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**Central Pattana Public Company Limited**

## **FY2008 Results Briefing:**

**CPN – Central Pattana Plc.**

**CPNRF – CPN Retail Growth Property Fund**

### **Analyst Briefing Transcript**

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#### **Naparat Sriwanvit**

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

#### **Thanasombat Sanitwongse**

*Central Pattana (“CPN”) – VP of Property Management*

*As a representative of CPNRF’s Property Manager*

#### **Nold Swangjang**

*TMB Asset Management (“TMBAM”) – Property Fund Manager*

*As a representative of CPNRF’s Fund Manager*

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## **Presentation – Central Pattana Plc.**

### ***Moderator:***

Good morning to all shareholders, analysts, investors, and honorable guests. Welcome to Analyst Briefing 4Q 2008 & FY 2008 of CPN and CPNRF. I would like to introduce management who attend the briefing today. The first is Mr. Naris Cheyklin, SEVP of Account, Finance and Property Management & CFO of CPN. Second is Ms. Naparat Sriwanvit, Vice President – Finance of CPN. Next is the representative from CPNRF’s Property Manager, Mr. Thanasombat Sanitwongse, Vice President – Property Management of CPN. The last one is the representative from CPNRF’s Fund Manager, Mr. Nold Swangjang, Property Fund Manager of TMB Asset Management.

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***Speaker: Naris Cheyklin, SEVP and CFO, CPN***

### **Slide 5**

I believe that you have known the overall picture of CPN’s earnings result which has been continuously healthy. CPN’s total revenue in 2008 increased by 12% yoy, excluding non-recurring item of an approximately Baht 214 million from compensation for cancellation of rights to certain land at CentralWorld to ZEN Department Store in the 2007 performance. The increase revenue came from the CPN’s being hardworking. Though there were several incidents in 2008, such as a closure of International Suvarnabhumi Airport leading to less number of foreign tourists in Thailand, and continual political rallies. These affected the performance of some shopping centers. Thanks you the management and staff for their dedication to duties to achieve the company’ target in terms of revenue and net profit.

Moreover, there is another source of revenue driven CPN's performance; revenue from advertising area of which CPN achieved target of Baht 100 million last year. Personally, I think there is an opportunity to increase revenue from this part. In addition, CPN has reduced advertising and promotion expenses without decreasing marketing activities to increase visitor traffic flow. This policy is also applied to the year 2009.

There was not much change in the occupancy rate of retail properties as most of the malls could maintain their high levels while there were increased rates at some shopping malls, evidently at CentralWorld and CentralPlaza Pinklao. Effective rental rate for retail space (net special rental discount at CentralWorld) in 2008 increased approximately by 3% y-o-y.

Occupancy rate of office properties stood at 94% in 4Q/2008. Take-up rate at Lardprao, Pinklao B, and the Offices at CentralWorld enhanced from last year while that of Pinklao A dropped in 2008.

The most significant event in 2008 was the successful launch of CentralPlaza Chaengwattana which was in the planned budget with expected leasing space. It was the most completed opening of CPN's shopping malls since its establishment 30 years ago. Being truly professional, CPN has a quality shopping mall development team. CentralPlaza Chaengwattana proved CPN's achievement followed by the launch of CentralFestival Pattaya Beach, on 23 January 2009, the largest lifestyle shopping complex on the natural beach in South East Asia. These newly opened shopping malls will contribute attractive rental revenue in 2009. There are two more shopping malls scheduled to be launched in 2009; CentralPlaza Chonburi and CentralPlaza Khon Kaen.

CentralPlaza Chonburi is scheduled to open on 29 May 2009, date of the grand opening. The leasing progress (retail space) currently achieved approximately 85%. And with high demand of renting retail space, CentralPlaza Khon Kaen will be built up to five floors, and its sales progress (retail space) is growing well. However, there are concerns about growth of expansion of retail shops amidst economic slowdown. It is undeniable that tenant's expansion will depend on its financial strength.

#### **Slide 6**

The new sub-lease agreement of CentralPlaza Lardprao was approved by CPN's shareholders and then CPN will enter into the new 20-year sub-lease agreement of CentralPlaza Lardprao with Central International Development Co., Ltd. (CID). Therefore, CPN will pay an up-front payment of totaling Baht 2,162.3 million which will be paid in five annual installments and annual lease payments of totaling Baht 14,016.0 million to CID. In addition, CPN is obligated to make an investment cost of at least Baht 1,382.6 million for asset renovation and such renovation is required to complete by 2013. Eventually, CentralPlaza Lardprao will become one of CPN's flagship stores afterward.

#### **Slide 8**

The average of occupancy rate of CPN's nine existing shopping complexes in Bangkok Metropolitan area was 97% in 4Q/2008, resulted from an increased occupancy rate at CentralWorld from the opening of an anchor tenant "Center Point".

**Slide 9**

As for provincial area, Central Center Pattaya and CentralPlaza Chiangmai Airport contributed to occupancy rate of CPN's portfolio in provincial of 99% in 4Q/2008. Thus, occupancy rate of all CPN's retail properties averaged 97% which remained unchanged from 3Q/2008.

**Slide 10**

There is an increasing competition in office market, especially in the area nearby CentralWorld. However CPN is confident that the Offices at CentralWorld's facilitation is evidently attracted, compared to office buildings in the same area.

**Slide 11**

There was no significant change in profile of rental contract in terms of type and term. However, CPN provided flexibility to some retail tenants by changing contract type from "Fixed Rent" to "Percentage of Sales". This might reduce the volume of rental fee during the economic slowdown, but in return, in the long run, when the economy recovers, this is expected to increase net rental income to CPN.

**Slide 13**

CPN's shopping malls that were affected by the closure of the airport in 4Q/2008 were CentralWorld, Central Center Pattaya, and CentralPlaza Chiangmai Airport. However, traffic flow at other shopping malls was in good condition. In terms of number of visitor traffic flow, CentralPlaza Lardprao was still the highest, followed by CentralPlaza Rama 2 and CentralPlaza Pinklao, respectively.

**Slide 15**

Newly opened project, CentralPlaza Chaengwattana, is believed to attract more people during the weekday in the near futures after a full opening of the new government centers and the completion of road construction in the area. However, the current visitor traffic flow during the weekend shows no concerns.

**Slide 16**

As for the other newly opened project, CentralFestival Pattaya Beach, expected visitor traffic flow is about the same as CentralPlaza Chaengwattana's.

**Slide 17**

As mentioned earlier, CentralPlaza Chonburi is scheduled to open on 29 May 2009.

**Slide 18**

CentralPlaza Khon Kaen is scheduled to open in December 2009 with its forecasted retail space leasing to reach 80% around the middle of 2009.

**Slide 19**

The construction of structure work of another future project, CentralPlaza Rama 9, will start by the end of this year. The project is expected to complete in 2Q/2012.

**Slide 20**

As for potential sites, Pre-Cadet School (Suan Lum Night Bazaar) is awaiting the land delivery from The Crown Property Bureau, who is the landlord. At the time being, there is no imposed land lease fee. After land transferring, the land lease fee in the first four years, which are the grace period, will be truly low.

As for the new site in Chiangmai Province – Chiang Mai 2 Project, it is located in a good position and close to the main road with convenient accessibility. These shall bring far more advantage to compete with other malls nearby. However, CPN can provide more details of the project in the second quarter of this year.

**Slide 21**

There was an increase in capital expenditure, reflecting investment costs of the hotel at CentralFestival Pattaya Beach and asset enhancement of CentralPlaza Lardprao.

**Slide 22**

In 2009, CPN will achieve the target of total leaseable area of 1 million sqm and we are confident that there will be totaling approximately 1 million people visiting CPN's shopping malls every day.

We shall move to CPN's financial highlight part.

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***Speaker: Naparat Sriwanvit, SVP – Finance, CPN***

**Slide 24**

Overall financial performance in 2008 showed a continuous improvement. The total revenue was up by 12% y-o-y, however if excluding revenue from the newly opened CentralPlaza Chaengwattana (same store growth) was up by 11% y-o-y. In 2008, operating profit increased by 16% y-o-y and net profit grew by 39% y-o-y.

**Slide 25**

Revenue growth by business types, in 2008 the main source of revenue is the shopping mall or retail property business with the growth rate of 12 % y-o-y mainly from a cutting down special discount given to selected tenants and escalating occupancy rate at CentralWorld's, increased service income after adjustment of CAM charge rate in January 2008, rental growth achieved at all properties, and additional incomes from the newly opened CentralPlaza Chaengwattana.

Office revenue increased by 7% y-o-y, due to higher rental rate for new and renewed contracts signed at CentralWorld. Food & beverage revenue increased by 21% y-o-y, mainly driven by the re-openings of food centers at CentralPlaza Rama 3 and CentralPlaza Pinklao after completion of their renovations.

#### **Slide 26**

Overall cost was up by 9% y-o-y, in accordance with to the growth of revenue, which was mainly from the shopping mall or retail property business. The increase was driven by higher depreciation and amortization of CentralWorld and newly opened CentralPlaza Chaengwattana.

Whereas, the cost of office properties showed a decrease of 4% y-o-y, due to lower utility cost benefiting from the effective energy saving program. Cost of food & beverage business increased in accordance with the revenue.

#### **Slide 27**

Overall selling and administration expenses in 2008 was up by 3% y-o-y with a 24% y-o-y growth of personnel expenses, due to an increase in number of employees to support business expansion, whereas advertising and promotion expenses in 2008 showed a decrease of 11% y-o-y.

#### **Slide 28**

Key financial ratios mostly showed improvement. The 2008 gross profit margin of retails decreased from that of 2007, due to additional depreciation at newly opened CentralPlaza Chaengwattana since November 2008.

#### **Slide 29**

As for capital structure, net interest-bearing debt to equity ratio was 0.8 times in 2008 in line with CPN's policy level at lower than 1.0 time. Though there are more investment projects, I believe that with more loans to support investment CPN can maintain its leverage level below the policy.

#### **Slide 30**

Approximately 70% of our borrowings is long-term and the other 30% is short-term. Average financing cost in 4Q/2008 was 5% p.a. Of the total existing borrowings, a portion of fixed interest rate is 65% and 35% of floating interest rate.

**Slide 31**

Dividend payment approved by CPN's Board of Directors was Baht 0.33 per share or equivalent to dividend payout ratio of 33% of net profit, which was less than the policy of 40% of net profit. It was because CPN would like reserve cash for its investment plans. Please note that the dividend payment for 2008 performance shall subject to an approval of CPN's shareholders at the AGM held on 30 April 2009.

This comes to the end of CPN presentation. We shall go through CPNRF presentation.

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**Presentation – CPN Retail Growth Property Fund**

***Speaker: Nold Swangjang, Property Fund Manager, TMBAM***

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

**Slide 5**

Operating result in 2008, the net investment income showed a growth to Baht 971.7 million or increased by 8.3% from Baht 897.1 million of the previous year. The fund will pay total distribution of Baht 951.4 million, increased by 5.9% from the previous year. Distribution per unit was 0.8716 Baht, up 5.9% from Baht 0.8230 of the previous year. Investment income increased from growth in rental income, interest income, and other incomes.

**Slide 6**

In 2008, property income reached Baht 1,304.1 million, up 5.1% from Baht 1,241.3 million in 2007. Interest Income was Baht 29.2 million or decreased by 1.0% from Baht 29.5 million last year. Thus, total income was Baht 1,333.3 million, increased by 4.9% from last year. On the other hand, property expenses were up by 2.2% to Baht 311.1 million from Baht 304.5 million last year. Other management fees and expenses showed no significant change in 2007 and 2008 at Baht 20.7 million and Baht 20.9 million, respectively. Thus, total expenses in 2008 decreased by 3.2% from 2007 to Baht 361.7 million.

**Slide 7**

In terms of Balance Sheet as of 31 December 2008, CPNRF reported Total Investment in Properties of Baht 10,972.0 million, increased from Baht 10,841.1 million of Q3 2008 due to an increase in the value of the properties by revaluing CentralPlaza Rama 2 and CentralPlaza Ratchada-Rama 3. Thus, Total Assets rose to Baht 11,935.8 million and Net Asset Value ("NAV") was recorded at Baht 11,332.1 million. In comparison, Retained Earnings reached Baht 417 million, NAV per Unit was at Baht 10.3821 as at 31 December 2008.

**Slide 8**

CPNRF's Dividend Yield showed an attractive trading yield of 10.98% p.a. compared with 3.71% p.a. of 10-year government bond yield and 0.75% p.a. of saving deposit.

**Slide 9**

CPNRF's distribution payment from the previous period, paid on 30 March 2008, was Baht 0.2159 per unit or equivalent to a Distribution yield of approximately 11% p.a. This was based on unit price as at 26 February 2009.

***Speaker: Thanasombat Sanitwongse, VP – Property Management & Development, CPN***

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

**Slide 11**

An overall occupancy rate in Q4 2008 improved slightly to 98.5% from previous quarter as that of CentralPlaza Rama 2 was up at 99.1% and CentralPlaza Ratchada-Rama 3 was up to 96.9%.

**Slide 12**

The new and renewed leases led to 5.7% growth in rental rates. The renewal and new leases were already completed at the end of 2008 with renewal and new leases area at CentralPlaza Rama 2 totaling of 22,620 sqm.

**Slide 13**

In 2009, 10% and 29% of occupied area of CentralPlaza Rama 2 and CentralPlaza Ratchada-Rama 3 will be expired. This would allow adjustments to the zoning at CentralPlaza Ratchda-Rama 3, which should improve the property performance.

**Slide 14**

There was no change in rental structure profile.

**Slide 15**

Tenant trade mix also showed no major change; although there would be some changes this October 2009 when we will add more restaurants at CentralPlaza Ratchada-Rama 3, as there is still a room for improvement for food and beverage there.

**Slide 16**

As for contracts of anchor tenants, Fitness first's contract will be expired in April 2009 and has already been renewed. Also, IT City's contract will be expired in Aug 2009 and the contract has been renewed as well.



**Slide 17**

Both CentralPlaza Rama 2 and CentralPlaza Ratchada-Rama 3 continued to show an upward trend on traffic performance due to growth of residential areas near CentralPlaza Rama 2 and events and activities at CentralPlaza Ratchada-Rama 3, drawing more people to the shopping malls. In addition, high oil prices situation encouraged people to shop at neighboring shopping malls.

**Slide 18**

The reconfiguration of E-Life Zone and XY Arena Zone at CentralPlaza Ratchada-Rama 3 were completed. 2009's plan is to improve merchandizing mix at CentralPlaza Ratchada-Rama 3 towards the end of the year.

***Speaker: Naris Cheyklin, SEVP and CFO, CPN***

Please allow me to add some points apart from what Mr.Thanasombat had said earlier. With the economic crisis, CPN has discussed with some small retail shops to lease back their shops. This helped utilize cash balance of CPNRF and enhance property management of CPN by remerchandising.

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**Question & Answer**

***Moderator:***

Thank you. We'd like to open it up for questions now.

***Question:*** The renovation of Lardprao will start in which year?

***Answer: Naris Cheyklin, SEVP & CFO, CPN***

The designing work of the plaza should be done by 3Q/2009 and the renovation will by the end of this year. In the meantime we will immediately start with some sections that provide no affect on shopping malls such as offices. The closure of shopping mall will be in Q2/2010. These take not longer than 18 months to finish the renovation project.

***Question:*** I would like to ask about the 3% increase of rental rate for retail space. Why it was lower than those of previous years?

***Answer: Naris Cheyklin, SEVP & CFO, CPN***

It was solely because of the economic condition. The increase was from certain projects with high traffic flow, such as at CentralPlaza Pinklao, CentralPlaza Rama 2, CentralPlaza Rattanathibet, and Central Center Pattaya, whereas the rental fee for retail space at CentralPlaza Lardprao couldn't be increased due to the upcoming major renovation. In addition, there was special rental discount at CentralWorld.

**Question:** How do you expect rental growth rate for this year?

**Answer:** *Naris Cheyklin, SEVP & CFO, CPN*

We have expected an average growth of 5%, however there is subject to economic condition. If there is a sharp fall, this target can be missed. For the worst case, we believe that a 3% growth should be achievable.

**Question:** Please explain the performance of each tenant category, such as food, electronic, etc.?

**Answer:** *Naris Cheyklin, SEVP & CFO, CPN*

The economic slowdown has a major impact on electronic and fashion retailers whereas it has very little impact on food & beverage and no impact on service providers such as retail banking.

**Question:** How do you expect the Company's overall growth for this year?

**Answer:** *Naparot Sriwanvit, SVP – Finance, CPN*

With additional contribution from new developments, the overall top-line growth for this year should be approximately 25% compared to that of the previous year.

**Question:** Since Q1/2009, has there been any decrease in occupancy rate of retail space?

**Answer:** *Naris Cheyklin, SEVP & CFO, CPN*

We have seen none. Instead, most our shopping centers have shown continuous increases in occupancy rates, except for CentralPlaza Lardprao, which is awaiting re-zoning and renovation.

**Question:** How will you recognize the new annual sub-lease payment of Lardprao project?

**Answer:** *Naparot Sriwanvit, SVP – Finance, CPN*

The sub-lease payment is divided into two parts: up-front payment of totaling 2,162.3 MB paid in 5 annual installments, and annual sub-lease payment of totaling 14,016.0 MB. The up-front payment will be amortized on a straight-line basis while the annual sub-lease payment will be charged on a depletion basis, of which will be increasingly adjusted in reference to the annual rental growth. However, this has not been concluded.

**Question:** What is the current discount rate at CentralWorld?

**Answer:** *Naris Cheyklin, SEVP & CFO, CPN*

I would say that we are still giving special discount to some retail shops. However, the rate should be mentioned here as it may lead to request from some tenants for further discount.

**Question:** I have two questions:

1. How do you record the sub-lease payment of the Lardprao project?
2. What are the sources of fund?

**Answer:** *Naparath Sriwanvit, SVP – Finance, CPN*

The answer to the first question is as mentioned earlier.

As for the sources of fund, we have planned to raise fund through property fund vehicle whenever the market is supportive. However, in the meantime, funding will come from operating cash flow and borrowings, which include bond issuance and an available credit line (project finance) of totaling Baht 5.5 billion.

**Question:** How do you explain people traffic flow at Rama 2 and Rama 3? And about 29% of occupied area of CentralPlaza Rama 3 will be expired this year, how much rental increase are you expecting?

**Answer:** *Naris Cheyklin, SEVP & CFO, CPN*

In February 2009, Rama 2's people traffic flow increased by 14% y-o-y, and that of Rama 3's decreased by 3%.

**Answer:** *Thanasombath Sanitwongse, VP – Property Management & Development, CPN*

We are expecting a rental increase of 5%. It is noted that anchor tenants have already renewed their contracts.

**Question:** Regarding to Capital Expenditure (CAPEX) Profile on slide 21, why is Lardprao's CAPEX not included? And what are the potential projects?

**Answer:** *Naparath Sriwanvit, SVP – Finance, CPN*

Lardprao's CAPEX was already included. The Lardprao's renovation expenditure of totaling Baht 1,500 million has been included in 2010 and 2011 CAPEX.

**Question:** What about the potential project expenditure of Baht 190 million in 2009?

**Answer:** *Naparath Sriwanvit, SVP – Finance, CPN*

We have reserved it for the land payment of the potential site at Srinakarin Road (suburban area of Bangkok).

**Question:** Will there be more projects in the near future?

**Answer:** *Naris Cheyklin, SEVP & CFO, CPN*

Yes, there are opportunities for new projects either domestic or international ones. The price is very attractive. However our leverage has nearly reached our comfortable level. Thus, we are solving this issue and capital increase is not an option. We are focusing on raising fund through property fund, especially in domestic market after having been widely accepted among domestic investors. However, it also depends on opportunity of acquisition.

**Question:** How much cash flow from operation to finance plan for future projects?

**Answer:** *Naris Cheyklin, SEVP & CFO, CPN*

Around Baht 4,000 million.

**Question:** NAV of CPNRF has continuously increased for two consecutive years, what is the trend of investment value and how to assess the NAV?

**Answer:** *Nold Swangjang, Property Fund Manager, TMBAM*

The increase of assessed price partly came from rental income since it is based on Income Approach. Thus, whether the rental income this year is the same or higher, this will lead to an increase in the net asset value (NAV). However, this depends on assessor's applied cap rate which represents economic situation. The cap rate of approximately 10 -13% is used for the assumption of the NAV assessment. And the assumptions are based on income statement and comparing with industries.

How to expect the price of CPNRF in the future as it is a leasehold? Once the lease period is short, the value will represent the assessed price itself. However, this depends mainly upon the balance of rental rate and income growth.

**Moderator:**

This concludes our briefing for today. Thank you for your participation. For more information on CPN and CPNRF, please visit their corporate websites at [www.cpn.co.th](http://www.cpn.co.th) and [www.cpnrf.com](http://www.cpnrf.com), respectively. And please feel free to contact Investor Relations Division directly for any enquiries. Thank you very much. Have a great day.

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