

# Interim Results

3 August 2011

# capco



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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

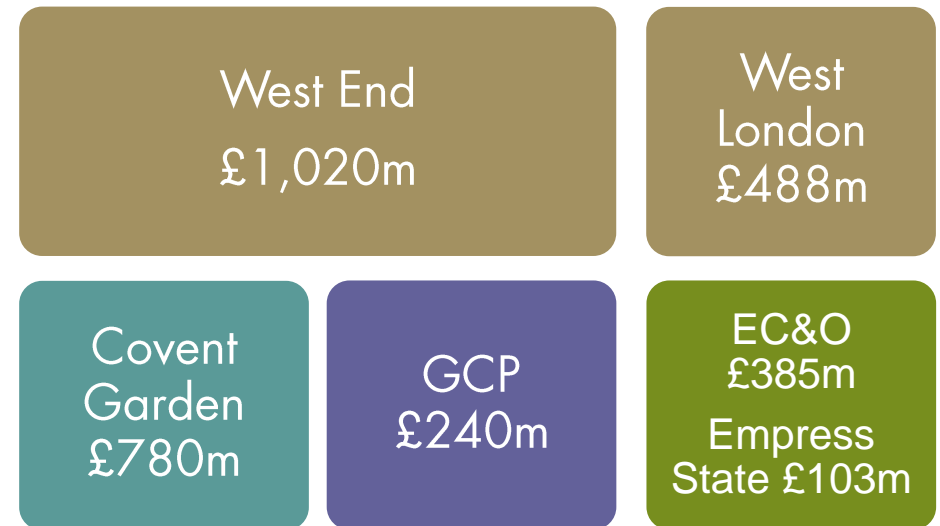
Ian Hawksworth and Gary Yardley

★ Q&A

## Positive Momentum Across the Business

- ★ One of the largest central London investment and development property companies
- ★ Entrepreneurial approach to unlock value from our estates
- ★ Total return focus
- ★ Strong income generation
- ★ Sound capital structure and conservative LTV

### Property Assets £1.5 billion



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# Highlights

## Successful and Active First Half

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- ★ NAV +4.0% H1 to 154 pence per share
- ★ Valuation uplift excluding EC&O in H1 +5.4% (Lfl capital)
  - ERV +6.5% Lfl
  - Seagrave Road +11%
- ★ £175m liquidity raised
  - £100m from share placing
  - £75m from GCP and China disposals (GCP sales circa 10% above Dec 10 values)
- ★ Covent Garden ERV target raised to £50m
  - Previous £40m ERV target achieved (on a like-for-like basis) 18 months ahead of schedule
  - £110m of acquisitions
- ★ ECOA planning application submitted 22 June 2011
- ★ Exclusivity agreement in place with LBHF
- ★ Proposed interim dividend: 0.5 pence per share

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# Financial Review

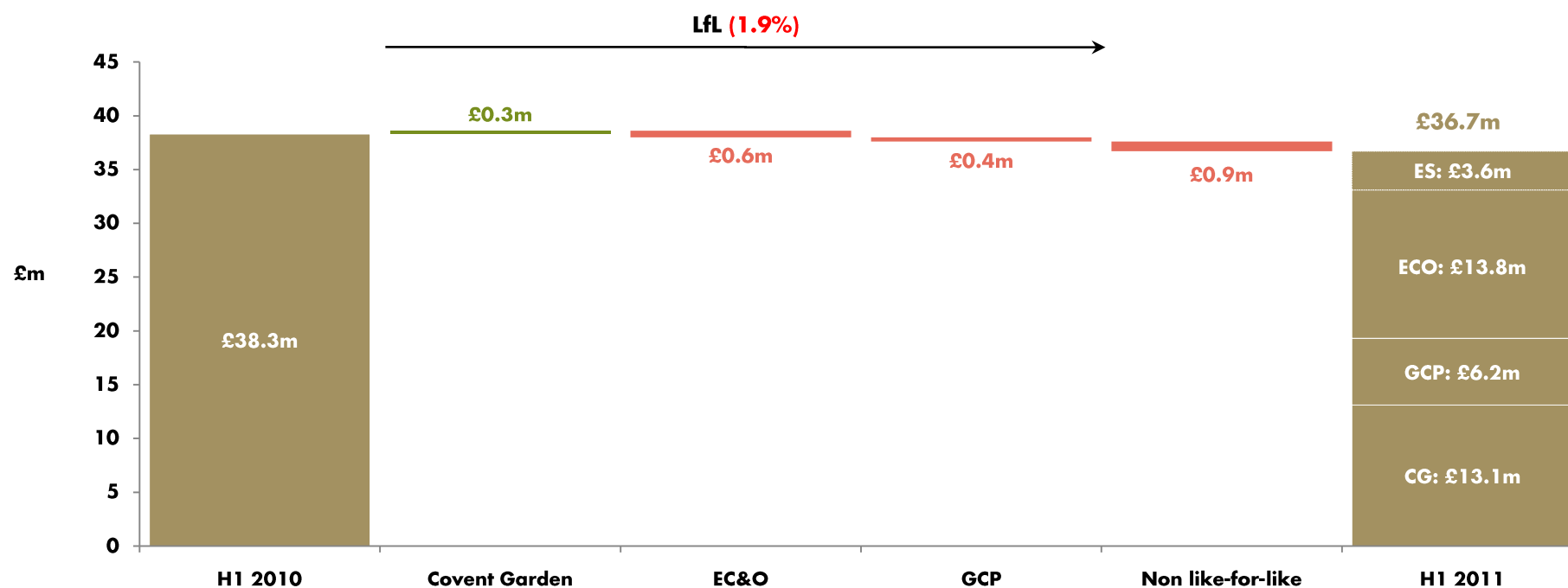
## Soumen Das

# Underlying Earnings

## Highlights

	2011 H1 £m	2010 H1 £m	Var £m
<b>Net rental income</b>	36.7	38.3	(1.6)
<b>Admin costs</b>	(11.0)	(7.7)	(3.3)
<b>Net finance costs</b>	(17.7)	(20.1)	2.4
<b>Tax on underlying earnings</b>	(1.8)	(0.4)	(1.4)
<b>Underlying earnings</b>	6.2	10.1	(3.9)
<b>Underlying earnings per share</b>	1.0p	1.6p	(0.6)p
<b>Proposed dividend per share</b>	0.5p	0.5p	-

# Net Rental Income



- ★ Passing rent of properties disposed £3.0m
- ★ Passing rent of properties acquired £3.5m



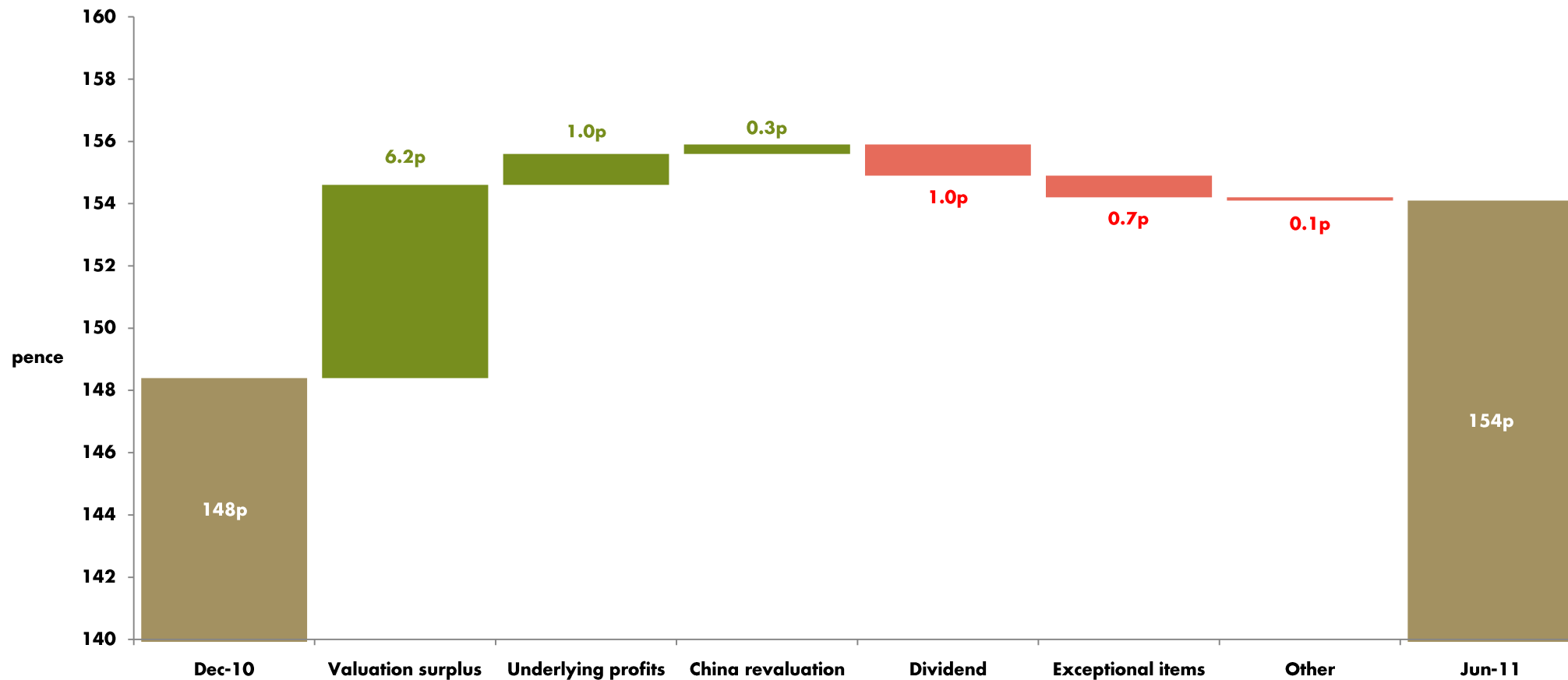
# Balance Sheet

	Jun-11 £m	Dec-10 £m	Var £m
<b>Portfolio value</b>	1,502	1,378	124
<b>Investments</b>	30	66	(36)
<b>Net debt</b>	(452)	(476)	24
<b>Other assets and liabilities</b>	(54)	(85)	31
<b>NAV</b>	1,026	883	143
<b>EPRA adjusted diluted NAV</b>	1,064	926	138
<b>EPRA adjusted diluted NAV per share</b>	154p	148p	6p
<b>Number of shares in issue</b>	683.9m	621.8m	62.1m

- ★ EPRA NNNNAV 149 pence per share
- ★ Contingent tax liability nil
- ★ Placing 62.1m shares, gross proceeds £100.6m

# EPRA Adjusted Diluted Net Assets Per Share

NAV Up 4.0% to 154p



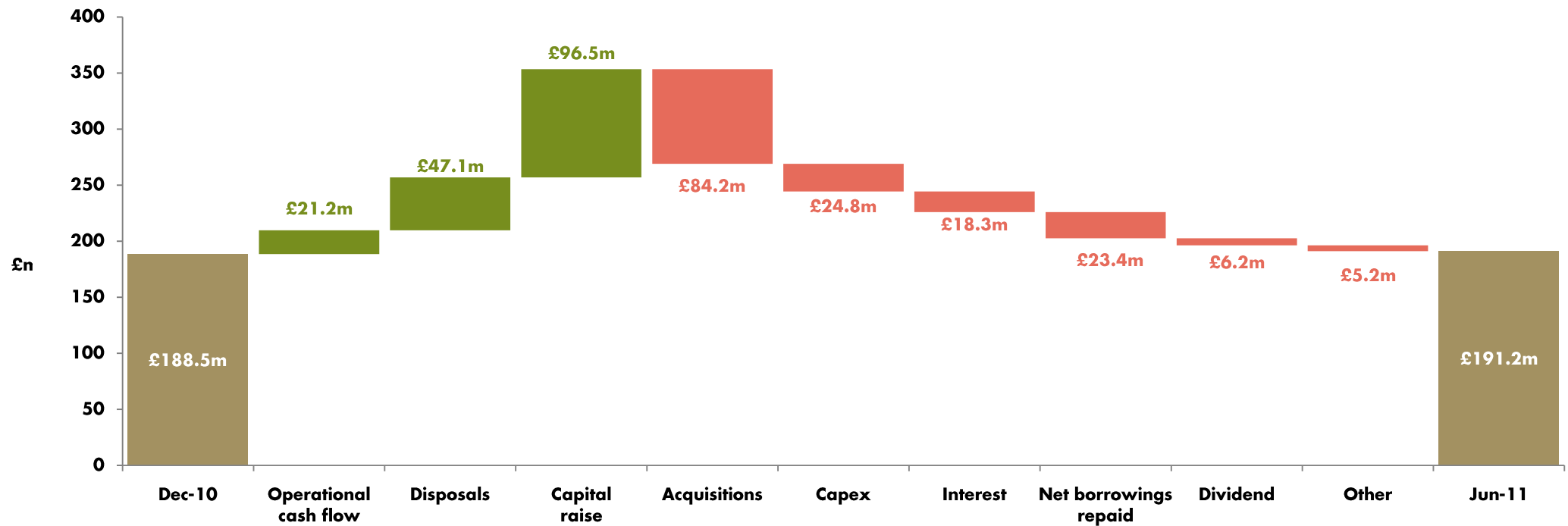
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# Debt Management

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- ★ Sound capital structure and conservative loan-to-value
  - Group LTV 30% at June 2011
  - Group interest cover 145% at June 2011
- ★ Target LTV no higher than 45%
- ★ Cash balance of £191m at June 2011 provides substantial flexibility
- ★ Weighted average cost of debt 5.9%
- ★ Weighted debt maturity now 2.7 years
- ★ Refinancing under active discussion

# Cash Utilisation



- ★ £39m to be received from GCP
- ★ £15m to be received from China

# Capital Allocation

	Allocated £m	Acquisitions £m	Spent £m	Committed £m	Remaining £m	Projects
<b>Covent Garden</b>	175	83	18	33 <sup>1</sup>	41	Flower Cellars redevelopment One West Piazza residential conversion Lease buybacks Acquisition of 35 King St
<b>Earls Court</b>	40	10	23	-	7	Planning process Acquisitions
<b>Olympia</b>	22	-	6	16	-	West Hall works
<b>Other</b>	4	-	3	1	-	
<b>Total</b>	<u>241</u>	<u>93</u>	<u>50</u>	<u>50</u>	<u>48</u>	

<sup>1</sup> Including £16m for acquisitions not completed at 30 June

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# Operating Review

Ian Hawksworth and Gary Yardley

# Valuation

## Strong H1 2011 Valuation Uplift

	Market value Jun-11 £m	Market value Dec-10 £m	Value Change <sup>2,3</sup> %	ERV Change <sup>3</sup> %	Initial Yield £m	Equivalent Yield £m
<b>Investment properties</b>						
<b>Covent Garden</b>	780	640	6.0%	6.3%	3.7%	5.2%
<b>GCP</b>	240 <sup>1</sup>	260 <sup>1</sup>	6.1%	9.8%	4.4%	5.1%
<b>Empress State</b>	103 <sup>1</sup>	103 <sup>1</sup>	-	-	6.4%	6.2%
<b>Total non exhibition properties</b>	<b>1,123</b>	<b>1,003</b>	<b>5.4%</b>	<b>6.5%</b>		
<b>EC&amp;O</b>	385	378	(3.1)%			
<b>Total Investment Properties</b>	<b>1,508</b>	<b>1,381</b>	<b>2.9%</b>			

<sup>1</sup> Represents Capco's 50% share

<sup>2</sup> Valuation change takes account of amortisation of lease incentives, capital expenditure and fixed head leases

<sup>3</sup> Like-for-like

# Covent Garden

## Accelerated Repositioning

- ★ Acquisitions £110m
  - King's Court
  - 35 King Street (completed post 30 June)
  - 11 James Street
  - One South Piazza (property swap)
- ★ Value £780m +6% (LfL capital)
- ★ 52 properties comprising 828k sq ft
- ★ Visitor demographics: 89% ABC1s (UK visitors)
- ★ Footfall 45m



Capco's Covent Garden Estate Holdings

■ Acquisitions since Dec 10   ■ Assets held at Dec 10



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# Covent Garden

## King's Court, King Street

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- ★ Acquisition completed 23 June for £68m consideration pre-costs
- ★ A portfolio of 5 properties on King Street with 71,900 sq ft of office, retail and residential space around a central courtyard
- ★ Initial yield 3.4% - equivalent yield 4.7%
- ★ Presents immediate multiple asset management opportunities and a strategic medium-term development
- ★ Reversionary potential £1.2m



27-28 King Street

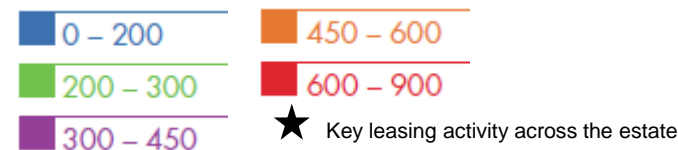
# Covent Garden

## Increased ERV Target to £50m

- ★ ERV £44.6m +6.3% (Lfl capital)
  - Previous £40m ERV target achieved 18 months ahead of schedule
- ★ NRI £13.1m +2.3% (Lfl)
- ★ Adjusted occupancy 97.4%
- ★ 39 leasing transactions completed in the period
  - Rental value £5m
  - 5.5% above Dec 10 ERV
- ★ Average ITZA £390 still significantly below London comparable average of £640

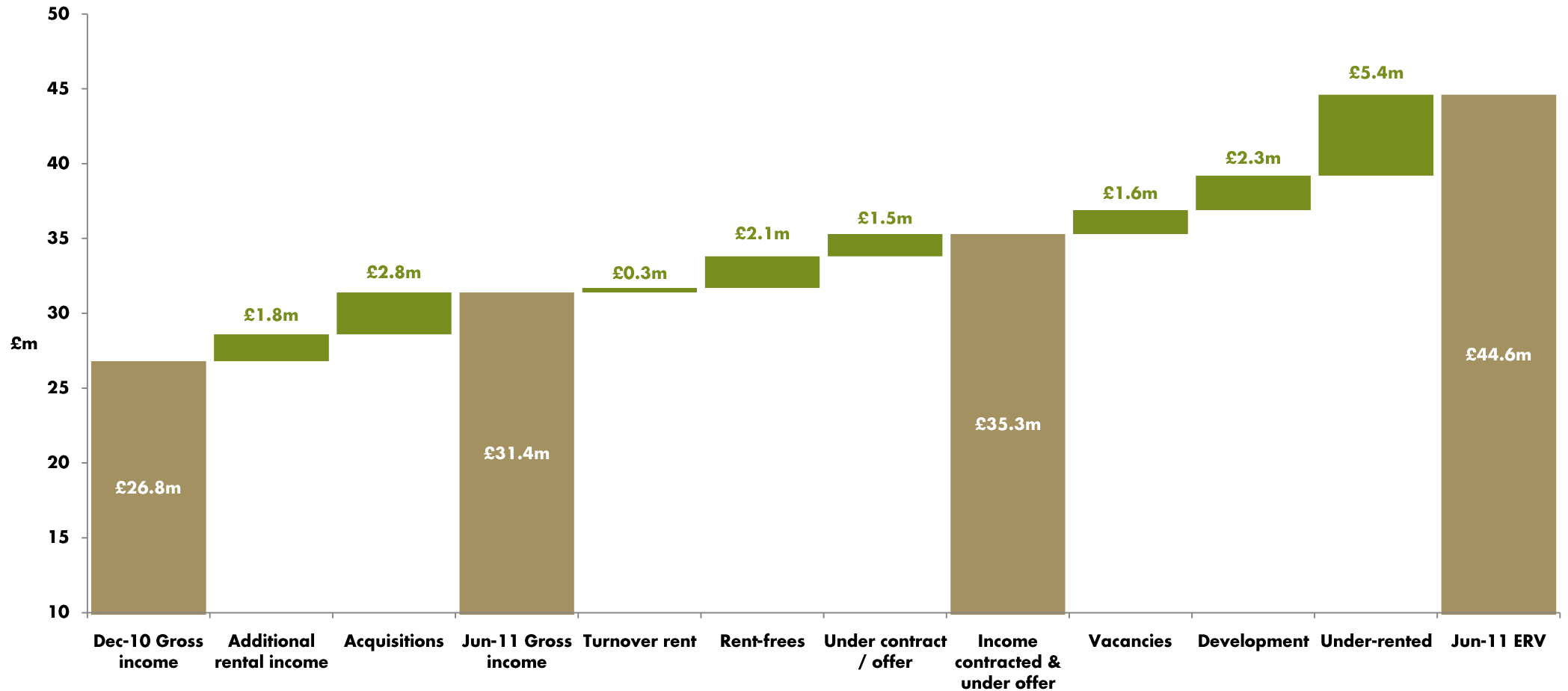


Covent Garden Rental Zone Map



# Covent Garden

## Gross Income to ERV



# Covent Garden

## Attracting New Brands Across the Estate

### ★ Vilebrequin (King St, 800 sq ft)

- 250% above previous passing rent
- 49% increase on Dec 10 ERV
- ITZA £359 psf

**BURBERRY  
BRIT**



**RUGBY**  
RALPH LAUREN

KURT GEIGER

LADURÉE

### ★ Rabeanco (Long Acre, 1,603 sq ft)

- 8% above previous passing rent
- 12% increase on Dec 10 ERV
- ITZA £473 psf



**LINKS**  
LONDON

RABEANCO



CARAT\*

### ★ G-Shock West (Market Building, 874 sq ft)

- 25% above previous passing rent
- 60% increase on Dec 10 ERV  
(on apportionment of previous unit)
- ITZA £452 psf



**BRORA**  
SCOTTISH CASHMERE BEAUTIFUL CLOTHING



# Covent Garden

## Covent Garden Living

### ★ 34 Henrietta Street (One West Piazza)

- Nearing completion – on programme and on budget
- Expressions of interest being received
- Record price psf for Covent Garden anticipated when the apartments come to market in Q4 2011

### ★ Russell Chambers (One East Piazza)

- Planning application for 4 apartments approved in July 2011
- Opportunity to create new anchor retail/F&B site at ground level

### ★ Further potential sites

- One South Piazza
- Potential for a total of 80,000 sq ft across the estate



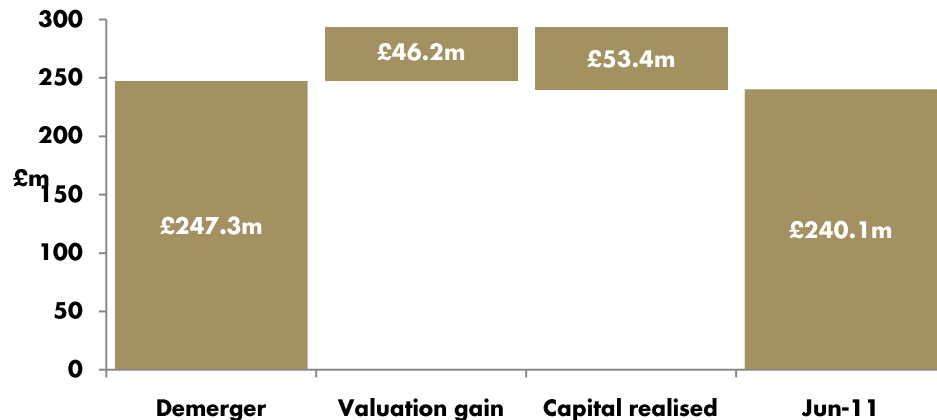
CGI 34 Henrietta Street, showing extension

# The Great Capital Partnership

## Focusing on Regent Street and Piccadilly

- ★ 3 property sales releasing £46m
  - Circa 10% above Dec 10 valuation
  - Kingsway completed post 30 June
- ★ NRI £6.2m -6.7% (Lfl our share)
- ★ ERV £14.3m +9.8% (Lfl our share)
- ★ Adjusted occupancy 86.4%

### GCP - Value uplift and realisation



GCP Regent Street and Piccadilly core

# China

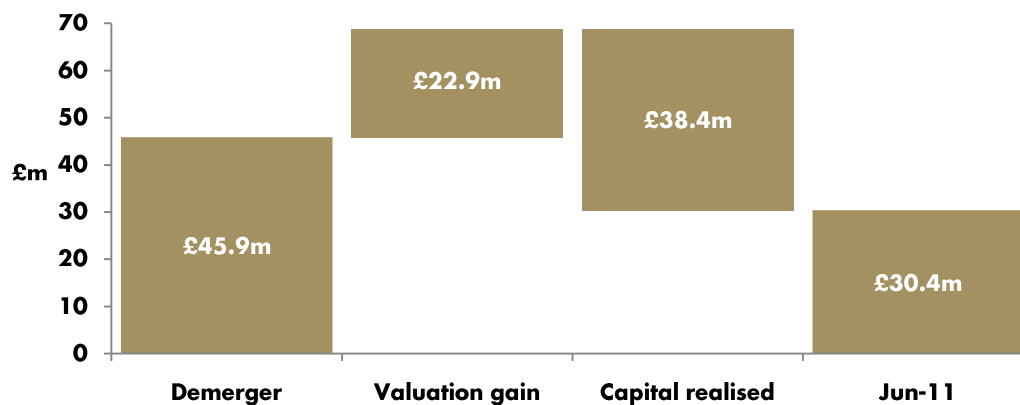
## Investment Value £30m

- ★ 4 property sales releasing £38m to date
  - Further disposals contracted; £15m of which expected to be received in H2
- ★ Divestment of China Fund II – return on capital 63%
- ★ Remainder of value to be repatriated in 2011 and 2012



Chongqing, Caiyun Lake

### China - Value uplift and realisation

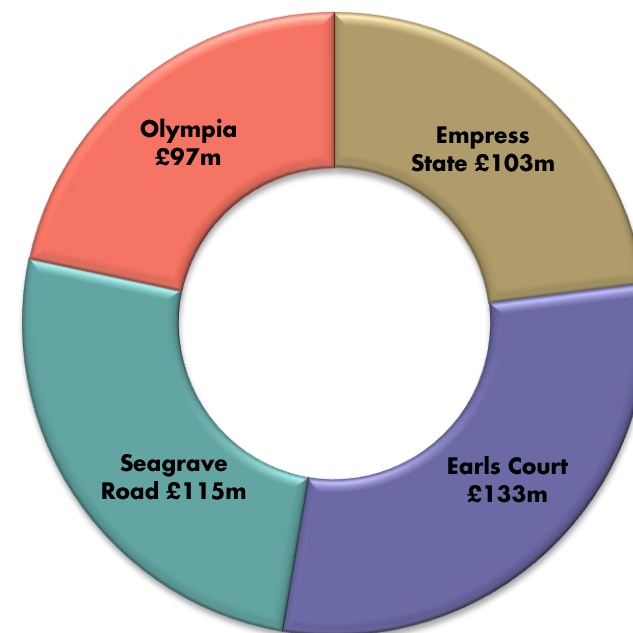


Fifth Square, Beijing

# Earls Court & Olympia

## Strategy

- ★ Secure planning consent for a residential-led, mixed-use development for the Earls Court & West Kensington Opportunity Area (ECO A) and Seagrave Road
- ★ Consider options to release and maximise value from Seagrave Road, including participation in future residential scheme
- ★ Consolidate land assembly and future development rights across ECO A
- ★ Develop Olympia as the leading central London exhibitions venue



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 £40m comprising Maclise Road, G Gate, Empress Place, Cluny Mews, Old Brompton Road & Atlas pub.



# EC&O Venues

## Exhibition Business Performance

- ★ EBITDA H1 £12m
  - H1:H2 split 70:30
- ★ 92.5% of 2011 budgeted licence fees currently contracted
- ★ Consultation ongoing with key clients about Earls Court to Olympia transition
- ★ 97,000 sq ft new West Hall on programme and budget



Olympia West Hall, July 2011

# Earls Court & West Kensington Opportunity Area

## Planning Application Submitted

★ Sir Terry Farrell’s “Four Villages and a new 21<sup>st</sup> Century High Street” concept

- 23.5 acres of open space
- 10.4 m sq ft development
- 7,500 homes (plus 808 at Seagrave Road)
- 2 million sq ft of commercial, retail and leisure

**ECO Planning Applications - key areas**

	Capco sqft m	LBHF sqft m	TfL sqft m	Total sqft m
<b>Residential</b>	3.2	3.0	1.9	8.1
<b>Commercial / Other</b>	1.1	0.7	0.5	2.3
	<b>4.3</b>	<b>3.7</b>	<b>2.4</b>	<b>10.4</b>

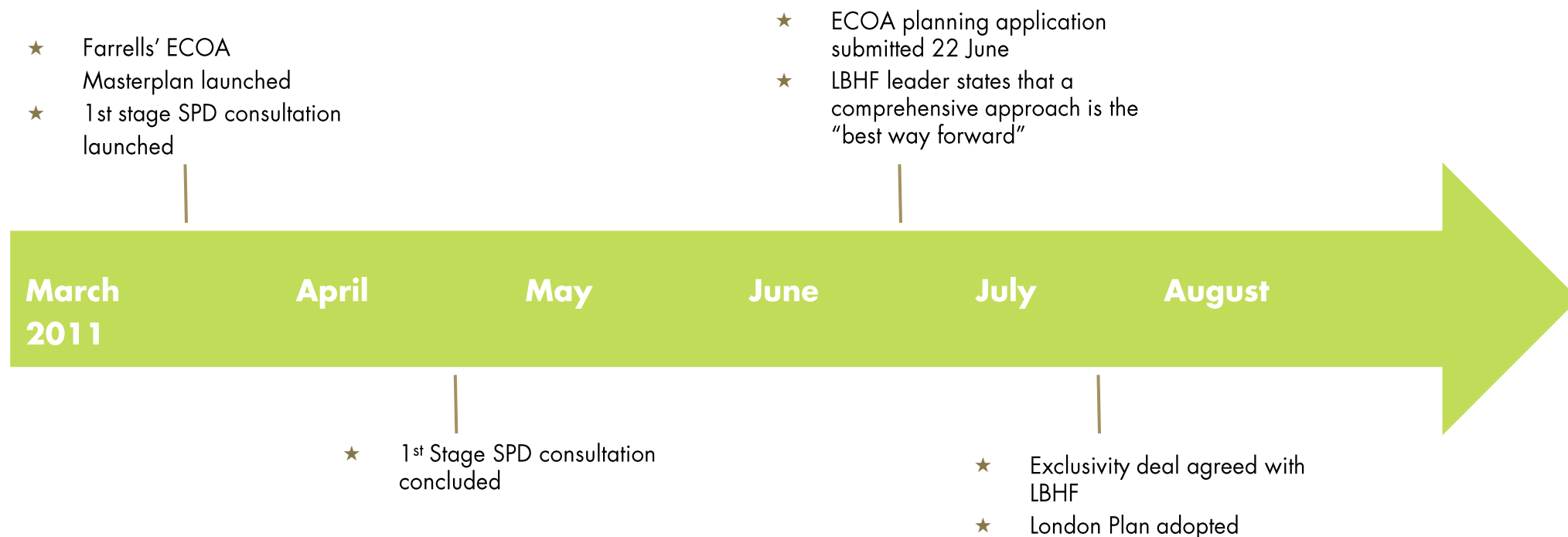
Gross external area excluding Seagrave Road



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

# Earls Court & West Kensington Opportunity Area

## Milestones



- ★ Next stage consultation for SPD
- ★ Complete land assembly transactions and lease renewals with LBHF and TfL
- ★ Planning committee dates yet to be specified

# Seagrave Road

## Potential Major Residential Scheme

- ★ June 2011 value £115m +11% from Dec 2010
  - Current value per acre £16m
  - Land value per square foot NIA £120
- ★ A strategic site within LBHF draft core strategy and London Plan Opportunity Area
- ★ Planning application submitted June 2011
  - Approx 950,000 sq ft (NIA)
  - 808 high quality residential units and 485 car parking spaces
  - Amenities including 90 metre long garden square and club facilities
- ★ Approaches from potential JV partners
- ★ Construction costs phased to limit additional capital requirements to circa £100m



Seagrave Road CGIs

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# Outlook

## Positive Momentum Across the Business

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- ★ Central London real estate market likely to remain positive and active
- ★ Continue recycling of capital
- ★ Covent Garden
  - Further ERV growth and letting activity anticipated
- ★ Olympia upgrade works to continue
- ★ Earls Court
  - Target planning consent
  - Focus on land deals and lease re-gear
- ★ Seagrave Road
  - Future strategy for the residential development

# Q&A



ECOA and Seagrave Road Planning Applications

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# Appendices

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

# Financial Covenants

Maturity	Facility	Debt <sup>1</sup> £m	Test		Actual	
			LTV	Interest Cover	LTV	Interest Cover
<b>2013</b>	<b>Earls Court &amp; Olympia</b>	107	n/a	150%	n/a	212%
<b>2013</b>	<b>Covent Garden</b>	222	75%	120% <sup>2</sup>	51%	156%
<b>2013</b>	<b>Empress State</b>	75	75%	115%	73%	141%
<b>2013</b>	<b>GCP</b>	113	70%	120%	50%	151%
<b>2017</b>	<b>Covent Garden</b>	112	70%	120%	48%	158%

<sup>1</sup> As at 31 July 2011

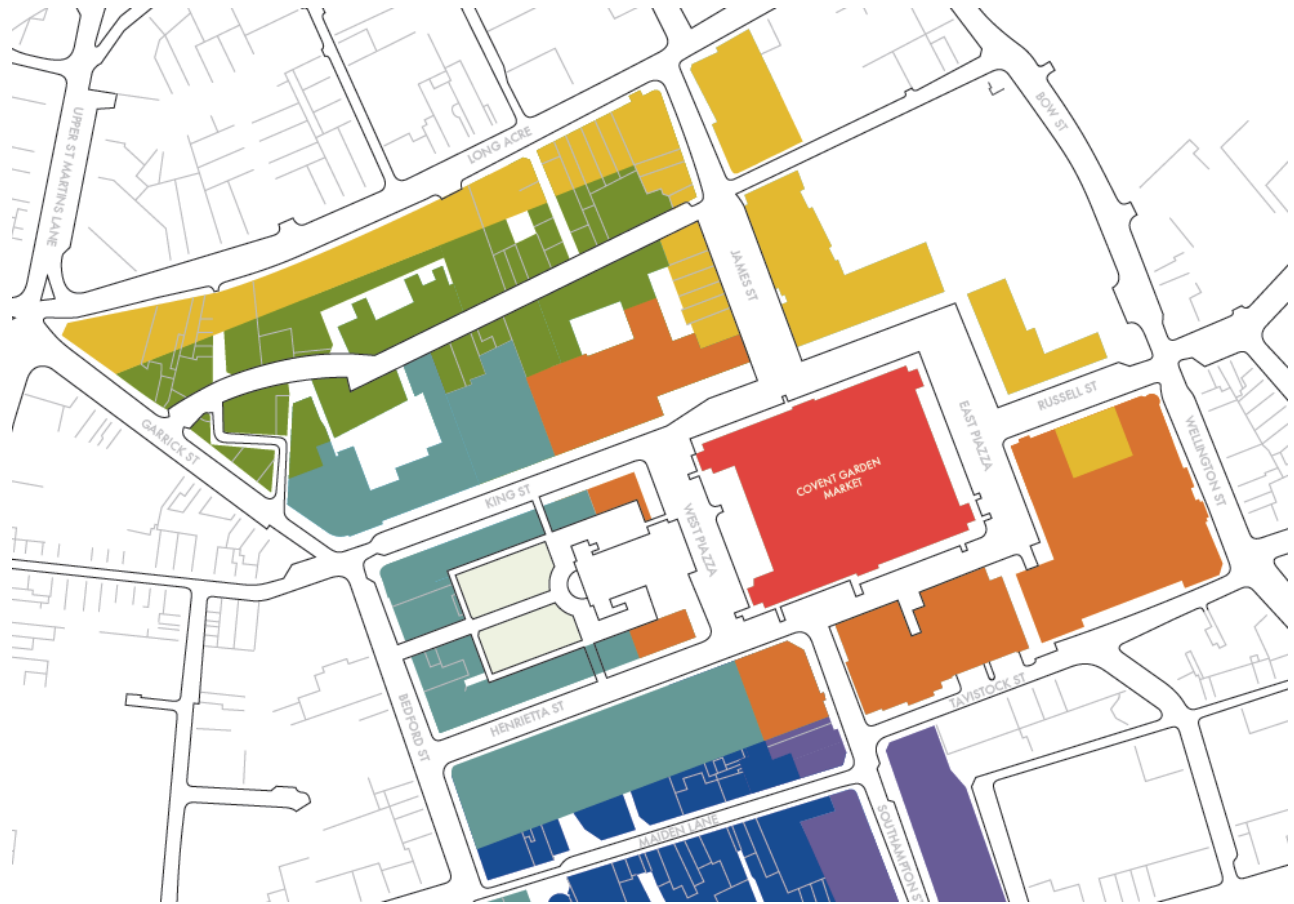
<sup>2</sup> LTV 70% and ICR 130% from 31 Oct 2011



# Covent Garden

## Zoning Plan

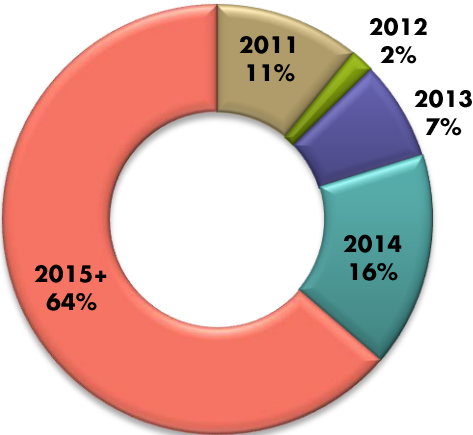
- ★ Prime Piazza Properties
  - Brand anchors
- ★ Long Acre/James Street/ROH
  - Stylish mid market
- ★ Floral Street
  - Boutique
- ★ King Street/Henrietta Street
  - Contemporary luxury
- ★ Southampton Street
  - Outdoor
- ★ Market Building
  - Independents, specialists and casual dining
- ★ Maiden Lane
  - Bars and restaurants



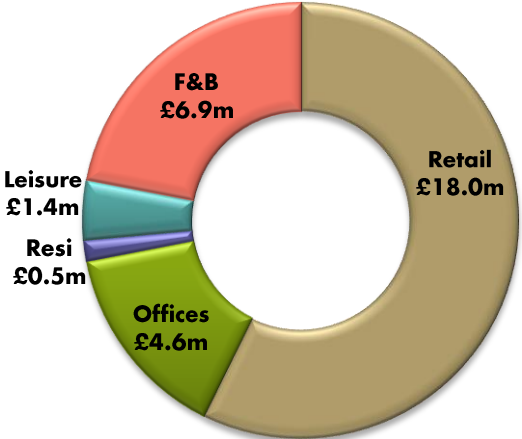
# Covent Garden

## Portfolio Statistics

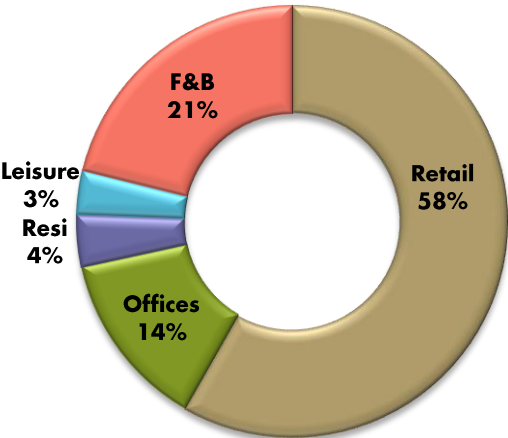
Lease expiry profile (WALE 8.8 yrs)



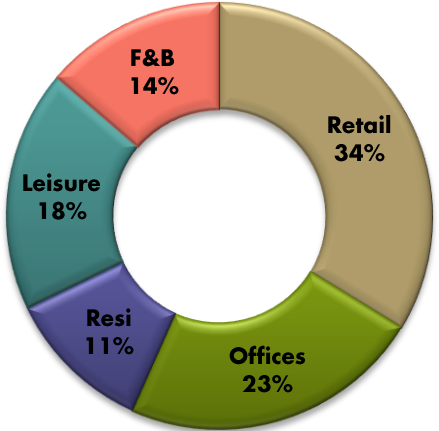
Annual gross income (£31.4m)



Portfolio by value (£780m)



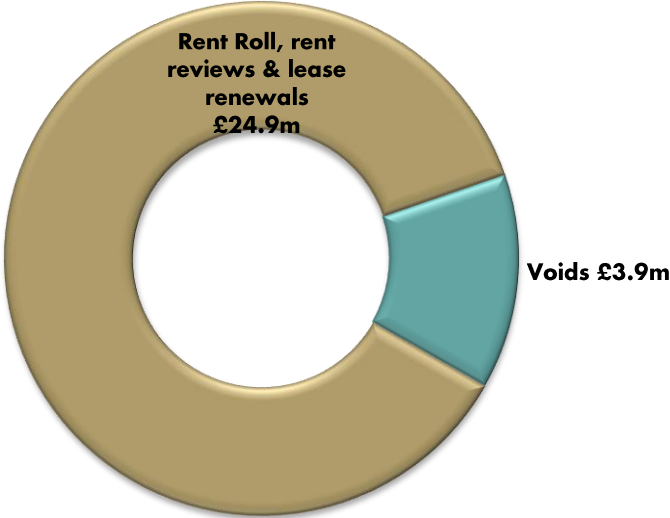
By floor area (828k sq ft)



# The Great Capital Partnership

## Portfolio Statistics

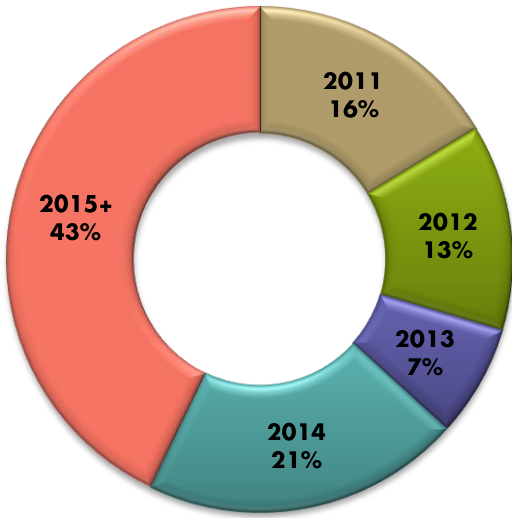
**ERV at 30 Jun 2011 (£28.6m)**



**Tenants by business**



**Lease expiry profile (WALE 7.7 yrs)**



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# Taxation

## Summary

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### ★ Tax on income

- 22.5% underlying tax rate in 2011 (corporation tax rate 26% to reduce to 23% by 2014)
- Lower rate due to capital allowances and tax relief on additional pension contributions during the period
- Expected long-term underlying tax rate of 23% 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 June 2011 property valuations there is a group contingent tax liability of nil. This position is based on availability of Group losses, which are subject to certain restrictions that are closely monitored
- 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>	£780m	£385m Exhibition £103m Empress State Building	£240m
<b>Size (sq ft)</b>	828,000	1,228,000 Exhibition 469,000 Empress State Building	715,000
<b>Ownership</b>	100%	100% Exhibition 50% Empress State	50%
<b>Properties</b>	52	3	28
<b>Adjusted occupancy</b>	97.4%	n/a Exhibition 100% Empress State	86.4%
<b>EBITDA H1 2011</b>	n/a	£12.0m	n/a
<b>NRI H1 2011</b>	£13.1m	£3.6m Empress State Building	£6.2m
<b>Passing Rent</b>	£30.1m	£6.9m Empress State Building	£11.3m
<b>Average rent psf</b>	£43.06	£29.40 Empress State Building	£43.10
<b>Debt</b>	£334m	£107m Exhibition £75m Empress State Building	£113m
<b>Key Tenants / Shows</b>	<ul style="list-style-type: none"> <li>• Apple Retail (UK) Ltd</li> <li>• Kurt Geiger</li> <li>• Burberry Brit</li> <li>• Ladurée</li> <li>• Rugby Ralph Lauren (Summer 2011)</li> <li>• Links of London</li> <li>• Vilebrequin (Summer 2011)</li> <li>• Caprice Holdings</li> <li>• G-Shock (Winter 2011)</li> </ul>	<ul style="list-style-type: none"> <li>• Ideal Home Show</li> <li>• The London Book Fair</li> <li>• BETT</li> <li>• British Military Tournament</li> <li>• 100% Design</li> <li>• Metropolitan Police</li> </ul>	<ul style="list-style-type: none"> <li>• VNU Business Publications Ltd</li> <li>• Secretary of State for the Environment</li> <li>• Standard Chartered Bank</li> <li>• Live Nation Music (UK) Ltd</li> </ul>

All figures relate to period ending 30 June 2011. All figures represent Capco's share of value (but 100% of space)