

# 2010 Annual Results

2 March 2011

capco

Capital & Counties Properties PLC

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# Important Notices

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This presentation includes statements that are forward looking in nature. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Capital & Counties Properties PLC to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Any information contained in this presentation on the price at which shares or other securities in Capital & Counties Properties PLC have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

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# Agenda

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★ Introduction

Ian Hawksworth

★ Financial Review

Soumen Das

★ Business Review

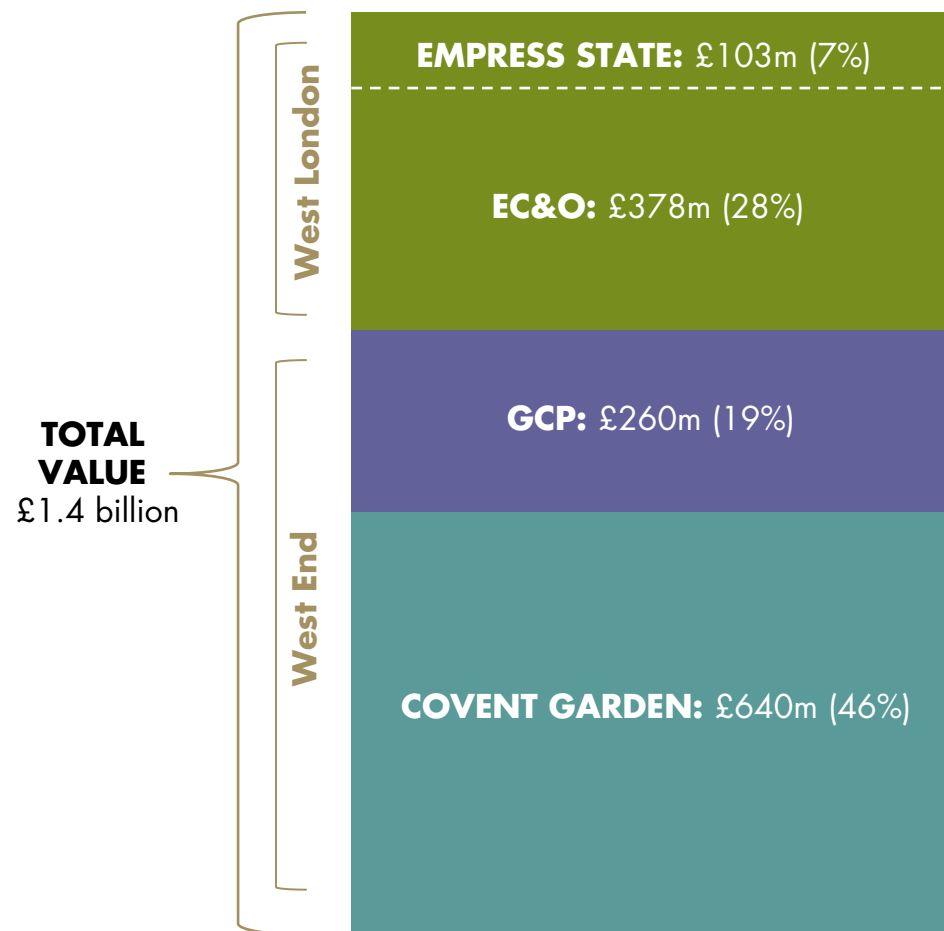
Ian Hawksworth and Gary Yardley

★ Q&A

# Capco

## Strong first year since demerger

- ★ One of the largest central London investment and development property companies
  - West End and West London
- ★ Entrepreneurial approach to unlock value from our estates
  - Potential to generate significant returns to shareholders from existing portfolio
- ★ Total return focus
  - ERV growth and changes of use to drive NAV
- ★ Strong income generation
  - £69 million of net rental income generated 2010
  - Covent Garden, GCP and Empress State represent 72% of portfolio
- ★ Sound capital structure and conservative LTV
  - LTV 35% and cash balance of £189 million as at 31 Dec 2010
  - Target maximum LTV 45%



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# Highlights

## Positive momentum across the business

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- ★ Strong NAV growth up 17% to 148 pence per share
- ★ Positive valuation uplift of central London investment properties in 2010 up 10.8% (LFL)
- ★ Covent Garden – excellent progress, ERV up 12% (LFL) to £37.5m
- ★ GCP refocused with 4 non-core asset sales in November
- ★ Planning process moving forward at Earls Court and Seagrave Road
- ★ Olympia planning consent received and work underway
- ★ China investment up 44.1% due mainly to contracted sales
- ★ Proposed final dividend: 1.0 pence per share (total 2010 dividend 1.5 pence per share)

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# Financial Review

## Soumen Das

# Underlying Earnings

## Highlights

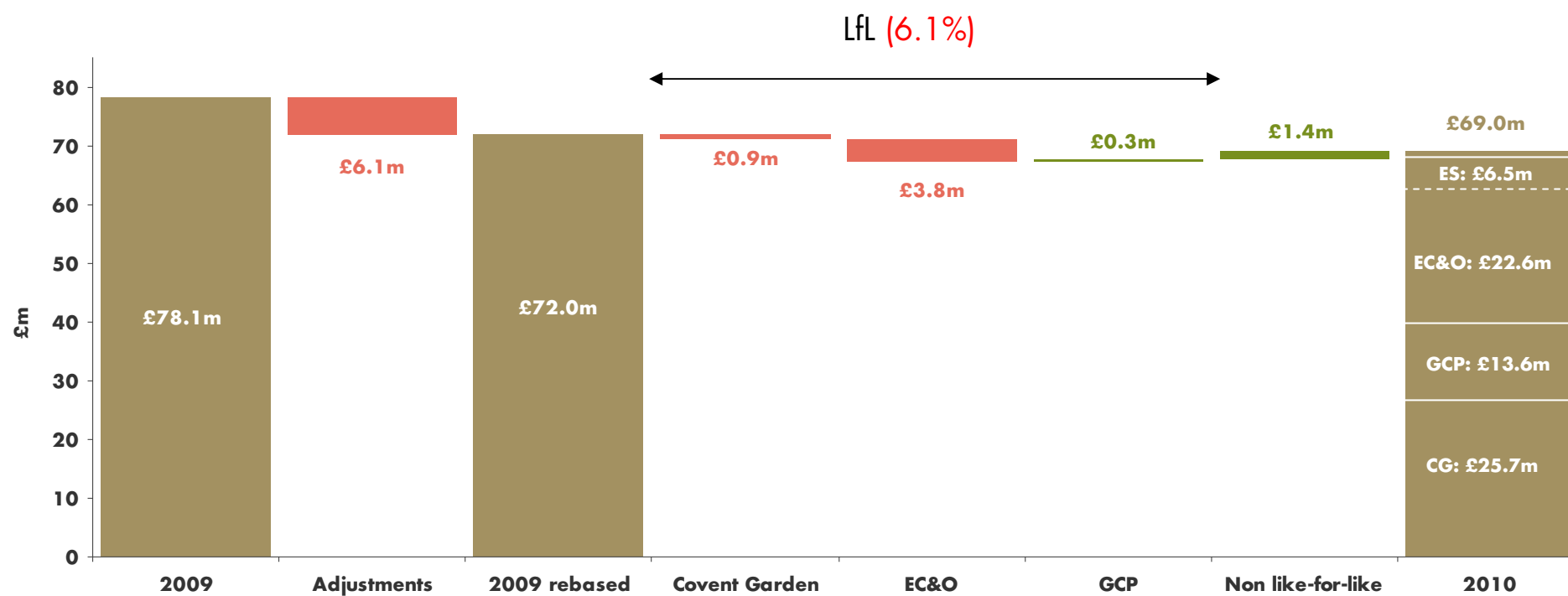
	2010 £m	2009 £m	Var %
<b>Net Rental Income</b>	69.0	78.1	(6%) <sup>1</sup>
<b>Admin Costs</b>	(18.6)	(14.5)	(28%)
<b>Net Finance Costs</b>	(38.9)	(47.5)	18%
<b>Tax on Underlying Earnings</b>	(2.3)	(1.0)	n/a
<b>Underlying Earnings</b>	9.2	15.2	(39%)
<b>Underlying earnings per share</b>	1.5p	2.4p	(38%)
<b>Full year dividend per share</b>	1.5p	n/a	

Note

1. Like-for-like

# Net Rental Income

★ NRI 2010 £69m down 6.1% (LFL)



Note

1. 2009 adjustments comprise conversion to proportional consolidation of the Empress State building (£3.9m) in 2009 and income from disposed properties (£2.2m).



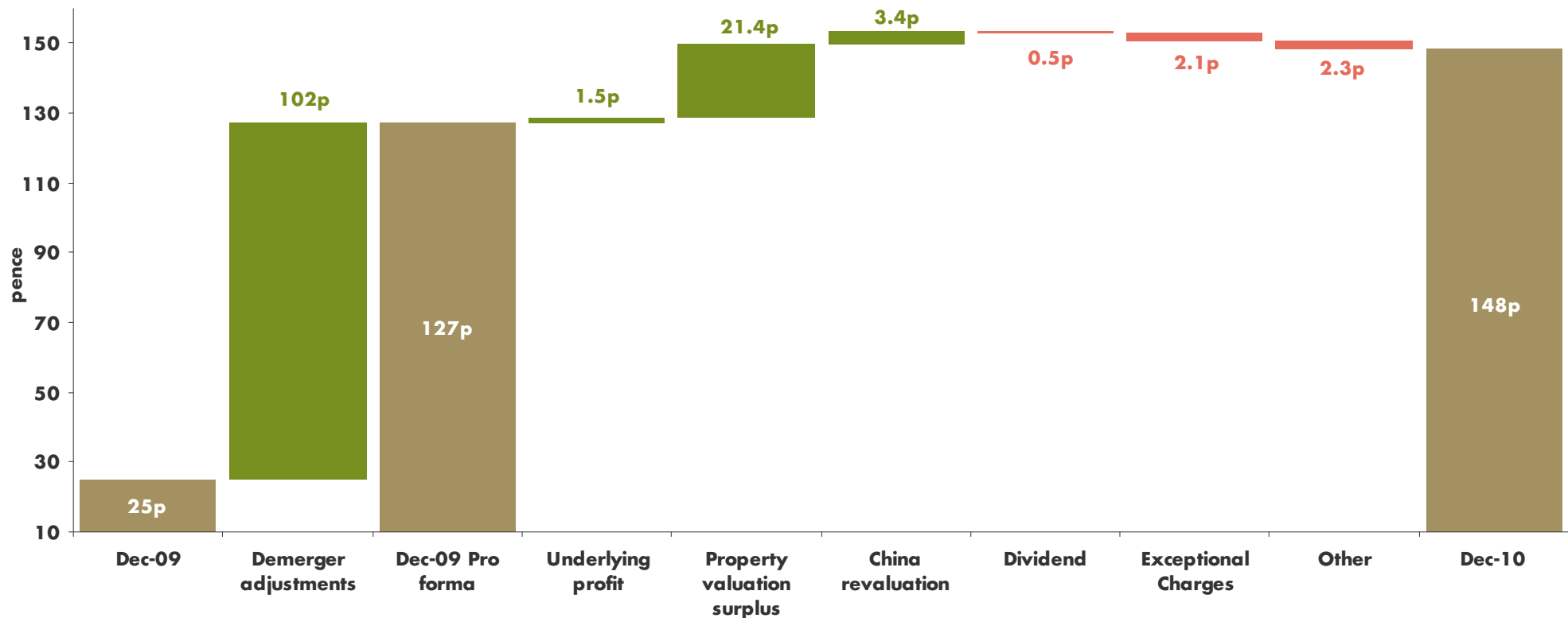
# Balance Sheet

	Actual Dec-10 £m	Pro forma Dec-09 £m	Var £m
<b>Portfolio value</b>	1,378	1,241	137
<b>Investments</b>	66	46	20
<b>Net debt</b>	(476)	(463)	(13)
<b>Other assets and liabilities</b>	(85)	(93)	8
<b>NAV</b>	883	731	152
<b>EPRA Adjusted diluted NAV</b>	926	791	135
<b>EPRA Adjusted diluted NAV per share</b>	148p	127p	21p

- ★ EPRA NNNNAV 142 pence per share
- ★ Contingent tax liability of £10.4m (1.7 pence per share)

# EPRA Adjusted Diluted Net Assets Per Share

Strong growth – up 17% to 148p



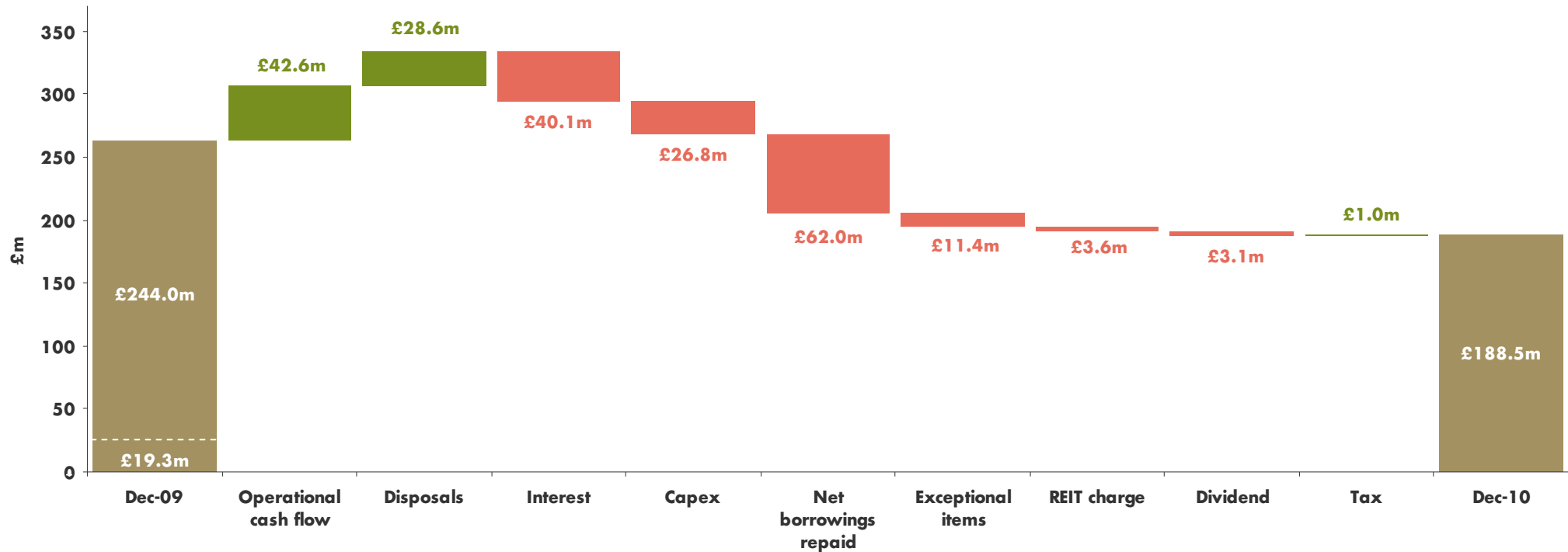
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# Debt Management

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- ★ Sound capital structure and conservative loan to value
  - Group LTV 35% at Dec 2010
  - Group interest cover 130% at Dec 2010
- ★ Target maximum LTV of 45% over medium term
- ★ Cash balance of £189m at Dec 2010 provides substantial flexibility
- ★ Weighted average cost of debt 5.9%
- ★ Earls Court & Olympia debt maturity extended to Feb 2013 post year-end
  - £20 million prepayment post year end
  - Weighted debt maturity now 3.3 years
- ★ Opportunity to restructure debt and extend maturity profile

# Cash Utilisation



- ★ £4.8m received after year-end from China disposal
- ★ £20m prepaid on EC&O debt facility post year-end

# Capital Allocation

	Allocated £m	Spent £m	Committed £m	Remaining £m	Projects
<b>Covent Garden</b>	75	8	25	42	<ul style="list-style-type: none"> <li>- Flower Cellars redevelopment</li> <li>- 34 Henrietta St residential conversion</li> <li>- Lease buybacks</li> <li>- Acquisition of 37 King St</li> </ul>
<b>Earls Court</b>	38	19	-	19	<ul style="list-style-type: none"> <li>- Planning process</li> <li>- Acquisition of Roxby Place &amp; Old Brompton Rd</li> <li>- Seagrave Road rescission</li> </ul>
<b>Olympia</b>	21	3	18	-	<ul style="list-style-type: none"> <li>- West Hall works</li> </ul>
<b>GCP</b>	2	1	1	-	<ul style="list-style-type: none"> <li>- Walmar House</li> </ul>
<b>Other</b>	3	2	1	-	
<b>Total</b>	<u>139</u>	<u>33</u>	<u>45</u>	<u>61</u>	

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# Operating Review

Ian Hawksworth and Gary Yardley

# Valuation

## Strong 2010 valuation uplift

	Market Value Dec-10 £m	Market Value Dec-09 £m	Value Change <sup>2, 3</sup> %	ERV Change <sup>3</sup> %	Initial Yield %	Equivalent Yield %
<b>Investment properties</b>						
Covent Garden	640	548	14.1%	12.0%	3.7% <sup>4</sup>	5.1%
GCP	260 <sup>1</sup>	247 <sup>1</sup>	13.7%	4.2%	5.0%	5.1%
Empress State	103 <sup>1</sup>	95 <sup>1</sup>	8.6%	-	6.4%	6.2%
Other	-	9	-			
<b>Total non exhibition properties</b>	<b>1,003</b>	<b>899</b>	<b>13.4%</b>	<b>8.6%</b>		
EC&O	378	340	4.5%			
<b>Total investment properties</b>	<b>1,381</b>	<b>1,239</b>	<b>10.8%</b>	<b>8.6%</b>		

Note

1. Represents Capco's 50% share

2. Valuation change takes account of amortisation of lease incentives, capital expenditure and fixed head leases.

3. Like-for-like

4. Initial yield moves to 3.9% as at 2 March 2011

# Covent Garden

Excellent 2010: ERV £37.5m +12 % (Lfl)

★ 74 leasing transactions completed in the year

- Rental value £11.2m
- 9% above Dec-09 ERV

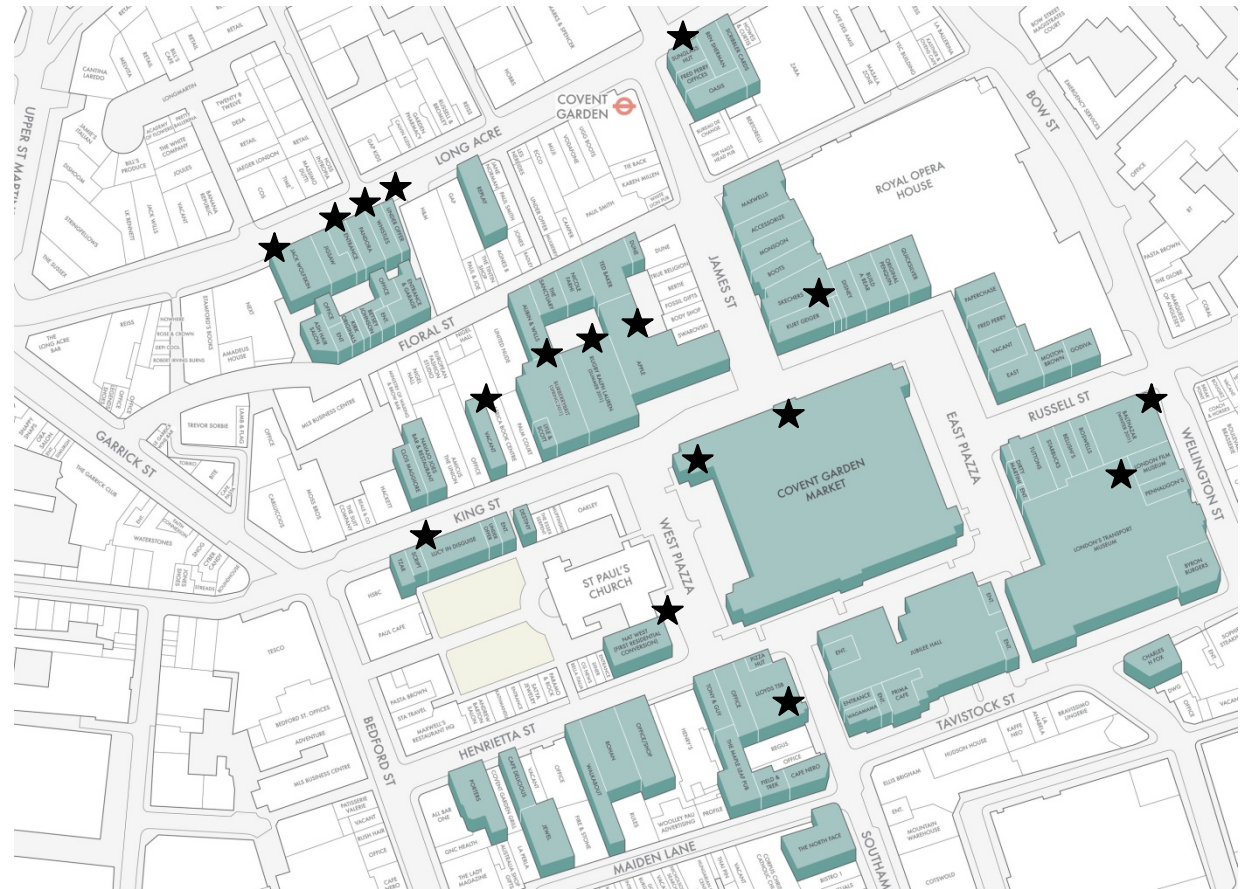
★ ERV £37.5m +12.0% (Lfl)

★ Value £640m +14.1% (Lfl)

★ 37 King Street acquired

★ Major Piazza block of 1a Henrietta Street acquired via swap post year-end

- In return for 1-3 Long Acre





# Covent Garden

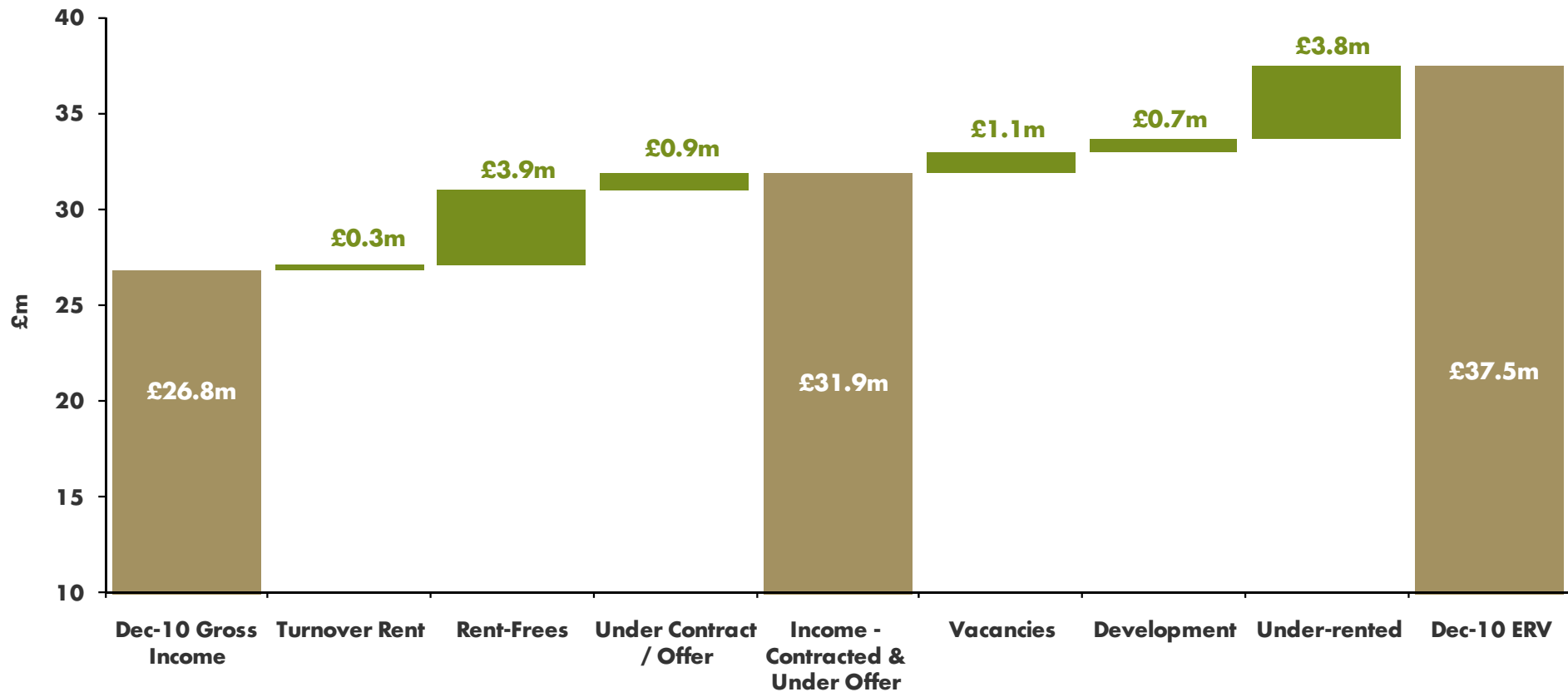
## Key figures

- ★ NRI £25.7m -3.4% (LFL)
- ★ Initial yield as at 2 Mar 2011 3.9%
- ★ Equivalent yield 5.1%
- ★ Gross Income £26.8m -7.6% (LFL)
  - £30.7m including contracted leases with rent-free periods
- ★ Footfall 46m +2% (YoY)
  - Increase in ABC1 visitor demographics to 71%
- ★ Adjusted occupancy 97.1%
- ★ Average lease length 8.8 years



# Covent Garden

## 2010 Gross income to ERV



# Covent Garden

## Repositioning King Street

- ★ Target brand delivered – Rugby Ralph Lauren
- ★ UK exclusive
- ★ Opening Q3 2011
- ★ 85% above Dec-09 ERV and turnover participation
- ★ 88% increase in passing rent
- ★ New record rent for King Street
- ★ Competitive process with 2 other premium brands



# Covent Garden

## Driving rents in the Market Building

- ★ Vacant possession of Ponti's agreed
  - Effective 1 Apr 2011
- ★ Redevelopment to create 2 new retail units and North Hall restaurant
- ★ Strong demand from high quality target retail and restaurant brands
- ★ 46% of previous passing rent now pre-let to Links of London
  - Record retail rent for Market Building
- ★ Beneficial impact to North Piazza, North Hall of Market Buildings and Royal Opera House retail units



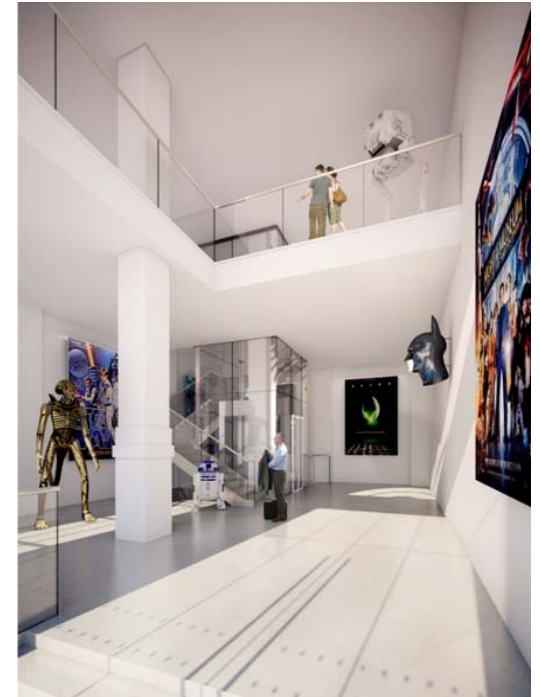
# Covent Garden

## Flower Cellars – innovative change of use

- ★ Empty since 2007 lease surrender
- ★ WCC resolution to grant planning consent for change of use from D1 cultural to part F&B
  - Obtained Jan 2011
- ★ ERV post-development £1.0m+
  - Up from previous passing rent £0.1m
- ★ Let to Caprice Holdings to open Balthazar – a UK first
- ★ Under offer to London Film Museum
- ★ Anchors Russell Street rejuvenation



Balthazar CGI



London Film Museum CGI

# Covent Garden

## Other key initiatives across the estate



### Jack Wolfskin

- ★ First high street store in UK



### Pandora

- ★ 2<sup>nd</sup> standalone store in central London



### Whistles

- ★ Relocation from Market Building in accordance with zoning strategy



### Sunglass Hut

- ★ New rent level achieved
- ★ Maintained flexibility for development



### Ladurée

- ★ Iconic Parisian patisserie opening Q2 2011



### 34 Henrietta Street

- ★ First residential conversion due late 2011

# Great Capital Partnership

West End focus: equivalent yield 5.1% (Dec-09 5.9%)

- ★ 50/50 JV with GPE
- ★ 30 properties covering 849k sq ft
- ★ Value £260m +13.7% (Lfl our share)
- ★ NRI £13.6m +2.4% (Lfl our share)
- ★ Passing rent £13.8m +1.8% (Lfl our share)
  - £14.4m inc. contracted leases with rent-free periods (our share)
- ★ ERV £14.8m + 4.2% (Lfl our share)
- ★ Adjusted occupancy 97.3%
- ★ Average lease length 7.0 years
- ★ Current asset management
  - 79 rent reviews and lettings concluded totalling £3.5m rent pa (our share)



GCP Regent Street and Piccadilly core

# Great Capital Partnership

## Refocusing the Partnership

### ★ Non-core sales 2010

- Tottenham Court Road
- Tasman House
- Britton Street
- Fetter Lane

### ★ Taking a leading role on strategy

- Residential
- Retail

### ★ Further non-core sales planned





# China

Investment value £66m +44.1%

- ★ Investment in two funds managed by Harvest Capital Partners
- ★ Profit taking through contracted asset sales contributing to a £20m uplift in value
- ★ Disposal completed
  - Caiyun Lake Q4 2010 - £4.8m proceeds Q1 2011
- ★ Further disposals contracted
- ★ Approximately  $\frac{2}{3}$  of value to be repatriated in 2011



Euro Plaza Mall Beijing

# EC&O

## Strategy

- ★ Develop Olympia as the leading central London exhibitions venue
  - Migrate shows from Earls Court once West Hall works completed
- ★ Submit detailed application for residential scheme on Seagrave Road by Jun 2011
  - Potential for 850,000 sq ft of residential space
- ★ Pursue planning consent for residential-led, mixed-use development on Earls Court
  - Earls Court forms part of the Earls Court & West Kensington Opportunity Area (ECO A)
  - ECO A also includes adjacent land owned by TfL and LBHF, as well as Seagrave Road and Empress State
- ★ Outline planning applications for ECO A to be submitted by Jun 2011
- ★ Lease re-gear negotiations with TfL for Earls Court ongoing
- ★ Negotiations with adjacent landowners over future development rights ongoing

**Earls Court <sup>1</sup>**  
£138m  
Pursue planning permission

**Olympia <sup>2</sup>**  
£97m  
Enhance to underpin exhibitions business

**Seagrave Road**  
£104m  
Potential for residential planning consent

**Empress State**  
£103m  
Government lease

1. Earls Court comprises of Exhibition Halls and the Northern Access Road;
2. Olympia Comprises of O2 Building, Grand, West, National and Pillar Halls

NB: Further peripheral assets of £39m comprising Maclise Road, G Gate, Empress Place, Cluny Mews & Old Brompton Road.

# EC&O

## Exhibition business performance

- ★ EBITDA £18.9m
  - H1:H2 split 70:30
- ★ 90% revenues from licence fees; 10% from flow-through revenues
- ★ 79% of 2011 budgeted licence fees currently contracted
- ★ Current utilisation rate 41%
- ★ Consultation with key clients about Earls Court to Olympia transition



# Olympia Renovation

## West Hall – works underway

- ★ West Hall – Replacement with 97k sq ft two-storey hall, an increase of 47k sq ft
- ★ £18m committed capex to implement
- ★ Reconfiguration to allow four halls to be used separately or together
- ★ Maximise ability to transfer business from EC
- ★ Increase utilisation from circa 40% to 70%
- ★ Olympia 2 – conversion of ground floor to servicing area
- ★ Olympia stabilised EBITDA target £13m - £15m
- ★ [www.olympia.co.uk](http://www.olympia.co.uk)



Olympia West Hall CGIs

# Seagrave Road

## Potential major residential scheme

- ★ Sale contract rescinded and adjacent properties acquired in Oct 2010
- ★ A strategic site within LBHF draft core strategy
- ★ Potential for high quality mixed tenure residential estate
- ★ Planning application to be submitted Jun 2011
- ★ Approaches from potential JV partners
- ★ Dec 2010 value £104m +39% (LFL)

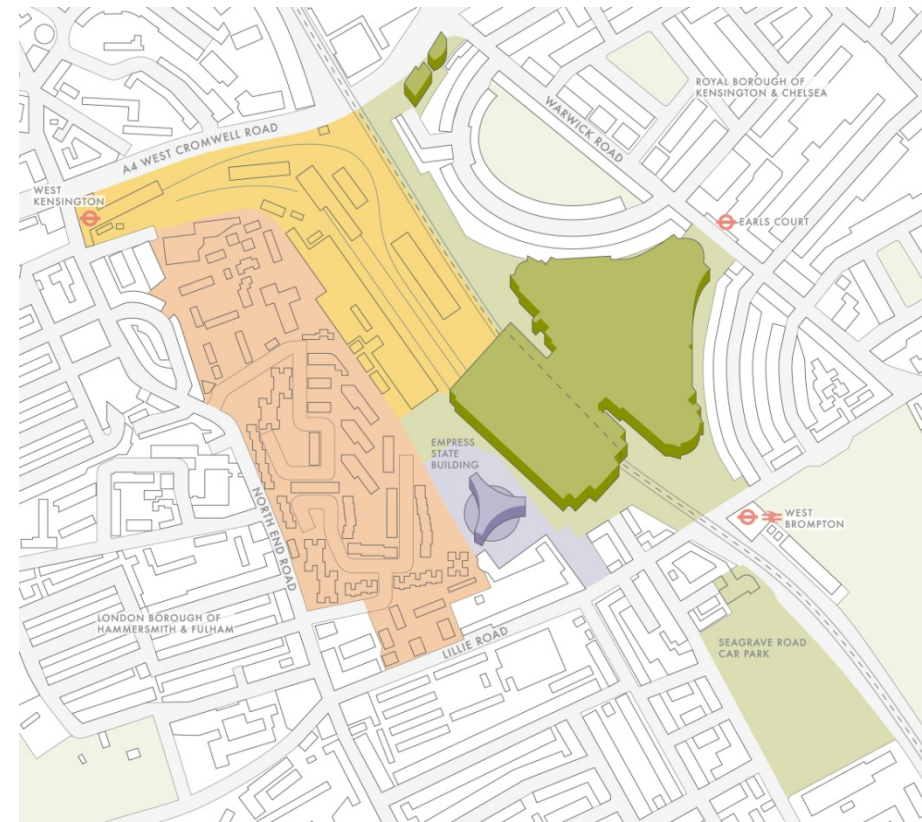


Seagrave Road CGIs





# Earls Court & West Kensington Opportunity Area

## Planning on target

- ★ Progress on planning policy (draft London Plan, RBKC & LBHF core strategies)
- ★ Concept masterplan adopted by key stakeholders Q3 2010
- ★ Masterplan to be launched Mar 2011
- ★ Planning application Q2 2011 on target
- ★ Expressions of interest from a number of parties
- ★ EC immunity from listing extended to Jan 2016
- ★ [www.myearlscourt.com](http://www.myearlscourt.com)

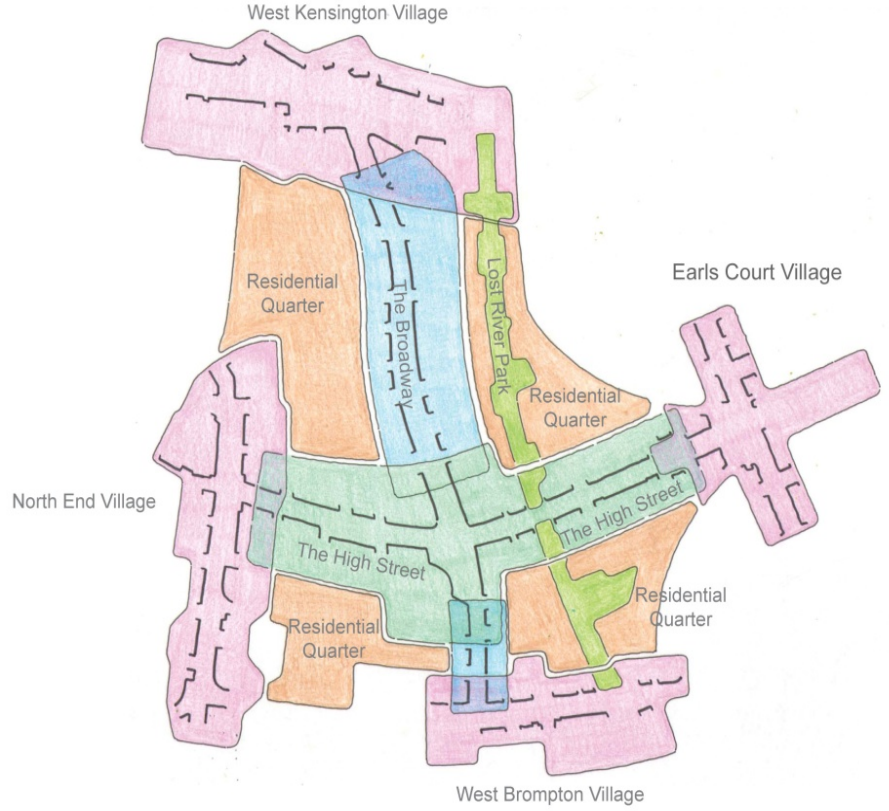


Major Landownership of ECOA

	Earls Court, Seagrave Road, Roxby Place		TfL
	Empress State Building		LBHF

# ECO A Masterplan Concept

## “Four villages and a high street”



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# ECO A Masterplan

## Masterplan model

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# Outlook

## Positive momentum across the business

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- ★ Central London investment market likely to remain active
- ★ Experienced, entrepreneurial team to unlock value in our key estates
- ★ Covent Garden: continue progress towards £40m ERV target and develop next phase of evolution
- ★ Olympia upgrade works to enable transition of business to commence
- ★ Earls Court and Seagrave Road planning applications to be submitted by June 2011
- ★ Focus on driving NAV growth through ERV uplift and changes of use

Q&A



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# Appendices

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- ★ Financial Covenants
- ★ Covent Garden
- ★ GCP
- ★ Taxation
- ★ Portfolio Analysis

# Financial Covenants

★ All facilities compliant with covenants as at 31 Dec 2010

Maturity	Facility	Debt <sup>1</sup> £m	Test		Actual	
			LTV	Interest Cover	LTV	Interest Cover
<b>2012</b> <sup>2</sup>	<b>Earls Court &amp; Olympia</b>	129	n/a	125%	n/a	176%
<b>2013</b>	<b>Covent Garden</b>	222	75%	120% <sup>3</sup>	53%	168%
<b>2013</b>	<b>Empress State</b>	76	75%	115%	74%	137%
<b>2013</b>	<b>GCP</b>	113	70%	120%	46%	191%
<b>2017</b>	<b>Covent Garden</b>	112	70%	120%	52%	151%

Note

1. As at 31 Jan 2011

2. 12 month extension agreed in Feb 2011

3. 130% from 31 Oct 2011

# Covent Garden

## Zoning plan

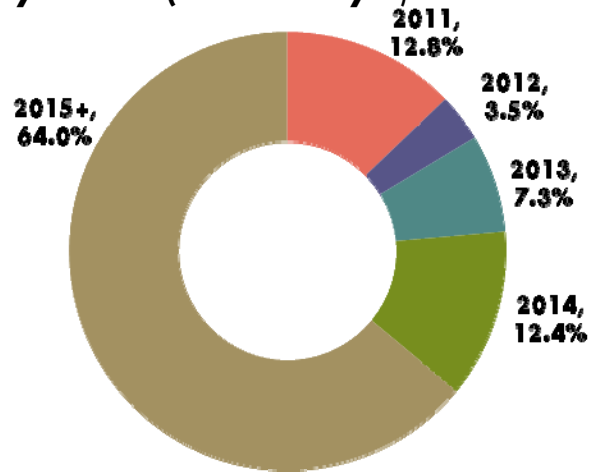
- ★ High profile properties
  - Brand anchors
- ★ Long Acre/James Street/ROH
  - Stylish mid market
- ★ Floral Street
  - Boutique
- ★ King Street
  - Contemporary luxury
- ★ Henrietta Street
  - Fashion/interiors
- ★ Southampton Street
  - Outdoor
- ★ Market Building
  - Independents, specialists and casual dining



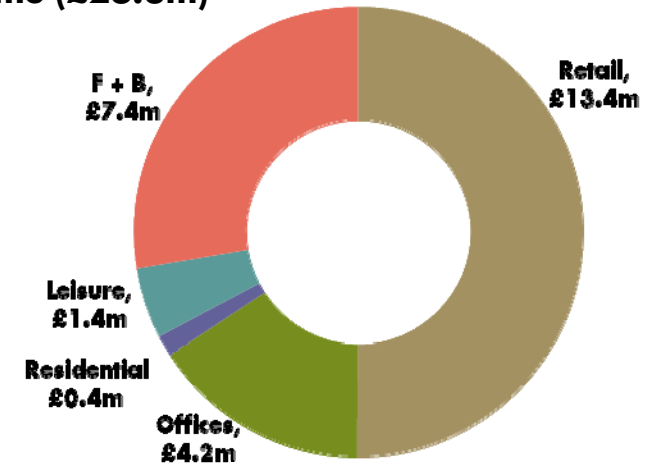
# Covent Garden

## Portfolio statistics

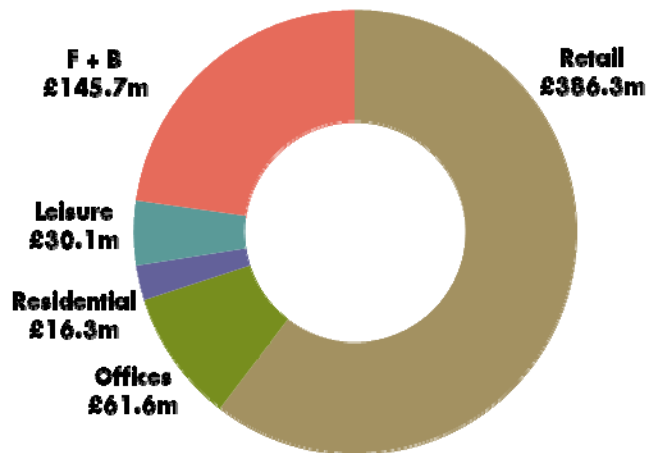
Lease Expiry Profile (WALE 8.8 yrs)



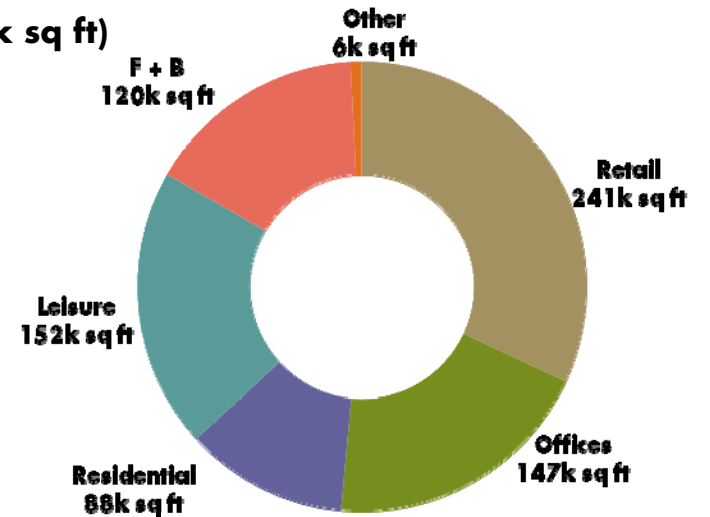
Annual Gross Income (£26.8m)



Portfolio by Value (£640m)



By Floor Area (754k sq ft)



# Great Capital Partnership

## Portfolio distribution

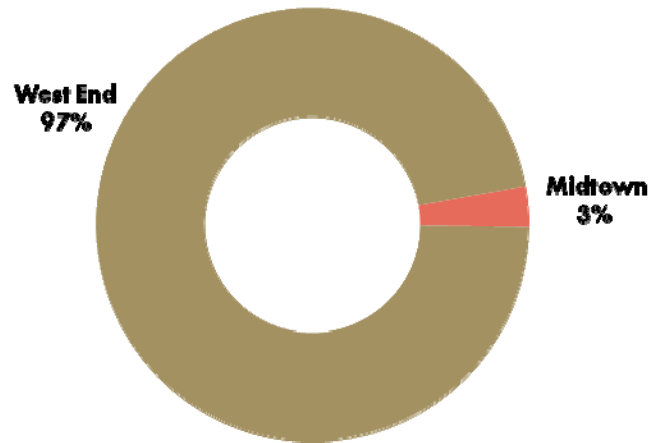


<p><b>1</b> Empire House, 174/175 Piccadilly &amp; 52 Jermyn St, W1</p> <p>Size 45,400 sq ft Tenure Leasehold expiring 2134 10% gearing</p>	<p><b>2</b> Egyptian House, 170/173 Piccadilly, W1</p> <p>Size 31,650 sq ft Tenure Leasehold expiring 2134 10% gearing</p>	<p><b>3</b> Dudley House, 169 Piccadilly, W1</p> <p>Size 9,100 sq ft Tenure Leasehold expiring 2134 10% gearing</p>	<p><b>4</b> Foxglove House, 166/168 Piccadilly, W1</p> <p>Size 18,000 sq ft Tenure Leasehold expiring 2134 10% gearing</p>	<p><b>5</b> 54/56 Jermyn Street, W1</p> <p>Size 28,400 sq ft Tenure Leasehold expiring 2134 10% gearing</p>	<p><b>6</b> 100 Regent Street &amp; 33 Glasshouse Street, W1</p> <p>Size 51,340 sq ft Tenure Leasehold expiring 2132 10% gearing of retail rents</p>
<p><b>7</b> Kingsland House, 122-124 Regent Street, W1</p> <p>Size 8,850 sq ft Tenure Leasehold expiring 2084 15% gearing</p>	<p><b>8</b> Carrington House, 126/130 Regent Street, W1</p> <p>Size 50,600 sq ft Tenure Leasehold expiring 2132 10% gearing of retail rents</p>	<p><b>9</b> Regent Arcade House, 19/25 Argyll Street, W1</p> <p>Size 54,300 sq ft Tenure Leasehold expiring 2132 Peppercorn rent</p>	<p><b>10</b> Walmar House, 288-300 Regent Street, W1</p> <p>Size 22,250 sq ft Tenure Freehold and part leasehold expiring 2132 10% gearing of retail rents</p>	<p><b>11</b> Park Crescent Estate, W1</p> <p>Size 200,000 sq ft offices, 30,000 sq ft residential + garages Tenure 2 x leases expiring 2157 £15,000 pa each</p>	<p><b>12</b> 48/54 Broadwick Street, W1</p> <p>Size 29,500 sq ft commercial plus block of flats Tenure Freehold</p>
<p><b>13</b> St Lawrence House, 26/30 Broadwick Street, W1</p> <p>Size 72,400 sq ft commercial plus 8 flats Tenure Freehold</p>	<p><b>14</b> 65/75 Kingsway, WC2</p> <p>Size 29,600 sq ft Tenure Freehold &amp; part leasehold</p>	<p><b>15</b> 201/207 Kensington High Street, W8</p> <p>Size 17,650 sq ft Tenure Freehold</p>	<p><b>16</b> 10/14 Old Court Place, W8</p> <p>Size 2,800 sq ft plus 6 garages Tenure Freehold</p>	<p><b>17</b> 24/40 Kensington High Street, W8</p> <p>Size 117,000 sq ft Tenure Freehold</p>	

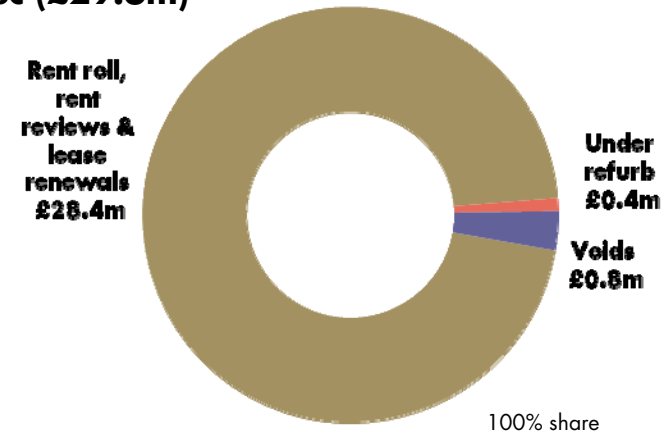
# Great Capital Partnership

## Portfolio statistics

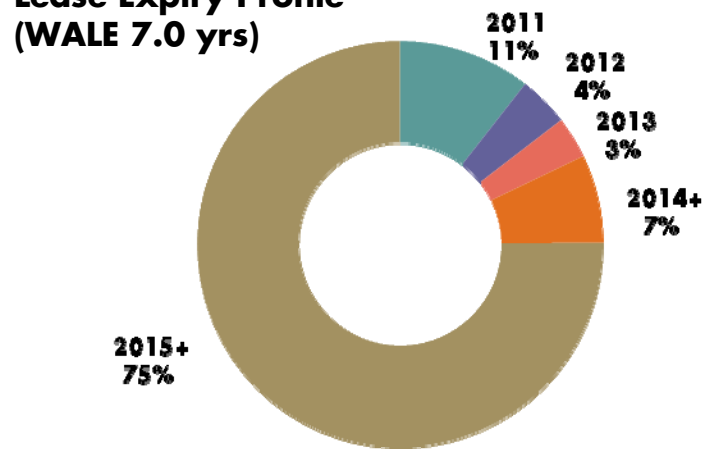
Assets by location



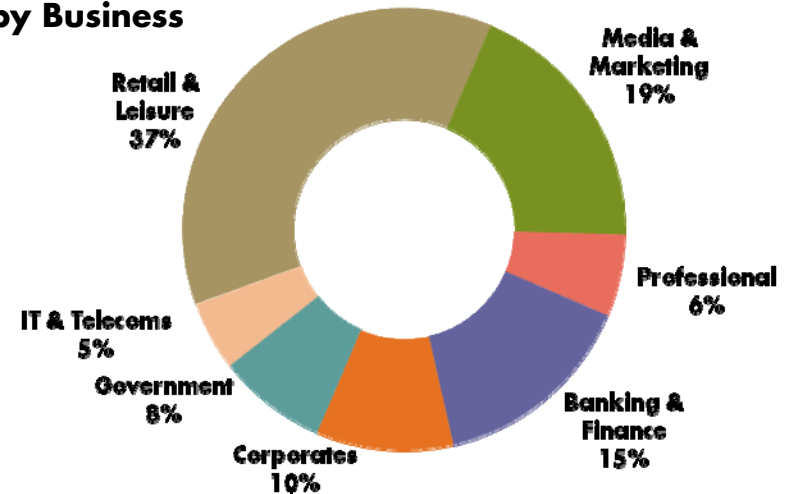
ERV at 31 Dec (£29.6m)



Lease Expiry Profile (WALE 7.0 yrs)



Tenants by Business





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# Taxation

## Summary

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### ★ Capco no longer a REIT

- Covent Garden, GCP and Empress State left Liberty International REIT group upon demerger in May 2010
- EC&O and China were never in REIT group - no change

### ★ Tax on income

- 20% underlying tax rate in 2010 (corporation tax rate 28%)
- Lower rate due to REIT exemption for part of 2010
- Expected long-term underlying tax rate of 25% on underlying earnings

### ★ Tax on capital gains

- Pre-May 2012 (i.e. within 2 year period of leaving REIT) taxable gains on property disposals formerly under the REIT regime are calculated using the original tax base cost
- Based on Dec 2010 property valuations there is a group contingent tax liability of £10.4 million
- Post-May 2012 (i.e. 2 years post REIT exit) tax on property disposals formerly within the REIT regime will be calculated using the May 2010 values

# Portfolio Analysis

	Covent Garden	Earls Court & Olympia	Great Capital Partnership
<b>Market value</b>	£640m	£378m Exhibition £103m Empress State Building	£260m
<b>Size (sq ft)</b>	754,000	1,228,000 Exhibition 469,000 Empress State Building	849,000
<b>Ownership</b>	100%	100% Exhibition 50% Empress State	50%
<b>Properties</b>	45	3	30
<b>Adjusted occupancy</b>	97.1%	n/a Exhibition 100% Empress State	97.3%
<b>EBITDA 2010</b>	n/a	£18.9m	n/a
<b>Passing Rent</b>	£25.4m	£6.9m Empress State Building	£13.8m
<b>NRI 2010</b>	£25.7m	£6.5m Empress State Building	£13.6m
<b>Average rent psf</b>	£43.1	£29.4 Empress State Building	£37.2
<b>Debt</b>	£333m	£135m Exhibition £77m Empress State Building	£112m
<b>Net Assets</b>	£277m	£212m Exhibition £18m Empress State Building	£145m
<b>LTV</b>	53%	n/a Exhibition 74% Empress State Building	46%
<b>Key Tenants / Shows</b>	<ul style="list-style-type: none"> <li>• Apple Retail (UK) Ltd</li> <li>• Channel 5 Broadcasting</li> <li>• Maxwells Restaurant</li> <li>• Monsoon Holdings</li> <li>• Fred Perry Ltd</li> </ul>	<ul style="list-style-type: none"> <li>• Metropolitan Police</li> <li>• Ideal Home Show</li> <li>• The London Book Fair</li> <li>• ICE Totally Gaming</li> <li>• Future Build, Ecobuild</li> </ul>	<ul style="list-style-type: none"> <li>• VNU Business Publications Ltd</li> <li>• Acquascutum Ltd</li> <li>• Standard Chartered Bank</li> <li>• Live Nation Music (UK) Ltd</li> <li>• Secretary of State for the Environment</li> </ul>

All figures relate to period ending 31 December 2010 with the exception of LTV which is quoted at 31 January 2011 and key tenants as at 2 March 2011. All figures represent Capco's share of value (but 100% of space).