



## Central Pattana Public Company Limited

### **3Q 2013 Earnings Result Briefing:**

**CPN – Central Pattana Plc.**

**CPNRF – CPN Retail Growth Leasehold Property Fund**

**CPNCG – CPN Commercial Growth Leasehold Property Fund**

### **Earnings Result Briefing Script**

**Event Date/Time: 28th November 2013 / 09:00 AM - 10:30 AM**

**Venue: The Stock Exchange of Thailand, Bangkok**

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## **CPN, CPNRF, and CPNCG - 3Q2013 Results**

### **Earnings Result Briefing Script 2/8**

#### **CORPORATE PARTICIPANTS**

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As a representative of CPNRF and CPNCG’s Fund Manager

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Central Pattana (“CPN”) – Vice President CentralWorld  
As a representative of CPNRF and CPNCG’s Property Manager

## **CPNRF Presentation**

### **Page 5: Leasable Area and Occupancy**

Start with CPNRF's operation. CentralPlaza Rama 2's total gross area was 251,182 sq.m. of which leasable area was 85,866 sq.m. with 308 tenants. As of the end of the third quarter, occupancy rate was 95.3%, a slight increase from the previous quarter at 95.2%.

CentralPlaza Rama 3's total gross area was 169,740 sq.m. of which leasable area was 37,255 sq.m. with 247 tenants. Occupancy rate was at 97%, a 0.3% decrease from 2Q13.

CentralPlaza Pinklao's total gross area was 135,018 sq.m. of which leasable area was 21,730 sq.m. with 115 tenants. Occupancy rate was at 99.1%.

Pinklao Office Tower's gross area was 50,653 sq.m of which leasable area was 33,760 sq.m. with 102 tenants. Occupancy rate was at 97.6%, a decrease from 2Q13 due to the non-renewal of contracts by some tenants. We are currently in process of acquiring new tenants.

### **Page 6: New and Renewed Lease Profile**

As of 9M13, at CentralPlaza Rama 2 the no. of renewal and new lease was 62 with 4,401 sq.m., accounted for 5.1% of total leaseable area. The renewed rental rate went up 7.7%.

The total no. of leases was 31 at CentralPlaza Rama 3 with leasable area of 6,115 sq.m., accounted for 16.4% of total leaseable area. The renewed rental rate rose 6.4%.

At CentralPlaza Pinklao, the total no. of leases was 21 with leasable area of 3,222 sq.m or 14.8% of total leaseable area at the rental growth rate of 6.2%.

At Pinklao Office Tower A&B, 12 leases were renewed with 3,399 sq.m or 10% of total leaseable area. Rental rate grew 5.5%.

Overall, the rental rates for the 3 malls have gone up by 6.5%.

### **Page 7: Lease Expiry Profile**

As for our lease expiry profile, the percentage of expiring leases in 4Q13 (Oct.-Dec. 2013) is as follows: 15% at CentralPlaza Rama 2, 6% at CentralPlaza Rama 3, 4% at CentralPlaza Pinklao, 8% at Pinklao Office Tower A & B with 11%, overall.

The expiry profile for 2014, 2015 and 2016 were as shown on the chart.

### **Page 8: Rental Structure Profile**

CentralPlaza Rama 2's fixed rent accounted for 52% of total leaseable area, while the remaining 48% were consignment (% of sales rent). CentralPlaza Rama 3 consisted of 74% fixed rent and 26% consignment. CentralPlaza Pinklao's fixed rent was 93% while consignment was 7%. Our leases at Pinklao Office Tower A&B were 100% fixed rent.

### **Page 10: Income Breakdown**

Look at the financial status of the fund. As of 3Q13, CPNRF's total income was Baht 665 million, a 2% decrease QoQ and a 6% increase YoY. The 40% of total income or Baht 260 million was contributed from CentralPlaza Rama 2, approx. Baht 160 million from CentralPlaza Rama 3. CentralPlaza Pinklao contributed 35% or approx. Baht 205 million.

Compared to the previous quarter, CPNRF's income had decreased. However, if comparing 9M13 to 9M12, CPNRF's total income had increased around 28% and net profit had increased by 30%. The major contributor to CPNRF's income and profit was CentralPlaza Pinklao.

#### **Page 11: Profit & Loss**

In 3Q13, CPNRF reported total income of Baht 665 million and net investment income of Baht 534 million, a 5% increase YoY.

In 3Q13, CPNRF had recorded an unrealized gain from asset revaluation in an amount of Baht 210 million. As a result, the net increase in net asset was Baht 774 million, an increase of 6%.

#### **Page 12: Balance sheet**

There was no significant change in CPNRF's Balance Sheet in 3Q13 except the item associated with the asset revaluation as shown in the increase in retained earnings of approx. Baht 200 million. As a result, the Net Asset Values increased 1% and NAV per unit went up from Baht 10.75 to Baht 10.88.

#### **Page 13: Distribution Summary**

As per dividend payout announcement in October, the 3Q13 dividend was paid in an amount of Baht 518 million from the Net Investment Income of Baht 534 million or 97% payout ratio. Distribution per unit was Baht 0.3167, similar to the dividend paid in the previous quarter, accounted for the annualized yield of 7.2% for the previous 12 months.

CPNRF has announced an additional interim dividend payout of Baht 0.30 from the operating profit period from Oct.1 – Dec.15, 2013. Some retained earnings will also be paid to existing unitholders whose names appeared on the register book on November 27, 2013 will be entitled to receive this dividend. The payout date will be on January 15, 2014.

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### **CPNCG Presentation**

#### **Page 5: Leasable Area and Occupancy**

CPNCG's total gross area was 121,989 sq.m. of which leasable area was 80,585 sq.m. Occupancy rate was 99.2% vs. 98% in 2Q13, a growth from previous quarter, thanks to the addition of the new tenants.

#### **Page 6: Lease expiry profile**

The percentage of leases that will be expired and renewed in 4Q13 is 33% and 44% in 2014, while 13% and 9% of leases will be expired in 2015 and 2016, respectively.

#### **Page 7: High Quality Tenant**

CPNCG's anchor tenants profile in the 3Q13 was Nestle, AGODA, KimEng and Ogilvy. The area occupied by major tenants was around 60% of total leasable area.

#### **Page 9: Profit & Loss**

In 3Q13, CPNCG's total income from property had slightly decreased due to the rearranging of space to allow the existing tenants to expand their shops. This activity had finished in 3Q13. We foresee that in 4Q13, CPNCG's total income should resume its previous level. Net Investment Income was Baht 85 million. In addition, CPNCG had also recorded a gain in asset revaluation in 3Q13 in an amount of Baht 32 million, resulting in Baht 117 million of Net Increase in Net Assets.

If taking a look at the financial performance for 9M13, we would see that the total income had slightly increased compared to our set target for the year. Also, given that we were able to manage our expenses effectively, CPNCG's net property income grew 2.5% higher than our set target.

#### **Page 10: Balance Sheet**

Similar to CPNRF, there was no significant change in CPNCG's balance sheet, except item associated with the asset revaluation as we can see from an increase in the retained earnings in an amount of approx .Baht 30 million. Therefore, the NPV per unit was at Baht 11.4303, an increase of 1%.

#### **Page 11: Distribution**

In 3Q13, CPNCG paid out the dividend amounted to Baht 0.1941 per unit, similar to the previous quarter, or 97.6% of Net Investment Income. CPNCG was able to reach the annualized yield of 7.5% as forecasted when the fund was first established.

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### **CPN Presentation**

#### **Page 5: 3Q13 Overview**

For 3Q13, in general, CPN has been operating on the whole as planned.

CPN has planned to open two new shopping malls, CentralFestival Chiangmai and CentralFestival Hatyai. CentralFestival Chiangmai was launched on November 14, 2013 with higher than expected acceptance. We hope to get similar kind of welcome in Hatyai which will be launched on December 14 of this year.

In terms of financial figures, 3Q13 revenue went up 14% YoY and 9M13 revenue went up 18% YoY. Even though we launched only one shopping mall this year, our revenue still grew at the faster rate than our long-term target of 15%. Our operating profit for 9M13 rose 24%. Overall, CPN can still maintain its growth as we have promised.

As far as our future developments concerned, CPN has planned to introduce The Groove@CentralWorld, an expansion project in front of the Offices at CentralWorld. The first section, the Lifestyle Dining Zone, will be opened in December whereas the Fashion Zone is to be opened in February or March next year.

Regarding the status of our projects in Malaysia, the contract has been signed and the project is now under designing phase. Furthermore, we have been preparing staffs responsible for the expansion projects in Malaysia. The second project in Malaysia is almost concluded. We are quite certain that we will launch two shopping malls in Malaysia in the next couple of years.

#### **Page 7: Property Locations**

Up to now, CPN is operating 22 existing projects, 10 in Bangkok and 12 in provincial areas.

Six projects are under development. One of those is Hatyai which will be launched next month. The others will be gradually opened according to our schedule as we had earlier announced. There is no plan to change the schedule at this moment.

Two new projects will be in BMA i.e. at Bangyai and Salaya. Three provincial projects will be located in Hatyai, Samui and Rayong, and one overseas project in Malaysia.

As for the asset enhancement, we plan to launch the Groove@CentralWorld in two phases, in December and in March. CentralPlaza Bangna has been under renovation and remerchandising mix and should be completed by mid-year next year.

### **Page 8: Leasable Area and Occupancy: Retail**

As of 3Q13, looking at our 21 existing malls, overall occupancy rate was 97%, same as the previous quarter. Malls located in Bangkok and in provincial areas both have high occupancy rate at 97%. Total retail properties cover net leasable area of almost 900,000 sq.m., excluding department store area., by the end of Q3.

### **Page 9: Leasable Area and Occupancy - Non-core Properties**

CPN's non-core business includes office, residential and hotel, as shown on page 9. Overall office's occupancy rate has gone up to 99%, mostly from new tenants at our new projects, CentralPlaza Chaengwattana and CentralPlaza Grand Rama 9. Average occupancy rate of both hotel, Hilton Pattaya Hotel and Centara Hotel & Convention Center Udonthani, was up to almost 80%, an substantial increase both QoQ and YoY.

**Back to Page 8.** In terms of revenue contribution, shopping malls in Bangkok accounted for 60% of CPN's total revenue, 40% in provincial areas. Furthermore, retail business was the main source of income of around 85%. Office, hotel and F&B contributed around 10%.

### **Page 10: Rental Contract Type: By Area**

CPN's rental structure stayed pretty much the same as the previous quarter. Our main contracts were under fixed rent. Consignment contracts accounted for 25%. The long-term leases still remained at 27% but at a lowering proportion. In the future, the proportion of long-term leases will be even lower as for the new projects CPN intends to make contracts with the short-term leases of no longer than 3 years. Also, when the remaining long-term contracts expire, they will be converted to short-term contracts. This strategy will allow CPN to capture higher revenues as well as better cash flow in parallel with the market rental rate.

### **Page 11: Effective Rental Rate**

9M13 rental rate adjustment increased around 6.5% YoY, still in line with our target at 6-7%.

### **Page 12: Expiration of Long-term Leases Contracts**

As long-term leases gradually expire, they will be converted to short-term leases. The expiry profile was shown in a table on page 12. The most impact will be incurred in 2015 when the long-term leases at CentralPlaza Pinklao, 12% of total contracts or almost 20,000 sq.m., will be expired and then converted to short-term leases.

### **Page 14: Domestic Expansion**

As earlier mentioned, CPN has 6 new projects under development, five in domestic and one in overseas. Details of each new project are shown on page 15-16.

### **Page 15: New Projects in 2013**

According to our schedule for 2013; CentralFestival Chiangmai was opened in November; CentralPlaza Hatyai will be launched in December.

### **Page 16: New Projects in 2014**

CentralPlaza Samui and Salaya are scheduled to launch in 2014. CentralPlaza Rayong is preliminarily planned to launch in 4Q14 but currently under study regarding the size of the mall. Therefore, this project might not be launched in the last quarter of 2014 as planned. However, the new schedule will take mainly CPN's returns and overall benefits into consideration. We will further inform the investors of any changes. CentralWestGate, considering a large project, is scheduled to launch in the second quarter of 2015.

### **Page 18: Overseas Expansion**

Overseas project is in Malaysia. The contract was signed. The joint-venture structure is still the same; CPN holds 60% and our partner holds 40%. The estimated investment on this project is around Baht 5.8 billion. This project is scheduled to complete in 4Q2016.

### **Page 19: Asset Enhancement**

Details on the Groove@CentralWorld and CentralPlaza Bangna have already been covered, so I would like to move on to the next page.

### **Page 20: Future Leasable Area & Occupancy Rate**

According to our long-term plan since 2011, we intend to grow at 15% annually in terms of revenue. Part of the growth will be driven from our new shopping malls. We foresee that CPN will operate 30 projects, accounted for 1,500,000 sq.m. by the end of 2015, and target to increase to 1,700,000 sq.m. by 2016 or a 37% growth from now. To achieve our target, we have to launch three or four projects a year according to the plan.

### **Page 21: Capital Expenditure**

To support these expansions including new projects and asset enhancements, we will need annual CAPEX of around Baht 12 – 14 billion. These projects will be funded mainly by cash flow from operation from existing projects of around Baht 8 – 10 billion. The rest will be from loans or from property fund vehicle as planned. We have planned to transfer CentralPlaza Chiangmia Airport, our first Chiangmai Project, to CPNRF. Additional information will be covered later on by the Fund Manager.

### **Page 23: Financial Summary**

As for the 9M13 financial performance, total revenue grew 18% YoY, as a result of opening new shopping malls and an increase in the rental rate of our existing malls. Therefore, CPN was able to maintain growth at 18% for 9M13, better than the target of 15%. Operating Profit and net profit has also increased following the same trend of revenue. The higher growth in the operating profit of 24% and the net profit of 31% than the growth in our revenues showed our effectiveness in cost management.

Comparing year on year, our net profit seemed lowered due to the fact that we had transferred the Offices at CentalWorld to CPNCG last year. Regardless of non-recurring gain, our net profit grew around 31% YoY.

For 9M13, our same store revenues grew considerably high at 13%. Gross Profit Margin and EBITDA margin grew from 47% and 50% in 2012 to 50% and 53% in 9M13 respectively, as a result of a higher growth of profit than the growth of revenues.

### **Page 24: Revenue Breakdown**

Retail business has contributed 85% to total revenues. Revenues from hotel business grew 26% YoY as a result of an increase in occupancy rate and Rev/Par in both hotels. F&B's revenues grew 25% YoY, contributed from new food courts in the newly opened malls and a better performance of food courts in the existing malls, especially in Pattaya.

### **Page 25: Costs Breakdown**

Our major costs were depreciation and electricity which accounted for 80% of our total costs. Overall, in 3Q13, our costs grew 11% YoY, mainly from the opening of new shopping mall. Costs from hotel and F&B business grew in accordance with the growth of their revenues. As I have mentioned earlier, being able to manage costs effectively, our costs incurred at the lower rate than our revenues, enhancing CPN's margins.

### **Page 27: SG&A Expenses Breakdown**

Major SG&A expenses were from personnel and marketing expenses. An increase of 25% YoY in SG&A expenses in the third quarter were mainly from opening new malls and hiring new personnel to support our expansion, especially for overseas project.

### **Page 28: Debt Analysis**

As of 3Q13, our outstanding debt was around Baht 20 billion. The majority of our debt remained long-term loans which accounted for almost 80%, out of which almost 80% were fixed interest rate loan, enabling us to lower the risk incurred from interest rate fluctuation.

Our financial cost, as of 3Q13, was at 4.4%. Given most of our debts were under fixed interest rate contracts, our financial costs wouldn't vary much with the market rate.

### **Page 28: Capital Structure**

Our net interest bearing debt to equity as at 3Q13 stayed at 0.5 times, pretty much the same as in 2Q13 against the debt covenant with the bank of 1.75 times. However, it is our policy to maintain the covenant not to over 1 times.

### **CPNRF Capital Increase Announcement**

The Investment Committee has announced the Maximum Offering Price to the existing unitholders who are interested in subscribing additional investment units, either equal to or excess of their entitlement. The announced Maximum Offering Price is Baht 16 per unit. Subscription period for additional investment units were as follows:

- For existing unitholders who are retail investors

Subscription Period: during 3 - 12 December 2013 (within 12.00 A.M. of 12 December 2013)

- For exiting unitholders, who are special subscribers and owners of the real properties, and persons who are qualified under the private placement

Subscription Period: during 3 - 18 December 2013

The private placement will be able to subscribe only if there are remaining investment units which are not subscribed by the existing unitholders.

The first allotment will be offered to the existing unitholders who are entitled only in the portion equal to their entitlement. The remaining investment units from this allotment will be offered to the existing unitholders who want to subscribe exceed to their entitlement as well as to the private placement.

The allotment will be done as the Management Company deems appropriate based on the number of subscription.

The Offering Price of Baht 16 is the maximum price from the range of price between Baht 15.50 – 16.00 obtained from the investor surveys. In case that the Final Offering Price is lower than the Maximum Offering Price, the excess subscription payment will be refunded to the subscribers. The payment will be calculated based on 1) the difference between the Maximum Offering Price and the Final Offering Price and 2) the unsubscribed portion in case that the existing unitholders subscribe for the additional investment units in excess of their entitlement.

The payment will be refunded by December 27, 2013. The Final Offering Price will be announced on December 18, 2013.