# CapitaCommercial Trust Annual General Meeting


**16 April 2013**

# Important Notice

**This presentation shall be read in conjunction with CCT's 2012 Full Year Unaudited Financial Statement Announcement.**

The past performance of CCT is not indicative of the future performance of CCT. Similarly, the past performance of CapitaCommercial Trust Management Limited, the manager of CCT is not indicative of the future performance of the Manager.

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This presentation may contain forward-looking statements that involve assumptions, 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, competition from other developments or companies, shifts in expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses (including employee wages, benefits and training costs), 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 the current view of the CCT Manager on future events.

# Content

# 1. Overview

# Economic headwinds in 2012

- Singapore GDP grew by 1.3% (year-on-year) in 2012
- Challenging global and local operating environment continued to affect businesses in 2012
- Demand for CBD office space largely from professional business services, legal sector and consumer products industries

| | Dec 2011 | Dec 2012 | Change |
|---|---|---|---|
| **Net office demand** | 2.1 mil sq ft | **1.33 mil sq ft** | **-36.7%** |
| **Core CBD occupancy** | 93.1% | **92.2%** | **- 0.9%** |
| **Average Grade A monthly office rent** | $11.00 psf | **$9.58 psf** | **- 12.9%** |
| **Average capital value** | $2,500 psf | **$2,350 psf** | **-6.0%** |

Source: CB Richard Ellis, Jan 2012 and 2013

# CCT's Strategy in 2012: Cultivating growth through portfolio reconstitution strategy

| | |
|---|---|
| Development | • Groundbreaking for CapitaGreen in Feb 2012 |
| Acquisition | • Acquired Twenty Anson for a property price of $430 mil in Mar 2012, DPU accretive |
| Asset Enhancement | • Started $34.7 mil asset enhancement initiative for Raffles City Tower (office) in Oct 2012 |
| Organic Growth | • Proactive asset and portfolio management drove up occupancy to 97.2% and reversed decline in average office portfolio rent |

# 2012 key achievements

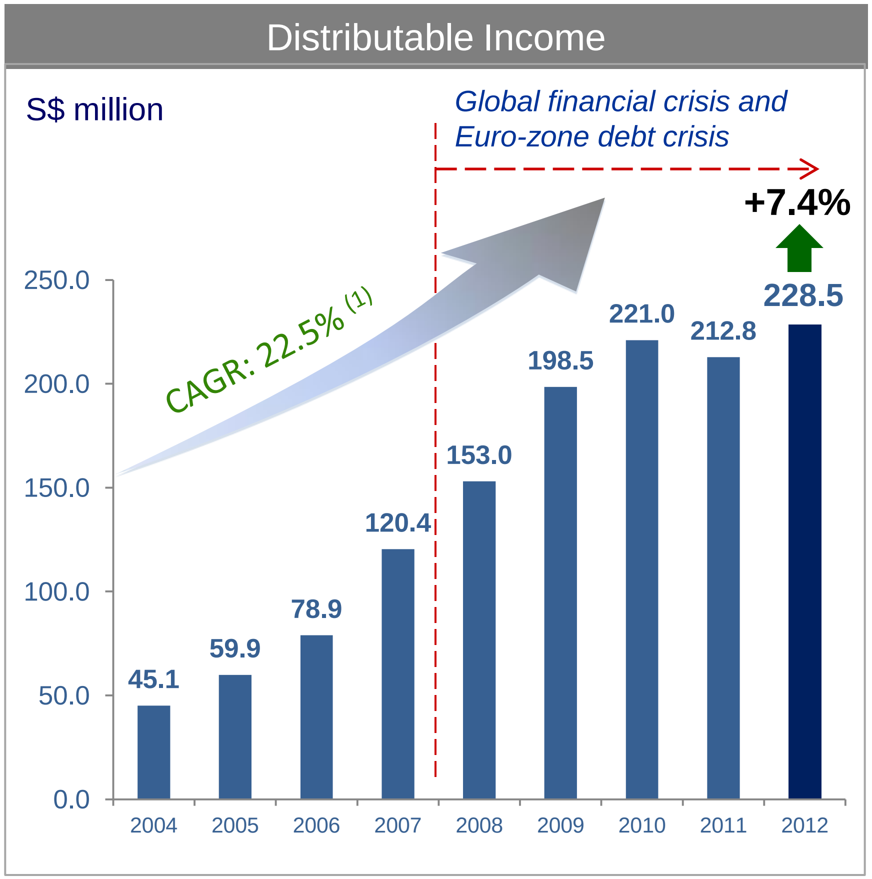
**Strong financial results**

| | FY 2011 | FY 2012 | Change |
|---|---|---|---|
| **DPU** | 7.52 cents | **8.04 cents** | **+ 6.9%** |
| **Adjusted net asset value per unit** | S$1.57 | **S$1.62** | **+ 3.2%** |
| **Total assets** | S$6.7 billion | **S$7.0 billon** | **+ 3.7%** |
| **Market cap** | S$3.0 billion | **S$4.8 billion** | **+ 60.3%** |

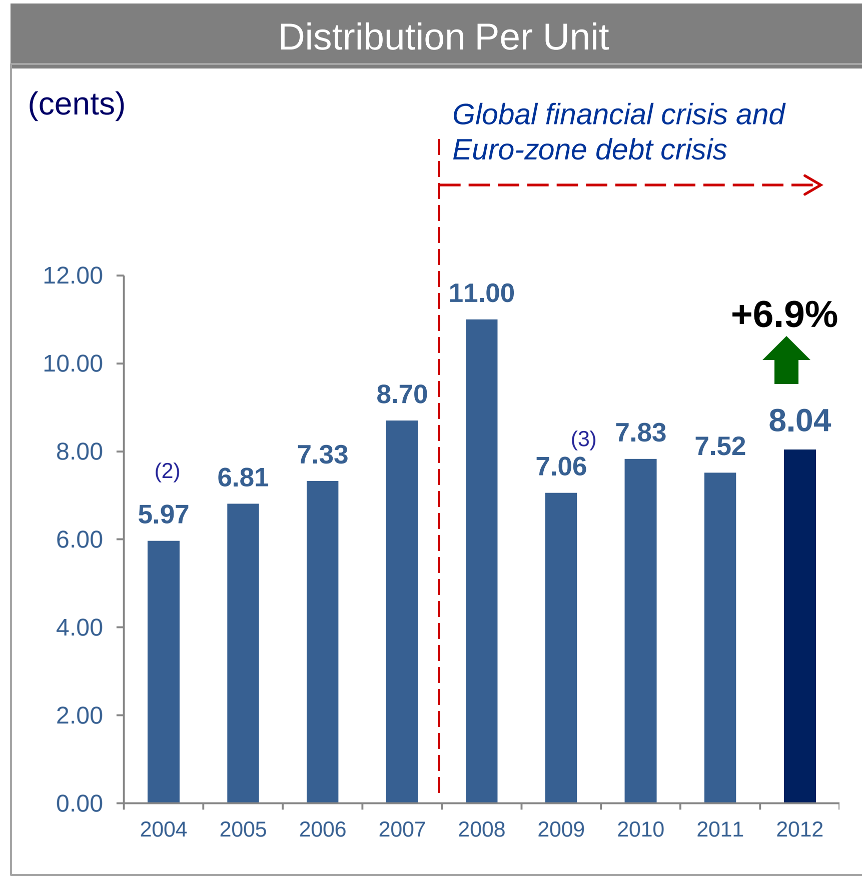
**Prudent capital management**

| | As at Dec 2011 | As at Dec 2012 | Remarks |
|---|---|---|---|
| **Gearing ratio** | 30.2% | **30.1%** | **Lower** |
| **Average cost of debt** | 3.6% | **3.1%** | **Lower** |
| **Ratio of fixed versus floating rate borrowings** | 82:18 | **96:4** | **Lower risk to changes in interest rate** |
| **Ratio of secured versus unsecured borrowings** | 66:34 | **37:63** | **Improved** |

# Delivered higher returns in 2012 despite challenging environment




(1) CAGR: Compounded Annual Growth Rate



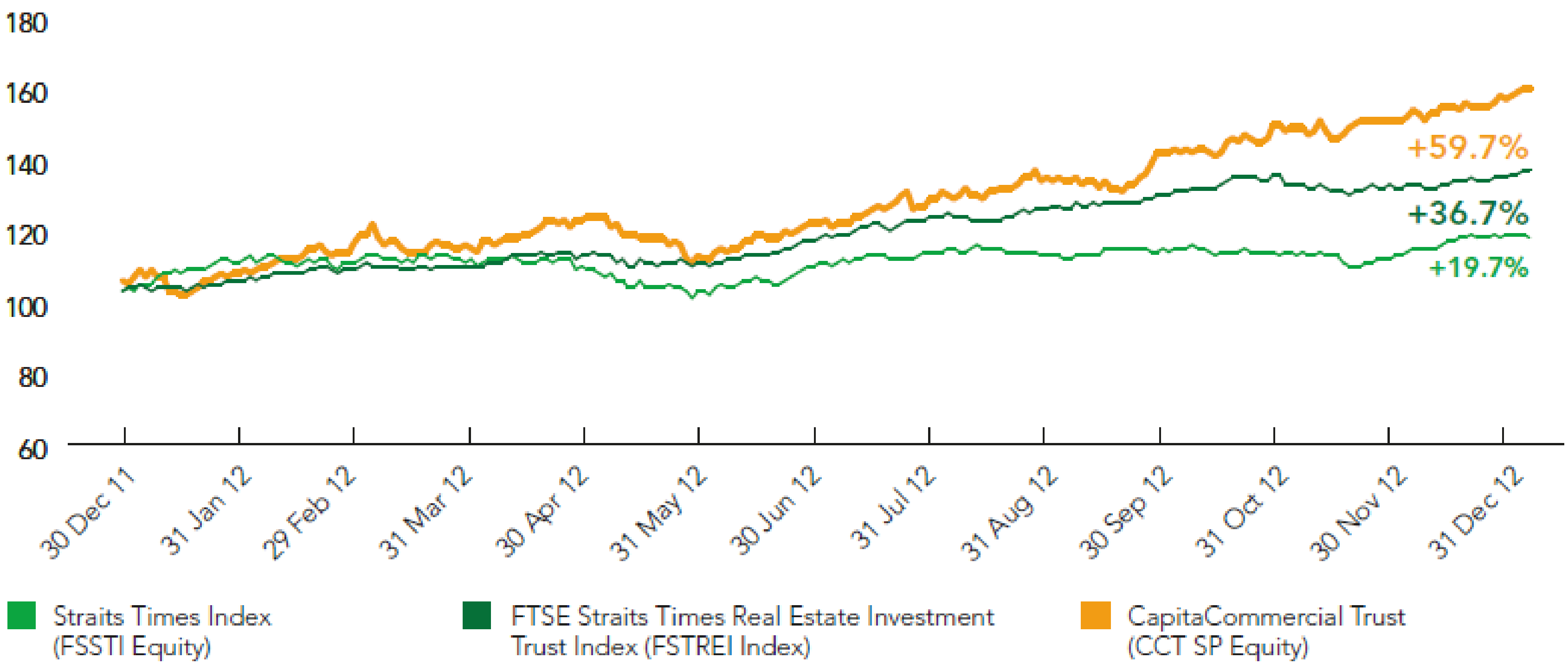

(2) Annualised

(3) After taking into consideration the issue of rights units in July 2009

# Delivered unit price performance of 59.7%, outperforming market indices

**Total return for CCT in 2012: 67.3%**

Comparative Trading Performance 2012





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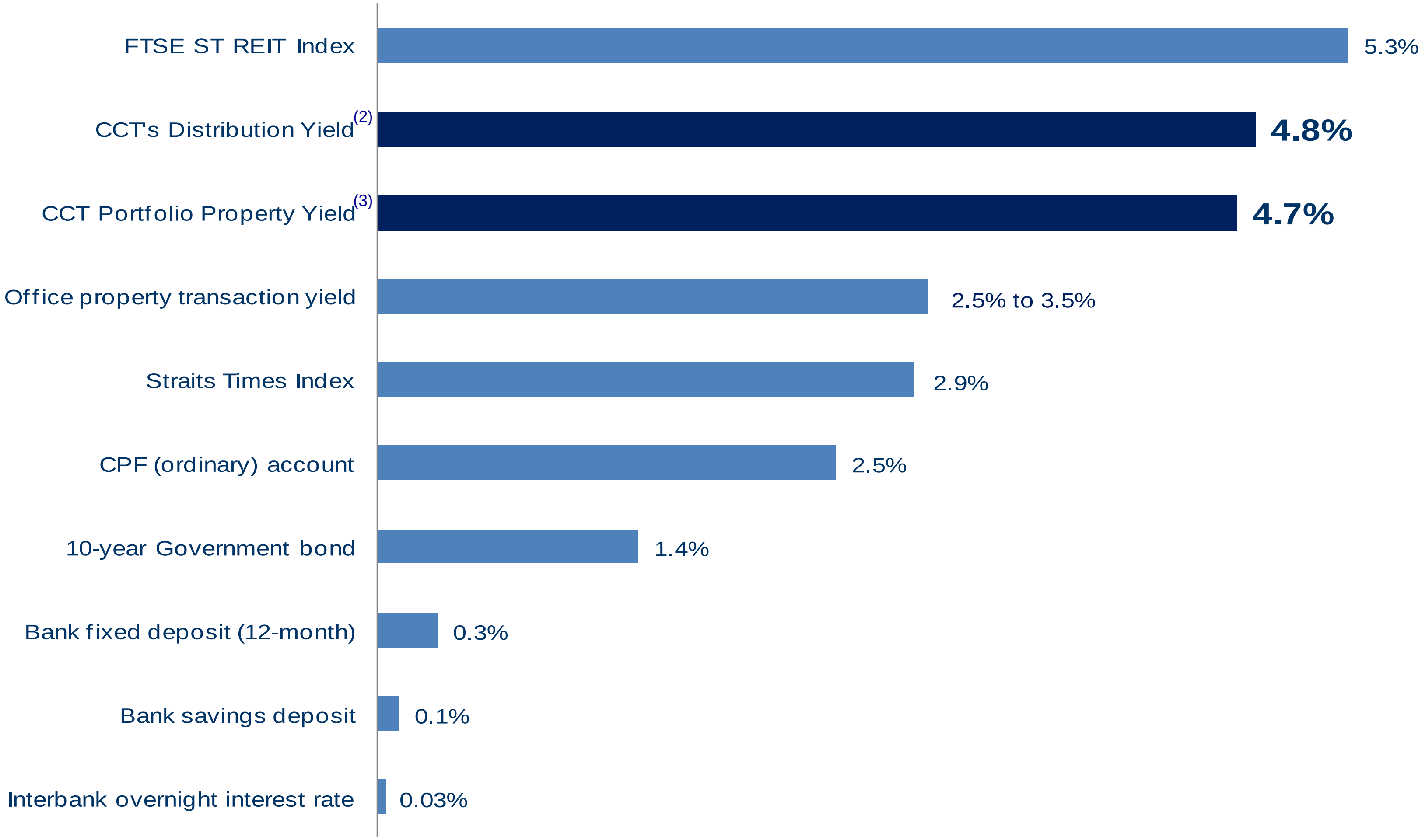
# Attractive yield compared to other investments(1)




Notes:
(1) All information as at 31 December 2012. Sources: Bloomberg, Monetary Authority of Singapore, Central Provident Fund, Singapore Government Securities
(2) CCT's distribution yield is based on FY 2012 DPU of 8.04 cts over closing price of S$1.685 on 31 Dec 2012
(3) CCT portfolio property yield based on FY 2012 net property income and December 2012 valuation

# Portfolio valuation (not including CapitaGreen and acquisition of Twenty Anson) increased by 3.8% in FY2012

| Investment Properties | As at 31 Dec 2011 S$m | As at 31 Dec 2012 S$m | Variance % | As at 31 Dec 2012 S$ psf |
|---|---|---|---|---|
| **Capital Tower** | 1,200.0 | **1,233.0** | 2.8 | 1,664.0 |
| **Six Battery Road** | 1,178.0 | **1,239.0** | 5.2 | 2,498.0 |
| **HSBC Building** | 378.5 | **422.0** | 11.5 | 2,105.0 |
| **Bugis Village** (1) | 60.6 | **60.0** | (1.0) | 490.0 |
| **Golden Shoe Car Park** | 110.1 | **133.0** | 20.8 | Not meaningful |
| **One George Street** | 947.6 | **948.0** | 0.04 | 2,114.0 |
| **Wilkie Edge** | 155.2 | **173.0** | 11.5 | 1,158.0 |
| **Raffles City (60%)** | 1,699.8 | **1,741.2** | 2.4 | Not meaningful |
| | **5,729.8** | **5,949.2** | **3.8** | |
| **Twenty Anson** | - | **431.0** | - | 2,126.0 |
| **Investment Properties** | **5,729.8** | **6,380.2** | | |
| | | | | |
| **Investment Property - Under construction** | **Book value As at 31 Dec 2011 S$m** | **Book value As at 31 Dec 2012 S$m** | | |
| **CapitaGreen (2) (40%)** | **281.9** | **314.9** | Not meaningful | Not meaningful |

Notes:

(1) The valuation of Bugis Village takes into account the right of the President of the Republic of Singapore, as Lessor under the State Lease, to terminate the said Lease on 1 April 2019

(2) Investment property under construction refers to CapitaGreen. There was no change in the latest valuation which was based on land value, inclusive of differential premium of S$614.4million in respect of the change of use from “Transport Facilities” to “Commercial”. CCT’s 40% interest in CapitaGreen held through MSO Trust amounts to S$265.6 million. Including the construction cost to-date, the book value of CCT’s 40% interest is S$314.9 million.



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# Strong balance sheet

## Total assets at S$7.0 billion; Adjusted NAV at S$1.62 per unit

### As at 31 December 2012

| | S$ '000 |
|---|---|
| Non-current Assets | 6,840,182 |
| Current Assets | 162,822 |
| **Total Assets** | **7,003,004** |
| Current Liabilities | 157,459 |
| Non-current Liabilities | 2,130,892 |
| **Total Liabilities** | **2,288,351** |
| | |
| **Net Assets** | **4,714,653** |
| **Unitholders' Funds** | **4,714,653** |
| | |
| **Units in issue ('000)** | **2,842,956** |

| | |
|---|---|
| **Net Asset Value Per Unit** | **$1.66** |
| **Adjusted Net Asset Value Per Unit (excluding distributable income)** | **$1.62** |

**CCT Credit Rating**

Baa1 by Moody's/ BBB+ by S&P

Outlook stable by both credit rating agencies

*Moody's replaced CCT's Corporate Family Rating with issuer rating; and upgraded issuer rating from Baa2 to Baa1 effective from 19 Mar 2013.*

# Robust capital structure; gearing at 30.1%

| | FY 2011 | FY 2012 | Remarks |
|---|---|---|---|
| **Total Gross Debt (S$'m)** | 2,037.3 | **2,105.8** | **Increased** (Additional loans) |
| **Gearing Ratio** | 30.2% | **30.1%** | **Decreased** |
| **Net Debt / EBITDA** | 6.5 times | **7.7 times** | **Increased** (Higher net debt) |
| **Unencumbered Assets as % Total Assets** | 51.9% | **69.7%** | **Improved** |
| **Average Term to Maturity** | 2.8 years | **3.2 years** | **Improved** |
| **Average Cost of Debt** | 3.6% | **3.1%** | **Improved** |
| **Interest Coverage** | 4.1 x | **4.4 x** | **Improved** |

# 2. Cultivating Growth

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# Revitalised portfolio for further growth

**Redevelopment of Market Street Car Park into Grade A office – CapitaGreen**

Flexibility and speed to seize growth opportunities

**Acquisition of Twenty Anson**

**Recycle capital**

**Acquire good quality asset**

Funding flexibility

Organic growth

**Unlock value at optimal stage of life cycle**

**Enhance / refurbish asset**

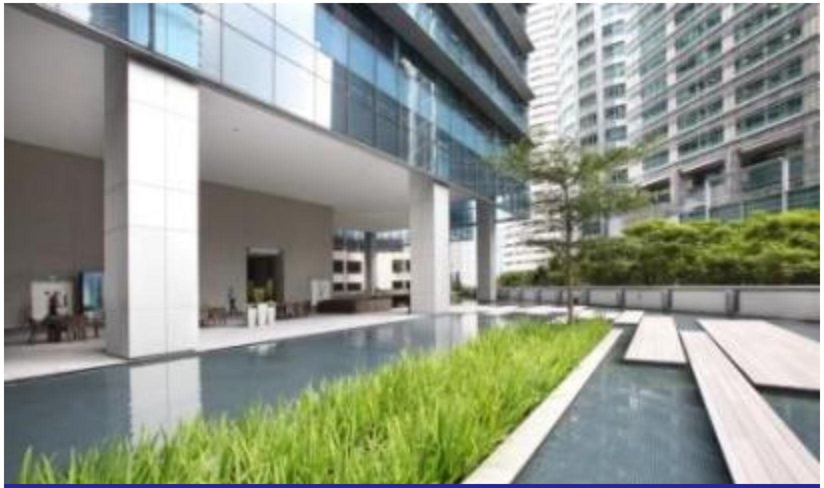
**Divestments:**
**2010 - Robinson Point and StarHub Centre**
**2011 - Market Street Car Park**
**Total proceeds: S$634m**

Value creation

1. **Asset enhancement at Raffles City Singapore (completed)**
2. **S$92m upgrading at Six Battery Road (ongoing till end-2013)**
3. **S$34.7m upgrading at Raffles City Tower (Nov 12 to Q2 2014)**

# Acquired Twenty Anson, a new Green Mark Platinum office building, for property price of S$430 mil. 100% leased

Twenty Anson



4th floor sky garden

Drop off area at Twenty Anson

# CapitaGreen construction on track to be completed 4Q 2014

CapitaGreen

Completion of showsuite to market this Grade A office building to select prospective tenants

CapitaGreen
For Business, Naturally

## 138 Market Street

# Ongoing Asset Enhancement Initiative: Six Battery Road

| Occupancy Rate | Total AEI budget | Estimated payment as at Dec 2012 | Target return on investment (ROI) | AEI Period |
|---|---|---|---|---|
| **93.0% (Dec 2012)** versus 85.4% (Dec 2011) | S$92.0 mil | S$50.0 mil | 8.1% | 4Q 2010 to 4Q 2013 |

- Revitalised main lobby and concierge
- Upgrading of office space includes installation of $CO_2$ sensors, increased ceiling height, and sprinkler system replacement
- Replaced chillers for improved energy efficiency
- New turnstiles in operation for enhanced security
- Refurbished lift lobbies and restrooms on various floors
- Enhanced canopy over drop-off area

**Revitalised main lobby with vertical greenery**

# Ongoing Asset Enhancement Initiative: Raffles City Tower

| Occupancy Rate (as at Dec 2012) | Total AEI budget | Target return on investment | AEI Period |
|---|---|---|---|
| 100% | S$20.8 mil (60% interest) | 8.6% | 4Q 2012 to 2Q 2014 |

- **Progressive upgrading of typical lift lobbies**
  - Typical lift lobby corridors
  - Restrooms and Pantry
- **Upgrading of ground floor**
  - Canopy and drop off area
  - Ground floor lobby and reception
  - Entrance from retail area

**Artist's impression of revitalised main lobby**

# Completed Asset Enhancement Initiative: Golden Shoe Car Park

- Works to convert storeroom space to lettable office space and enhancement of level 10 office lift lobbies completed on schedule in August 2012.
- Secured a new tenant for the new office space on a five-year lease.
- Achieved ROI of 18.6%, higher than projected.

| Scope of Work | Projected | Achieved |
|---|---|---|
| Project Development Cost | $590,000 | $590,000 |
| Incremental Cashflow (p.a.) | $83,000 | $110,000 |
| **ROI** | **14%** | **18.6%** |

Lift Lobby - Before

Enhanced Lift Lobby



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# Upside from revised car park rates

- Increased car park rates for CCT properties implemented with effect from **1 June 2012**.
- To ensure price competitiveness and increase non-rental revenue for our properties
- CCT tenants enjoyed additional 2 months' notice period. Revised tenant season parking was effective from 1 August 2012.
- Implementation of 'Golden Lots Parking Scheme': exclusive reserved parking lot at convenient location within Golden Shoe Car Park

Car parkers are greeted in the morning

Golden Shoe Car Park





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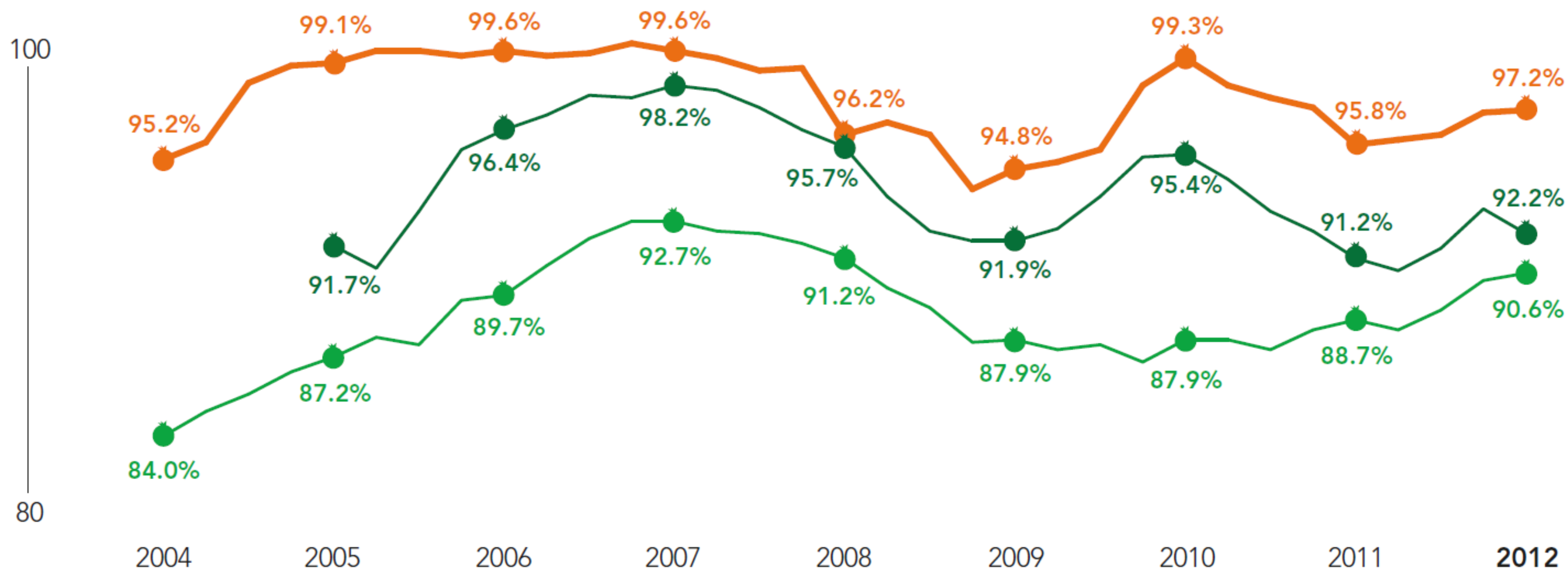
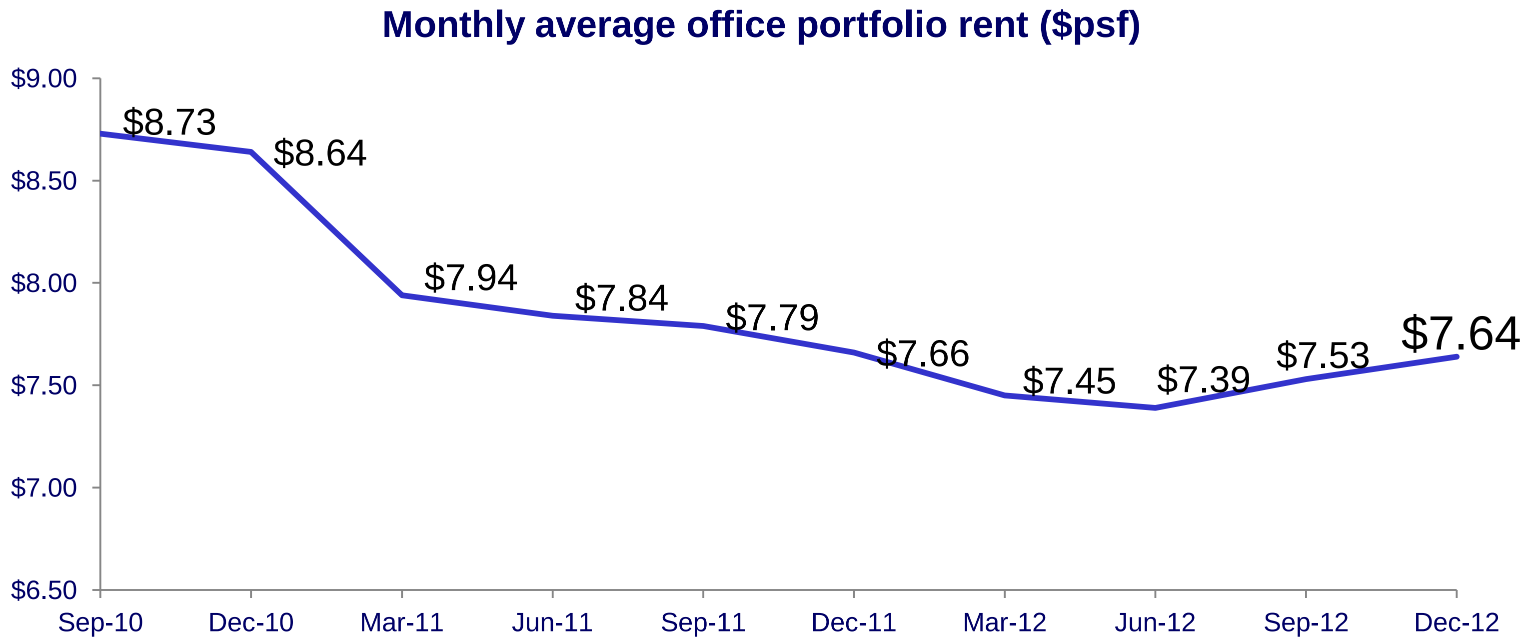
# CCT's committed occupancy levels have consistently outperformed the market




Note:
CBRE's Core CBD covers Raffles Place, Marina Centre, Shenton Way and Marina Bay

# Upward trend in CCT's average office portfolio rent

Average monthly office portfolio rent per square foot continues to increase to S$7.64 psf in 4Q 2012



# Commitment to environmental sustainability and improved energy efficiency

| No. | CCT Properties | Green Mark Award |
|---|---|---|
| 1 | Six Battery Road | Platinum |
| 2 | Twenty Anson | Platinum |
| 3 | CapitaGreen (Under development) | Platinum |
| 4 | One George Street | Gold Plus |
| 5 | Capital Tower | Gold |
| 6 | Raffles City Singapore | Gold |
| 7 | Wilkie Edge | Gold |
| 8 | HSBC Building | Certified |
| 9 | Golden Shoe Car Park | Certified |
| 10 | Six Battery Road Tenant Service Centre | Gold Plus (Office Interior) |

BCA GREEN MARK

FTSE4Good

Since 18 September 2009, CCT has been and continues to be a constituent of FTSE4Good Index Series (FTSE4Good), a series of benchmark and tradable indices derived from the globally recognized FTSE Global Equity Index Series.

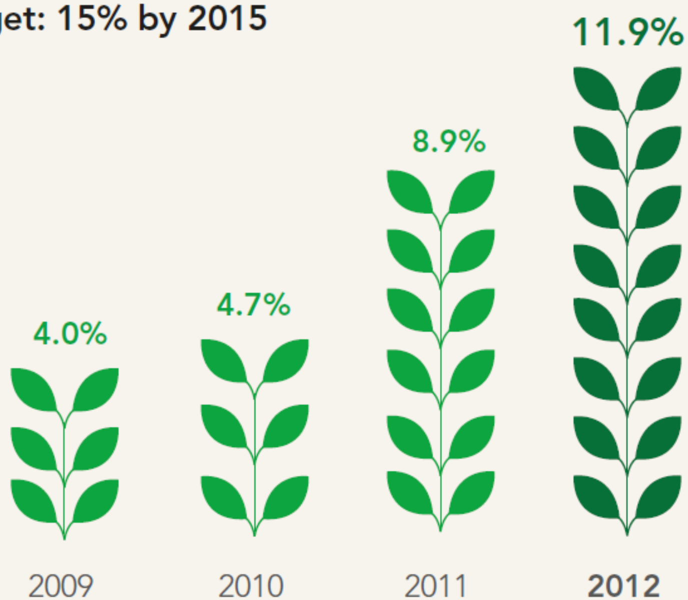
# On track to achieve target savings for energy and water consumption

CCT's Portfolio

**Annual Electricity Savings**[(1)]

Per sq m

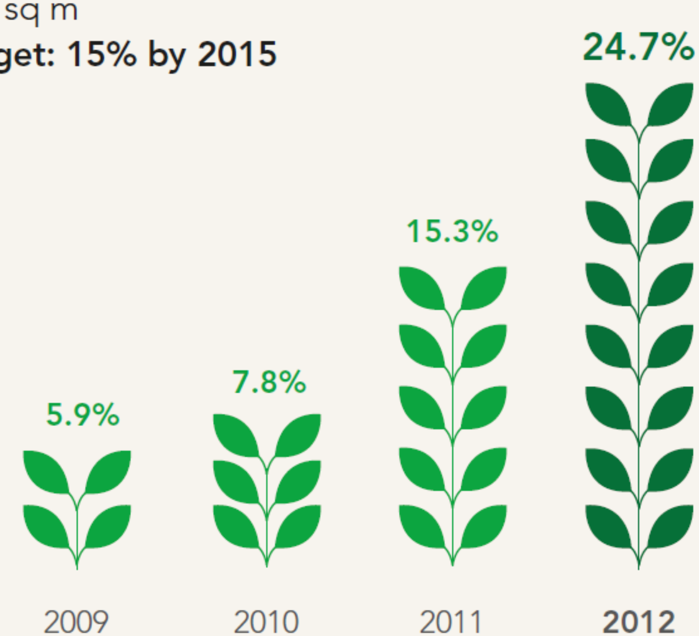
**Target: 15% by 2015**




**Annual Water Savings**[(1)]

Per sq m

**Target: 15% by 2015**




Note:

(1) The data from 2009 to 2011 excludes Raffles City Tower's consumption while 2012 data includes Raffles City Tower.





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# 3. Prudent Capital and Risk Management

# 2012 capital management activities

**March**

- **Refinanced S$570.0 mil term loan with S$480.0 mil bank facilities and S$90.0 mil cash**

**September**

- **Received valid tenders of S$126.0 mil for Convertible Bond (CB) due 2013 and repurchased them at a price of 111.30% of the principal amount**
- **New Issue of S$175.0 mil CB due 2017; used S$141.1 mil for the repurchase of CB due 2013**

**October**

- **Redeemed outstanding S$20.75 mil CB due 2013 not tendered for an aggregate amount of S$22.9 mil at 109.37% of issue price plus accrued interest**

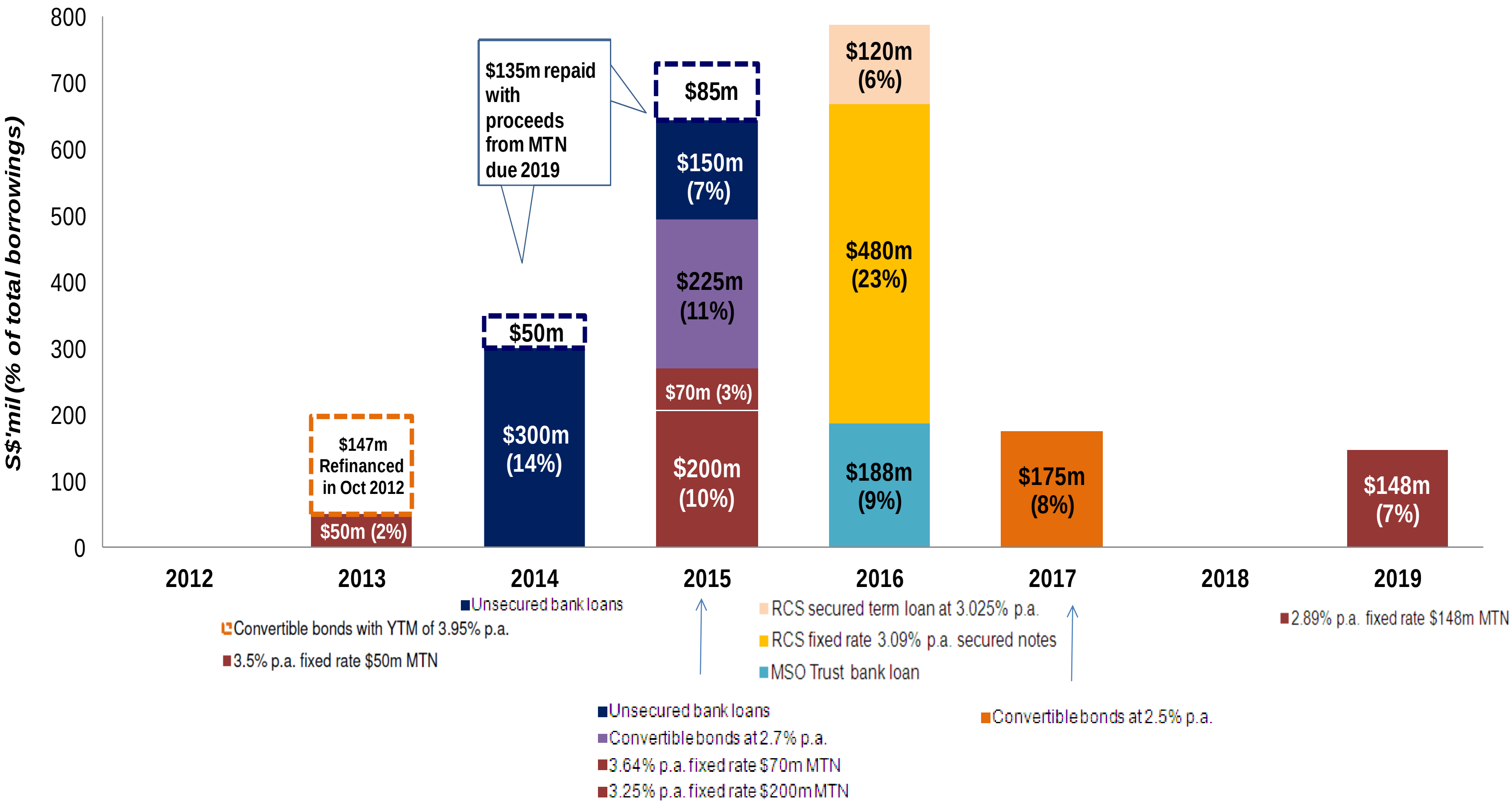
**December**

- **Issued JPY10 bil 1.35875% notes due 2019 and proceeds were hedged to S$148.3 mil at SGD fixed interest rate of 2.8875% per annum**

Capital Tower was unencumbered after refinancing of $570 mil term loan in March 2012

# Refinanced most of 2013 debt and reduced debt in 2014 and 2015; Extended debt maturity to 2019

## CCT's Debt Maturity Profile As at 31 December 2012



# Formalised framework for effective risk management

- **Potential risks and key controls to mitigate these risks are established as part of risk management**

| | | |
|---|---|---|
| Investment and divestment | Competitive | Operation |
| Human capital | Regulatory and compliance | Funding and liquidity |
| Interest rate | Currency | Credit |

# 4. Outlook

# CCT's key buildings are under-rented and well positioned to capture potential rental upside

**Average Grade A market rent was $9.58 psf at end-Dec 2012**

## Expiring Leases & Rental Rates

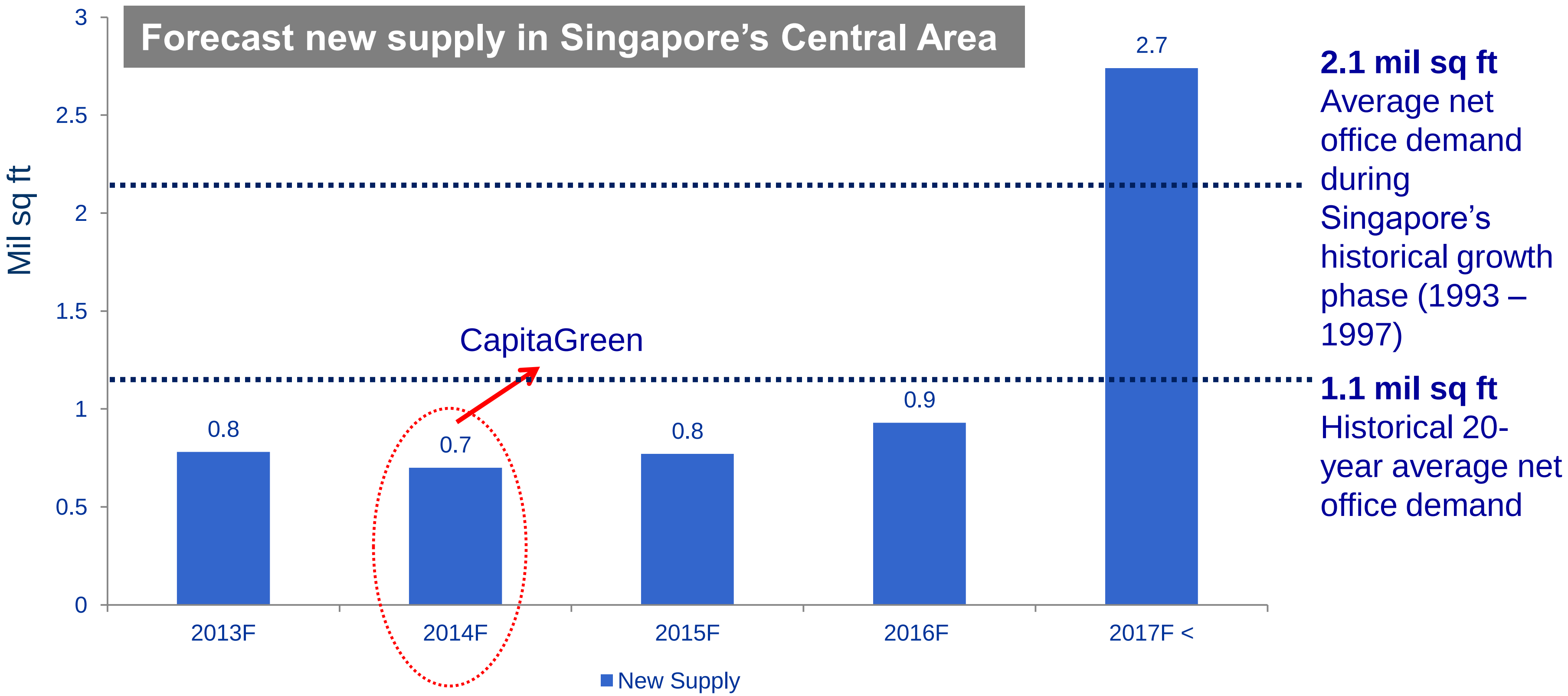
| | 2013 | | 2014 | | 2015 | |
|---|---|---|---|---|---|---|
| | % of Expiring Leases[1] | Average Monthly Gross Rental Rate for Expiring Leases (psf) | % of Expiring Leases[1] | Average Monthly Gross Rental Rate for Expiring Leases (psf) | % of Expiring Leases[1] | Average Monthly Gross Rental Rate for Expiring Leases (psf) |
| Capital Tower | 11.0% | S$7.13 | 4.0% | S$9.39 | 10.9% | S$5.60 |
| Six Battery Road | 2.8% | S$8.92 | 4.3% | S$10.87 | 6.4% | S$11.31 |
| One George Street | 5.0% | S$7.77 | 4.0% | S$9.37 | 5.9% | S$8.54 |
| Raffles City Tower | 1.6% | S$8.42 | 1.4% | S$9.08 | 3.7% | S$7.52 |
| **Total/ Weighted Average** | **20.4%** | **S$7.48** | **13.7%** | **S$ 9.76** | **26.9%** | **S$7.36** |

Note:

(1) Percentage of monthly gross income for leases expiring at respective properties as at 31 December 2012 over the monthly gross rental income for office portfolio

# Growth opportunities for CCT :

## - CapitaGreen will be the only new office completing in 2014




| Periods | Average net annual supply | Average net annual demand |
|---|---|---|
| **1993 – 1997 (growth phase)** | 2.4 mil sq ft | 2.1 mil sq ft |
| **1993 - 2012 (through 20-year property market cycles)** | 1.2 mil sq ft | 1.1 mil sq ft |
| **2013 – 2016 & beyond (forecast till 2017)** | 1.2 mil sq ft | N.A. |

# Outlook

## Other growth drivers in 2013

- Full year income contribution from Twenty Anson and HSBC Building
- Six Battery Road's asset enhancement initiative to complete in 2013
- Positive rent reversions expected from properties

## Risks

- One George Street's yield protection expiring in July 2013
- Office demand susceptible to economic conditions

HSBC renewed lease for 7 years at double rent


One George Street

# 5. Accolades

# Conferred awards for best practices and excellence

1. **Asia Pacific Real Estate Association (APREA) Best Practices Awards 2012**

- **Country Award – Best Submission from Singapore**
- **Chairman’s Recognition Award**
- **Mature Markets Merit Award – Accounting and Financial Reporting Category**

2. **Financing Deal of the Year (Debt Capital Markets)’ for Raffles City Silver Oak $645.0 million CMBS at the Real Estate Investment World 2012 Award for Excellence**

# Recognition: CCT added to MSCI Global Standard Indices in December 2012

**Upgraded from small cap to mid-cap stock by MSCI and added to MSCI Global Standard Indices, a reputable series of indices which is tracked by investors for benchmarking of portfolio and performance measurement.**

**CCT included in the list as mid-cap stock:**

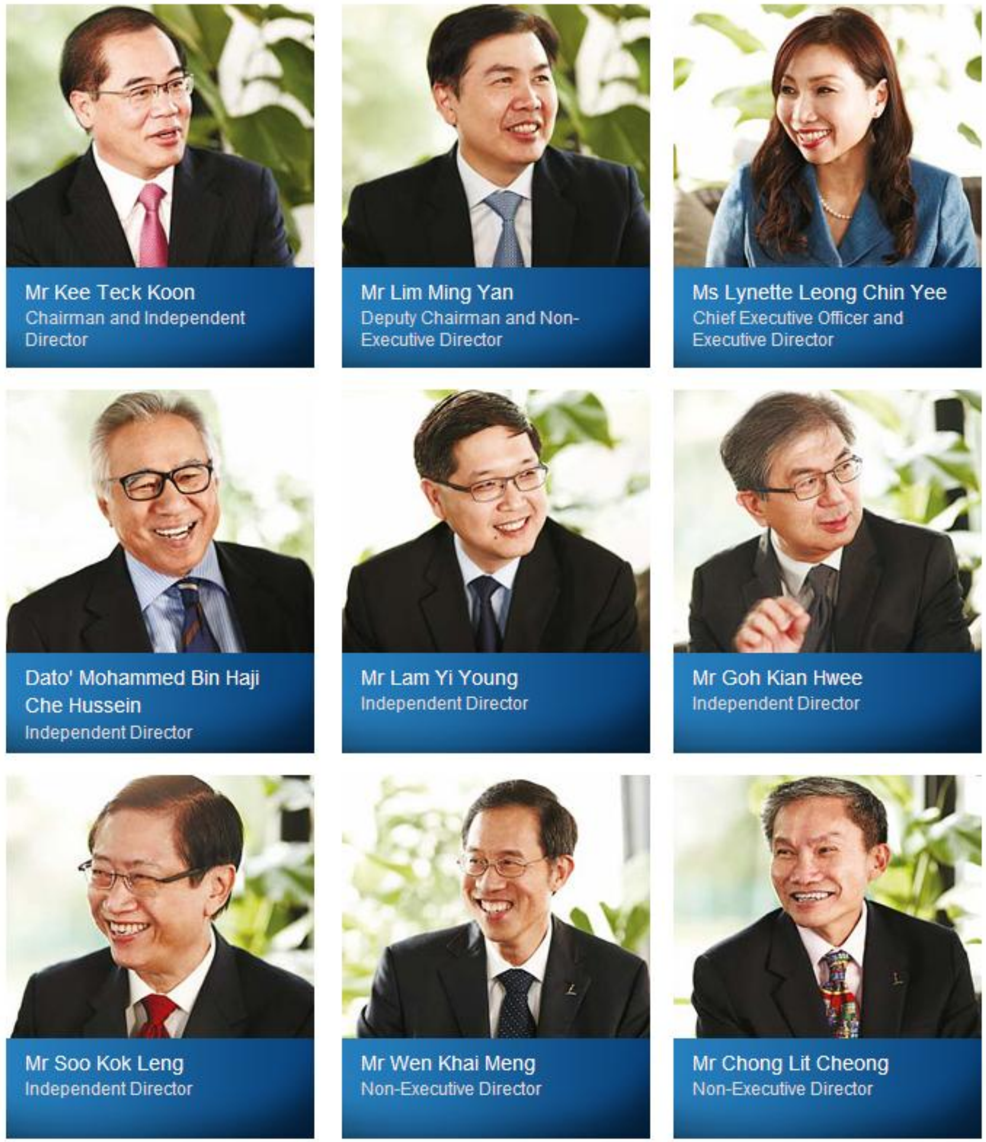
1. MSCI All Country World Index
2. MSCI World Index
3. MSCI Singapore Index
4. MSCI Singapore Mid-Cap Index
5. MSCI Asia Pacific Index
6. MSCI Asia Pacific ex-Japan Index
7. MSCI Singapore Office REITS Index
8. MSCI Developed Markets Value Index
9. MSCI Singapore Islamic Index
10. MSCI Singapore Investable Markets Islamic Index

# 6. Corporate Governance

# Recap of last year's AGM commitment

| Recommendations by Corporate Governance Council | CCTML's Commitment |
|---|---|
| • If Chairman is not an Independent Director, at least 50% of Board must comprise Independent Directors | Target by Jan 2013:<br>• To have an independent Chairman<br>• To have at least 50% of the Board comprised of Independent Directors |
| • Voting by Poll | • Continue with Poll |
| • Remuneration framework review to cover share-based incentives and awards | • 20% of Directors' fees are paid in CCT units with effect from FY 2011 |

# More than 50% of CCTML's Board are Independent Directors including the Chairman (effective 23 Jan 2013)



# Thank you, Valued Unitholders

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