



PROPERTY
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Session I: CPN Presentation 2Q07 and 1H 2007

Subject : Analyst Briefing 2Q07 and 1H 2007

Venue : The Stock Exchange of Thailand

Date: August 24th, 2007

A warm welcome to all analysts, investors, fund managers, shareholders, and media

Speaker : Ms. Naparat Sriwanvit (Vice President- Finance of CPN)

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I would like to begin with the market overview of the retail business. There has not been any major change from the first quarter of 2007, since there has not been any positive factor to boost consumer confidence level. In addition to this, effects from political instabilities have caused the growth in retail sales for the first half of 2007 to decline in comparison to the past recent years, especially for the luxury and high-end product group. However, food and beverages group, as well as entertainment group, has experienced good, continuous growth. As for the potential in retail sales in the second half of 2007, we believe that clarity in political issues and effects of continuous reductions in the interest rate in the first half of the year should place retail market in a better position for the second half of the year.

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The supply of retail property has increased by approximately 70,000 square metres in the first quarter of 2007, largely covered by Bobae Bamroongmuang, JJ Mall and King Power Complex. Additional retail space for the remaining period of this year is estimated at 60,000 square metres, which will be contributed by ZenWorld at CentralWorld upon its opening towards the end of the year. The other contributor will be SF Kaset-Navamindr.

The vacancy rate has slightly increased, from 3.5% last year to 5.0% in the first quarter of 2007, as a result of the new additions to the supply. Rental rates should continue to remain stable, since there has been no change in the market as a whole.

There has been no new addition to the supply of office space in the first quarter of 2007, which led to a decline in the vacancy rate and an increase in the rental rate of both A and B grade offices. In the second half of the year there should be an increase in the supply of approximately 150,000 square metres, 20% of which will be A grade (Athenee Tower). While the remaining 80% will be B grade offices including the one opposite to Robinson Ratchadapisek.

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Turning to the business highlight of CPN, the company has experienced continuous growth in income and profit despite the gloominess in state of the economy. The main underlying factor is the opening of CentralWorld, which is reflected in the improved performance of the second quarter in comparison to the first quarter, owing to an increase in the occupancy rate.

Net profit for the first half of 2007 dropped by 4.2% compared to the previous year. It results from the initial stage of CentralWorld in first quarter's performance, where occupancy rate may not be so high but the cost, especially depreciation, has been fully incurred. The improvement in the performance for the second quarter can be seen, indicating that its performance for second half of the year should surpass the previous, which would contribute to an increase in income and better performance for CPN in the second half of the year.



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CPN's rental rate has increased further, despite the unchanging market rental rate. Compared to the previous year, this is an increase of approximately 7%. Occupancy rate has been maintained at 94-95% for shopping malls, while office occupancy rate is at 91%

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Following the announced commencement of the new projects at Chaengwattana and Pattaya Beach, the construction progress is on schedule and is due to finish on time for the opening in December 2008 for Chaengwattana project and February 2009 for Pattaya Beach project. With regards to the sales progress, the budget and timing are on track for both projects, given that 20% of the retail spaces are already reserved with deposits made, while the target is at 50% by the end of this year. Meanwhile, the entire anchor space, including cinema and department store, has already received confirmation.

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As for the new projects at Chonburi and Khon Kean, both projects are in the designing phase and constructions are expected to initiate between the last quarter of this year and the first quarter of next year. Both projects are scheduled to open within the second quarter of 2009. The size of these two projects will be smaller than the ones at Chaengwattana and Pattaya Beach, with approximately 50,000-60,000 square metres of retail space and planned budget of 1,500-2,000 million baht.

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The conclusion has been made for the construction of the Rama 9 project, for which CPN entered into a long-term land lease agreement with the landowner in July for 30 years with the first right to renew the contract for 10 years. The project is currently in the design phase and construction is expected to initiate in the third quarter of 2008, while operations are targeted to commence in the first quarter of 2011. The size of this project should be similar to that of the Chaengwattana project.

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There are two potential projects that have been in the news recently. First is the Suan Lumpini project, in which CPN awaits for delivery of the land from Crown Property Bureau, expected to take place around the middle of next year. The other is the project abroad, which we are placing Vietnam on the top of the list. If we are able to conclude the negotiation concerning the land by the end of this quarter or the next, constructions should be able to commence by the beginning of next year.

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There has been no change in the capital expenditure, which is approximately 6,000-7,000 million baht for the periods of 2007 and 2008 and approximately 4,000-5,000 million baht for the following years. This covers all of the 8 new projects, including the 5 confirmed projects, Suan Lumpini project and the project abroad as well as an additional possible acquisition project under study and negotiation. The source of funding to support the capital investment will mainly be the cash flow from operations, which is approximately 3,500 million baht per year. The remaining portion will be from loans and, if the Bank of Thailand revokes the 30% capital reserve requirement, transfer of CPN's properties to CPNRF as previously planned. Earlier in June this year we have issued a long-term debenture of 3,000 million baht, which should provide us with enough funds in total for our investments in 2007 without additional borrowings. The issued debenture has a life of 5 years and its rating received an upgrade from TRIS from A to A+.



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Speaker : Mr. Wiwat Charoensawatpong (Vice President- Property Operation Area of CPN)

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I would like to go through the occupancy rates of each project accordingly. Ladprao's occupancy rate for the second quarter stands at 100%, which is an improvement from the first quarter of this year. The asset enhancement at Ramindra project has been completed and grand opening is planned for November this year, meanwhile occupancy rate is at 90%. The occupancy rate at Pinklao has dropped a little, due to the renovation and tenant mixed change processes. Other projects have seen improving occupancy rate as well. Rattanathibet has also completed its renovation process and will have a grand opening at the end of this year, while the occupancy rate is at 95% from 92% in the previous quarter. Another significant figure is the occupancy rate at CentralWorld, as already mentioned. The occupancy rate for the first quarter was at 88% and has risen to 90% in the second quarter, while the projection figure for the end of this year is around 95-96%.

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I would like to proceed to the office space next. The office spaces at Central Plaza Ladprao has experienced a small drop in the occupancy rate, resulting from vacating tenants in the last quarter. Pinklao office occupancy rate is relatively stable, with similar rate to the preceding quarter for tower B. The occupancy rates of offices at Bangna and CentralWorld are better also.

With regards to the residential projects, there has been a small drop from 48% to 44% in the occupancy rate for Bangna project in the second quarter of this year. The project at Langsuan fell from 66% to 53%, while it is now under renovation process.

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As you can see, the rental rate has continued in a positive direction. The average rental rate has increased by 12% y-o-y during 2005 and 2006. Compared to last year the 1H 2007 rental rate, net of discount, has increased by 7% y-o-y. If we exclude CentralWorld project, the rental rates have grown by 4% y-o-y.

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The traffic flow, being the number of visitors to each of the centres, has improved from the previous year as a whole. Ladprao's traffic has increased by 13%, while Pinklao's dropped a little. I would like to continue with the projects with positive change first. Apart from Ladprao, traffic was higher at Bangna, Rama 3 and Rama 2. Traffic at CentralWorld increased by 354%, as a result of the completion of the project and continuous marketing activities. Ramindra, upon its completion, received greater number of visitors as well as Chiang Mai and Rattanathibet.

As for the projects with lower traffic, Pinklao's decline in traffic was due to renovation in progress as well as the political protests and demonstrations, which affected the traffic in that area and reduced the project's visitor traffic. However, we believe that the state of affairs should lighten up towards the end of the year. The 20% reduction in traffic at Pattaya was mainly caused by the imposition of parking fee collection. The visitors are adjusting to the system and traffic flow should return to previous level.

This should conclude the main highlights for operations.



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Speaker : Ms. Naparat Sriwanvit (Vice President- Finance of CPN)

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I would like to draw your attention back to the finance section, which I shall not explain in great details as most of you would have been informed about CPN's news on a regular basis. As I have already mentioned, CPN's financial performance has achieved continuous growth.

For the second quarter of 2007, the net profit was recorded at 435 million baht and total revenue of 2,088 million baht. Growth was mainly driven by CentralWorld, as well as the completion of new parking building at Rattanathibet. The asset enhancement at Rattanathibet project provided new retail and parking spaces, which generated additional rental income and increased traffic. In conclusion, both CentralWorld and Rattanathibet projects are key drivers for the second quarter of 2007 performance. Net profit for the first half of the year of 851 million baht, like I have already mentioned, dropped from that of the same period of last year as a result of the incurred depreciation at CentralWorld from the first quarter.

However, the figures from the second quarter show that profit is growing in comparison to last year, which is a positive indicator that CentralWorld is achieving better performance and should continue to do so in order to be the key factor in producing stronger results for the second half of the year. From now on, any addition to the income will directly increase the profit, since the main costs and expenses, namely depreciation; have already been fully accounted for. Therefore, increase in traffic and expected gradual reduction of discounts given to tenants should contribute to the direct increase of profit. This is the overview of the finance.

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As for the capital structure, the present net gearing ratio is 0.6. This is a relatively low figure, providing room for further borrowing in order to support new investments. Our policy remains unchanged at the previous level of 1.0x approximately.

Now I would like to proceed to CPNRF before coming back to Q & A session.



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Session II: CPNRF Presentation 2Q07 and 1H 2007

Speaker : Mr. Phiphat Phisanuwongrak (Senior Fund Manager of TMB Asset Management)

Greetings to all investors and analysts, I would like to start with the performance of CPNRF.

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CPNRF's performance for the second quarter of this year has improved from both the previous quarter and the same period of last year. Net profit was 2.3% higher, year-on-year, and increased 3% quarter-on-quarter. This has led to the proportionate increase in the distribution, which will be paid to all unit holders, of 2.2%. In terms of annualised yield, at the market price as at 22 August of 10.10 baht, the second quarter yield is approximately 8.4%. This is an increase from the previous quarter's as well as that of the same period of last year.

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Looking into the details, the property income for the second quarter of this year was 313 million baht while interest income has declined due to the lowered interest rate on deposits. Property expenses, compared to the previous quarter, has slightly increased mainly due to increasing property management expenses such as marketing expenses. Other management fees and amortisation have remained relatively unchanged, and are in the same proportion as before.

Slide 7

The balance sheet of the fund has not changed, since there has been no additional investment in properties. There have been some development costs, which will be reflected in the revaluation to be carried out at the end of the year.

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When the current yield is compared to the 10-year government bond yield, it can be seen that the spread is quite large, approximately 350 basis points. This is partially owing to the decline in the yield of government bonds.

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The next dividend payment will be made at 0.2103 baht per unit. An announcement was made earlier that the XD will be displayed on the 5th September 2007, Share Register Book closure on the 10th September 2007, and payment will be made on the 18th September 2007, like the previous quarters.

Speaker : Mr. Panat Krairojananan (Vice President- Property Operation Area of CPN)

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Next, I would like to talk about the operations, starting with leasable area and occupancy rate. We continued to maintain the occupancy rate at Rama 2 around 98-99%. The slight decline was from small areas in Junction X, where renovations and re-zoning are in progress. In doing so, some of the tenants have to be relocated, whilst some others had their contract terminated, but as a whole, no major changes there. The figure around 95% that you can see for Rama 3 is reflected from the renovation being carried out. Like I have said in the last quarter that we have closed down the food centre for relocation, that area is now occupied by Power Buy and Supersport and both have started operating. The food centre is being worked on and should finish for the opening by the end of the first quarter of next year, covering 1,600 square metres and certainly will be generating additional income.



As for vacant spaces, those that have undergone complete renovation are in the sales process. Some of these are the units in front of Major Cineplex, if you have been there recently, and 30% of that particular area has gone through the sales phase. Occupancy has not been affected yet, since the tenants are still redecorating and furnishing, but should be shown by the third or the fourth quarter of this year.

Slide 12

Next, renewed and new lease profiles. The numbers here are normal, but I would like to highlight the 7.9% increase in the rental rate for CPNRF portfolio. Rama 3's figure is partially owing to increasing consumer confidence, following the recently held the Constitution Referendum 2007 and also the upcoming National General Election. This should lead to continuous improvement of Rama 3's results. Together with Rama 2's increase, it is clear that the yield on our portfolio tends to be higher following lease renewals.

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We normally work to balance the expiry date anyway. I shall not say much about this item, as per usual.

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Another important point here, the structure profile, as often I have been asked about the differences between fixed and variable. Fixed rent means that the tenant pays the same amount of rent throughout the year. Variable rent, also known as GP, is basically the percentage rent, with an advantage of the upside to be gained in the future when traffic and sales increase further. However, the number of tenants paying the variable rent is relatively low, as most tenants pay fixed rent, providing a continuous stream of income.

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On to the tenant mix. It is standard practice for us to have a good mix of trades, so that both Rama 2 and Rama 3 are one-stop shopping mall that provides all the services required by the visitors.

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As for the tenants, we have strong partners who continue to perform well.

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Many would raise questions about this slide. As Mr. Wiwat had given the explanation for CPN earlier, I shall focus on Rama 2 and Rama 3. As you can see in the box for the second quarter, on the year-on-year basis, traffic at Rama 2 increased by 18% while Rama 3's traffic was 22% higher than the same period of last year. For Rama 2, this is the third year for the park at the rear of project, which is becoming more and more popular. Events are frequently organised there by local authorities, which has become the mark of the project. An example is "*Kin-Poo-Doo-Talay*" (seafood-promoting event), if you have been there, the local authorities have included this event in the official calendar of Tourism Authority of Thailand. This could provide opportunities for further commercial planning, which will be worked on in the future. With continuous increase in traffic, as with housing accommodation, Rama 2 could be the gateway of the south of Bangkok.

In the overview, the important factor is that traffic has increased. Many people say that the second quarter is the high season, but it is actually the period between the end of the first and the beginning of the second quarter. This is partially due to the commencement of academic term for schools and universities towards the end of the second quarter. Therefore, it is normal to have higher traffic in the first quarter, rather than the second. Thus, you have to compare the figures with that of the same period of the previous year, and not the previous quarter.



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Session III: Q & A Session

Q: What is the size of the Vietnam project?

A: It has not been concluded yet, but current plan is working on “Plaza” concept, which is approximately 80,000-100,000 square metres. At this stage, we think the size should be similar to the projects in Bangkok.

Q: What are CPN’s plans should there be delays in delivery of land from Crown Property Bureau?

A: At the moment, we expect the delivery to happen in the middle of next year. If not, we shall discuss what the problems are, what plans the Crown Property Bureau have and the relevant legal issues. We do not want to get involved in the matter, and prefer to have the land delivered without any problems. There is no hurry in developing this project, as the improvement of CentralWorld should come first, so a delay of half or one year should not pose any problems.

Q: What are the rental rates of the offices for the second quarter of 2007?

A: The figures are similar to that of the first quarter. If compared to last year, however, they are approximately 3-5% higher. This is higher for the Offices at CentralWorld, as there is no new supply for A-grade offices, rental rate higher approximately 10-15% compared to last year.

Q: With regards to CPNRF, what is the progress of SEC’s amendment for regulation on the amortization of leasing initial cost?

A: At first the SEC was going to use the straight line method but there are still discussions about more flexible alternative methods, for example, on discount basis. The concept of reducing principal capital is fine but conclusions drawn yet on the method. Thus, negotiations are still taking place and conclusions should be drawn within this year.

Q: With regards to the hotel at CentralWorld, when are the construction works due to be completed?

A: The project actually belongs to CENTEL, but their schedule finish by the second quarter of next year. The section that is now open is the Centara Convention Centre at CentralWorld, which has been in the media frequently for the recent events. This is partially why we expect the second half’s performance should be better than the first’s, as the bookings for the Centara Convention Centre at CentralWorld are continuous and already full. Moreover, CPN will hold many events for boosting our CentralWorld project. Hence, this should attract more traffic for CentralWorld.

Q: When is the contract on Lardprao project due to expire and how much does the project contribute to the net profit for the company?

A: The contract that we have is going to expire on the 18th December 2008. As for the contributions, we are unable to disclose at present. Details would be available for considerations after the appraisals have been made by independent valuers.

Q: Is CPN’s project in Vietnam the first foreign investment project there?

A: Yes, If we are able to close the deal then yes, it will be the first.

Q: Will CPN be the sole investor, or will there be partners? If so, are they based in Vietnam?

A: As there is no conclusion yet the answer is not definite, but it is likely that there will be partners. At the initial stage, we have partners with us for the negotiations. There could be Vietnamese partners, as well as those who are other foreign investors.



Q: What are CPN's policies for expansion on an international level?

A: The location comes first, as we would want the best location in the area, especially if we are the first project there. As for the structure, it would have to be considered separately whether we will have a joint venture or be on our own. Normally, we would like a joint venture for new investments in order to reduce the risk, especially if they have experience with the local market and be able to, therefore, help and support us with regards to the regulations and market conditions.

Q: On an international level, where does CPN aim to position itself in the future? Will it cover Vietnam, South-East Asia or beyond?

A: The starting point will be neighboring countries, with the priority being Vietnam. Meanwhile there will not be much progress in other countries in comparison. If we are successful with the first project then we hope to expand to the next and on, even within certain region.

Q: With regards to Rama 3, did the renovations take place between the first and second quarters? When will the process be completed?

A: Renovation was actually planned for and commenced at the end of last year. By nature of retailing we cannot halt the operations, so renovations are occurring all the time, just a matter of which part. The 1,000 square metres or so that was mentioned was from the end of last year, to adjust to the market conditions. As I have pointed out, there will not be 100% completion but we have finished all retail units apart from the food centre. The whole process for the food centre (1,600 sqm) should be done by the end of the first quarter of next year.

Q: What plans do CPN have in order to cope with the consecutively declining traffic at Rama 3 since the end of last year? What activities or boosters do you have?

A: As we have foreseen, some of the tenants have to be moved around, some changed while others renew. There will be changes in the tenants mix. We also had market survey conducted by Sasin Institution, followed by merchandising adjustments, in order to meet market demand. There are many other plans for marketing, promotions and activities, as well as CSR to be involved in the community.

Q: Is the impact of the increase in rental rate (9.4%), on slide 12 of CPNRF presentation, shown on the P&L? Is this affected by the changing tenant mix, renovations or redecorations?

A: The effect is already shown. Redecorations and shifting tenants around only take about 15 days, which means that there is no large gap between the contract renewals, which are not simultaneous but occurring over a certain period.

Q: With regards to the discounts given at CentralWorld, what are the current rates and how long will they last?

A: The rates average to approximately 25-30% and the duration will have to take into account the traffic flow. One of the main factors at present is the political stability, which had been better recently. Additionally, there are good indicators that business and trades are improving. Therefore, we feel that discounts can be significantly reduced for the next quarter, and there will be very little discounts by the last quarter this year, as we believe that business will be great by then.

Q: What is the size of the A+rated, 5-year unsecured bond issued and the rate?

A: The size is 3,000 million baht, at 4.25%.

Q: With the 30% capital control still in effect, when will new issuance or regulation happen?

A: If the current government does not consider lifting the measure, it will definitely have to wait until the next government.



Q: If this continues indefinitely over a long period, will it hinder the development of new projects that CPN had planned for?

A: It will not hold up our plans since, as mentioned earlier, our net gearing is still low at 0.6x and there still is some borrowing capacity to support our projects. Alternatively, we are considering the possibility of a new property fund for the offices for domestic investors, which could be the other solution should the capital reserve requirement still stand.

Q: What is your policy on the suitable net gearing ratio?

A: Our current policy is approximately 1 time.

Q: Which properties will be used should the new offices property fund be transferred to new property fund you mentioned?

A: We are still in the process of studying the project and no details can be given yet, but our main one is the offices at CentralWorld. Further announcements will be made upon conclusion.

Q: Once there is a conclusion, will it be possible to inject office properties into CPNRF?

A: The strategy for CPNRF had been investments in shopping malls. The retail and office funds will be separated.

Q: What is the method used in calculating the NAV for CPNRF, when new shares are issued in order to purchase new assets?

A: Once the new shares are issued, the proceeds are used to purchase new assets. The entire portfolio of the fund is then revalued, and the value is then divided by the number of shares to give the NAV. Normally, revaluation is performed at the end of December of each and every year. Independent appraisers evaluate the earning power of the assets, which reflects the deteriorating lease contract life, additional investments in the form of asset enhancement, and the adjustment of rental rates. This also includes any addition to the leasable area.

Q: Has there been any studies done to determine the increase in rental rates required to keep the portfolio's value from falling as a result of deteriorating lease contract life?

A: We have not looked that far ahead, since it is lease expiry is still far ahead. By the basics, we would be concerned when there is half of the contract life remaining. In the past couple of years, asset enhancements have raised the value of the portfolio, thus, I think that the value would not have fallen for the end of 2007.

Q: Does the leasable area for CentralWorld of 185,851 square metres include the area for Zen Department Store and Zen World that will open at the end of the year? (page 16) If not, how much area would the new Zen Department Store and Zen World add?

A: No, the presented leasable area only includes the Zen Department Store area that is currently open. The new Zen World actually belongs to Central Retail Corporation (CRC), and we have no investments in it.

Q: Where are the exact locations of the new Chaengwattana and Pattaya projects under development?

A: For Chaengwattana, the project is located on the way out from the city, passed Muang Thong Thani and the express way, and before Carrefour. It is on the side of the road that is heading out from the city, opposite to ICT building. The construction is on schedule. Pattaya project is along Pattaya Klang Soi 9, on the beach and right next to the Pattaya police station, if you have been there. I have been informed that the construction is around 7 days ahead of schedule. The project is located before the Royal Garden, as the road is a one-way. We will have Central Department Store with us and certainly add the restaurants at the front are facing west, which gives a nice and direct view of the beautiful sunset over the horizon.



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Q: With regards to residential occupancy rate, would it consider as a normal to seen such occupancy rate for both Luang Suan and Bang na projects

A: For Bang Na, a condo-residential project, our plan is for sales with high returns due to those areas have been grown continuously with a high potential growth. We also believe that the projects will generate high return to us due to we acquired at the low cost. The project contains only 5-6 units, therefore when residents move out, the occupancy rate dropped to certain level as shown in table. For Lung Suan project, the lower occupancy rate is explained by its renovation progress.

Q: For CPN's portfolio, is there any particular shopping mall that could have significant increase in the rental rate for next year? How much could the increase be?

A: Bangna had undergone continuous renovation. Pattaya also have good traffic, in addition to retail space that is always full. Chiang Mai is also improving. These 3 malls should be capable of achieving higher rental rate, of which we think the increase should be no less than the average of 6-8% for this year. So, we are looking at 10%, if not more. The other one to mention is CentralWorld, if we are able to reduce the discounts given then the rental rate would be directly increased.

Q: What is the ratio of short-term contract to fixed contract, for CentralWorld? What is the ratio in term of fixed rent to percent of sales?

A: If including Zen and Isetan, which are long-term contracts, the ratio should be 45 for long-term and 55 for short-term. As for the short term rental structure, 25% is percentage rent and the remaining 75% is fixed rent.

Q: When are the contracts for the old CentralWorld due to expire?

A: All of the old short-term contracts have expired; all of the current short-term contracts are our new contracts. The remaining long-term contracts would be in the Isetan-side area, zone B, which would expire by 2012.

Q: In term of advertising and promotion, would the budget for the second half of the year be in line with the first half or would there be any significant changes?

A: If it were measured as a percentage of the revenue then there should not be large changes. The amount, however, would be greater in the second half of the year.

Thank you for participating CPN and CPNRF 2Q07 and 1H 2007 performance presentation. For further enquiries, please contact CPN IR directly and warm welcome to visit CPN website at www.centralpattana.com