

Capital & Regional

Annual Results presentation

24 April 2009

2008 Annual Results Presentation Agenda

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| 1. Introduction | Hugh Scott-Barrett |
| 2. Financials | Charles Staveley |
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Introduction

- > Extraordinarily challenging year for Capital & Regional
- > Decisive steps taken to improve financial strength/resilience at both Group and Fund level
- > Acceleration of the fall in property values in Q4 2008 has given an added sense of urgency to address remaining priorities in H1 2009.
- > Market conditions ideally suited to operational management philosophy as property asset manager.

Achievements to date

Actions undertaken to strengthen Capital & Regional's financial position include:

- > Sale of 80% interest in FIX UK portfolio for £32m with a reduction in group debt of £155m at a net initial yield of 5.8%
- > Sale of a 50% interest in German portfolio to AREA Property Partners for €65.6m, representing a net initial yield of 6.25%. Reducing on-balance sheet debt by £384m
- > Sale of Costco unit in Cardiff for £17.0m, representing a net initial yield of 6.1% (on contracted rent)
- > Group bank covenants with principal lending banks were renegotiated during the year and balance sheet debt has reduced from £625m at 1 January 2008 to £113m at 30 December 2008
- > Measures have been taken which will reduce the Group's underlying annual cost base by at least £3m in 2009
- > Sale of Cardiff JV interest for £1.2m at a NIY of around 5.9% on contracted rent

Actions undertake to strengthen the financial position in the Funds include:

Mall

- > £286m Mall capital raising in June 2008; proceeds used to repay RBS bank facility in full and as a consequence the Fund has no effective LTV covenant
 - > Sale of 3 properties from the Mall to Carlyle Group in July 2008 for £286m, representing a 6% net initial yield
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Achievements to date (cont...)

Junction

- > Sale of Great Western Retail Park to Resolution Properties for £58.5m in March 2008, representing a 5.75% net initial yield
- > Sale of the Templars Retail Park in Oxford for £57m in August 2008, representing a 5.68% net initial yield
- > Sale of St George's Retail Park, Leicester in November 2008 for £32m, representing a 8.22% net initial yield
- > Relaxation of the Junction banking facility LTV covenant for a period of 12 months until October 2009 providing a 70% LTV covenant, enabling the current fund restructuring and refinancing to take place
- > Announcement by the Fund to raise around £65m in new equity

X-Leisure

- > Sale of 02 Centre, Finchley Road for £92.5m in April 2009, representing a 7.83% net initial yield

Financials

Charles Staveley

Financial Highlights

	2008	2007
> Recurring pre-tax profit	£27.6m	£32.7m
> Triple net asset value per share	£2.67	£10.04
> Dividend per share	5p	27p
> Property under management	£4.0bn	£6.1bn
> Total see through debt	£836m	£1,334m

Income statement

	Year to 30 Dec 2008	Year to 30 Dec 2007
	£m	£m
Recurring profit before tax	27.6	32.7
Performance fees less variable overhead	(9.8)	(44.9)
Performance fee benefit*	2.4	18.1
Property revaluations	(373.9)	(164.4)
Disposal losses, swap revaluations etc	(162.6)	(8.5)
Tax	14.1	0.2
Loss after tax	<u>(502.2)</u>	<u>(166.8)</u>

* *C&R's share of the benefit of the performance fee repaid as co-investor in the funds*

Income statement – recurring pre-tax profit

	Year to 30 Dec 2008 £m	Year to 30 Dec 2007 £m
Property investment		
UK	6.1	10.2
Germany	11.1	9.6
Property management	8.9	10.8
SNO!zone	1.5	2.1
Recurring pre-tax profit	27.6	32.7

Yield shift

	Dec 2008	Dec 2007 ⁺	Movement
Nominal Equivalent yields			
Mall	8.44%	5.71%	2.73%
Junction	7.12%	5.39%	1.73%
X-Leisure	7.68%	5.78%	1.90%
Weighted Average	7.84%	5.64%	2.20%
Germany	6.51%	5.99%	0.52%
Initial yields			
Mall	7.15%	4.81%	2.34%
Junction	6.20%	4.44%	1.76%
X-Leisure	6.68%	5.06%	1.62%
Weighted Average	6.74%	4.76%	1.98%
Germany	6.51%	5.99%	0.52%

⁺ like-for-like basis excluding disposals in 2008

Fund valuation movement

	31 December 2008		31 March 2009	
	Valuation	Net Initial Yield	Valuation	Net Initial Yield
	£m	%	£m	%
Mall	1,692	7.15	1,483	7.61
Junction	734	6.20	619	7.10
X-Leisure	721	6.68	632	7.69

Income statement – property revaluation

	Year to 30 Dec 08 £m
Mall	(196.5)
Junction	(79.7)
X-Leisure	(47.4)
Germany	(34.0)
Other JV's and wholly-owned	(16.3)
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Total revaluation deficit	(373.9)

Income statement – disposal losses, swap revaluation and other movements

	Year to 30 Dec 08 £m
Mall	(11.9)
Junction	(11.1)
X-Leisure	(4.5)
Germany	(11.4)
Other Group and JVs	(8.9)
	<hr/>
	(47.8)
Deemed disposal re: Mall rights issue	(28.8)
Disposals loss	(42.3)
Impairments	(39.9)
Other non-recurring	(3.8)
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Total swap revaluation and other movements	(162.6)

Performance fees

- > £10m clawback of 2006 X-Leisure performance fee
- > Net movement of £5.1m in income statement after benefit of C&R share of fund and reduction in CAP liability
- > £5.6m already paid, balance by June 2009
- > No further clawback to Mall, Junction or X-Leisure

Three balance sheets

30 Dec 2008

	Enterprise £m	See through £m	Statutory £m
Mall	1,800	301	86
Junction	712	194	58
X-Leisure	720	140	39
Germany	595	297	40
Other JV's and wholly owned	143	60	(5)
Great Northern , Hemel Hempstead and others	99	99	99
	<hr/>	<hr/>	<hr/>
Total property (IFRS basis)	4,069	1,091	317
Working capital etc.	(115)	(69)	(18)
Debt	(2,947)	(836)	(113)
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Net Assets	1,007	186	186
C&R Shareholders	186	186	186
Fund and JV Investors	821		
	<hr/>	<hr/>	<hr/>
Total equity	1,007	186	186
Gearing (debt/equity)			60%

Movements in debt

	On balance sheet				Off balance sheet					Total
	Core Facility	Germany	Other	Total	Mall	Junction	Germany	Other ²	Total	
Balance 30/12/2007	61	355	209	625	412	177	(29)	149	709	1,334
Property Sales				-	(32)	(39)			(71)	(71)
Mall open offer				-	(171)				(171)	(171)
Sale of FIX	(32)		(120)	(152)				24	24	(128)
Sale of Germany	(43)	(374)		(417)			187		187	(230)
Other ¹	41	19	(3)	57	(1)		70	(24)	45	102
Balance 30/12/2008	27	-	86	113	208	138	228	149	723	836

¹ Includes foreign exchange movements on German debt and impairment of FIX UK

² Includes X-Leisure

Group debt

	Debt at 30 Dec 2008 £m	Average interest rate %	% Fixed	Duration of fixing (months)	Duration to loan expiry (months)
£125.5m revolving credit facility	27	6.45%	238%	25	25
Great Northern debt	67	6.39%	104%	21	21
Hemel Hempstead debt	11	6.27%	100%	8	8
Victoria debt	8	7.14%	-	n/a	10
Group debt	113	6.45%	128%	21	20

Off balance sheet debt (C&R share)

	Debt at 30 Dec 2008 £m	Average Interest rate%	% Fixed	Duration of fixing (months)	Duration to loan expiry (months)
Mall (16.7% share)	208	5.01%	100%	40	40
Junction (27.3% share)	138	5.92%	100%	37	27
X-Leisure (19.4% share)	94	5.88%	91%	29	39
Germany (48.8% share)	228	4.68%	100%	32	32
Other JV's and associates (20% - 50% share)*	55	6.37%	63%	37	37
Off balance sheet debt	723	5.30%	96%	35	35

* Excluding FIX UK

**Key covenants – core revolving credit facility
30 December 2008**

	Limit	Position at 30 Dec	Comment
Gearing	Less than 200%	38%	Recourse debt divided by NAV (excluding goodwill) must be less than 200%
Asset cover	Greater than 200%	738%	Value of company's holdings of units in its 3 funds must be 2 x borrowings drawn on credit facility
Interest cover	Greater than 150%	462%	Income / interest on credit facility. Income includes recurring items only from CRPM, SNO!zone and share of fund profits

Key covenants - funds

	LTV at 30 Dec 2008		LTV covenant		Historic ICR for year to 30 Dec 2008	ICR covenant
Mall	66.1%		N/A	*	195%	130%
Junction	69.0%	***	70%	**	161%	127.5%
X-Leisure	69.7%	***	70%		177%	130%

* *LP deed only incurrence basis*

** *Increased from 60% until October 2009*

*** *LTV waiver agreed for Junction facility and X-Leisure core facility until 1 June 2009*

Key Covenants – German Joint Venture

	Facility(€m)	Expiry	LTV	ICR
Portfolio 1	46	Jun 10	<77%	>150%
Portfolio 2	71	Jun 10 – Sep 12	N/A	>150%
Portfolio 3	113	Sep 10 – Oct 16	N/A	>160%
Portfolio 4	169	Jul 11	<85%	>125%
Portfolio 5	48	Nov 13	<81%	>120%
Portfolio 6	37	Sep 12 – Dec 12	N/A	>140%

Operations

Hugh Scott-Barrett

Occupancy levels

	Mall	Junction	X-Leisure	UK weighted average	Germany
Mar 2009	93.2%	91.0%	95.9%	93.1%	98.1%
Dec 2008	94.4%	93.4%	96.2%	94.6%	98.2%
Dec 2007	94.1%	94.8%	96.7%	94.8%	98.7%

New lettings

	Mall	Junction	X-Leisure	Total/weighted average
2008				
Number	214	8	33	255
Passing rent £m	7.1	1.1	1.8	10.0
Comparison to ERV	1.6%	(2.9)%	0.6%	0.9%

Rent reviews

	Mall	Junction	X-Leisure	Total/weighted average
2008				
Number	144	7	29	180
Passing rent £m	13.5	3.3	7.5	24.3
Comparison to ERV	1.7%	(3.5)%	2.7%	1.3%

Tenants in administration – passing rent

	Mall	Junction	X-Leisure	Weighted average
Passing rent – Mar 2009				
Percentage into Administration	3.4%	3.2%	0.7%	2.8%
Percentage still trading Q1 2009	65.6%	0.0%	29.5%	49.4%
Passing rent – Dec 2008				
Percentage into Administration	7.3%	3.8%	3.5%	5.8%
Percentage still trading Q1 2009	42.0%	7.0%	24.9%	35.6%
Passing rent – Dec 2007				
Percentage into Administration	1.6%	0.5%	2.1%	1.5%
Percentage still trading Q1 2008	79.3%	0.0%	0.0%	49.8%

C&R Retail

- > The Mall and Junction retail teams combined to form the C&R Retail management platform with 69 staff
- > Brings together the wealth of experience and retail talent within the Group
- > Operational and management synergies enabling us to better service existing commitments and new opportunities

C&R Retail Asset Management - Woolworths

- > 6 Direct Tenancies; £2m pa rent
 £1.5m pa service charge/rates
- > 4 Related Occupations

- > Directs:
 - Barnsley – assigned to Iceland
 - Bexleyheath* – split, New Look/Mothercare
 - Blackburn* – split, New Look/Peacocks
 - Bristol* – Poundland
 - Sutton Coldfield* – H&M/Deichmann
 - Wood Green* – New Look

- > Target Rent £2.32m pa

* Ongoing negotiations

C&R Retail Retailer Relations - Clinton Cards

- > 4th largest tenant. Representation: 19 Malls, 22 units
- > £3.15m pa rent + £1.7m s/c and rates
- > Comprehensive review – 7 rent reviews/3 lease extensions/3 re-gears/2 downsize/2 renewals/4 new leases
- > Improved presence and rent (27 units. Rent + £191k pa)
- > Reviews: +2.6% ERV/+5% Business Plan
- > Renewals: +6.6% ERV/+14% Business Plan
- > 87 years additional rent cover

Current Transactions

Charles Staveley

Junction rights issue

- > £65m capital raise
- > Proposed £50m Investment by AREA Property Partners
- > 18p issue price subject to adjustment
(40% discount to March 2009 unit price including swap mark-to-market)
- > Group participation £600k
- > Investor vote 29 April
- > Expected to complete mid-late May

Impact of Junction rights issue on C&R

	31 March 2009	Proforma	Dilution
	£m	£m	£m
Net asset value for unit holders	92.5	152.9 ***	
Units	311.2	672.3	
Unit price *	0.297	0.227	
C&R share (£m) **	25.3	20.1	(5.2)
C&R share of fund **	27.3%	13.1%	

	£m
Net asset value	92.5
Equity issued	65.0
Fees and expenses	(4.6)
*** Proforma net asset value	<u>152.9</u>

* Includes mark to market of the swap

** Proforma numbers assuming £0.6m C&R participation in equity raise

Junction refinancing

- > LTV testing deferred until 1 June 2009
- > Tiered LTV covenant at 90% until September 2010 to 65% from September 2012
- > Tiered margin geared to actual LTV
- > ICR covenant 130% to June 2012, 135% thereafter
- > Facility extended to April 2014

What the Junction fundraising does for C&R

- > Significantly enhances financial resilience of the Fund
- > Introduces existing joint venture partner as significant investor in Fund
- > Secures ongoing Property Asset Management contract
- > Paves the way for exit from 2012 onwards

Cardiff

- > Sale of CostCo unit for £17m just before year end
- > Sale of remaining 50% share in Cardiff joint venture for £1.2 million
- > Release of £2.6m bank guarantee and £2m of further commitments
- > Sale at close to year end NAV at contracted NIY of around 5.9%

X-Leisure Recapitalisation

- > Sale of 02 Centre, Finchley Road for £92.5m: Proceeds used to reduce bank debt
- > Waiver of LTV covenant agreed to 1 June 2009
- > Appetite from existing investors to support equity raise
- > Negotiations on amendments to covenants ongoing
- > Well respected management team key in securing support

The Way Forward
Hugh Scott-Barrett

The Way Forward

- > Finalisation of recapitalisation of Junction and X-Leisure.
- > Definitive agreement on further amendments to financial covenants for facility with Group's principal lending bank.
- > Further de-gearing of Group balance sheet through disposal/part-disposal of remaining assets.
- > Ensure lasting financial resilience to leverage the operational platform and improve shareholder returns.

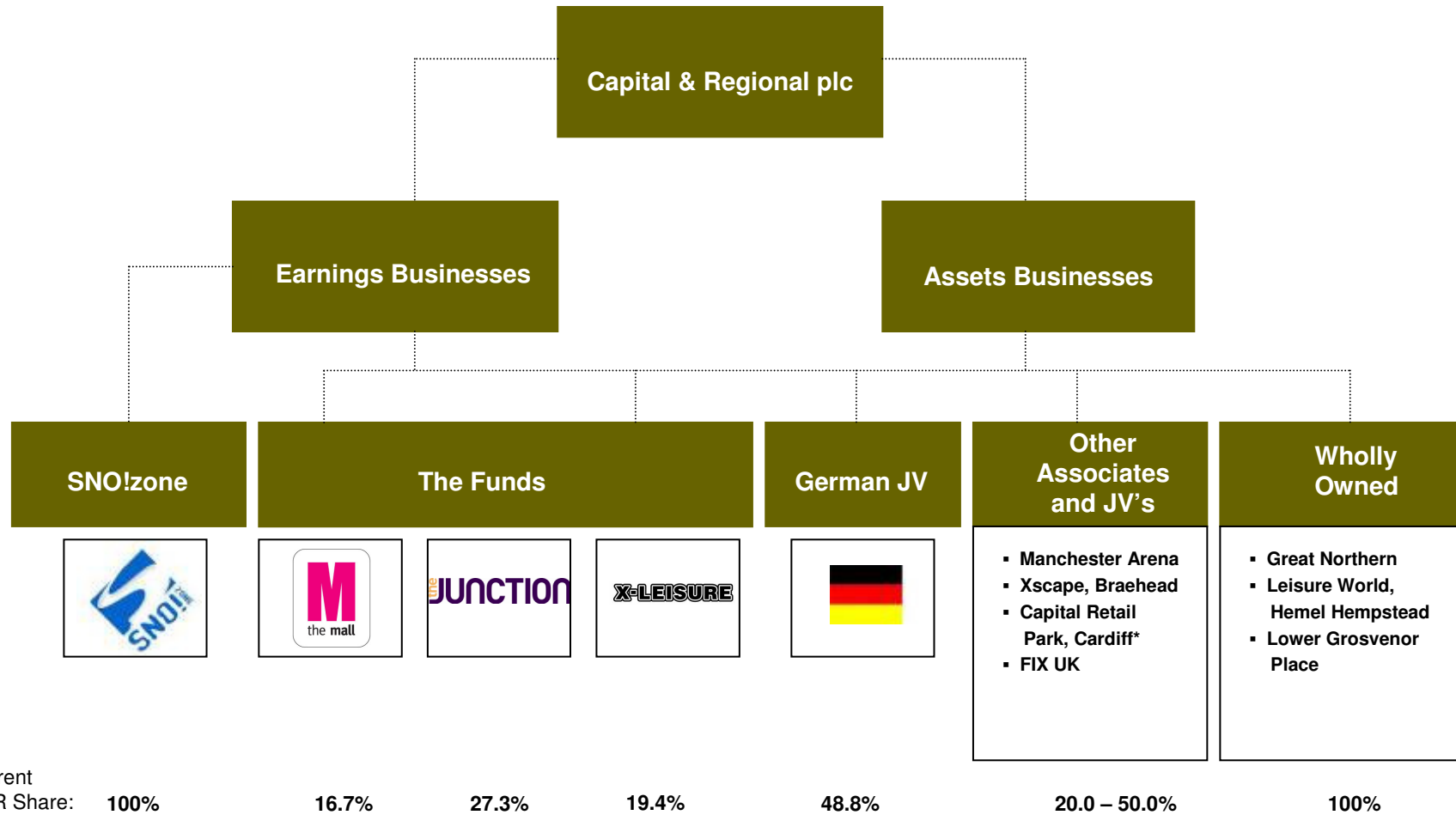
Questions & Answers

APPENDICES

Fund performance

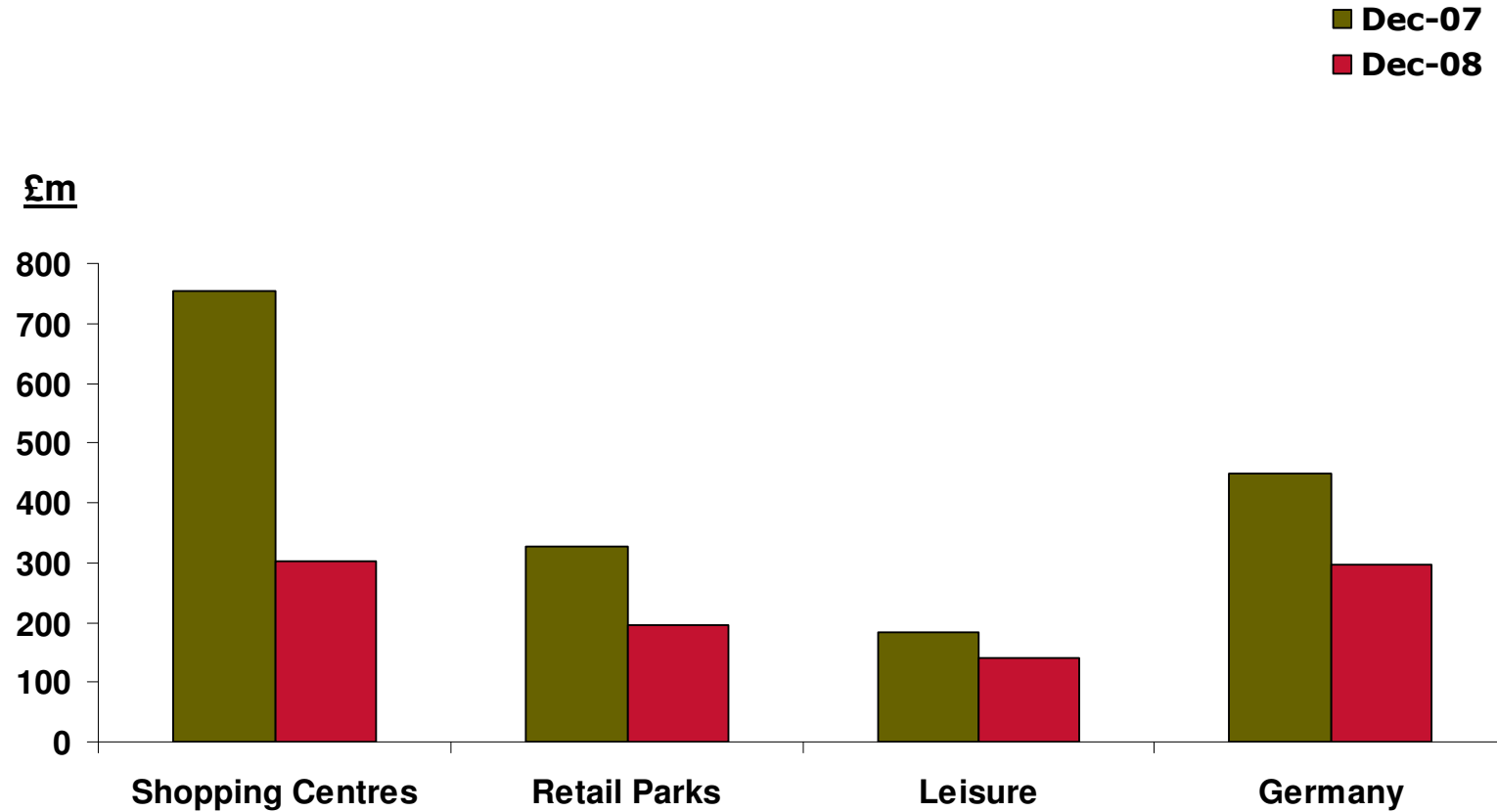
	2005	2006	2007	2008
Mall				
Property level returns	16.5%	17.6%	(3.3)%	(33.2)%
Gearred returns	22.8%	26.3%	(13.2)%	(65.4)%
IPD retail property index	16.3%	12.7%	(3.2)%	(22.0)%
Junction				
Property level returns	23.3%	15.0%	(16.8)%	(26.1)%
Gearred returns	34.1%	18.3%	(34.0)%	(57.1)%
IPD retail parks index	22.1%	14.7%	(9.6)%	(25.2)%
X-Leisure				
Property level returns	15.3%	19.7%	2.1%	(21.9)%
Gearred returns	28.3%	30.4%	(3.0)%	(48.2)%
Weighted average (based on C&R exposure to 3 funds)				
Property level returns	18.9%	16.9%	(6.1)%	(28.2)%
Gearred returns	27.3%	23.9%	(17.3)%	(58.5)%

Group structure



*Agreement was reached to sell 50% investment in Capital Retail Park, Cardiff on 23 April 2009

Property exposure including C&R share of funds and joint ventures



Calculation of triple net NAV per share

	Net Assets	Shares	NAV per share
	(£m)	(m)	(£)
Basic (from balance sheet)	186.1	71.3	2.61
Own shares held		(2.0)	
Fair value of borrowings (net of tax)	(1.1)		
	185.0	69.3	2.67

Note: Triple net NAV per share marks all assets and liabilities to market and assumes that all options and convertibles are exercised. It includes full deferred tax provisions on investment properties.

Property management business CRPM

	Year to 30 Dec 08	Year to 30 Dec 07
	£m	£m
Total recurring fee income	22.8	26.0
Fixed management expense*	(13.9)	(15.2)
Recurring profit (IFRS)	8.9	10.8
Performance fees	(9.9)	(52.8)
Variable overhead	0.1	(7.9)
Mall rights issue costs	(2.6)	-
Impairment of goodwill	(8.0)	-
Other non-recurring items	(3.0)	-
Total loss/profit	(14.5)	(34.1)

* Excludes amounts allocated to property investment business

	Year to 30 Dec 2008 £m	Year to 30 Dec 2007 £m
Turnover	<u>14.9</u>	<u>14.3</u>
Costs	(13.1)	(11.5)
Operating profit / cash flow	<u>1.8</u>	<u>2.8</u>
Accounting adjustments	(0.3)	(0.7)
Statutory profit	<u>1.5</u>	<u>2.1</u>

Peak to date (like for like portfolio basis)

Fund	June 2007	March 2009	Peak to date
	£m	£m	
Mall	2,808.1	1,482.9	(47.2)
Junction	1,239.7	618.8	(50.1)
X-Leisure	940.6	631.9	(32.8)

Forward Looking Statement

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

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

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