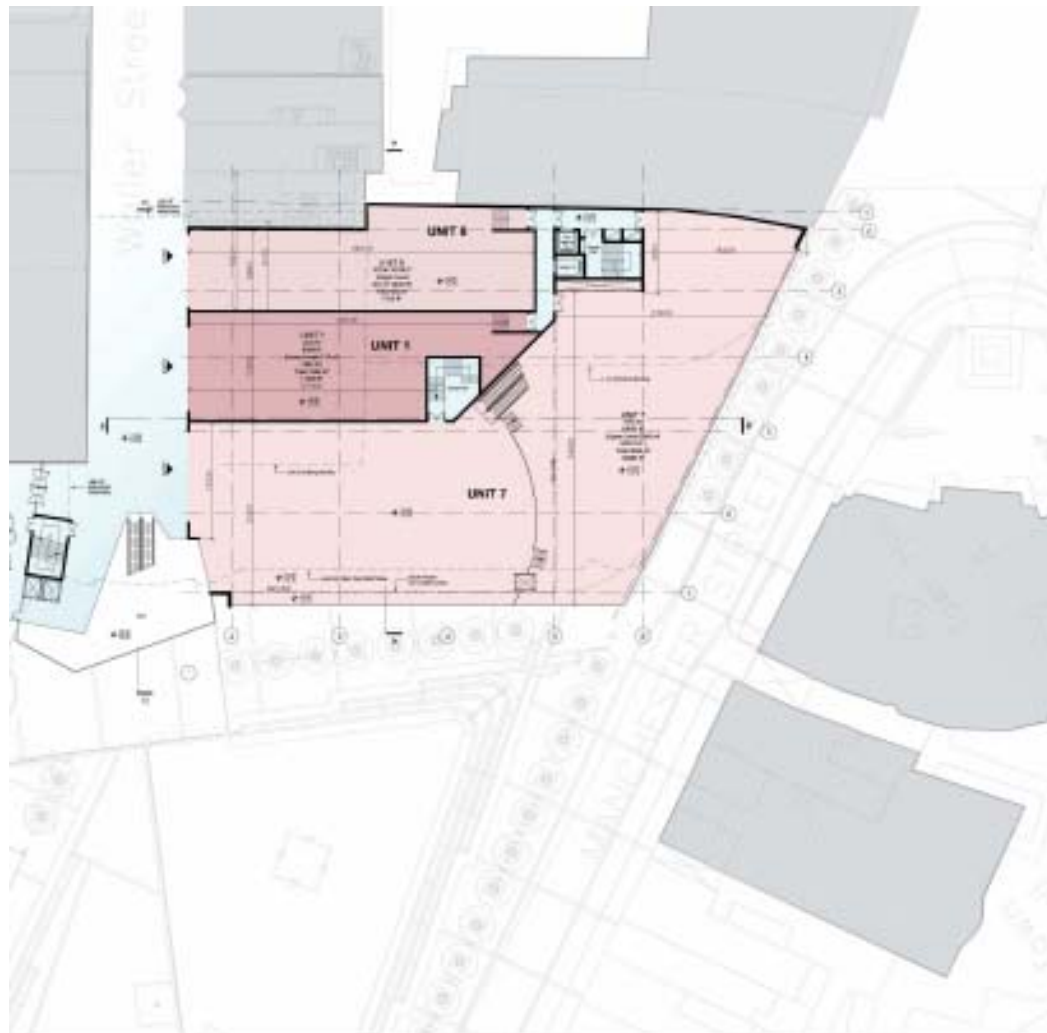
# The Mall, Luton - initiatives





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## The Mall, Luton - initiatives





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## The Mall, Luton - initiatives





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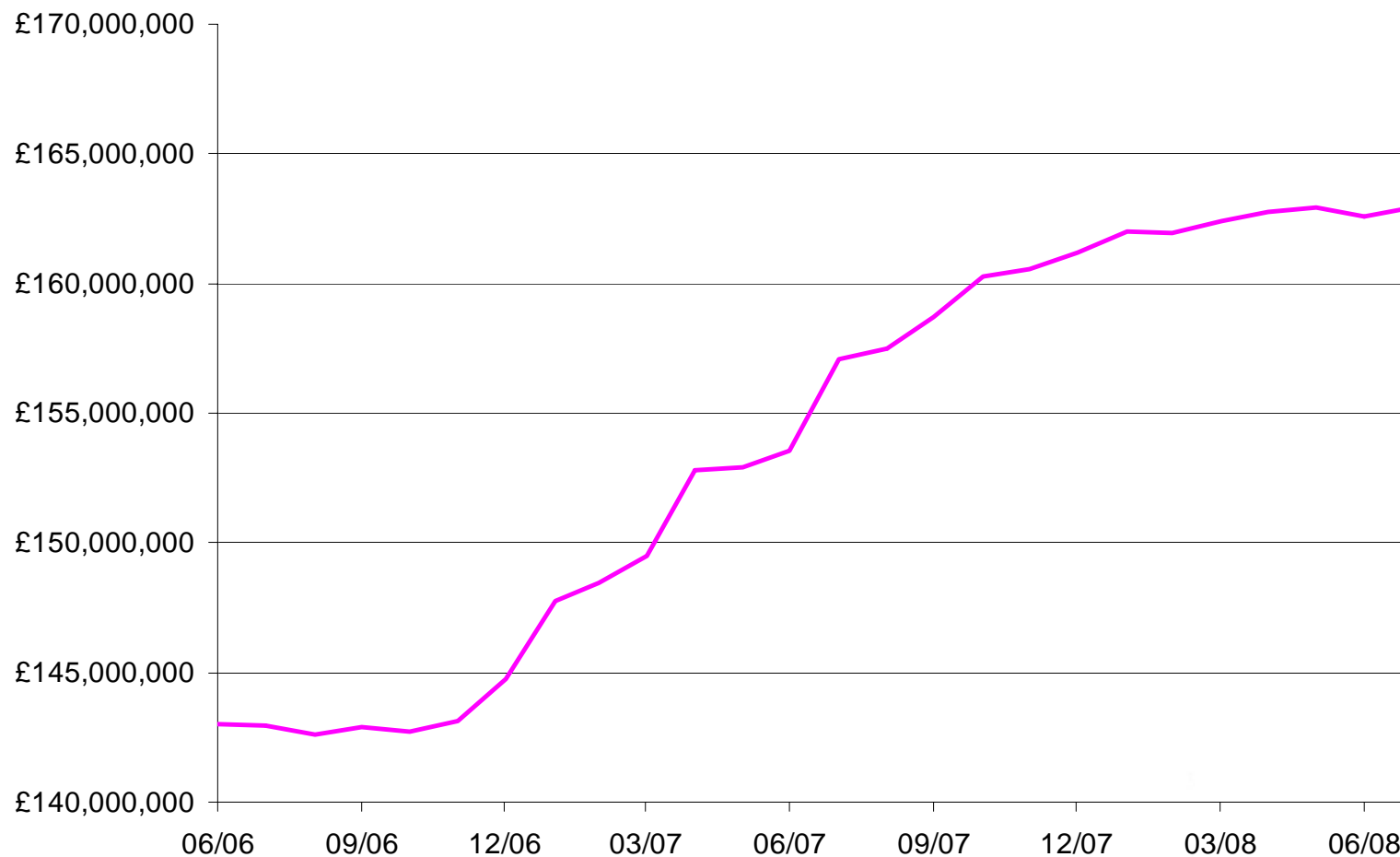
## The Mall, Luton – proposed visual





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## Valued rental income projection







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## Retail parks overview

- Subdued demand from Bulky Goods retailers, prime space only
- Working with these retailers on revised property strategies
- We are cautiously optimistic about future plans
- Strong but selective demand for prime open A1
- Sale of Morfa Retail Park, Swansea to the Junction Fund for £105m





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## The Junction Fund statistics

<b>the JUNCTION</b>	<b>At 31 August 2006</b>	<b>At 30 June 2006</b>	<b>At 31 December 2005</b>
<b>Property asset value</b>	<b>£1,402m</b>	<b>£1,439m</b>	<b>£1,459m</b>
<b>No. of retail parks</b>	<b>15</b>	<b>17</b>	<b>19</b>
<b>No. of units</b>	<b>214</b>	<b>236</b>	<b>258</b>
<b>Initial property yield*</b>	<b>3.54%</b>	<b>3.71%</b>	<b>3.71%</b>
<b>Equivalent yield*</b>	<b>4.50%</b>	<b>4.66%</b>	<b>4.82%</b>
<b>No. of investors</b>	<b>11</b>	<b>9</b>	<b>7</b>
<b>C&amp;R share</b>	<b>27.3%</b>	<b>27.3%</b>	<b>27.3%</b>
<b>Bank debt</b>	<b>£556m</b>	<b>£623m</b>	<b>£686m</b>

\* Excluding development properties



## Case Study - Maidstone

- 167,000 sq ft bulky goods retail warehouse park
- Planning consent achieved for comprehensive refurbishment reconfiguration and extension
- Mezzanine space secured
- New tenants attracted to park
- ERV growth from £27.50 December 2003 to £35 June 2006
- Cost £9.7m
- Ungeared IRR 24%                  Geared IRR 42%



# Case Study - Maidstone



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Before



After





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## Trade centre highlights

- Entered immature and fast growing sector in December 2005
- 7 centres purchased for £29m increasing portfolio to £102m
- Further £19m under offer and £40m targeted by December 2006
- Rental growth of 2.8%
- Ungeared performance of 9.2%, geared 23.5%
- Very good tenant demand with substantial new entrants emerging
- Operation taken in house September 2006 will improve tenant relationships







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## The X-Leisure Fund statistics

<b>X-LEISURE</b>	<b>At 31 August 2006</b>	<b>At 30 June 2006</b>	<b>At 31 December 2005</b>
Property asset value	£767m	£761m	£702m
No. of properties	18	18	17
No. of units	295	295	294
Initial property yield	5.22%	5.31%	5.68%
Equivalent yield	5.92%	5.97%	6.32%
No. of investors	18	18	17
C&R share	10.59%	10.59%	10.7%
Bank debt	£401m	£399m	£395m

Geared performance at June 06 – 17.1% after performance fee  
Before fee is 18.4% (21.7% since December 04)







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## Great Northern Warehouse, Manchester

- LCI casinos opening end October
- Going to planning for Oceana (Luminar Leisure)
- Asset management initiatives = £94m valuation

## Hemel Hempstead - WIP

## Manchester Arena

- Joint venture acquisition with GE Capital (70 / 30), C&R 30%
- £61.75 acquisition cost
- Exciting asset management opportunities





## German portfolio



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- JV Partner The Hahn Group - Big Box specialists - 120 single property closed end funds
- An additional closed end fund purchased - Sobenheim €10m
- Weigelt Portfolio €214m at a yield of 6.3% including development land
- Our existing portfolio is performing well with further asset management opportunities

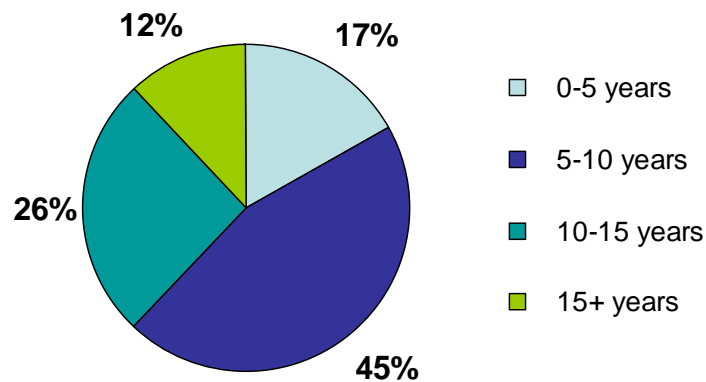




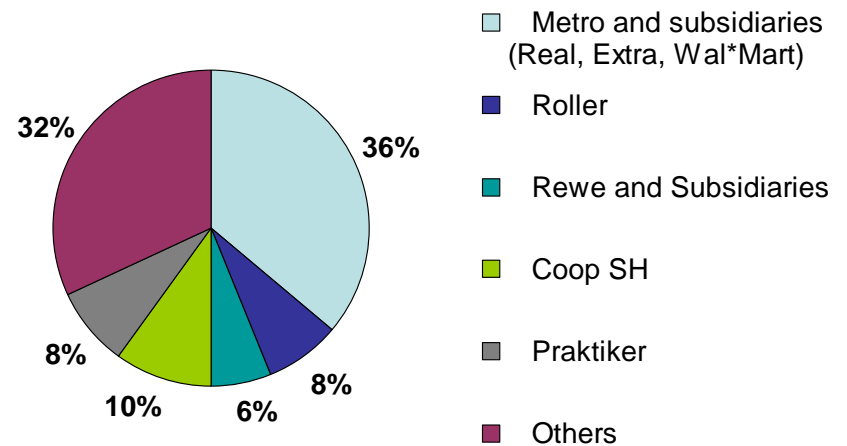


# German Portfolio

### Lease length distribution



### Rental income by tenant covenant



# Recent acquisition: Toenisvorst Retail Park near Düsseldorf



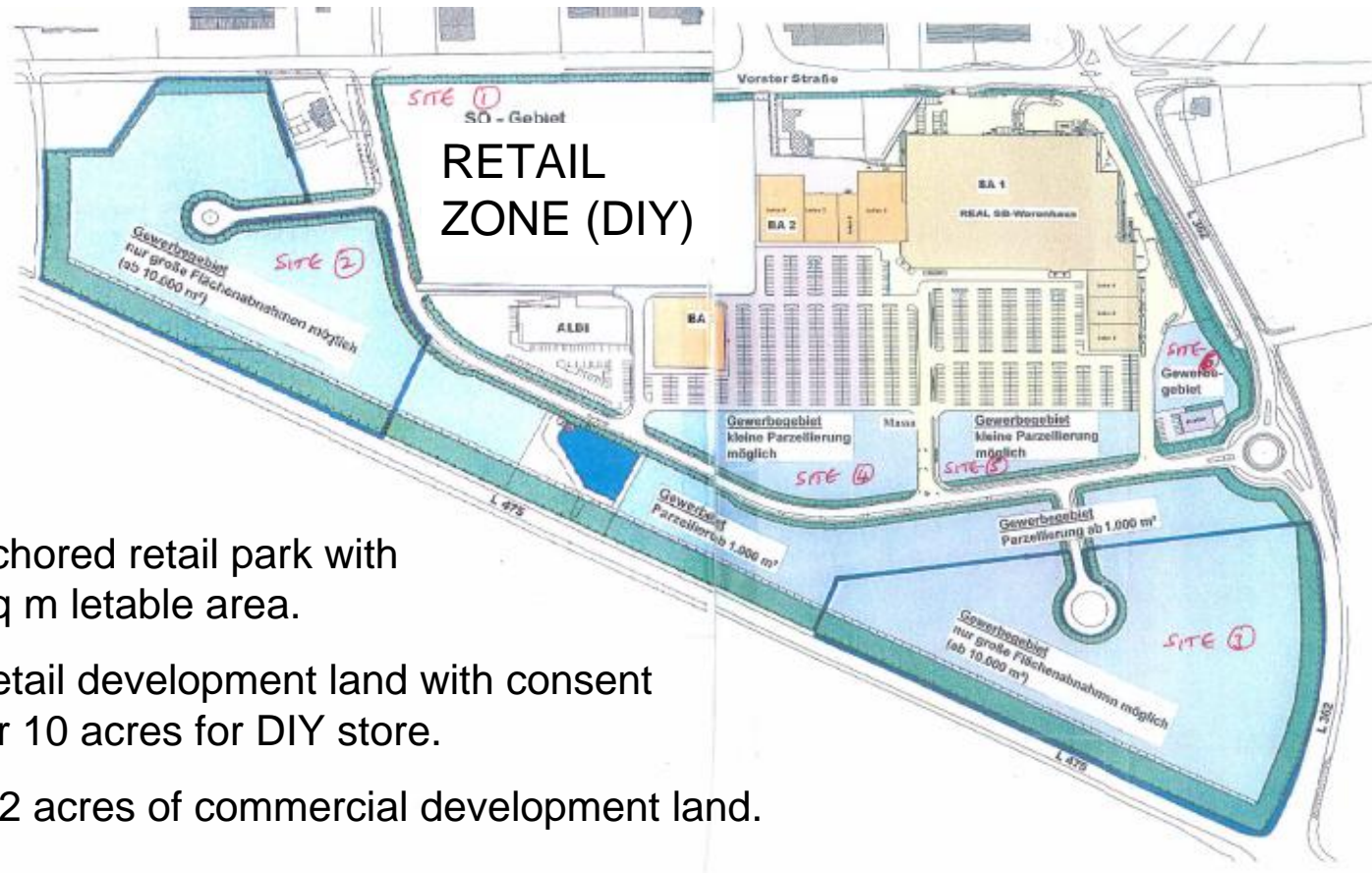
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# Toenisvorst Retail Park near Düsseldorf



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- 1) Real\* anchored retail park with 24,000 sq m letable area.
- 2) Further retail development land with consent for further 10 acres for DIY store.
- 3) Further 32 acres of commercial development land.

\* Real is a subsidiary of Metro



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## Germany – returns to 30 June 2006

	€m
Income after all expenses in Germany (6.7% annualised)	7.7
Expenses - Jersey	(0.1)
Net Interest Expense (4.2% annualised)	(3.6)
Profit before minority interest	<u>4.0</u>
Minority interest and taxation	(0.9)
Profit	<u>3.1</u>
Revaluation surplus	5.5
Total return	<u>8.6</u>
Equity invested	<u>47.0</u>
Return on equity (6 months only)	18.3%

- Annual cash return on our equity after debt and management costs of a minimum of 12% and rising with indexation and asset management





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## Outlook

- Not passive
- Confident of out performance
- Good track record





## Track record

	NAV per share	Dividend per share
Dec 1996	220p +19%	3.0p +20%
Dec 1997	272p +24%	3.5p +17%
Dec 1998	317p +16%	4.25p +21%
Dec 1999	370p +17%	5.0p +18%
Dec 2000	350p -5%	5.5p +10%
Dec 2001	336p -4%	6.0p +11%
Dec 2002	392p +17%	7.0p +17%
Dec 2003	521p +33%	9.0p +29%
Dec 2004	710p +36%	14.0p +56%
Dec 2005	975p +37%	18.0p +40%
June 2006*	1184p* +19%	9.0p* +29%

\* 6 months only, switch to IFRS

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