

Capital Shopping Centres Group PLC

Business Overview August 2011



At a glance

Capital Shopping Centres Group PLC (CSC) is the UK's leading specialist developer, manager and owner of pre-eminent regional shopping centres. With a portfolio of 14 centres representing 16 million sq ft of retail space and a valuation of £6.9 billion, CSC's assets attract well over 300 million customers a year.

CSC's assets comprise five major out-of-town centres including four of the UK's top six – Trafford Centre, Manchester; Lakeside, Thurrock; Metrocentre, Gateshead; Braehead, Glasgow and The Mall at Cribbs Causeway, Bristol – and nine in-town centres including centres in prime destinations such as Cardiff, Manchester, Newcastle, Norwich and Nottingham.

With a dedicated and skilled management team CSC aims to be the landlord of choice for retailers and to provide compelling destinations for shoppers. It is a responsible and environmentally conscious participant in the communities where it invests.

In April 2011 CSC was recognised as the UK's Top Shopping Centre Investment Manager in Going Shopping 2011 – The Definitive Guide to Shopping Centres published by Trevor Wood Associates.



For further information see www.capital-shopping-centres.co.uk

Total investment properties

£6.9bn

Annual property income*

£382m

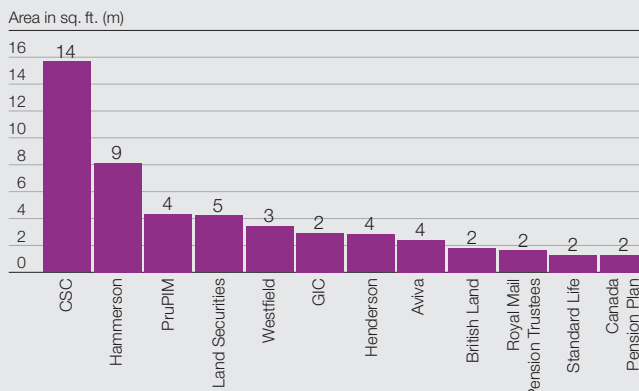
Financial headroom

£440m

Debt to assets ratio

48%

No. of shopping centres**



Source: PMA 2010

** Number of shopping centres > 400,000 sq. ft. in 50 highest rented locations where owner has at least 33 per cent share.

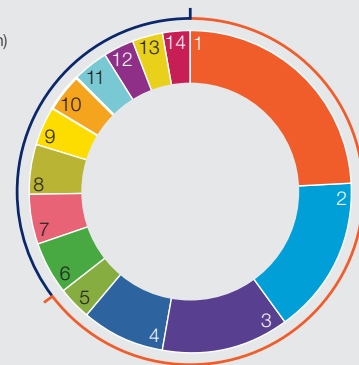
CSC asset valuation £6,861 million

Out-of-town (64%)

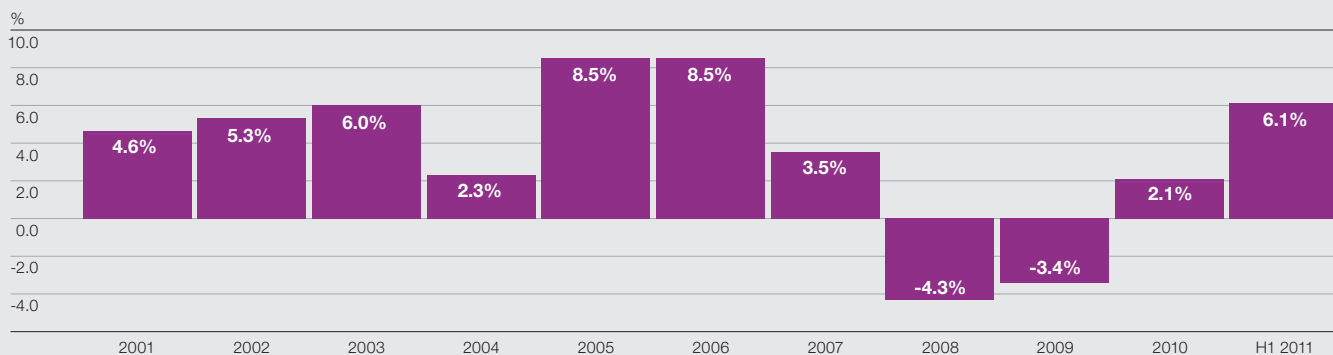
- 1 The Trafford Centre (£1,650 million)
- 2 Lakeside (£1,071 million)
- 3 Metrocentre (£871 million)
- 4 Braehead (£577 million)
- 5 Cribbs Causeway (£221 million)

In-town (36%)

- 6 Watford (£353 million)
- 7 Manchester Arndale (£348 million)
- 8 Nottingham (£333 million)
- 9 Cardiff (£276 million)
- 10 Newcastle (£262 million)
- 11 Norwich (£241 million)
- 12 Uxbridge (£217 million)
- 13 Stoke-on-Trent (£199 million)
- 14 Bromley (£179 million)



Growth in net rental income (like for like)



* Annual property income: Group's share of passing rent and other income.

Highlights of the half year ended 30 June 2011

	Six months ended 30 June		Change
	2011 ⁽¹⁾	2010	
Net rental income from continuing operations	£178m	£135m	Up 32%
Underlying earnings	£66m	£43m	Up 53%
Underlying EPS	8.0p	7.0p	Up 14%
Interim dividend per share	5.0p	5.0p	Unchanged
Property revaluation surplus	£58m	£348m	n/a
IFRS profit	£193m	£291m	Down 34%

	30 June 2011	31 December 2010	Change
NAV per share (diluted, adjusted)	391p	390p	Up 1p
Market value of investment properties	£6,861m	£5,099m	Up 35%
Net external debt	£3,286m	£2,437m	Up 35%
Debt to assets ratio	48%	48%	Unchanged

(1) 30 June 2011 income data includes Trafford Centre results for the 5 month period since completion.

Sound operating performance in challenging retail environment

- occupancy remains high at 97 per cent
- continuing footfall growth, up 3 per cent for the third consecutive year
- 80 long term lettings secured £5m additional rent, in aggregate at 98 per cent of ERV
- short term lets are a continuing feature of the market given economic conditions

Progress on CSC's three priorities for 2011

- growth in like-for-like net rental income – up 6 per cent mostly reflecting 2010 letting activity
- progress with active management projects through planning, letting and construction. Major extensions moving towards planning consents
- The Trafford Centre performing strongly post acquisition – footfall up 8 per cent – and integrated into Group's overall activities

Financial performance

- underlying earnings increased 53 per cent from £43 million to £66 million with net rental income growing from £135 million to £178 million including 5 months of Trafford Centre operations
- underlying earnings per share increased 14 per cent to 8.0 pence
- total financial return, including dividends, 3 per cent
- robust financial position with debt to assets ratio unchanged at 48 per cent, interest cover improved to 1.7 times

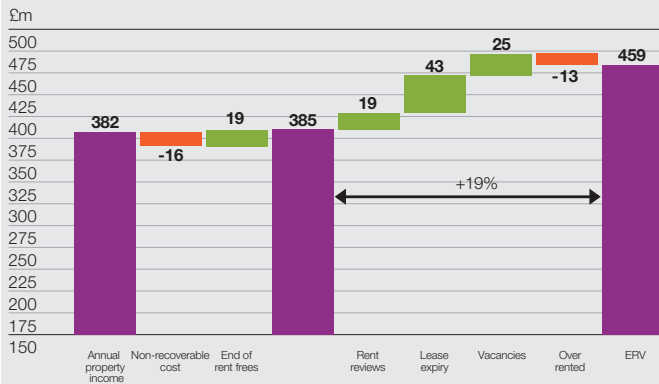
Valuation performance

- 1.2 per cent like-for-like valuation increase (IPD 1.1 per cent increase) reflecting 11bp yield shift
- Trafford Centre valuation unchanged

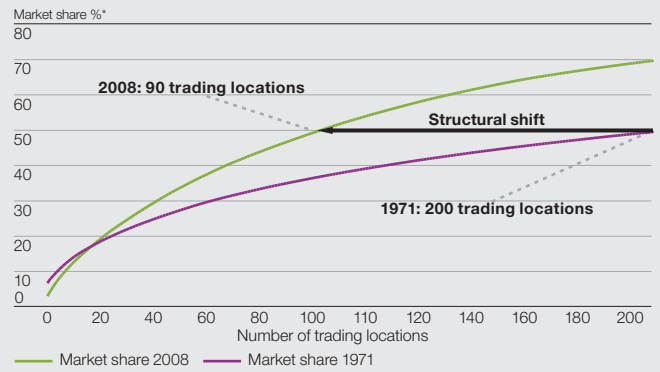
“With 6 per cent growth in like-for-like net rental income and increased footfall at our centres, CSC has delivered a sound operating performance in the first half of 2011”

Net rental income growth potential

Delivery of rental income growth



Number of locations required to serve 50%*



Source: CBRE, NSLSP

* Comparison goods market share-based on NSLSP shopping population.

Net rental income reversionary potential

The chart above illustrates the valuers' assessment of reversion across the enlarged group.

- The reversion of 19 per cent of current rent is spread across the group with two thirds of the upside concentrated in the top five centres by value.
- The largest component of the uplift (£43 million) is anticipated to arise on re-letting of expiries, around a third of which relates to short-term leases. The uplift relating to vacancies has increased marginally in the period due to tenant failures.
- The valuers' expectation is for two thirds of the reversion to be captured within three years, 80 per cent within five.

We continue to see competitive demand for space in CSC's centres for larger units suitable for flagship stores and well located smaller units for catering outlets. CSC has a strong track record of creative active management and professional project execution to deliver appropriately configured space to meet retailers' requirements.

A strong growth area has been the increase in requirements for catering space. Catering operators now account for 8 per cent of CSC's total rent and some 370 units out of CSC's 2,400. With current deals being struck at higher levels, the aggregate rent of catering units across all CSC's centres now averages £43 per square foot.

Structural shift in UK retail towards pre-eminent destinations such as CSC's

UK retail trade continues to concentrate into fewer locations. The structural shift towards prime destinations with strong leisure and catering offerings benefits CSC's pre-eminent UK shopping centres. The chart above illustrates that since the early 1970s the number of locations required to serve 50 per cent of the comparison goods market share has fallen by more than a half, from 200 to 90 locations.

CSC's centres can offer the retailer flagship stores in top locations. Such stores are increasingly becoming a crucial marketing tool for the retailer's brand. The development of other retail channels such as online shopping reinforce the concentration of physical comparison retailing into the destinations, such as CSC's, most attractive to the shopper for retail and broader entertainment. Online sales comprise only a small but growing proportion of total retail spend – 8 per cent in 2010 according to ONS. The most successful retailers now have an integrated approach to online and in-store sales, with strong evidence of high levels of interaction between the two. This is highlighted by the popularity of "click and collect" and "return to store" facilities, both of which reinforce the need for a physical store and produce incremental sales.

Dynamic retailers realise that in order to achieve the best growth throughout their multi-channel offer, they need their brand and full range to be showcased where footfall is strongest. International retailers entering the UK have also tended to establish their brands in the most prime destinations, particularly large regional shopping centres near and within the top cities.

“Although the economic environment remains challenging, large centres such as those owned by CSC with a strong catering and leisure component are continuing to outperform.”

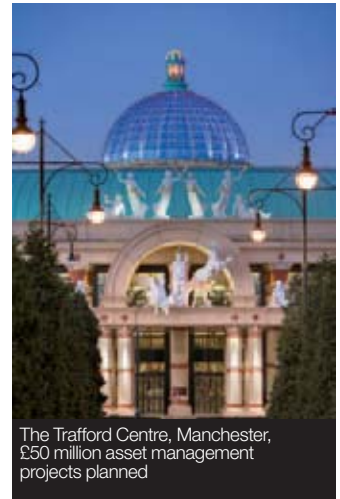
Value creation through active management and development



Victoria Centre, Nottingham, proposed extension site



Braehead, Glasgow, enhanced catering offer from former "Fun Ice"



The Trafford Centre, Manchester, £50 million asset management projects planned

A key area of focus for 2011 is value creation through continued enhancement of all CSC's centres as retail and leisure destinations by progressing development and active management opportunities. The latter tend to be focused on specific retailer needs and as such are characterised by relatively attractive returns at low risk.

- CSC has plans to invest around £50 million in revenue-enhancing active management projects at The Trafford Centre, including £30 million at Barton Square. An application to part-enclose the central courtyard of Barton Square with a glass roof has been approved and permission has been renewed for the reconfiguration and enclosure for recycling use of two service yards on the south side of the Centre.
- At Lakeside planning permission has been received for a "roof box" to create a new 35,000 sq. ft. store for Forever 21 in the existing Top Shop/Top Man unit. Top Shop/Top Man will relocate to a new 31,500 sq. ft. store created from Clinton Cards' unit and the upper level of BHS. A fully refitted, new concept BHS will occupy the lower level of its existing store and Clinton Cards is relocating to a new, smaller unit better suited to its business model.
- At Metrocentre Primark are fitting out their new 60,000 sq. ft. flagship store for an October 2011 opening, creating a strong new anchor for the yellow and blue malls. Also planning permission has been received for "MetrOasis", a 15,000 sq. ft. terrace of new retail and catering of which 75 per cent by income is under offer.
- At Braehead the first of the new restaurants, Filling Station, is now open on the former non-income producing "Fun Ice" and the other units are being fitted out for openings later this month.
- In Newcastle, Next moved in May from Northumberland Street into Eldon Square, creating a major store with full line merchandise and are delighted with their relocation.
- In Bromley, design work is underway and a detailed planning application will be submitted later this month for 5 new restaurants in Queen's Gardens, The Glades.

Victoria Centre Nottingham: Following a highly positive response to the public consultation exercise, a detailed planning application was submitted in June 2011 for a proposed 500,000 sq. ft. extension to the Victoria Centre, providing:

- an additional department store, 39 shops and enhanced leisure & catering facilities with a cinema and restaurants
- a new bus station, health club and offices
- improved pedestrian linkages running north/south and east/west through the city
- 500 construction jobs and an estimated 2,200 new jobs on an ongoing basis

The outline timetable is for detailed planning consent to be granted by the end of 2011, enabling works in 2012 and construction from 2013 to 2015 with an opening for Christmas 2015. The capital expenditure of £225 to £250 million is expected to generate ERV of around £17 to £18 million, equivalent to a stabilised initial return on cost of 7 to 8 per cent.

Lakeside: A planning application is expected to be lodged in late 2011 for a 360,000 sq. ft. extension:

- 160,000 sq. ft. department store
- around 40 new shops and restaurants
- fully integrated transport hub
- investment of around £140 to £160 million, anticipated stabilised initial yield on cost of 7 to 8.5 per cent

"CSC has significant untapped potential for further value creation through redevelopment including major extensions and ongoing asset management projects."

Corporate responsibility

Marking our commitment

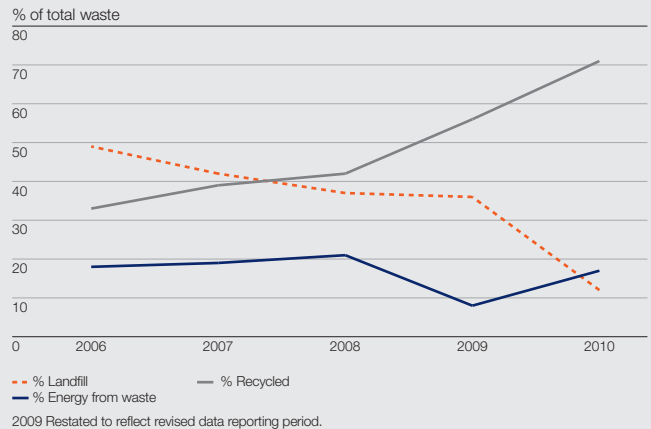
CSC ranks as a leader in the property sector in corporate responsibility. We are committed to working closely with the communities served by our businesses and operating responsibly in terms of care for the environment, reduction in energy consumption and promotion of increased recycling of waste. We also encourage and support a large number of local community initiatives in the neighbourhoods of which we form part, in many of which I am glad to say our staff take a very active part. We have also made a contribution to society at a national level in sponsoring "Engaging Experience", an active and growing network between charity founders and executives on the one hand and young entrepreneurs and City workers on the other hand, facilitating an exchange of inspiration, skills, energies and resources in a sector of growing significance.

We continue to engage with a number of well-regarded benchmarking indices who monitor the environmental and community engagement activities of public companies and remain constituent members of FTSE4Good, JSE SRI Index, Dow Jones Sustainability Indexes, Corporate Responsibility Index and OEKOM. In November 2010, CSC became one of only 38 companies to have achieved the CommunityMark, developed by Business in the Community. The award is recognition of our innovative community programmes tailored to the locations where we operate and is due in large part to the dedication of CSC's staff and our community partners in responding to local issues and needs – what one might think of as part of a 'Big-hearted Society'.



Patrick Burgess
Chairman

Breakdown of waste disposal routes



Business in the Community



CommunityMark
developed by Business in the Community



CARBON DISCLOSURE PROJECT



Online CR reporting

CSC has developed a comprehensive annual Corporate Responsibility (CR) report which is published on the Group website at www.capital-shopping-centres.co.uk/cr. This report sets out all our environmental and community engagement initiatives and the data underpinning them. Recognised by our achievement in 2010 of the coveted BitC CommunityMark, held by only 38 UK companies, our CR report is both wide-ranging and business focused and is subject to detailed external verification by Bureau Veritas.



BUREAU VERITAS

Move Forward with Confidence

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