



# CEO's FORUM



April 2008



## **Program:**

- **CFO Overview**
- **Risk Management in CapitaLand**
- **Residential**
- **Commercial**
- **Retail**
- **ILEC**
- **Serviced Residence**
- **Financial Services**
- **Concluding remarks by Group President & CEO**



# CFO Overview 1Q 2008



30 April 2008



## Contents

- **1Q 2008 Results Overview**
- **Debt Markets**
  - Liquidity & Financial Flexibility
  - Flight to Quality
- **Economic Value Creation vs Accounting**
- **Capital Allocation**
  - Past and Future



# CapitaLand Group 1Q 2008 Results



April 2008



## Disclaimer

This presentation may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate properties, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.



## 1Q 2008 – Healthy Earnings

- **PATMI of S\$247.5 million vs 1Q 07's S\$608.1 million**
  - 1Q07 included an unusually large fair value gain of S\$427m arising from 8 Shenton Way (formerly known as Temasek Tower)
- **Better operating performance from residential, retail, financial & serviced residence SBUs**
- **Overseas EBIT up 33%**
  - China and Australia were key contributors
- **Financial Services continues to expand**
  - AUM reached S\$19.1 billion, up S\$1.4 billion from December 2007
- **Proactive capital management**
  - Successfully raised S\$1.3 billion from 10-yr Convertible Bonds
  - Strong financial footing: Net D/E ratio 0.59; Average Maturity > 4 years



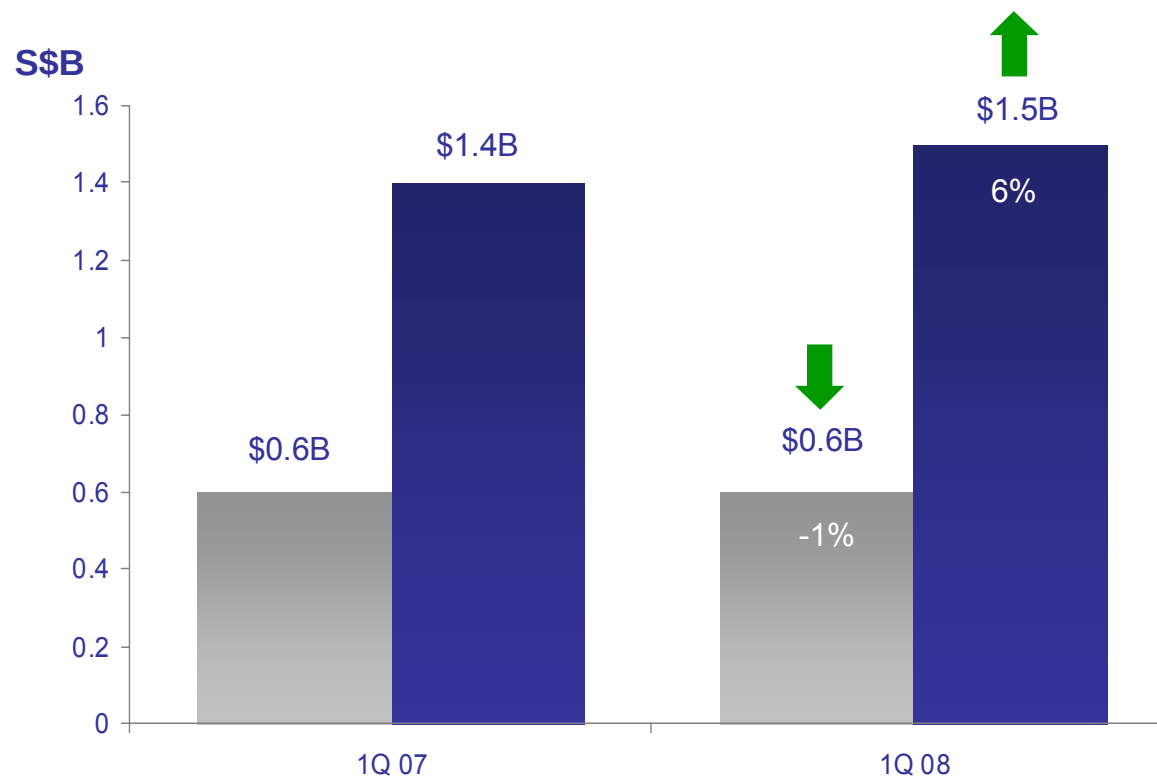
## 1Q 2008 Results

| (S\$ million) | 1Q 2007 | 1Q 2008 | Change  |
|---------------|---------|---------|---------|
| Revenue       | 637.0   | 631.3   | ↓ 0.9%  |
| EBIT          | 819.5 * | 398.8   | ↓ 51.3% |
| PATMI         | 608.1 * | 247.5   | ↓ 59.3% |
| EPS (cents)   | 21.8    | 8.8     | ↓ 59.6% |
| NTA (S\$)     | 2.85    | 3.43    | ↑ 20.4% |

\* EBIT and PATMI in 1Q2007 included fair value gains of S\$472.9m and S\$426.8m respectively, arising from the divestment of 8 Shenton Way (formerly known as Temasek Tower).



## Revenue Under Management



Notes:

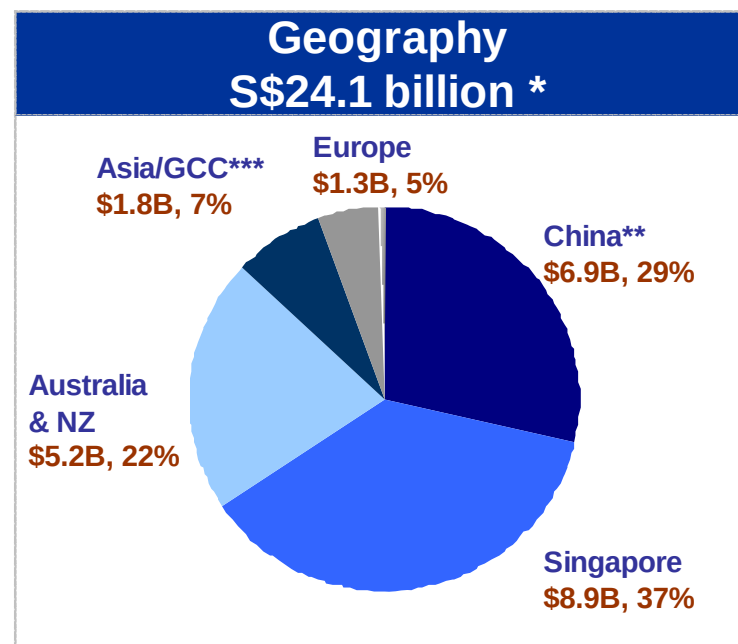
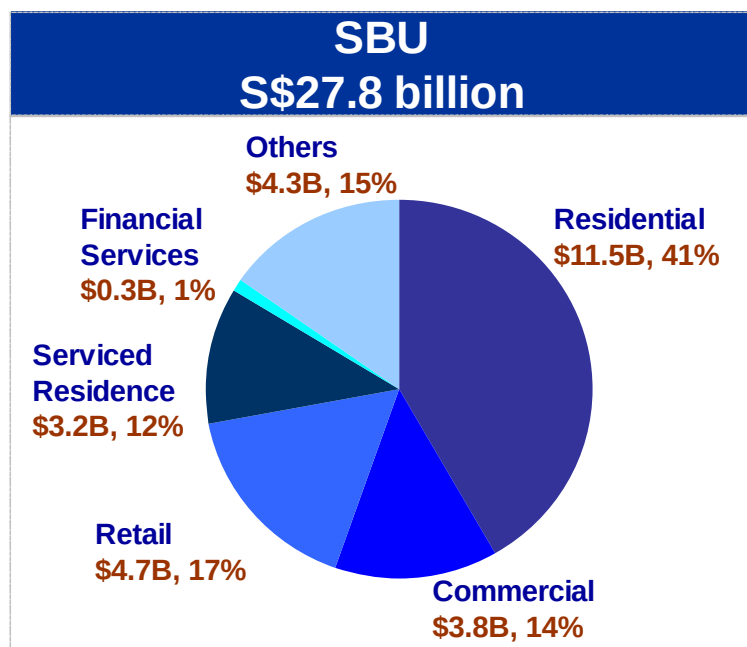
■ Statutory Revenue

■ Revenue Under Mgt

**Revenue Under Management** : revenue of all properties managed by the Group



## 1Q 2008 - Assets by SBUs & Geography



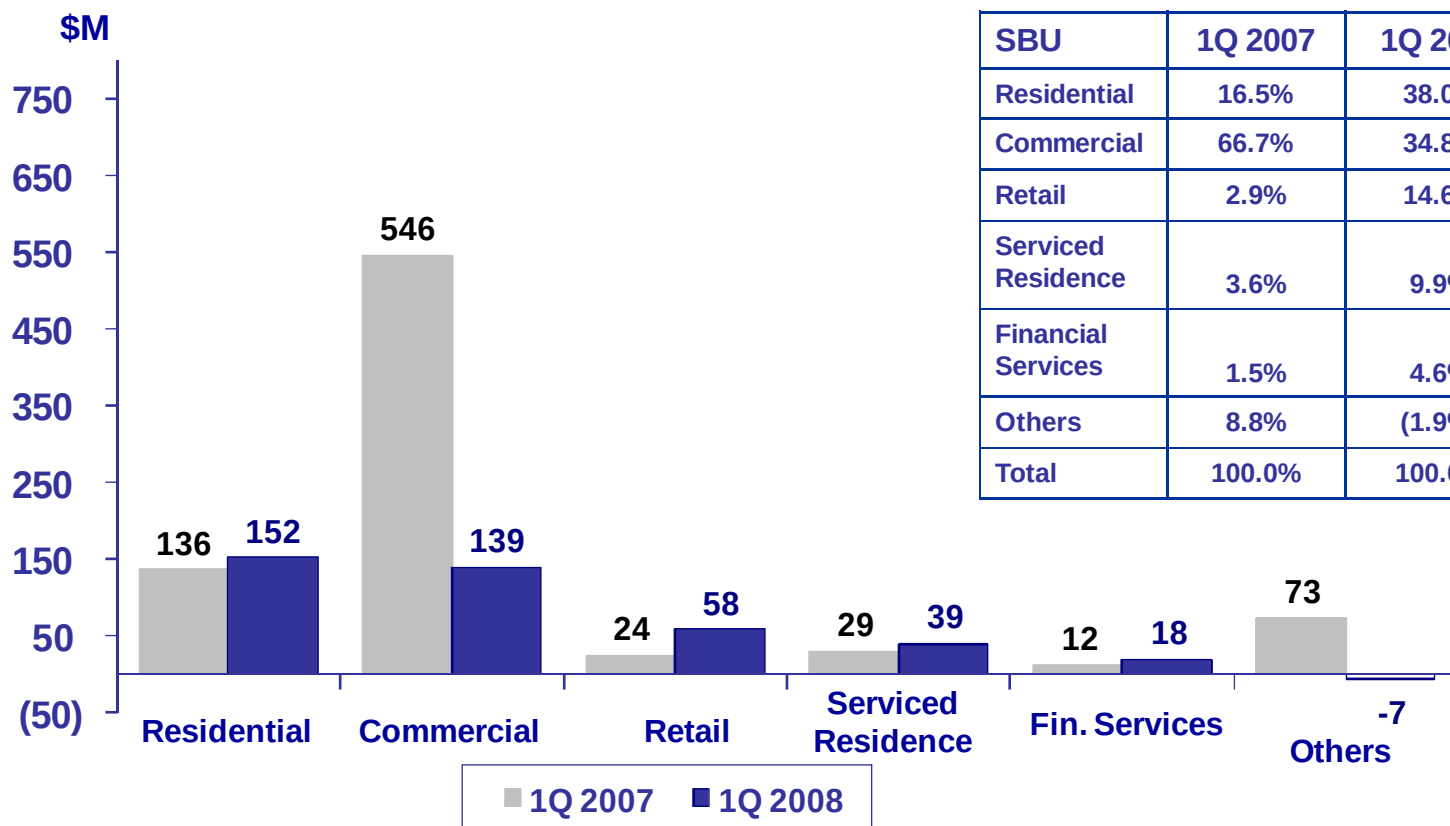
\* Excluding cash held at Singapore Treasury \*\* Greater China including Macau & Hong Kong \*\*\*Excludes Singapore & China

|                | <u>1Q 2007</u> |          | <u>1Q 2008</u> |          |
|----------------|----------------|----------|----------------|----------|
|                | S'pore         | Overseas | S'pore         | Overseas |
| <b>ASSETS*</b> | 41%            | 59%      | 37%            | 63%      |
| <b>EBIT</b>    | 83%            | 17%      | 55%            | 45%      |



# EBIT by SBUs

1Q 2008 \$398.8m vs 1Q 2007 \$819.5m



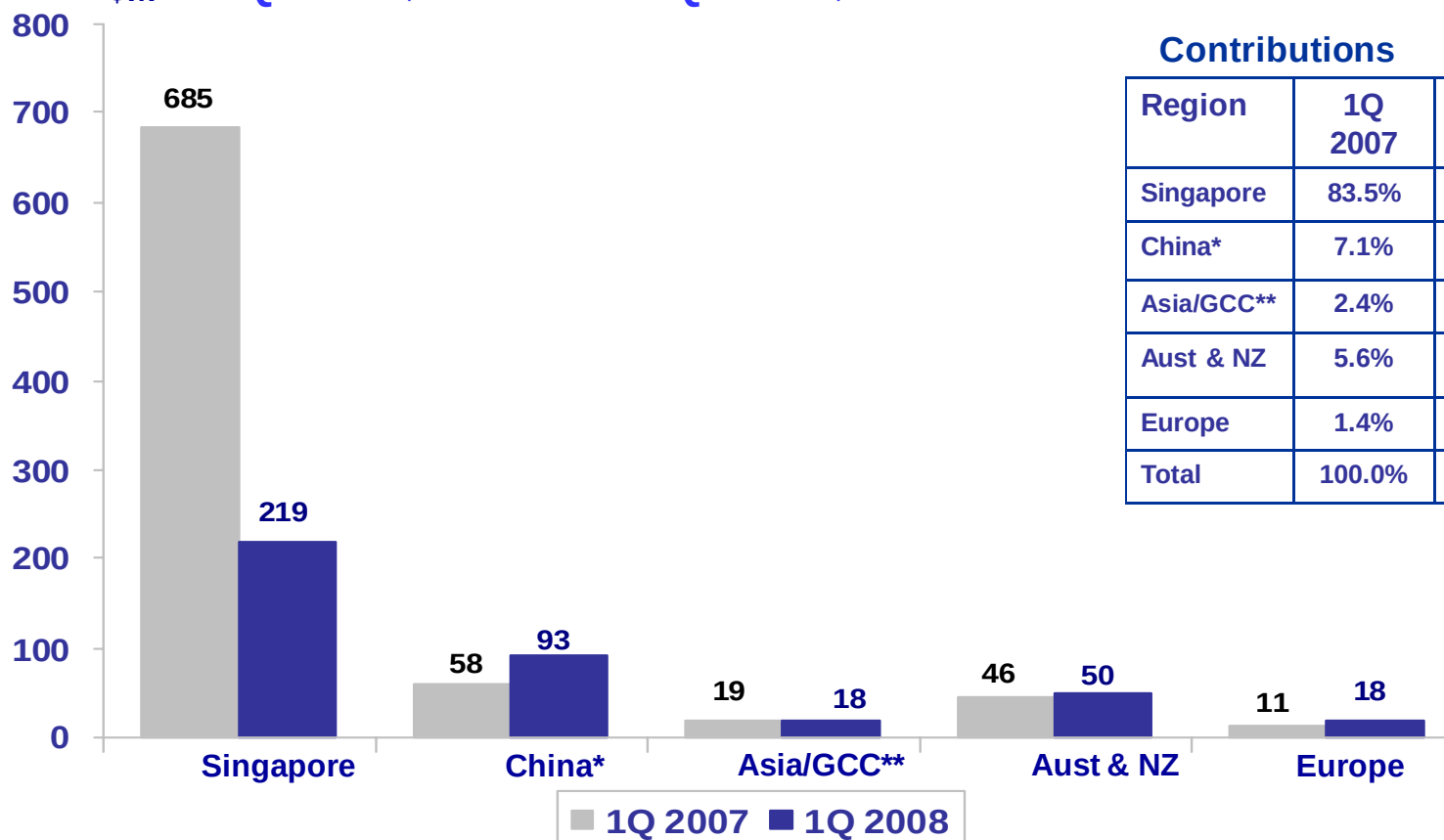
## Contributions

| SBU                | 1Q 2007 | 1Q 2008 |
|--------------------|---------|---------|
| Residential        | 16.5%   | 38.0%   |
| Commercial         | 66.7%   | 34.8%   |
| Retail             | 2.9%    | 14.6%   |
| Serviced Residence | 3.6%    | 9.9%    |
| Financial Services | 1.5%    | 4.6%    |
| Others             | 8.8%    | (1.9%)  |
| Total              | 100.0%  | 100.0%  |



# EBIT by Geography

\$M 1Q 2008 \$398.8m vs 1Q 2007 \$819.5m



## Contributions

| Region     | 1Q 2007 | 1Q 2008 |
|------------|---------|---------|
| Singapore  | 83.5%   | 55.0%   |
| China*     | 7.1%    | 23.4%   |
| Asia/GCC** | 2.4%    | 4.5%    |
| Aust & NZ  | 5.6%    | 12.5%   |
| Europe     | 1.4%    | 4.6%    |
| Total      | 100.0%  | 100.0%  |

\* Greater China including Macau & Hong Kong

\*\*Excludes Singapore and China



## Capital Management

|                        | 1Q 2007 | 1Q 2008 | Change    |
|------------------------|---------|---------|-----------|
| Equity (S\$ billion)   | 9.91    | 11.76   | Increased |
| Net Debt (S\$ billion) | 4.92    | 6.93    | Increased |
| Net Debt / Equity      | 0.50    | 0.59    | Increased |
| % Fixed Rate Debt      | 69%     | 69%     | Unchanged |
| Avg Debt Maturity (Yr) | 2.84    | 4.22    | Increased |



## Debt Coverage

|                              | 1Q 2007 | 1Q2008 | Change    |
|------------------------------|---------|--------|-----------|
| Finance Cost (S\$ million)   | 91.1    | 131.9  | ↑ 44.8%   |
| Interest Cover Ratio (ICR)   | 13.9    | 4.1    | Decreased |
| Interest Service Ratio (ISR) | 1.0     | 3.0    | Improved  |

$$\text{ICR} = \frac{\text{EBITDA}}{\text{Net Interest Expense}}$$

$$\text{ISR} = \frac{\text{Operating cashflow}}{\text{Net Interest Paid}}$$



## Access to Debt Markets

**Raised over S\$4 billion in 1Q 2008 including:**

| CapitaLand                      |              |
|---------------------------------|--------------|
| Development Loan (Farrer Court) | S\$1,996 mil |
| Convertible Bond                | S\$1,300 mil |
| CapitaMall Trust                |              |
| Medium Term Notes               | S\$150 mil   |
| CapitaCommercial Trust          |              |
| Convertible Bond                | S\$280 mil   |
| Medium Term Notes               | S\$150 mil   |
| CapitaRetail China Trust        |              |
| Share Placement                 | S\$182 mil   |
| Term Loan                       | S\$100 mil   |

# 1.Economic Value Creation

## 2.Capital Allocation





## **Capital Allocation**

### *The “Education” of CapitaLand*

|                                       |                                                               |
|---------------------------------------|---------------------------------------------------------------|
| <b>2000 Merger</b>                    | <b>Singapore small; Strategic expansion overseas critical</b> |
| <b>2001 CFL</b>                       | <b>Commence Financial Services Thrust</b>                     |
| <b>2001 Australia Push</b>            | <b>Commence 4 year rapid expansion of assets</b>              |
| <b>2002 CMT Listing</b>               | <b>Education of the Market; Execution Discipline (3P's)</b>   |
| <b>2002 TAG buys 50% in Citadines</b> | <b>Strategic M&amp;A - The Promise of Global Leadership?</b>  |
| <b>2003 China Push</b>                | <b>Against conventional wisdom; quadrupled assets</b>         |
| <b>2004 Capita Retail Singapore</b>   | <b>Commence Retail Mall Strategic Thrust</b>                  |
| <b>2004 CCT Spin-off</b>              | <b>Commence Office Recycling; Matching Investors and Risk</b> |

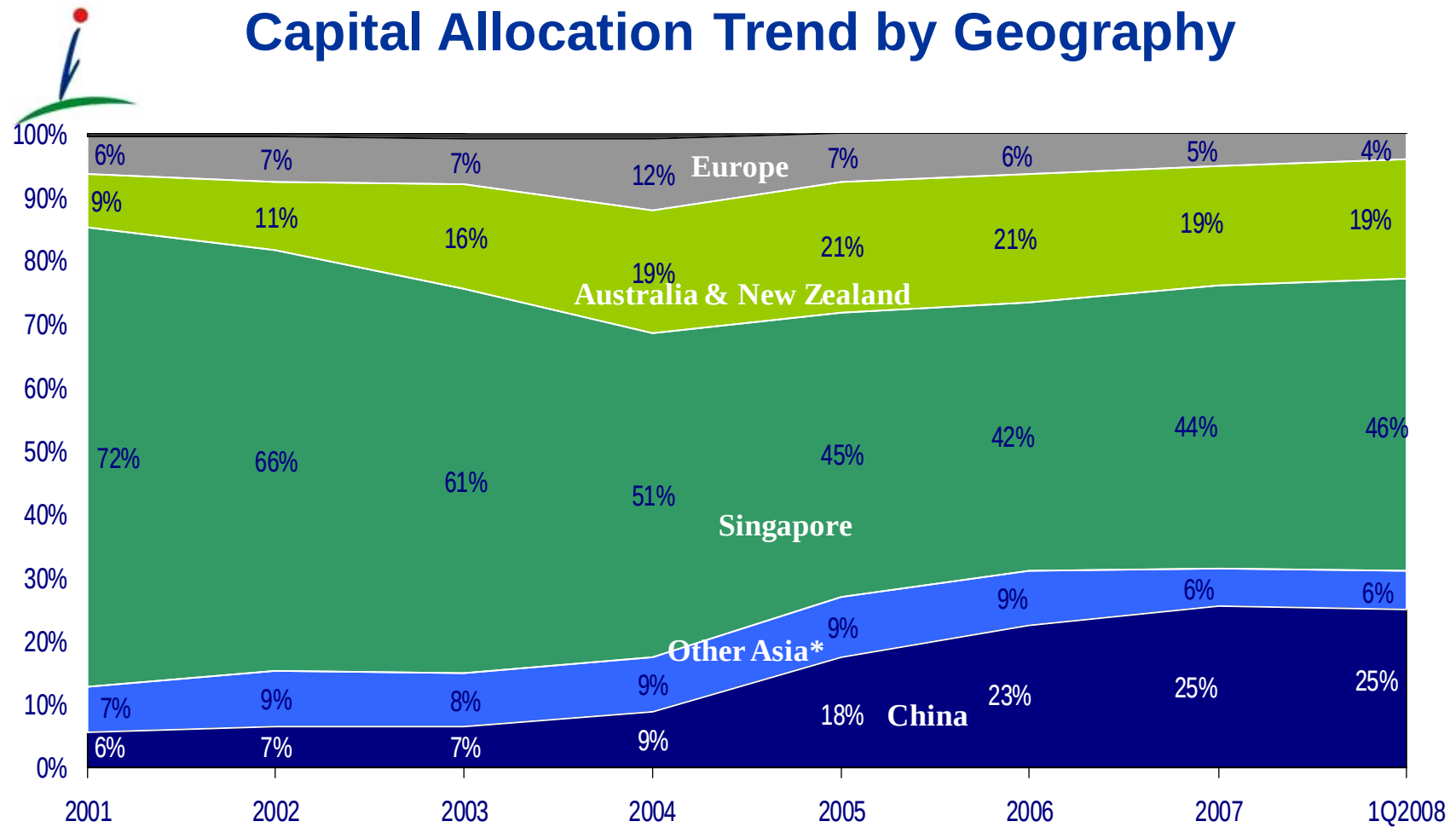


## **Capital Allocation**

### *The “Education” of CapitaLand*

|                                          |                                                                                              |
|------------------------------------------|----------------------------------------------------------------------------------------------|
| <b>2004 TAG owns 100% in Citadines</b>   | <b>Global Leader in Serviced Residences</b>                                                  |
| <b>2004 Mall JV with SZITIC</b>          | <b>Value of the Model; The Promise of Retail Mall Leadership?</b>                            |
| <b>2005 Divestment of Hotel Business</b> | <b>Unlocking Value; Focus in Asia and for Leadership</b>                                     |
| <b>2006 ART Listing</b>                  | <b>Unlocking Value; Matching Investors and Risk</b>                                          |
| <b>2007 14 PE Funds / 5 REITs</b>        | <b>Asia Leader in Fund and REIT Management</b>                                               |
| <b>2007 CRCT &amp; China Mall Funds</b>  | <b>Asia Leader in Retail Malls</b>                                                           |
| <b>2008 OGS Divestment</b>               | <b>Completion of Office reconstitution; Execution Discipline; Holding power &amp; timing</b> |

# Capital Allocation Trend by Geography



\* Before 1H2007, includes HK, India, Vietnam, Malaysia, Thailand and Japan

From 1H2007, includes Vietnam, Thailand, Malaysia, GCC, Japan, The Philippines, and Indonesia (HK is part of China from 1H2007)

CapitaLand Presentation \*April 2008\*





# Risk Management in CapitaLand



**30<sup>th</sup> April 2008**  
**Presented By:**  
**Risk Assessment Group**



## Why the need for Risk Management?

- ✓ Optimize capital and resource allocation
- ✓ Correct risk pricing
- ✓ Loss and cost reduction
- ✓ Opportunity enhancement
- ✓ Corporate governance improvement

**Risk Management Enhances Shareholder's Value**



# Enterprise Risk Management

***Risk strategy is built around and supports the business strategy.***

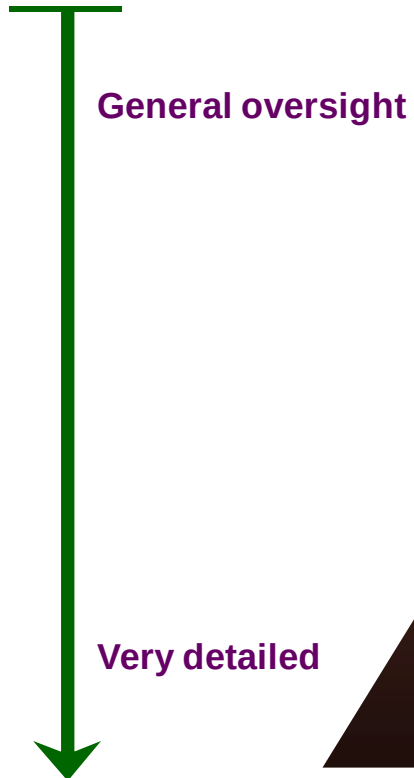




# ERM within CapitaLand

**Intensity of Risk Management Process**

**Responsibility**



Council of CEO,  
Risk Committee &  
Audit Committee

Internal Audit

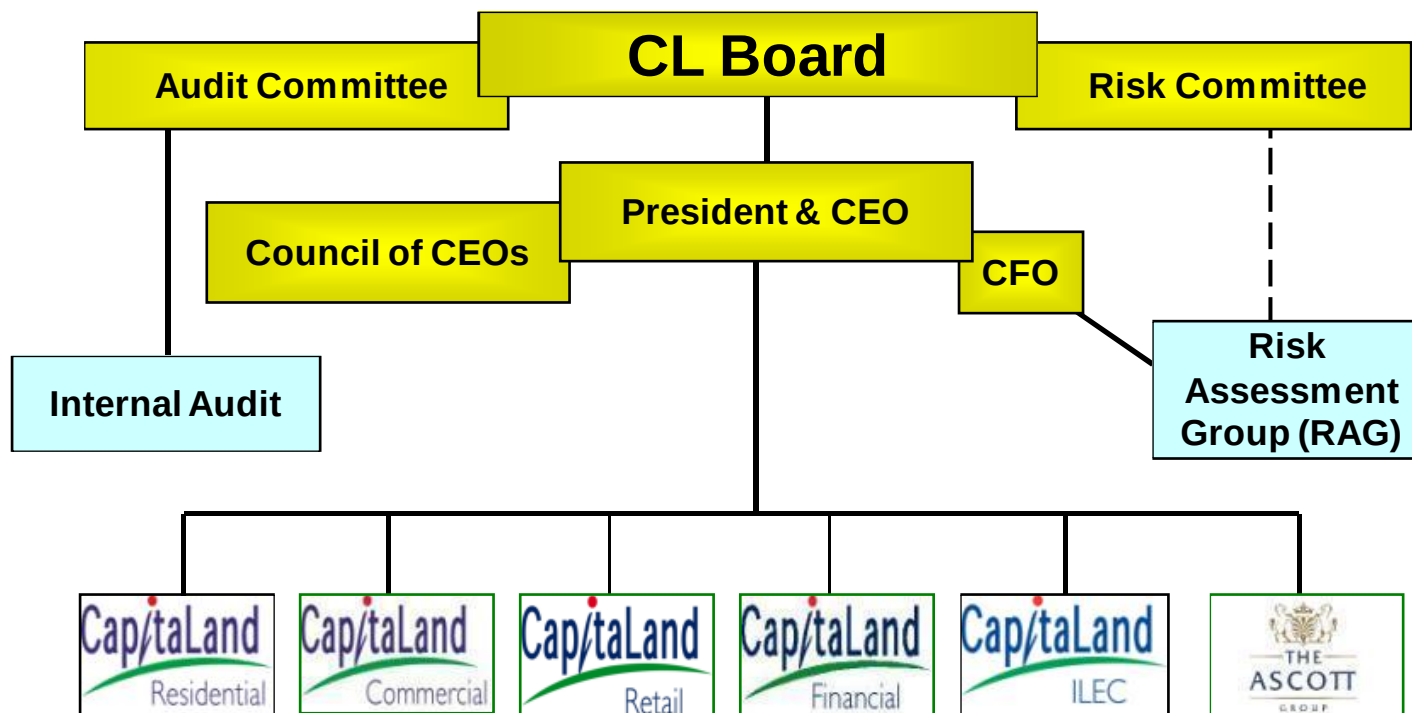
SBU Management &  
RAG





# RAG within the Group

## Organizational Chart





# Functional Responsibilities of the Risk Committee





# RAG's Risk Spectrum

- 1) Real Estate Risks
  - i. *Property price risk*
  - ii. *Construction risk*
  - iii. *Sales delay risk*
  - iv. *Discount rate risk*
- 2) Interest Rate & Refinancing Risks
- 3) Currency Risk
- 4) Counterparty / Credit Risk
- 5) Country Risk
- 6) Contingent Obligation Risk

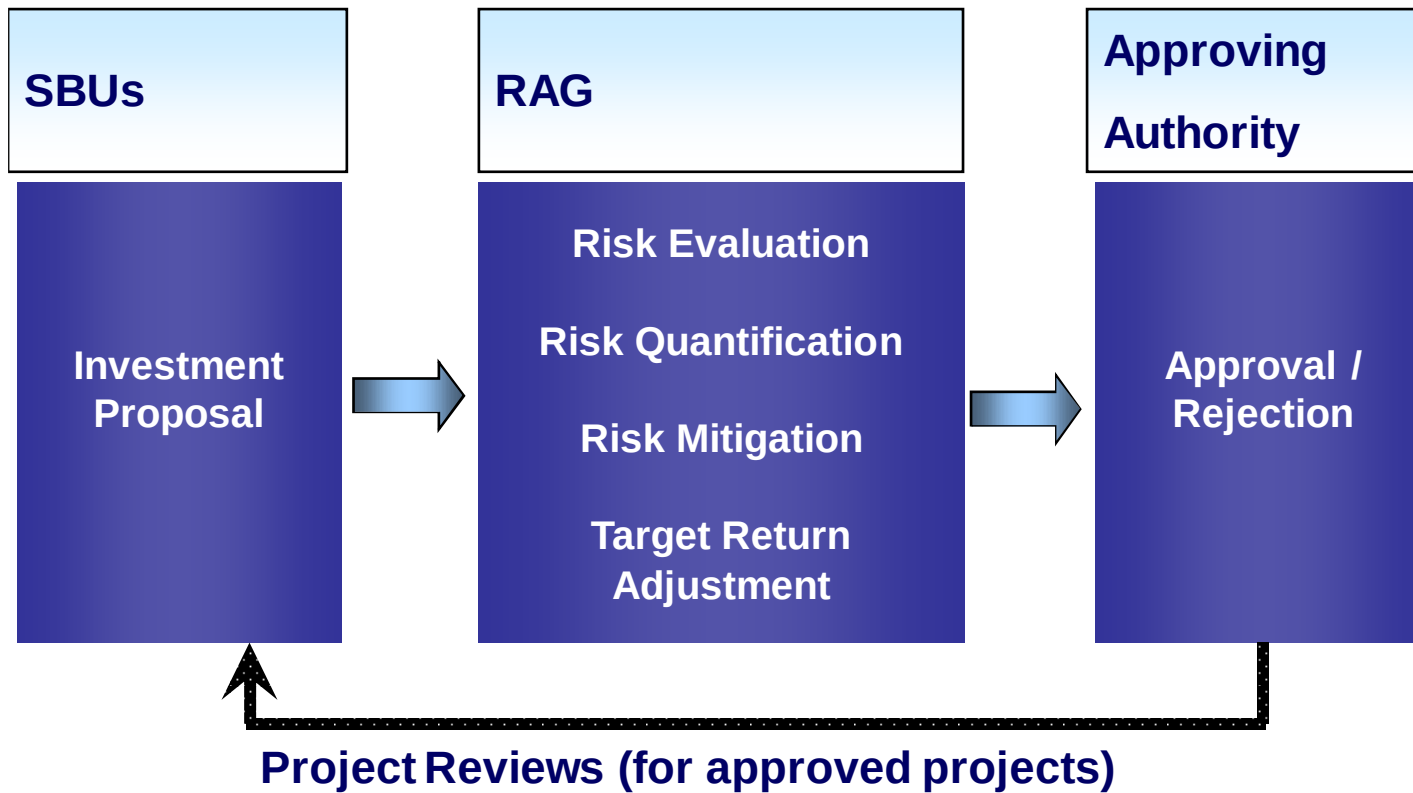


# RAG's Methodologies

- ☐ Real Estate Value-at-Risk Model
- ☐ Risk Adjusted Target Returns for different countries
- ☐ Country Limits based on sovereign risk analysis
- ☐ Project Risk Evaluations
- ☐ Project reviews on regular basis
- ☐ Risk based Treasury Limits
- ☐ Option Pricing Models (Using Binomial / Trinomial Tree Model & Monte Carlo Simulation)



## Method 1 Investment Proposal Risk Evaluation





## Method 1 (Cont'd) Risk Evaluation Process

- Evaluation of individual investment proposals based on **RAROC** approach

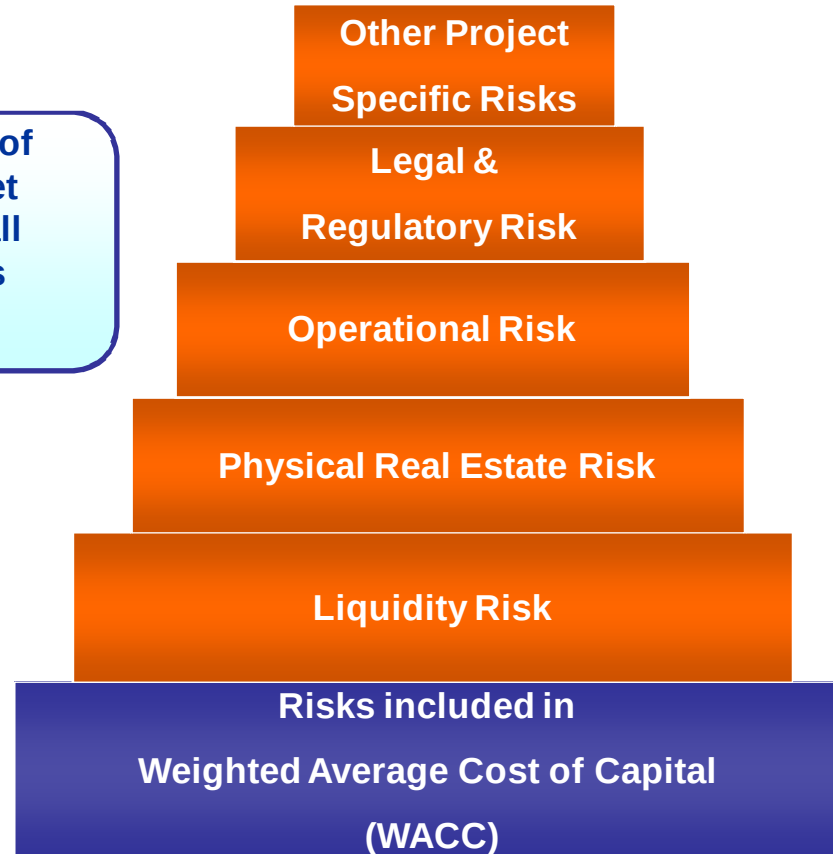


*Key to our fund strategy as third party investors  
require stringent & objective investment analysis.*



## Target Return = WACC + Risk Premiums

CL has a matrix of close to 70 target returns across all property sectors and countries





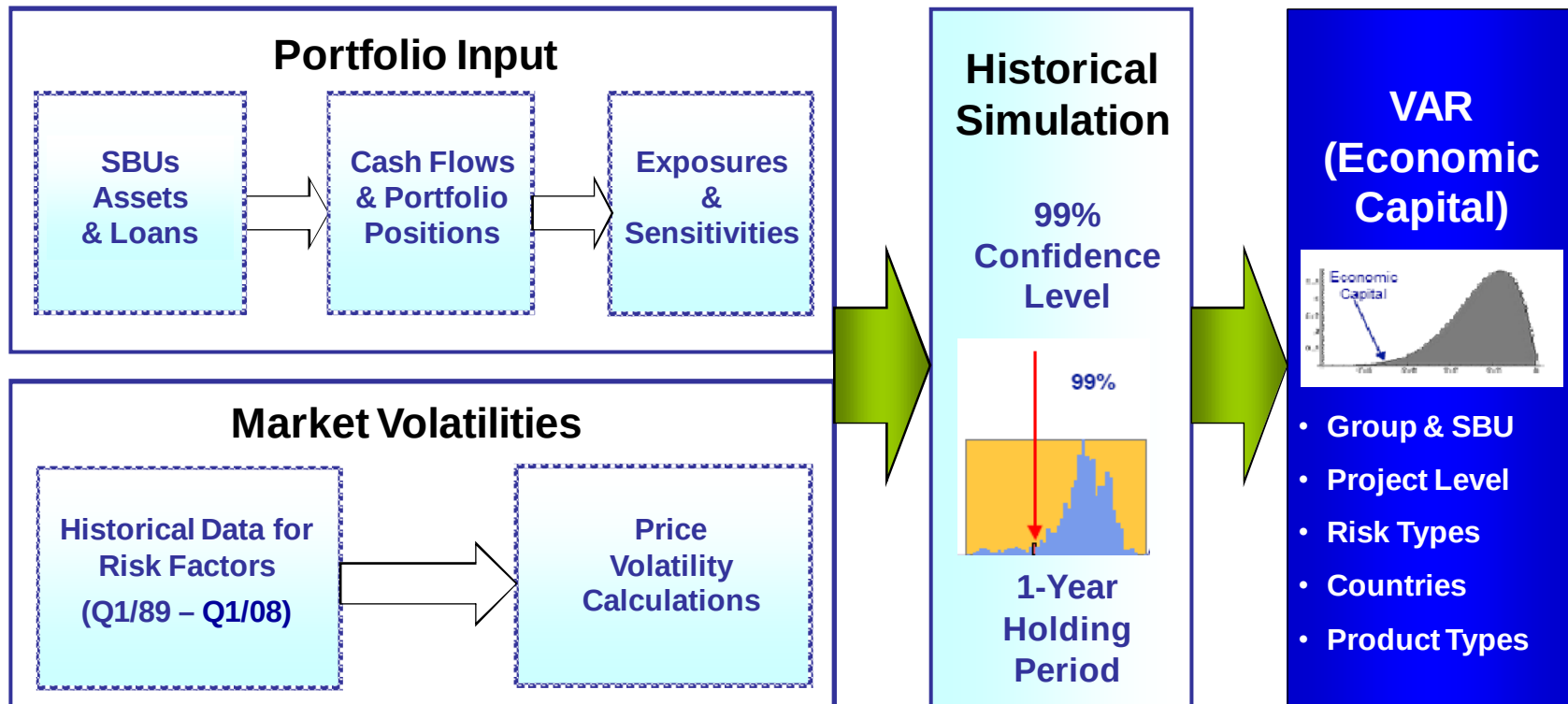
## **Method 2**

# **Portfolio Risk Management**

- ☐ Measure & report the Group's portfolio risks of property market, interest rate, refinancing, currency and contingency liabilities quarterly to the Risk Committee based on VAR/Expected Loss methodologies.
- ☐ Assist top management in capital allocation, proposal of risk limits and target returns.
- ☐ Ensure the Group's capital is adequate for the level and mix of risks above.

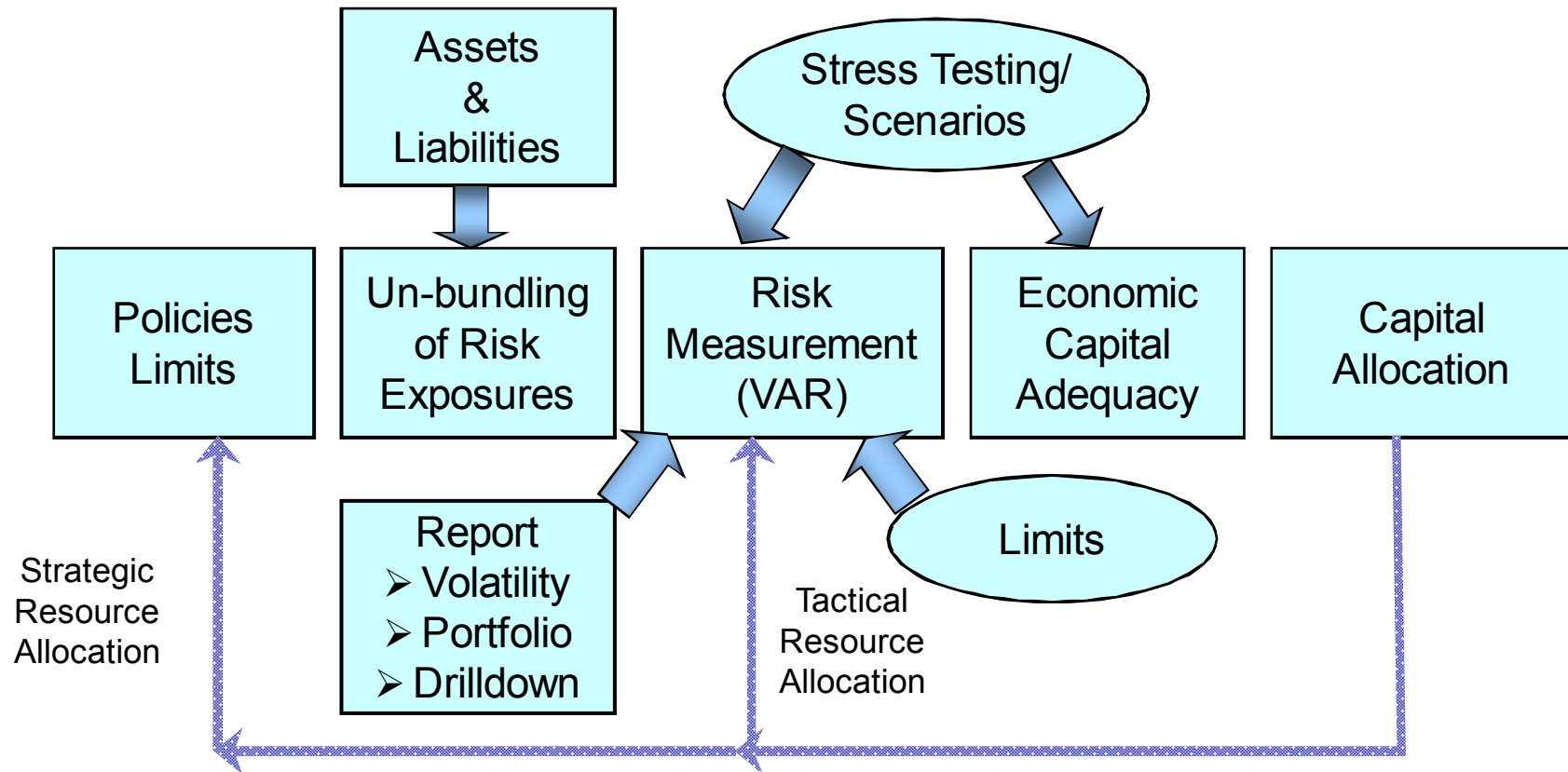


# VaR Methodology





# Risk Management Process





# Residential

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# Residential - Singapore





# Residential Singapore

- **2007 was an exceptional year**
  - Sold over 1,430 homes valued in excess of S\$3 billion
- **Healthy Pipeline**
  - Pipeline of development sites for luxury, high-end as well as the high-mid segments of the market
  - Well positioned for the next 2-3 years
- **Positive long-term outlook**
  - Market experienced sharp growth in the past 24 months
  - Current market uncertainty is primarily sentiment-driven due to the global financial turmoil. This is a respite for the market to stabilise
  - Government's initiatives to transform Singapore into a global city will build a sustainable long-term growth path



## Residential - Singapore

FY07: Sold 1,430 units: sales value of ~S\$3b

Pipeline of ~5.5m sq ft GFA



Development at Farrer Court site



The Seafront on Meyer



The Orchard Residences

# Residential - China





## Residential - China

- China has grown at a steady pace and is currently a key contributor to the Group's EBIT
- Market fundamentals remain strong:
  - Real demand driven by urbanisation, demographics, strong economic growth & rising income
- Healthy operating environment despite government measures
  - Stable markets in Shanghai and Beijing
  - Healthy demand in inner cities such as Chengdu and Henan
- To develop over 35,000 homes with our partners to 2010
  - Attributable pipeline in excess of 6 million sqm
  - 2/3 are located in growing inner cities



# Residential - China

FY07: Sold 1,944 units: sales value of ~RMB5b (S\$1b)

Some of our  
Recently  
launched  
projects



# Residential - Australia





## Australand

- **2007's strong performance**
  - Diversified platform delivering results
- **Drivers for sustainable growth**
  - Leverage existing business platform
  - Grow funds under management
  - Expand into Asia
  - Capital Risk Management
- **Outlook**
  - Continued profitable contribution from Residential
  - Growth in recurrent income from high quality investment properties
  - Continued growth in Commercial & Industrial



# Australand

## Diversified Platform



Coles Myer, Industrial



Glebe Harbour, Residential



Freshwater Place, Mixed Development



Homebush Bay, Commercial



Rhodes Office Park, Commercial

# Residential - Vietnam





## Residential - Vietnam

- **First Residential Project in Ho Chi Minh City, “The Vista”**
  - 750 units fully booked in 2H2007
- **4 projects totaling 3,450 units in the pipeline**
  - 2 of the projects expected to be launched this year
- **Target to develop 6,000 homes in 3 years**
  - Strategic partnership with Nam Thang Long Investment Joint-Stock Co.



## Residential - Vietnam

Pipeline of 4,200 homes in HCM



The Vista, Ho Chi Minh City



The Vista, Ho Chi Minh City



# Commercial

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## Commercial

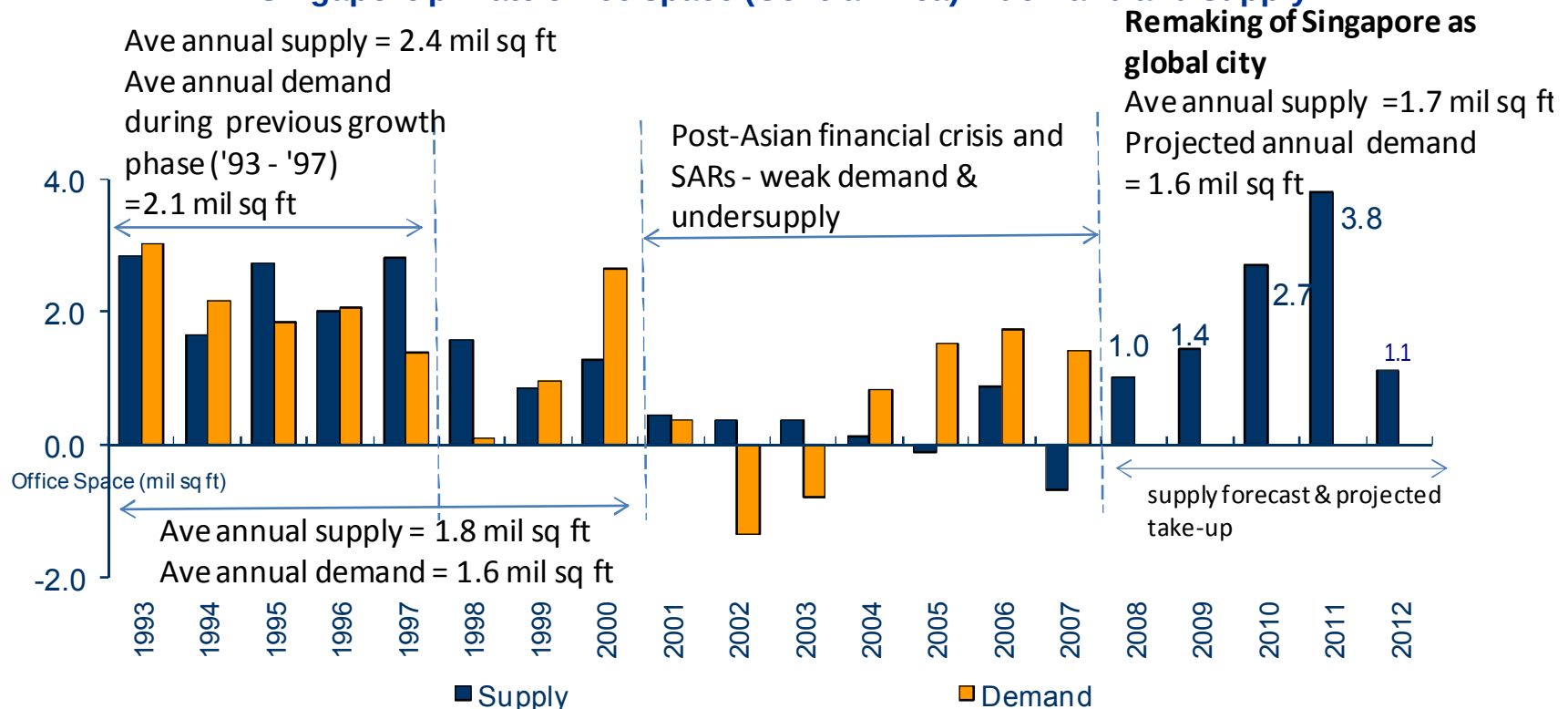
- **Office sector remains core to CapitaLand**
  - Selective divestment for capital gain
  - Retain a core portfolio for recurring income by divesting to our sponsored REIT, CapitaCommercial Trust (CCT)
- **Upbeat Outlook**
  - Remaking of Singapore, a key impetus to office demand
- **Expansion in Asia**
  - Exploring new opportunities in high growth markets  
eg China, Vietnam & India



# Commercial

## Healthy Office Absorption Expected

### Singapore private office space (Central Area) – demand and supply



Source: URA, CBRE & CapitaLand Research (Jan 2008)

Note: Central Area comprises 'The Downtown Core', 'Orchard' and 'Rest of Central Area'



# Retail

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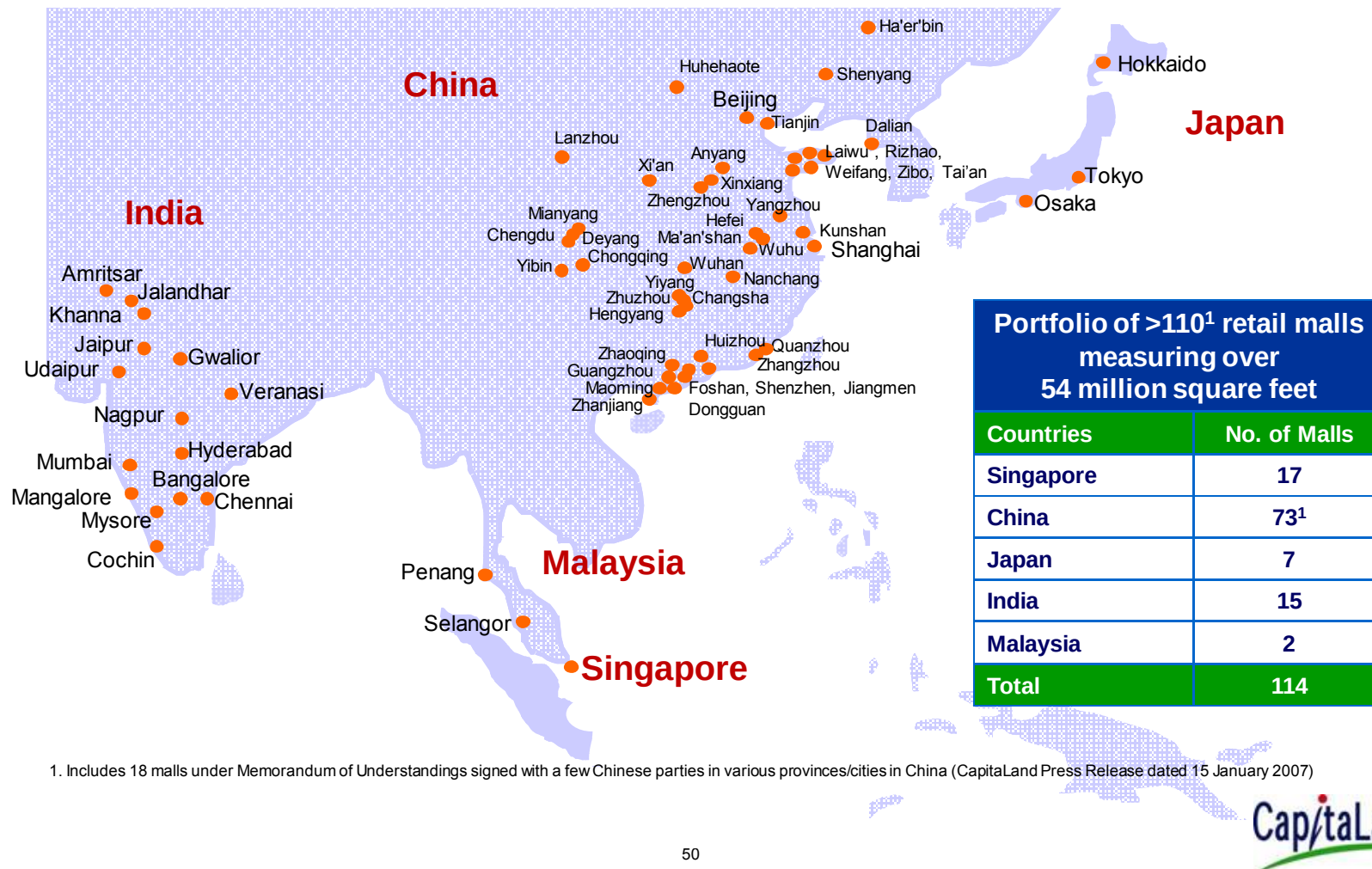


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## Retail

### Leading Mall Owner / Manager in Asia

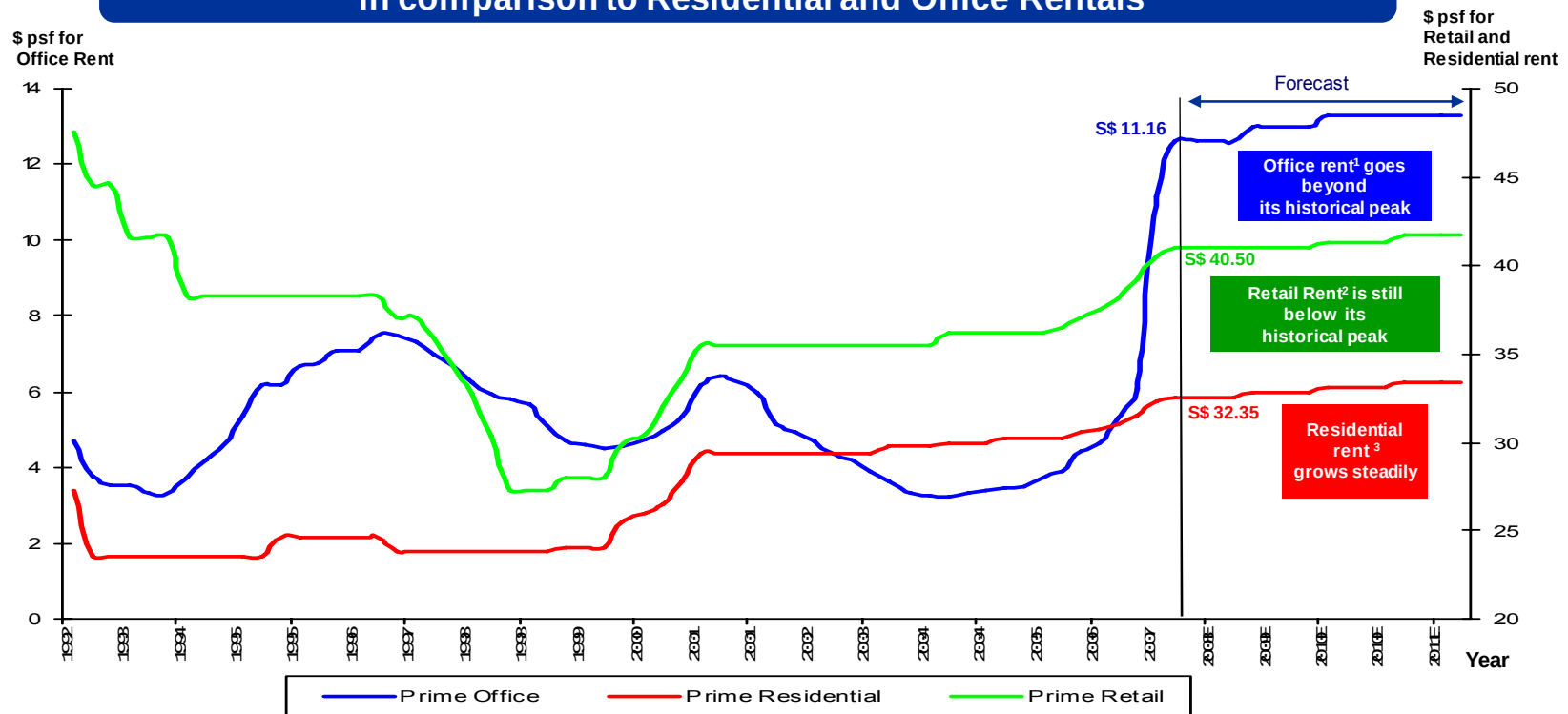




## Retail Rents

# Have Not Gone Beyond Pre-Crisis Level

Retail Rents have not increased to pre-crisis levels  
in comparison to Residential and Office Rentals



Source: DTZ Research, JLL Research, April 2007

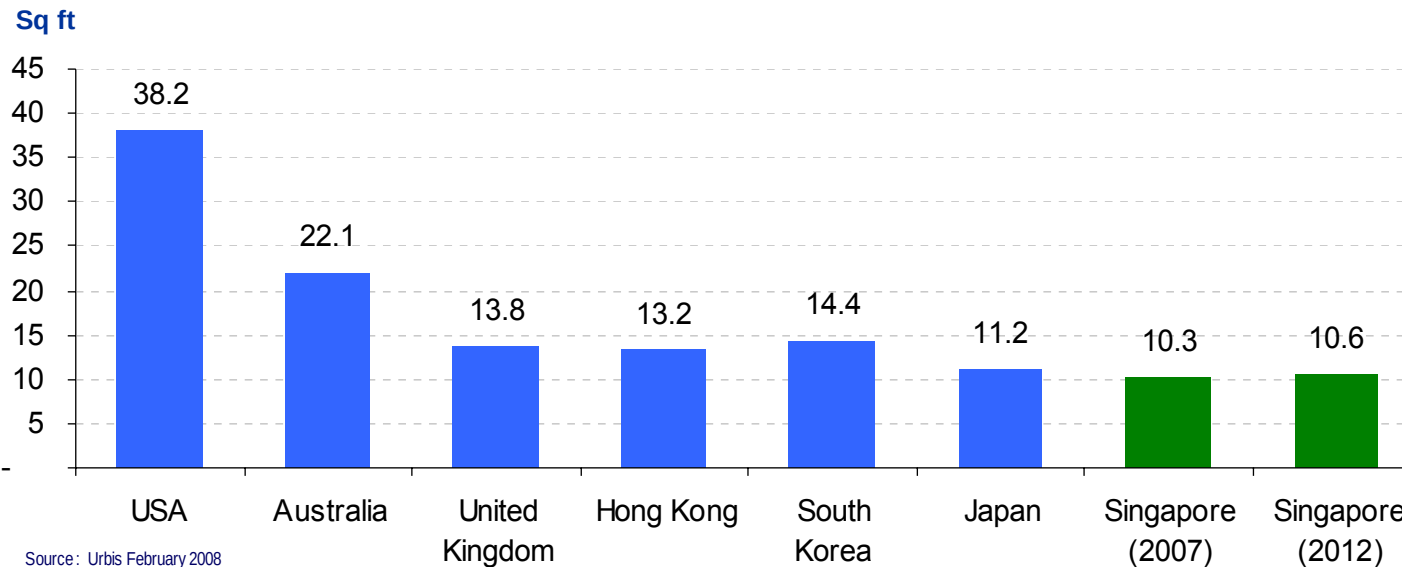
1. Includes office rental in prime areas.
2. Includes prime 1<sup>st</sup> storey rental rates per sq ft per month.
3. Includes residential rental in prime areas.

1. Source: DTZ Research, April 2007



## Singapore Still Relatively Under-Shopped

Retail Floor Space Per Capita



- Singapore remains “under-shopped” compared to regional (e.g. Hong Kong, Japan, and Australia) and major western markets
- Given this structural shortage, retail sector is expected to outperform other property sectors over the long-term



## China Malls

**Leading retail player with 73 malls worth S\$8.0 billion, measuring 3.5 million sq m in Gross Rentable Area in 44 cities across China**

| Status                                     | Asset Value (S\$) | Funds Exposure (S\$) | Gross Rentable Area (sq m) | Total No. of Malls |
|--------------------------------------------|-------------------|----------------------|----------------------------|--------------------|
| Approval Obtained from Chinese Authorities | 4.1 billion       | 3.4 billion          | 2.5 million                | 45                 |
| Pending Approval from Chinese Authorities  | 3.9 billion       | 2.5 billion          | 1.0 million                | 10                 |
| Total Committed                            | 8.0 billion       | 5.9 billion          | 3.5 million                | 55                 |
| Under MOUs                                 | -                 | -                    | -                          | 18                 |
| Total                                      | 8.0 billion       | 5.9 billion          | 3.5 million                | 73                 |

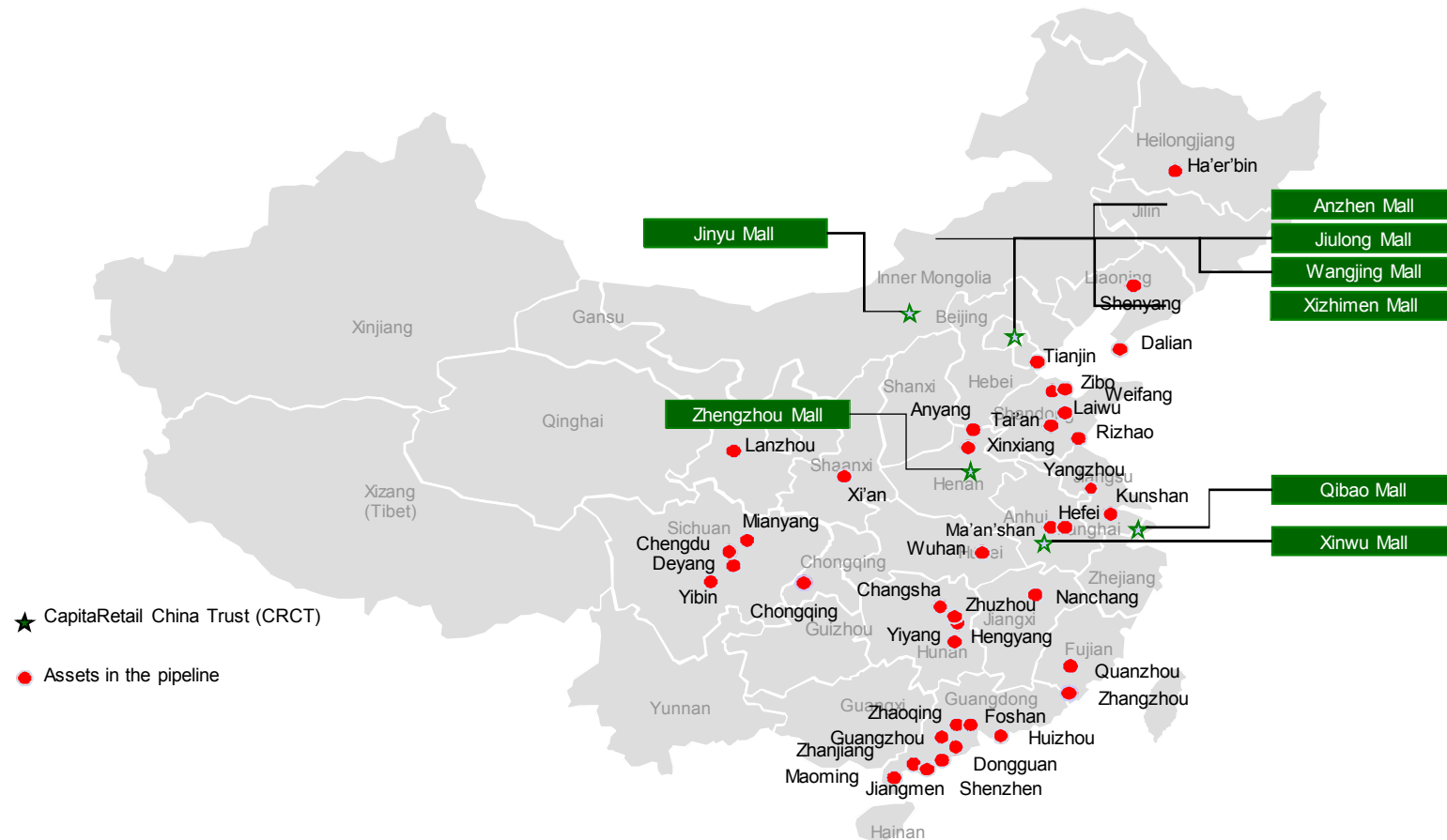
**Retail malls anchored by Walmart constitute only about 20% of Funds' Exposure by Asset Value**

Number of operational malls : 24  
Target opening in 2008 : 14  
Target opening in 2009 : 10





## CRCT's Footprint is Expected to Expand to 44 Cities Across China



## Immediate Portfolio of 15 Retail Projects

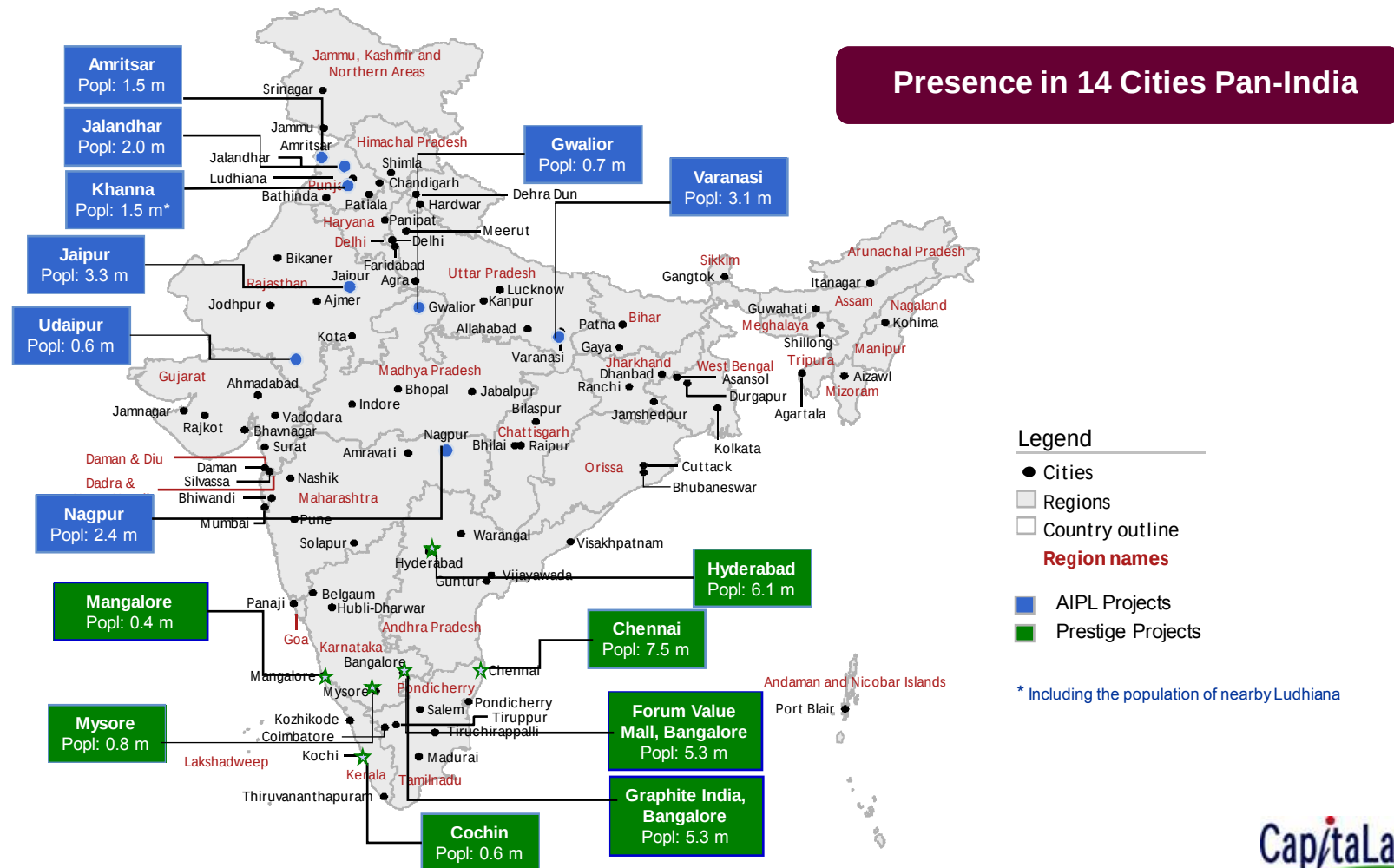
**Total Asset Value of S\$2.12 billion &  
Leasing Area of over 11 million square feet**

| S/N                                                     | City / Location             | Super Built Area* (sq ft) | JV Ownership |
|---------------------------------------------------------|-----------------------------|---------------------------|--------------|
| <b>Prestige Projects</b>                                |                             |                           |              |
| 1                                                       | Hyderabad                   | 852,000                   | 49%          |
| 2                                                       | Cochin                      | 1,100,000                 | 50%          |
| 3                                                       | Mangalore                   | 494,000                   | 68%          |
| 4                                                       | Chennai                     | 941,000                   | 50%          |
| 5                                                       | Forum Value Mall, Bangalore | 473,000                   | 70%          |
| 6                                                       | Graphite India, Bangalore   | 1,052,000                 | 100%         |
| 7                                                       | Mysore                      | 360,000                   | 100%         |
| <b>Total Prestige Projects Leasable Area</b>            |                             | <b>5,272,000</b>          |              |
| <b>AIPL Projects</b>                                    |                             |                           |              |
| 1                                                       | Udaipur                     | 385,000                   | 100%         |
| 2                                                       | Nagpur                      | 1,230,000                 | 100%         |
| 3                                                       | Jaipur                      | 567,000                   | 100%         |
| 4                                                       | Jalandhar                   | 820,000                   | 100%         |
| 5                                                       | Gwalior                     | 928,000                   | 100%         |
| 6                                                       | Varanasi                    | 621,000                   | 100%         |
| 7                                                       | Amritsar                    | 653,000                   | 100%         |
| 8                                                       | Khanna                      | 653,000                   | 100%         |
| <b>Total AIPL Projects Leasable Area</b>                |                             | <b>5,857,000</b>          |              |
| <b>Total Prestige &amp; AIPL Projects Leasable Area</b> |                             | <b>11,129,000</b>         |              |



# CapitaLand's Retail Footprint in India

## Through Joint Ventures with Prestige & AIPL





# ILEC

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- **Complementary skill sets**

- Focus on integrating leisure, entertainment and conventions components with other real estate sectors

- **Exploring opportunities in Asia, the GCC region & Russia**

- Capitalise on rapid economic growth in these regions
- Leverage on existing integrated developments in Bahrain, Abu Dhabi and Macau to strengthen track record



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## ILEC's Priority Markets & Focus



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**A Member of CapitaLand**

**CapitaLand CEO Forum**

**30 April 2008**



## **Serviced Residences**

- **Twin growth engines**
  - Management Platform
    - Serviced residence operations
    - Grow management fee
  - Asset Development Platform
    - Unlock portfolio value
    - Provides pipeline of assets for Ascott Residence Trust
- **Demand for serviced residences remains resilient**
- **Extended stay model, focus on business travel and geographical diversification provides more stability**



## Overview of The Ascott Group

**World's largest international serviced residence owner-operator with 21,005 units in 56 cities, 23 countries**

| Proportion of Units By Region (%) |     |
|-----------------------------------|-----|
| Southeast Asia                    | 29% |
| North Asia                        | 27% |
| Europe                            | 27% |
| South Asia                        | 5%  |
| Singapore                         | 6%  |
| Australia & NZ                    | 4%  |
| Gulf                              | 2%  |





# Financial Services

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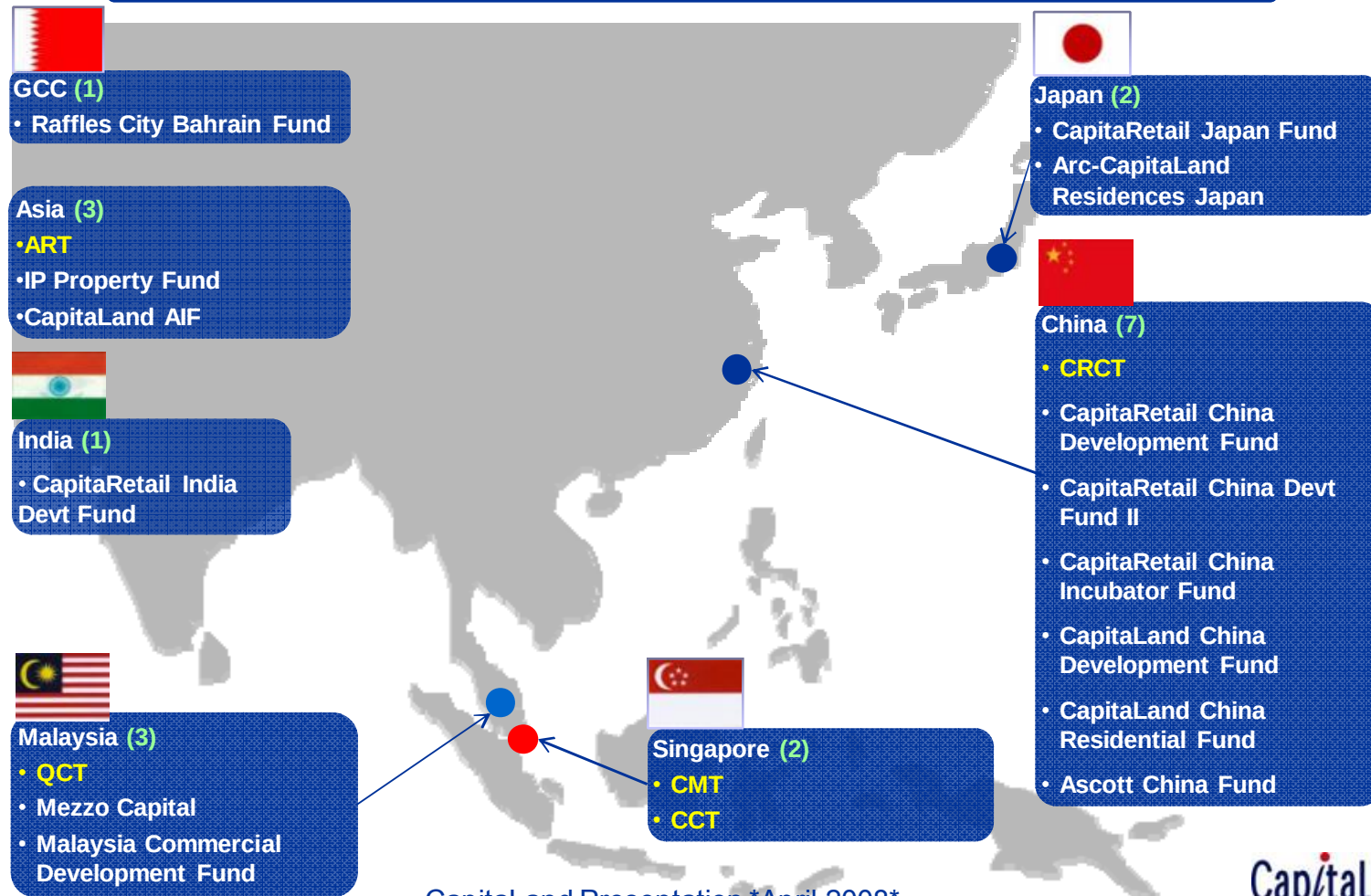
## Financial Services

- **AUM grew to S\$19b in 1Q 2008 from about S\$18b in FY2007**
  - 5 REITs and 14 private funds
  - Assets located in 11 countries
- **Target AUM of S\$25b in 3-5 years time**
  - Key differentiator is our complete real estate value chain from development to fund management, and our pan-Asian presence
  - To grow AUM through accretive acquisitions and origination of new property funds/real estate products with assets in Asia



## Financial Services

5 REITS & 14 Private Equity Funds (as at 30 April 2008)



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# Concluding Remarks

Mr Liew Mun Leong  
Group President & CEO

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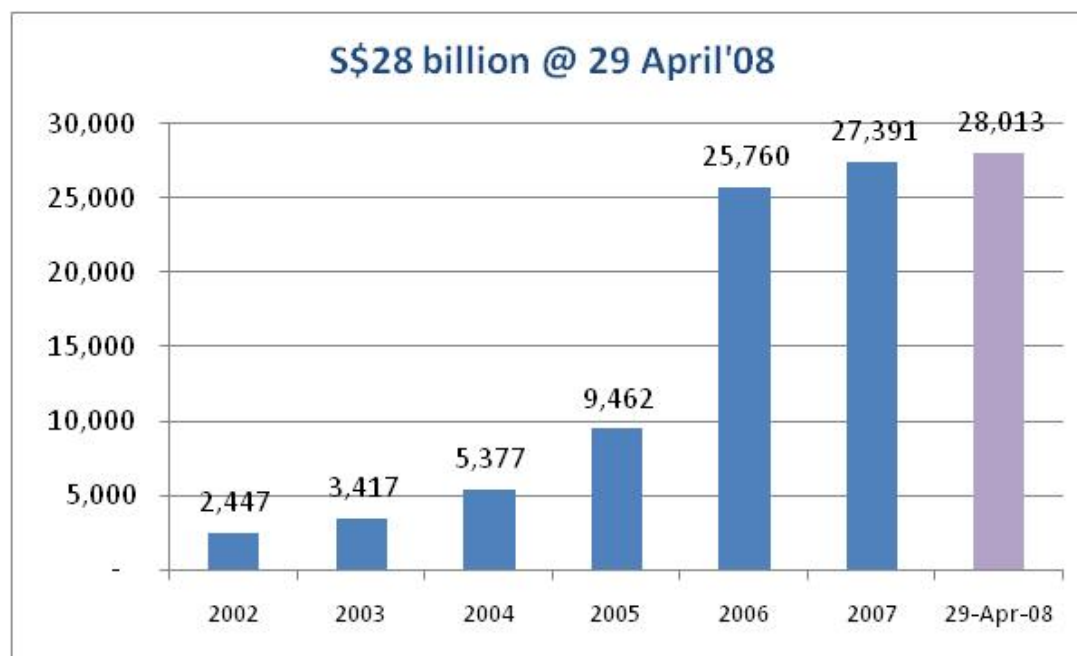
April 2008



## Group Market Capitalization Net of Common Interest

### Group Market Cap Net of Common Interest @ 29 April 2008

| S\$mil                   | 2002  | 2003  | 2004  | 2005  | 2006   | 2007   | 29 Apr'08 |
|--------------------------|-------|-------|-------|-------|--------|--------|-----------|
| CapitaLand Limited Group | 2,447 | 3,417 | 5,377 | 9,462 | 25,760 | 27,391 | 28,013    |





## Outlook & Strategy

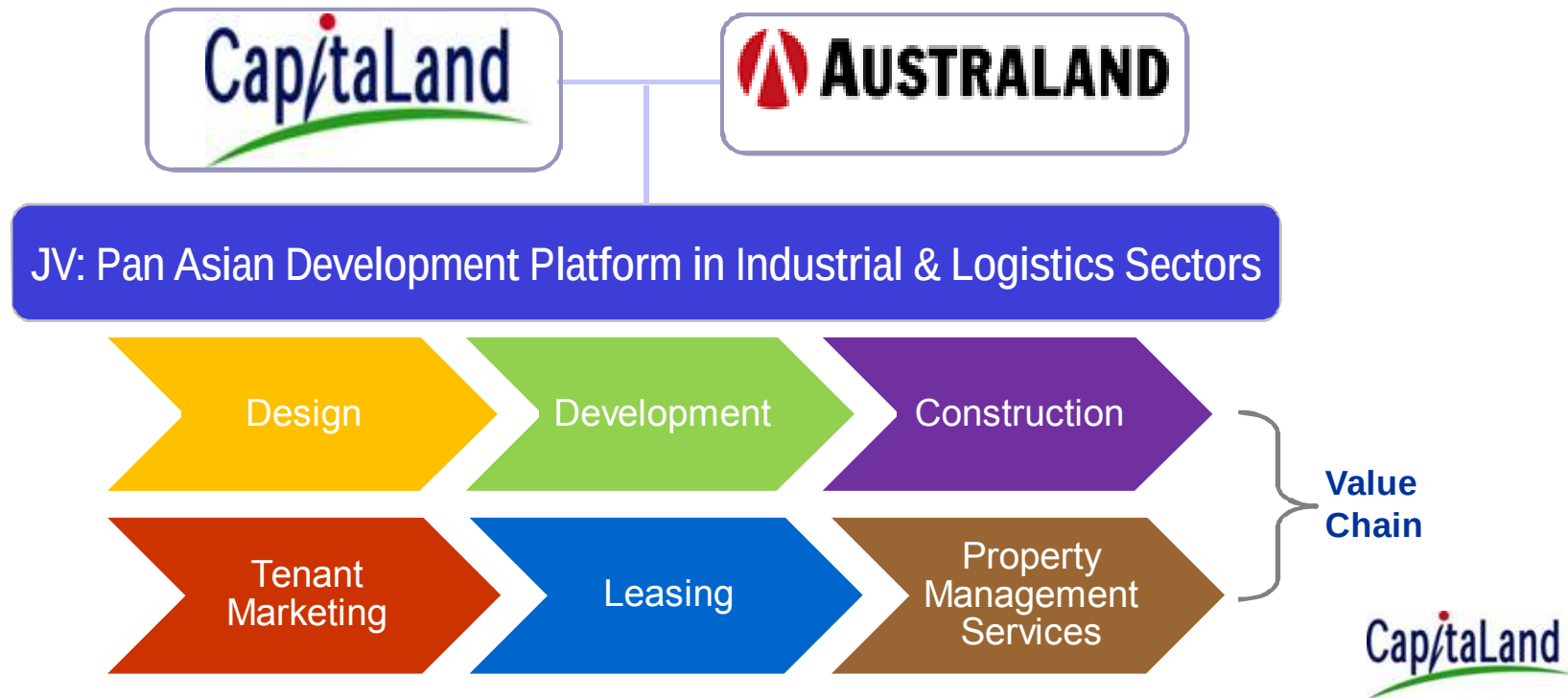
- **Pro-active in strengthening financial position**
  - Able to weather the current uncertainties
  - Capitalise on opportunities that arise
- **Extend our position as:**
  - Pan-Asia's leading real estate developer
  - Asia's largest retail mall owner/manager
  - Largest international serviced residence owner-operator
  - Leading Asia-based real estate fund and REIT manager
- **Maintain disciplined investment approach**
  - Stringent focus on capital management
  - Focus on optimal risk-reward
- **Continue building up talent pool**
  - Further strengthening of management bench
  - Building up real estate “intellectual property” capabilities



## Industrial & Logistics

**JV Partnership:  
CapitaLand 51% & Australand 49%**

- Create an immediate development platform for expansion in Asia
- Targeting high growth markets: China, India, Vietnam, Thailand and Malaysia

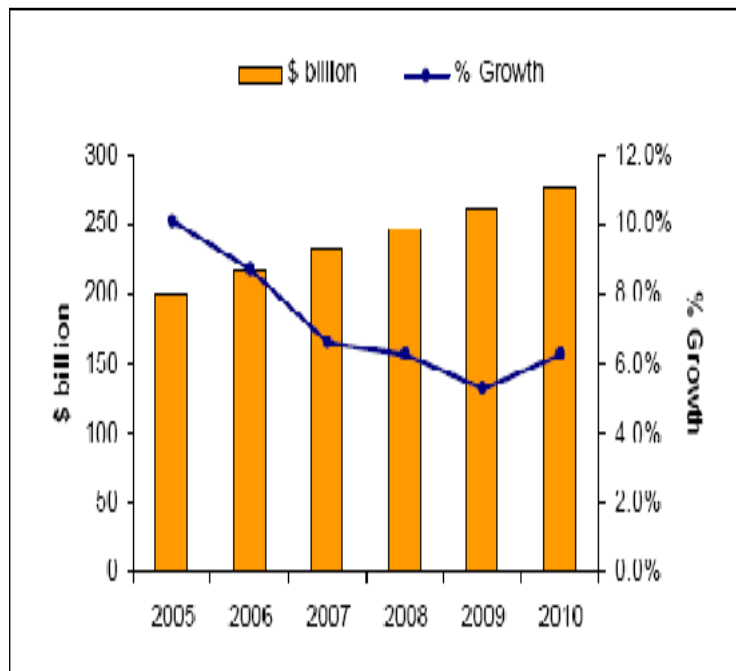




# Industrial & Logistics

## Asia Logistics Market Outlook

### Asia-Pacific Logistics Market Value



Source: Datamonitor

- **Asia-Pacific is world's largest logistics market**
  - World's manufacturing hub
  - Growing consumer markets
  - Will account for 38% of global market revenues in 2010
- **State of logistics market in Asia**
  - Fragmented with no clear market leader
  - Relative shortage of good quality facilities

CapitaLand Presentation \*April 2008\*





## Strategic Corporate Development (“SCD”)

### Objective:

To increase long-term shareholder value and enhance corporate competitiveness through **strategic M&As** and **strategic divestments**



## **Corporate Competitiveness could be enhanced through...**

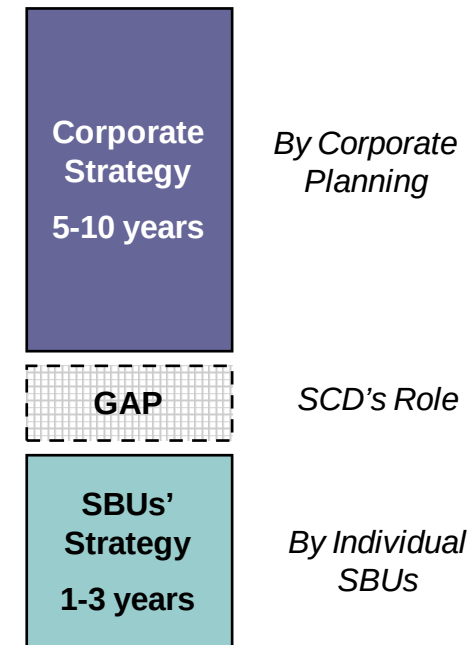
- ✓ Saving cost  
(through gaining scale, capturing market share)
- ✓ Access to new markets and new businesses  
(acquire systems and processes, save time)
- ✓ Access to new technologies  
(products)
- ✓ Access to talent



## Functions of the SCD Team

**To establish a systematic process for M&A and divestments:**

1. \*Identify strategic intent behind M&A and divestment (i.e. the gap between corporate strategies and SBUs' strategies)
2. \*Identify M&A and divestment targets
3. \*Research on targets
4. Build database on consultants
5. Manage M&A and divestment process
6. Co-ordinate formulation and execution of integration plans pre and post M&A
7. Document and institutionalize lessons learnt from M&A and divestment deals



# CapitaLand - Market Leadership in Asia Pacific

