

Preliminary Results Presentation 2005



Capital & Regional



23 March 2006

- Overview Martin Barber
- Financials William Sunnucks
- Divisional reports
 - Shopping Centres Ken Ford
 - Retail Parks Andy Lewis-Pratt
 - Leisure PY Gerbeau
 - Germany Xavier Pullen
- Questions





- 36.6% total return on equity before exceptional items
- £5.6 bn* of property assets (2004 £4 bn);
- 37.4% increase in NAV per share to 976p on a fully diluted basis
- 29% increase in dividend to 18p per share;

** At 28th Feb 2006 – increased from £5.1bn in Dec 2005 following acquisition of shopping centres at Luton & Uxbridge*



1. Total returns + yield shift
2. Profit and loss account + CULS + dividend + property management
3. Balance sheet + debt + tax efficiency
4. IFRS




Total Returns

	Before tax £m	Tax £m	After tax £m	Return on equity
Profit	43.5	(12.6)	30.9	
Revaluation surplus	164.4	(1.1)	163.3	
Total return before exceptionals	207.9	(13.7)	194.2	36.6% 
CULS premium write off	(46.9)	13.0	(33.9)	
Total return after exceptionals	161.0	(0.7)	160.3	30.2%



Drivers of total return

	Return £m	RoE %
Underlying total return	97	18.4 
Market yield shift	118	22.2
Removal of SDLT relief	(21)	(4.0)
Total return	<u>194</u>	<u>36.6</u>

Notes:

1. Yield shift affects revaluation surplus (£109m) and performance fees (£9m)
2. SDLT relief removed in disadvantaged areas. C&R funds disproportionately affected:
 - Mall 49% of portfolio affected against 12% in IPD index
 - Junction 49% of portfolio affected against 21% in IPD index



Market yield shift in 2005

	Shopping centres equivalent yield	Retail Parks equivalent yield	Leisure equivalent yield
Dec 04	6.35%	5.76%	6.80%
Dec 05	5.84%	5.11%	6.31%
Shift	0.51%	0.65%	0.49%
Impact on value	8.7%	12.7%	7.8%

Source: IPD except for leisure, where we use the X-Leisure portfolio adjusted to a like for like basis as a proxy.



Revaluation Uplifts – C&R share

	Revaluation surplus £m
Mall	58.8
Junction	58.3
X-Leisure	6.1
Swansea	17.1
Xscapes	11.3
Gt Northern	9.6
Germany	5.8
Other	(2.6)
Total	<hr/> 164.4 <hr/>



Profit and loss account - highlights

	2005 £m		2004 £m
Recurring pre-tax profit	20.2	←	16.4
Profit before exceptionals & tax	43.5		36.2
Exceptionals	(46.9)		(10.2)
Tax	0.4		(5.8)
Profit after tax	<u>(3.0)</u>		<u>20.2</u>





£46.9m exceptional item – CULS buyback

	Total	2005	2004
	£m	£m	£m
CULS repurchase (£5.78 equivalent after tax)	75.2	62.8	12.4
Shares issued (£7.29 average price)	(49.5)	(49.5)	
Net reduction in capital	25.7	13.3	12.4
Premium write-off	55.1	46.9	8.2
Tax benefit – credit taken so far	15.5	13.0	2.5

Is a £46.9m loss really “good news”?

- A reduction in capital employed*
- Works on a pre-tax basis*
- £15.5m tax saving*

BUT profit and loss account suffers !



Recurring profits and dividends

	2005 £m	2004 £m
Net rental income – our share	55.4	47.1
Management fees	22.8	19.3
Snozone profit	1.8	1.4
Fixed management expense	(17.1)	(14.9)
Interest expense	(42.7)	(34.5)
	<hr/>	<hr/>
Recurring profit before tax	20.2	16.4
	<hr/>	<hr/>
<i>Dividend</i>	<i>12.5m</i>	<i>9.0m</i>
<i>Coverage by recurring profit before tax</i>	<i>1.6x</i>	<i>1.8x</i>
<i>Coverage by profit after tax (before exceptionals)</i>	<i>2.5x</i>	<i>3.4x</i>





Earnings
businesses

Assets
business

Snozone
(Ski slope)

CRPM
(Property
Management)

Fund
Co-investment

JVs

Wholly
owned





Property Management Business - CRPM

	2005 £m	2004 £m
Property management fees	22.8	19.3
Fixed management expense*	(13.7)	(10.6)
Ongoing cash flow	<u>9.1</u>	<u>8.7</u>
Performance fees	51.0	31.2
Variable overhead	(18.9)	(11.8)
Performance related cash flow	<u>32.1</u>	<u>19.4</u>
Total profit	<u>41.2</u>	<u>28.1</u>

Notes:

*Includes £1.151m for amortisation of goodwill

*excludes 20% of cost allocated to the property ownership business



Performance Fee Summary 2005

	Mall	Junction	X-Leisure
Pre-performance fee return	25.2%	38.1%	28.3%
IPD or benchmark	16.3%	22.1%	12.0%
Performance fee	£29.6m	£17.3m	£4.1m
Total	£51.0m		



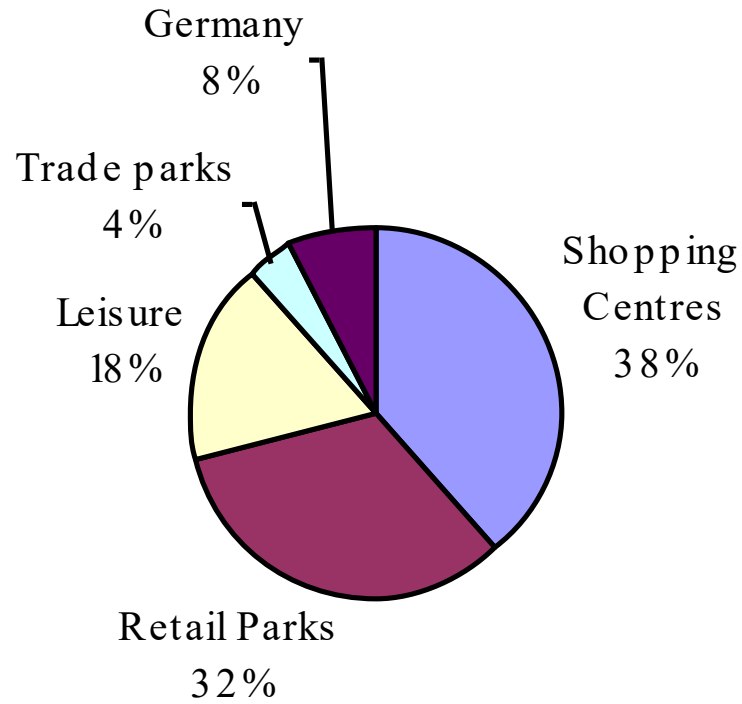
Three balance sheet presentations

	Enterprise £m	See through £m	Statutory £m
Mall	2,334	610	350
Junction	1,441	394	208
X-Leisure	701	75	32
Xscapes	219	121	46
Germany	136	119	136
Wholly owned	263	263	263
Total property	5,093	1,581	1,035
Working capital etc.	117	5	20
Debt	(2,662)	(892)*	(360)*
Net assets	2,548	694	694
C&R shareholders	694	694	694
Fund investors	1,854	-	-
Total equity	2,548	694	694
LTV (debt / property value)	52.3%	56.4%	34.8%
Gearing (debt / equity)	104%	129%	52%

* Debt net of cash held



C&R property exposure by segment - % of £1.58 billion





Bank Debt – profile at 30/12/2005

See Through Debt

	Net Debt (our share) £m	Interest margin %	Interest cost %	% hedged	Duration of fixings (months)
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On balance sheet

* £ sterling	237	0.96%	5.38%	44.8%	20
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* Euros – sterling equiv	108	1.11%	3.81%	66.6%	55
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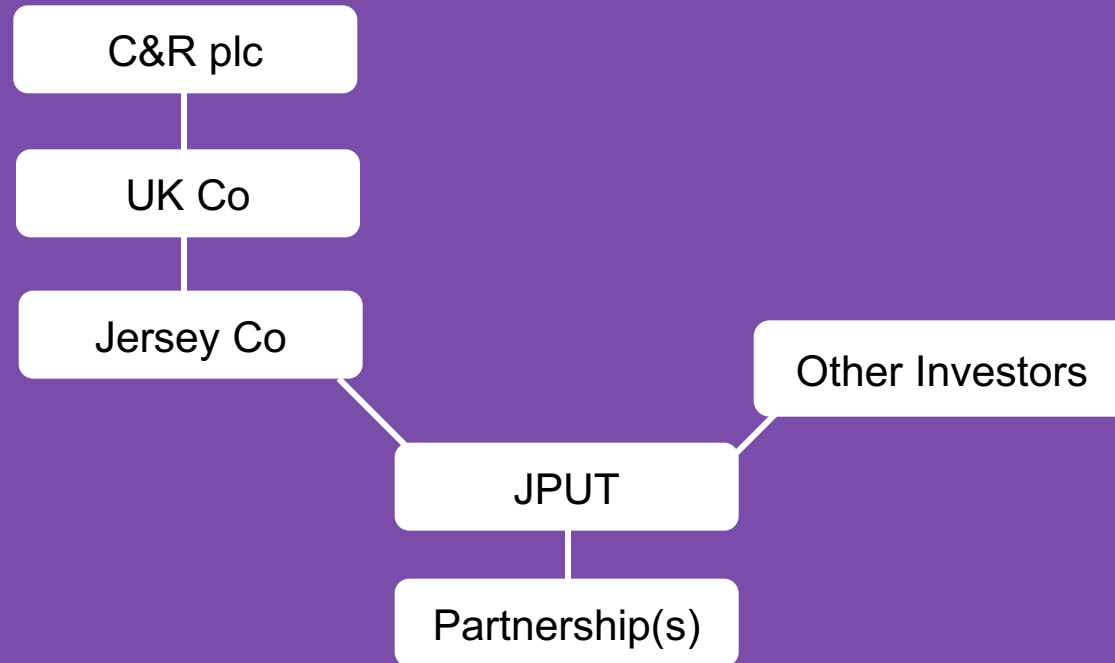
Fund Debt	474	0.52%	5.27%	94.5%	60
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Partnership debt	72	0.95%	6.07%	61.5%	41
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Total 2005 / Wtd av	892	0.74%	5.19%	75.2%	52
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Total 2004 / Wtd av	649	1.11%	5.82%	72.0%	29
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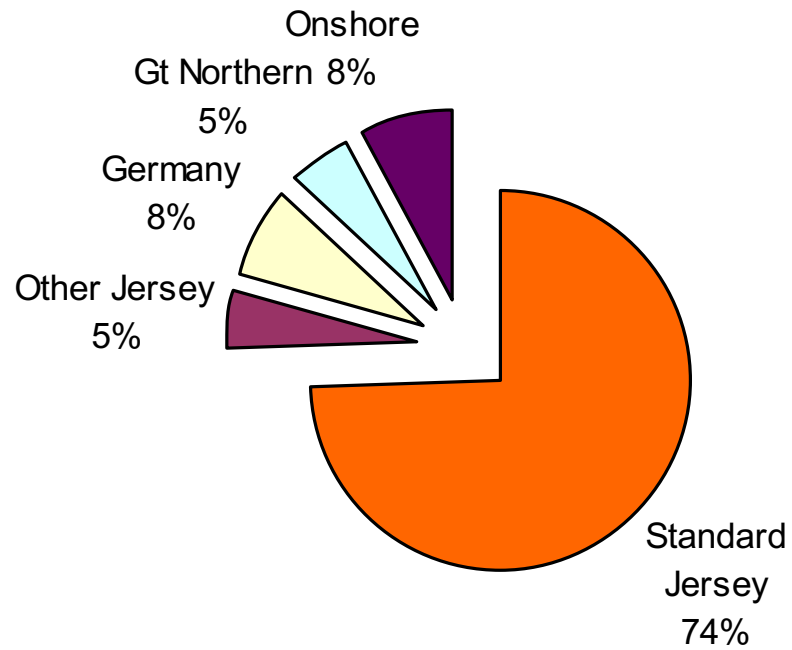




- Increased liquidity because JPUT units can be sold without incurring SDLT
- No capital gains tax for Jersey companies

Capital Gains Tax efficiency

Property exposure by holding structure (% of see through portfolio)



IFRS – estimated Balance Sheet Impact

	Total £m	Per share £ per share
Net assets per UK GAAP balance sheet	700	9.78
Add back dividend provision	8	0.11
Add back negative goodwill	10	0.14
Deduct unprovided deferred tax	(4)	(0.05)
Deduct loan mark to market	(4)	(0.06)
NAV per IFRS balance sheet unaudited	710	9.92

+ 1.4% increase

	2005 £m
UK GAAP loss after tax	(3)
CULS premium writeoff	47
Revaluation surplus	164
Deferred tax charge increases	(2)
Negative goodwill adjustment	10
Goodwill amortisation removed	1
IFRS profit after tax (unaudited)	<u>217</u>




Three key messages:

- *It's not just yield shift.....*
- *Valuable earnings businesses*
- *Increasingly tax efficient*



The Mall - Fund Statistics

	At 28 Feb 2006	At 31 Dec 2005	At Dec 2004
Gross property asset value	£2.790bn	£2.338bn	£2.099bn
No.of properties	23	21	21
No. of tenancies	2,370	2,118	1,991
Initial property yield	4.93%	5.09%	5.78%
Equivalent yield	5.63%	5.73%	6.28%
No.of Investors	36	36	29
C&R share	26.1%	26.1%	27.86%
Debt	£1.41bn	£1.062bn	£1.025bn

£1bn investment activity

Sales

- Birmingham
- Redhill
- Bradford

Acquisitions

- Camberley
- Luton
- Uxbridge
- Redhill
- Bradford

Mall Bonds

- £1.06bn AAA Rated



- **ERV** **+4.9%**
- **Mall Income:** **£120.5m (+0.4%)**
- **Ancillary revenue** **£4.73m (+9.5%)**
- **Car Parking** **£6.3m (+13%)**



The Mall - Investor Performance

	2005	2004
Property Level	16.5%	19.6%
IPD Benchmark	16.3%	17.1%
Fund Level	22.8%	26%
Since inception	18.2% p.a. Property Level	
	25.7% p.a. Fund Level	

*Comparable DAR adjustment
Relative to IPD Benchmark ÷ 17.6%



The Mall - The Retail Climate

➤ Lettings:	192	
➤ Rent Reviews Settled:	179	(+2% to target)
➤ Lease Expiries:	63	(84% renewal rate)
➤ Average void during 2005	4.2%	(2004: 4.0%)
➤ Less strategic vacancies	-1.3%	
➤ Available to let	<u>2.9%</u>	
➤ Failures:	18 retailers	51 units £3.38m (2.72%)
		-28 units with administrators
		<u>-21 relet</u> +6% rent passing
		<u>2 units</u> Available to let



“Upstream” Benchmark

- Upper Quartile Consumption Reductions
- Upper Quartile Cardboard Recycling

JLL Oscar

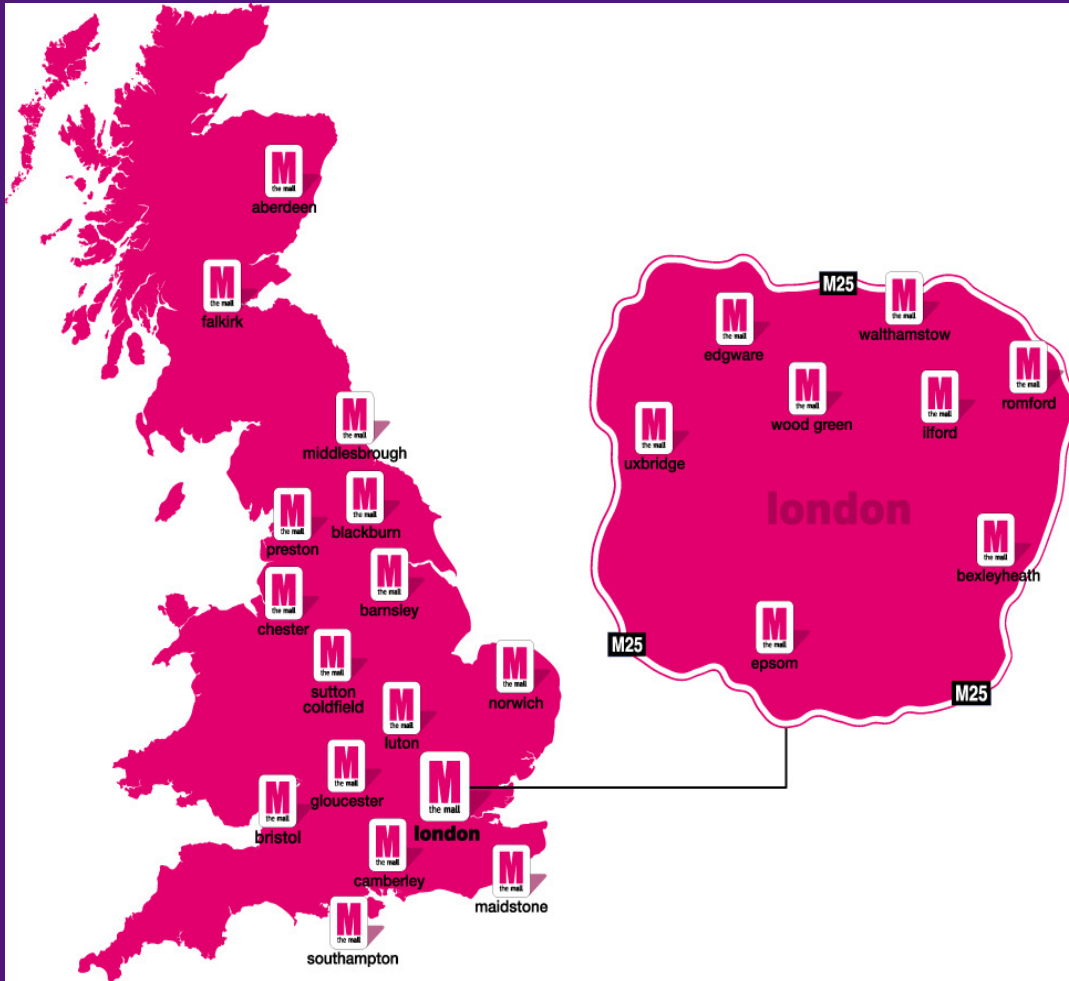
- 2005 Actual service charge: for 21 malls. £4 per sq ft
- 6% less than benchmark
- 46% more marketing spend than benchmark: 72p per sq. ft

Footfall

2004	174.3m
2005	203.8m (+16.9%)
LFL	+0.6%



The Mall - Pipeline




- **Falkirk** → Reconfiguration Debenhams Desire
- **M'bro** → Reconfiguration H&M George Top Shop New Look
- **Preston** → Reconfiguration New Look
- **Norwich** → Reconfiguration TK Maxx
- **Bristol** → Reconfiguration TK Maxx
- **Blackburn**
Edgware
Wood Green
Walthamstow → Extensions
- **Sutton Coldfield** → Enclosure
- **Luton** → Town Centre Master Plan



- The Junction Fund
- Morfa Shopping Park, Swansea
- Capital Retail Park, Cardiff
- Trade Parks Portfolio



The Junction Fund Statistics

	At 28 Feb 2006	At 31 Dec 2005	At Dec 2004
Gross property asset value	£1,467m	£1,459m	£1,010m
No.of retail parks	19	19	17
No.of units	258	258	202
Initial property yield	3.54% 3.9% by June 06	3.47% 3.7% (ex development props)	3.85% 4.4% (ex development props)
Equivalent yield	4.86%	4.86%	5.56%
No. of investors	7	7	7
C&R share	27.3%	27.3%	27.3%
Bank debt	£686m	£686m	£465m

Junction Fund – Highlights

- Top performing specialist fund – all sectors – HSBC survey
- £180m new acquisitions
- Rental Growth - 6% like for like
- Void rate - 4.9% (available to let)
- Prime portfolio assembled – Open A1 40%
- Continued Performance through:
 - New Developments
 - Refurbishments
 - Reconfigurations and Extensions
 - Asset Management



The Junction Investor Performance

	2005	2004
Property Level	23.3%	24.0%
IPD Benchmark	22.1%	23.5%
Fund Level	34.1%	35.6%

3 Years
21.6% p.a. Property Level
20.7% Benchmark
32.6% p.a Fund Level



- Morfa Shopping Park, Swansea
 - Final open A1 unit under offer setting new ERV.
 - Project cost £65m, value now c. £100m.

- Capital Retail Park, Cardiff
 - Anchored by Asda and Costco
 - Joint venture with local developer
 - Further pre-lets being sought.



So Why Trade Parks?

- Not industrial sheds but a retailing based operation.
- Tenants – supply builders, tradesmen and ancillary sales to public.
- Estimated 1000 trade parks across UK with a value of circa £5bn.
- Rapidly expanding unsophisticated and fragmented market.
- Over 100 national and regional occupiers of stature.



Trade Park Portfolio - Highlights

- Creation of a core portfolio of 20 properties – 800,000 sq ft.
- 4 further properties acquired or under offer.
- Low base rent – c.£5.10 per sq ft.
- Initial yield 5.5% - equivalent yield 6.4%.
- Previously managed by industrial specialists.
- Prime Trade Parks rents circa £15 per sq ft.
- Capital & Regional is already the largest owner of trade parks.



Objectives

- Grow the portfolio to £150-£200m within 12-18 months.
- We bring more specialised management to the sector.
- To create a branded portfolio
- Outperformance through:
 - Development
 - Refurbishment/Reconfiguration
 - Portfolio transactions
 - Increase un-expired terms



- Significant growth, 4% increase of leisure spending in 2005.
- Investors, operators and consumers are increasingly sophisticated.
- Investment in leisure more attractive: sustainable performance and long term income guaranteed.
- Leisure property, still great value for money as an asset class.





Leisure Activities

- X-Leisure Fund
- Xscape
- Other activities:
 - Snozone Holdings
 - Gt Northern
 - Hemel Hempstead





X-Leisure fund performance

	2005	2004 <i>9 months only</i>
Property Level	15.3%	11.4%
Fund Level	28.3%	18.0%



- **Strong covenants**
- **Upward only rent reviews (+40% of portfolio fixed or minimum uplifts)**
- **4% increase in UK leisure spending, 7% footfall increase for XL**
- **Minimal vacancies (1.4%)**
- **Recognised demand by investors for specialised and experienced management**



X-Leisure Fund Statistics

X-LEISURE	At 28 Feb 2006	At 31 Dec 2005	At Dec 2004
Gross property asset value	£ 716.5m	£ 702m	£597m
No. of properties	17	17	18
No. of units	294	294	267
Initial property yield	5.59%	5.68%	6.15%
Equivalent yield	6.24%	6.32%	6.89%
No.of investors	17	17	9
C&R Share	10.7%	10.7%	10.7%
Bank debt	£391m	£395m	£367m



Xscape MK

- 39% return. Rent reviews ahead of budget
- 6m visitors in 05 - huge popular success as one of the largest visitor attractions in the UK
- Excellent investment for C&R, for all its operators/tenants

Xscape Castleford/Leeds

- Continuing to mature
- Excellent increase in footfall and in dwell time in 05 (3.2m visitors, +23% on 04).
- As for the UK retail market, niche retail was a challenge, whereas F&B and leisure performed very well

Xscape Braehead/Glasgow

- Opening April 6th 2006
- 90% pre let (March 06)
- Huge enthusiasm in Scotland





SNOZONE Holdings

- Record profit year for C&R operating snowslope business, despite increased utility costs (gas, electricity)
- £1.85m profit through 2 operating units in MK and Castleford/Leeds
- Experienced and dedicated management team
- Solid business model & strategy - no capital employed and significant expansion opportunities
- 3rd unit opening April 06 Xscape Glasgow

Great Northern Warehouse

- C&R bought the remaining 50% from AWG in 05, and now owns 100% of the scheme.
- Very active asset management initiatives in 05, numerous lettings, and completion of the lease with London Clubs International
- Significant capital uplift from £72.5m to £93m in 05, of which £10m held back as “negative goodwill”




- 90/10% J.V. with Hahn
- Focus big box retail (mostly supermarket anchored)





German Portfolio Statistics

 Capital & Regional	28 Feb 06	30 Dec 05
Gross property asset value	€232m	€198m
No. of properties	14	13
Net Initial Yield	6.5%	6.6%
C&R Share (av)	87.8%	87.4%



Germany – Total Returns for 2005

	€m
Income after all expenses in Germany (6.9% annualised)	5.2
Expenses – Jersey	(0.4)
Net Interest Expense (4.0% annualised)	(3.2)
Profit before minority interest	1.6
Minority interest	(0.4)
Profit	1.2
Revaluation surplus	6.9
Total return	8.1
Equity invested	36.2
Return on equity (6 months only)	22.3%

- Net income on present portfolio running at the rate of €5m p.a. (after property costs, interest and Jersey costs).
- Cash return on our equity after debt and management costs of a minimum of 12% and rising with indexation and asset management.





- Severe restrictions on further out of town development
- Good tenant covenants and long leases
- Index linked rents
- High yield off low rental value base
- No security of tenure after lease expiry
- Many asset management opportunities



- Opportunities to add value to existing portfolio
- Good pipeline of additional properties to buy
- Yield compression under way (both good and bad news)
- Early signs of consumer confidence returning





- Great year
- Tenant market tough but not as hard as we expected last September
- Good expansion of funds from £4bn to £5.6bn now



- We expect further yield shift this year
- We hope to see further expansion of all three funds. Also additions to our trade park and German assets
- Our business model is working well



	NAV per share	Dividend per share
Dec 1996	223p + 20%	3.0p + 20%
Dec 1997	272p + 28%	3.5p + 17%
Dec 1998	321p + 18%	4.25p + 21%
Dec 1999	376p + 17%	5.0p + 18%
Dec 2000	360p - 4%	5.5p + 10%
Dec 2001	343p - 5%	6.0p + 11%
Dec 2002	388p + 15%	7.0p + 17%
Dec 2003	521p* + 33%	9.0p + 28%
Dec 2004	710p + 36%	14.0p + 56%
Dec 2005	976p + 37%	18.0p + 29%

