



Central Pattana Public Company Limited

2Q 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

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CPN, CPNRF, and CPNCG - 2Q2013 Results

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As a representative of CPNRF and CPNCG’s Property Manager

CPN Presentation

Page 5: 2Q13 Overview

Even though overall economy has been slow down in the second quarter, CPN was still able to grow steadily in terms of revenue and profit.

In April of this year, CPN has launched a new shopping mall in Ubonratchathani, which was well accepted with occupancy rate exceeding 90% on the opening date and was achieved 99% in the second quarter.

Regarding international project, CPN has just signed a joint venture agreement with a local company in Malaysia, I-City Properties Sdn. Bhd. (ICP), on July 19, 2013, in which CPN holds 60% of the project's stake and the remaining 40% is held by the Malaysian company. This will be CPN first shopping mall in Malaysia.

CPN's rental rate has shown some growth in the second quarter. The overall same store rental rate grew by 6.5% YoY.

For financial highlights in the second quarter, revenue went up 15% as planned. Net profit grew 22%. Same store revenue rose 11%.

Net interest bearing debt to equity ratio was 0.52, a decline from 0.8-0.9 before CPN's capital increase in the second quarter.

Our future development was still on schedule. Two new shopping malls, CentralFestival Chiangmai and CentralFestival Hatyai, will be launched by the end of this year.

Recently, CPN has announced a new project in Rayong called CentralPlaza Rayong, which is scheduled to be opened in the fourth quarter of 2014.

We are also continuously enhancing our shopping malls. CPN has planned to introduce new Life Style Dinning at three of our shopping malls, Groove@CentralWorld, The Bloom@CentralFestival Chiangmai (the new project) and The Port@CentralFestival Samui. This is a design that offer customer a comfortable feeling in a garden-like atmosphere dinning.

Page 7: Property Locations

Overall, CPN owns 21 projects under four brands – CentralWorld, CentralPlaza, CentralFestival and CentralCenter. 10 projects are located in Bangkok and 11 projects are in provincial areas. CPN also manages seven office buildings and two hotels.

Currently, we have seven under development projects. Two of them, Bangyai and Salaya, are in suburban of Bangkok and four projects are in Hatyai (Songkla), Chiangmai, Samui (Suratthani), and Rayong. Projects in Hatyai and Chiangmai will be opened by year end and Samui and Rayong will be launched next year. CPN International project in Malaysia is scheduled for the end of 2016.

For our asset enhancement, as I have mentioned earlier, we will expand the area in front of The Offices at CentralWorld for Groove@CentralWorld which will be opened by the end of this year. Another asset enhancement is at CentralPlaza Bangna which is under renovation and remerchandising mix. More details will be followed.

Page 8: Leasable Area and Occupancy: Retail

CPN's 21 shopping malls cover net leasable area that belongs to CPN of almost 900,000 sq.m., excluding department store area. Shopping malls in Bangkok is accounted for 57% of total leasable areas and contribute about 60% to its total revenue while the provincial malls cover 43% of the leasable areas and contribute about 40% to its total revenue. Our occupancy rate in the second quarter was considerably high at 97%, a slightly increase from previous quarter's rate at 96%.

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

Currently CPN operates three non-core business, i.e., office, residential and hotel. CPN manages seven office projects, but owns only five office projects, in Bangkok. Two of the office projects were transferred to CPNRF and CPNCG. Overall office occupancy rate in the second quarter has slightly dropped to 94%. Residential projects are considered very small, less than 1%, in terms of revenue contribution. Hotel's performance has steadily improved, even though the occupancy rate in the second quarter was dropped as a result of the low seasonal effect. As shown here, CPN's core business was its shopping malls which contributed more than 90% to its total revenue. Office contributed 2% of revenue after transferring The Offices at CentralWorld to CPNCG. Hotel contributed around 4%.

Page 10: Rental Contract Type: By Area

CPN's rental contract stayed pretty much the same as the previous quarter. Over 70% of our contracts were short-term contracts, consisting of fixed rent of 48% and consignment with minimum guarantee of 25%. Proportion of long-term lease will be smaller from time to time as those long-term contracts will expire every year from now on. CPN intends to increase proportion of short-term leases vs. long-term leases. We have offered only short-term contracts at our new malls. Also, the expired long-term contracts will later be renewed as short-term contracts that will increase the company's revenue and cash flow.

Regarding long-term contract, normally, the rent will be corrected in the first year of the contract and no cash inflows until the contracts expire. CPN books only amortization rate base on straight line basis over the life of the contracts.

Page 11: Effective Rental Rate

Overall effective rental rate in the first half of this year has increased around 6.5%, which was higher than our long-term plan. Rental rate of Bangkok malls grew around 6%, while rental rate of provincial malls grew around 8%. Same store rental rate as at the end of second quarter was around Baht 1,500 per sq.m. per month.

Page 12: Expiration of Long-term Leases Contracts

The long-term lease will gradually expire every year. As long-term leases expire, they will be renewed as short-term leases only. That means CPN will have better cash flow from these renewed leases in every year as shown on the chart. For example, in 2015 when the long-term leases at CentralPlaza Pinklao are expired, CPN will remerchandising mix and these leases will be converted to short-term leases, an upside for CPN.

Page 14: Domestic Expansion

CPN has already announced its 6 new domestic projects. Two projects, Chiangmai and Hatyai, will be launched by the end of this year with progress as scheduled. CentralFestival Chiangmai will be opened this November and CentralFestival Hatyai will be opened in December.

Page 15: New Projects in 2013

Both Chiangmai and Hatyai project, each, has net leasable area of more than 60,000 sq.m. with Central Department Store as their joint-developer.

Page 16: New Projects in 2014

Three projects, Samui, Salaya and Rayong, will be launched in 2014. These three projects will be smaller than the projects in Chiangmai and Hatyai. Net leasable area at CentralFestival Salaya is around 30,000 sq.m., similar to CentralPlaza Rayong, while CentralFestival Samui has net leasable area of around 22,000 sq.m. The joint-developer at CentralFestival Samui and CentralPlaza Salaya will be Central Department Store and at CentralPlaza Rayong will be Robinson Department Store. The leasing progress of these projects has just started.

Page 17: New Projects in 2015

Another future project is CentralWestGate at Bangyai. Since this project is considered a large project, therefore it requires more time to develop. CentralWestGate is expected to be launched in the second quarter of 2015 with net leasable area of 75,000 sq.m., which is larger than other CentralPlaza malls. Central Department Store will be a joint-developer.

Page 19: Overseas Expansion

We have signed a joint-venture investment with local partner in Malaysia, I-City Properties Sdn Bhd (ICP). CPN will hold 60% and ICP will hold the remaining 40%. Leasable area of this shopping mall is almost 90,000 sq.m., including department store. This project is scheduled to complete in 2016 with total project investment of Baht 5,800 million (100%).

Page 20: Asset Enhancement

CPN is doing asset enhancement to add value to our existing projects. Currently, CPN has invested Baht 600 million expanding the area in front of The Offices at CentralWorld for Groove@CentralWorld. The 1st phase, the dining zone, will be opened in December this year and the 2nd phase, the fashion zone, will be opened in the first quarter of next year. The incremental leasable area is 7,500 sq.m.

CentralPlaza Bangna is under a phase-by-phase renovation both interior and exterior. Investment cost is expected to be around Baht 1,400 million. This project is expected to be completed in July 2014. The incremental leasable area will be around 4,000 sq.m. Since the renovation is gradually progressing, only impact areas will be closed. Therefore, CentralPlaza Bangna is still opened for customers.

Page 21: Future Leasable Area & Occupancy Rate

According to our long-term plan, we still intend to continue invest in new projects. We will launch three new projects in 2014, four new projects in 2015, four or five projects in 2016, including one international project. More detailed on these new projects will be announced later. We expect to see the growth in leasable area of more than 30% by 2016.

Page 22: Capital Expenditure

To support these expansions, we will need annual CAPEX of around Baht 12,000 – 14,000 million until 2016. These projects will be funded by cash flow from operation from existing projects, recent capital increase, as well as, the fund from the divestment of asset into the property funds, depending on market price. However, we will obtain additional funds from loans if it is required.

Page 24: Financial Summary

In the first half of this year, our revenue grew 20%, Net profit grew 38%, and same store revenue grew 12%. Gross profit margin and EBITDA margin has been improving since last year with gross profit margin of 51% and EBITDA margin of 53% in 1H13.

Page 25: Revenue Breakdown

Primary source of revenue is from retail business with contribution of 85% to total revenue. Overall revenue grew 15%. Revenue from rent and services grew 17%, mainly from new malls and full year revenue recorded from malls opened in the previous year. Hotel business grew 24%, mainly from an increase in occupancy rate and Rev/Par in both hotel in Pattaya and Udonthani, a slightly drop from the first quarter due to the low season effect. Food and beverage business grew 24%, mainly from new malls and existing malls.

Page 26: Costs Breakdown

Cost structure hasn't change much. It was still in line with our revenue. In the second quarter, our cost increased 13% YoY which was less than an increase in our revenue. This mean our margin for this year was higher, compared to that of last year.

Page 27: SG&A Expenses Breakdown

SG&A expenses are pretty much the same. Majority of SG&A expenses was from personnel and marketing expenses. An increase of 30% in SG&A expenses in the second quarter was mainly from hiring new personnel to support new projects.

In regards of the ratio of marketing expenses vs. revenue, it has shown that our cost control has been improved. Thus the ratio of marketing expense vs. revenue has dropped YoY.

Page 28: Debt Analysis

Majority of our debt is long-term loans which were accounted for almost 80%, and almost 90% were fixed interest rate loan. Our weighted average cost of debt has slightly dropped to 4.3%. Our policy still focuses on seeking for long-term loan with fixed interest rate.

Page 29: Capital Structure

Our net interest baring debt to equity has dropped to 0.5. This allows us to have an opportunity to obtain more loans to invest in our future projects.

Our policy is to keep this ration at less than 1, while the debt covenant is at 1.75.

CPNRF Presentation

Page 5: Leasable Area and Occupancy

First let's look at leasable area.

As of the end of 2Q13, total gross area under CPNRF, including shopping malls and office towers, was 606,593 sq.m. Total leasable area was 178,934 sq.m. with 745 tenants.

Occupancy rate dropped slightly from 98.1% in 1Q13 to 96.7% in 2Q13 as a result of the partial renovation at CentralPlaza Rama 2 and CentralPlaza Rama 3.

Page 6: New and Renewed Lease Profile

Let's move on the renewed lease. Total of 98 leases were renewed in the first half of 2013 with total leasable area of 9,325 sq.m. These renewed leases had allowed the rental rate to go up by 7.5%. Majority of growth is from CentralPlaza Rama 2 and CentralPlaza Rama 3. However, Pinklao Office Tower A&B rental rate only increased by a little over 5%.

Page 7: Lease Expiry Profile

As for our expiry profile, expiring leases for the second half of 2013 are as follows: CentralPlaza Rama 2 of 17%, CentralPlaza Rama 3 of 16%, CentralPlaza Pinklao of 13%, Pinklao Office Tower A&B of 25%, total portfolio of 18%.

Page 8: Rental Structure Profile

Let's look at rental structure at each shopping mall. CentralPlaza Rama 2's fixed rent was accounted for 54% of total leasable area and consignment was accounted for 46%. CentralPlaza Rama 3 consisted of 73% of fixed rent and 27% of consignment. 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

As at the end of 2Q13, CPNRF's total income was Baht 686 million, a 4% increase from the previous quarter and 10% increase YoY. Majority of income still came from CentralPlaza Rama 2 or around 39% of total income. CentralPlaza Rama 2's income hasn't change compared to the previous quarter due to the renovation. However, if comparing YoY, its income increased 5%. CentralPlaza Pinklao, together with, Pinklao Office Tower contributed 35% to CPNRF, representing a growth of 3% over the previous quarter and 14% YoY. CentralPlaza Rama 3, which has the most lease renewal, has grown 15% over the previous quarter and 12% YoY.

Page 11: Profit & Loss

In the second quarter of 2013, CPNRF's total income was Baht 680 million, a 4% increase from last quarter and 10% YoY. Its net investment income was Baht 555 million, a 6% increase from the first quarter and 12% YoY. In 1Q13, CPNRF had recorded an unrealized loss from asset revaluation, which is assessed every quarter, due to the renovation at CentralPlaza Rama 2 in an amount of Baht 369 million. However, the renovation has been completed in 2Q13. Thus, the asset revaluation for 2Q13 has resulted in an unrealized gain of Baht 211 million. Besides, the rental rate in 2Q13 has increased. Therefore, the net increase in net asset went up almost 400%.

Page 12: Balance sheet

There was no significant change to CPNRF's Balance sheet in 2Q13. We have repaid out debt in an amount of 20 million Baht per quarter. Net asset values rose 2% due to an increase in retained earnings from unrealized gain mentioned earlier.

Page 13: Distribution Summary

In the second quarter, CPNRF has paid out a dividend of Baht 518 million from the net investment income of baht 555 million or 93% payout ratio. Distribution per unit was Baht 0.3167, a 7% growth from previous quarter and 12% growth YoY. Cumulative distribution over last 12 months was almost Baht 1.19 per unit.

Page 14: Shareholder Structure and Dividend

From the right hand chart, we can see that no matter QoQ or YoY, CPNRF's distribution has grown over time.

CPNCG Presentation

Page 5: Leasable Area and Occupancy

As of June 31, 2013, CPNCG's total gross area was 121,989 sq.m. Leasable area was 80,646 sq.m. Occupancy rate was 98%, a decrease of 0.8% from 1Q13.

Page 6: Lease expiry profile

Number of leases that will be expired and renewed in 2013 is 41% and 43% in 2014, while 13% and 3% of leases will be expired in 2015 and 2016, respectively. Majority of the renewal contracts will incur in 2013 and 2014.

Page 7: High Quality Tenant

CPNCG's anchor tenants profile in the second quarter of 2013 was similar to the previous quarter. Joining by Nestle, the largest tenants, Central Pattana, Central Trading, Maybank KimEng, AGODA, Ogilvy, Surv Corp and Phillip Morris.

Page 9: Profit & Loss

CPNCG reported a total income from property of Baht 128 million, an increase of 1% QoQ. CPNCG was set up in September 2012, so there is no YoY comparison for this quarter. Net investment income was Baht 89 million, a decrease of Baht 1 million from the previous quarter. In addition, CPNCG has continued recording a gain in asset revaluation in 1Q13 in an amount of Baht 281 million and Baht 34 million in 2Q13, resulting in an increase in the net asset value.

Page 11: Distribution

CPNCG paid out Baht 83 million from net investment income of Baht 89 million or 93% or Baht 0.1941 per unit, similar to the previous quarter.

Income structure for CPNCG may be different from that of CPNRF. We might see a growth in CPNRF, retail business, from quarter to quarter. However, we will see more stable income from CPNCG which majority of income is from office rental.

Total dividend paid since the establishment in September 2012 of the fund was Baht 0.6248 per unit, compare to our 12-month target of Baht 0.79 per unit. We still have a gap of Baht 0.1652 to pay out. I believe that we can achieve our target with our 2-month income and will be able to deliver what we committed to investors.