
CPN
PROPERTY DEVELOPMENT & INVESTMENT
A Member of Central Group

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

# 2018 Global Real Estate Conference

BofAML & Phatra

New York City, NY, USA

25-26 Sep 2018

Central Pattana Public Company Limited

# Agenda

Topics of Discussion

## Company Overview

## CPN Strategy 2018-2022

## Business Update

## 2018 Guidance

# CPN at a Glance

## The largest mixed-use property developer in Thailand

| 11th | 1.7m | 92% | 4 |
|---|---|---|---|
| Largest PCL in Thailand* | Total Net Leasable Area (NLA)** | Average Occupancy Rate** | Consecutive years member on DJSI |

**"To be the most admired and dynamic regional retail property developer with world-class experience"**

**33**

Iconic Shopping Centers

centralworld

centralplaza

centralfestival

CENTRAL PHUKET

### Mixed-use Properties Under Management

| | | |
|---|---|---|
| 7 | Office buildings | High quality commercial properties next to shopping malls |
| 6 | Residences for sale | Contemporary living solution within the proximity of mall area |
| 2 | Hotels | Leading hospitality units for locals and tourists next to shopping mall |
| 1 | Residence for rent | Reputable serviced housing next to CentralPlaza Bangna |

### Strategic Investments

27% — CPNREIT: 8 Retail, Office and Hospitality Projects

25% — CPNCG (CPN Commercial Growth Leasehold Property Fund): The Offices at CentralWorld

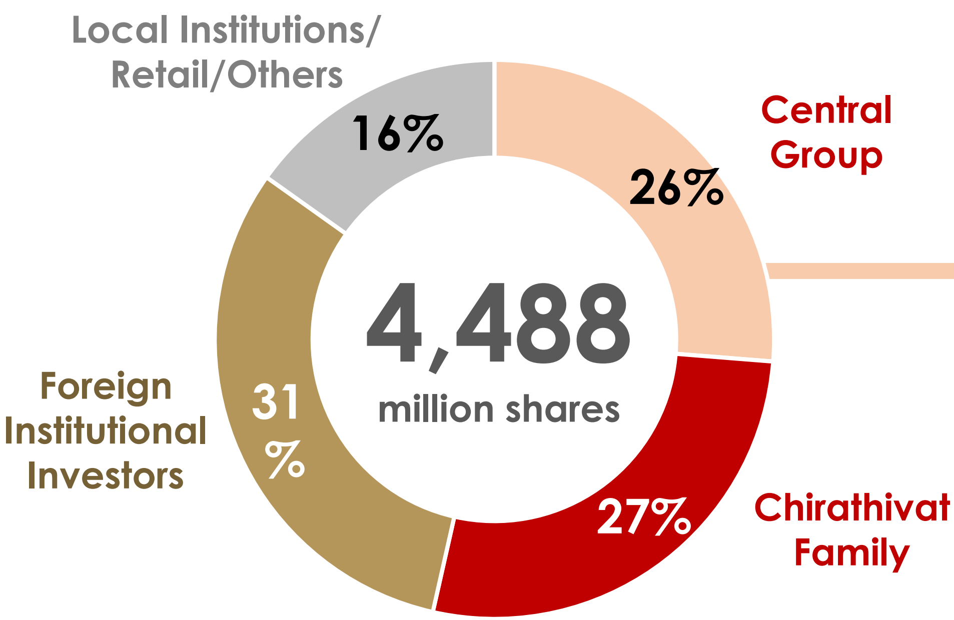
* Market capitalization as of 31 August 2018

** Includes areas owned by CPN and CPNREIT for a total of 32 shopping malls as of 2Q18

# CPN Shareholding Structure

## Strong support from major shareholders: The Central Group

**Central Group, the leader of retail industry in Thailand, as the main pillar of CPN…** **…brings forth a collective haven in retail and commerce solutions to the market**




| | |
|---|---|
| Market Capitalization (MTHB) | 370,260 |
| Share Price (THB/share) | 82.50 |

- Department Store[1]: Central, Robinson, Supersports, ZEN, ILLUM, la Rinascente, Alsterhaus Hamburg
- Marketing: cmg Central Marketing Group, Mango, Laura Mercier, H2O+, agnès b., Topshop, Clarins, G2000, Furla, Lee Cooper
- Property Dev & Mgt: centralworld, centralplaza, centralfestival, centralmarina
- Hotel & Resort[1]: Centara Hotels & Resorts, Centara Boutique Collection, Cosi hotels.com, Centra Hotels & Resorts
- Food Retail Group: Central Food Hall, Tops market, Tops super, Tops daily, FamilyMart, Central Wine Cellar, Eathai
- Restaurant Group[1]: CRG Central Restaurants Group, Mister Donut, KFC, Auntie Anne's, Ootoya, Chabuton, Yoshinoya, Cold Stone Creamery
- Hardline Group: Power Buy, Thai Watsadu, HomeWorks, baan & BEYOND
- B2B Market Specialty[1]: COL, OfficeMate, B2S, meb
- VN Group: Central Group Vietnam

Note: Other listed entities (% held by Central Group) include 1.) Robinson Department Store (62%) 2.) Central Plaza Hotel (65%) and 3.) COL Group (50%)
Source: Thailand Securities Depository (TSD) as of 30 June 2018 ; share price and market capitalization as of 31 August 2018

# Development & Management Structure

## Viable structure to maximize economic value

### Joint-Developer Area

Central, Robinson, ZEN, B2S, Tops, Central Food Hall, Power Buy, Supersports

- Comprises Central Group dept. store and BUs
- Shares cost of landscaping and surrounding facilities
- Invests in its own assets where CPN is not a beneficiary

### CPN Developed & Managed Area

Mister Donut, KFC, Pepper Lunch, G2000, Samsonite

12% CRG & CMG

88% Third Party Tenants

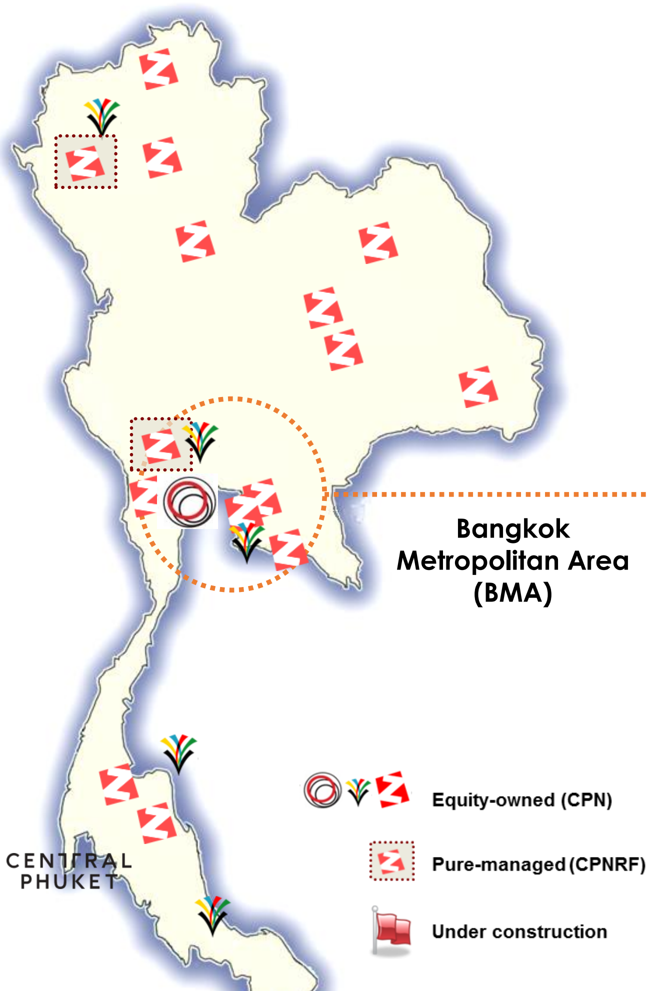
- Comprises anchor and assorted tenants
- Standard contractual and pricing terms
- Includes common area

Note: CRG = Central Restaurant Group ; CMG = Central Marketing Group

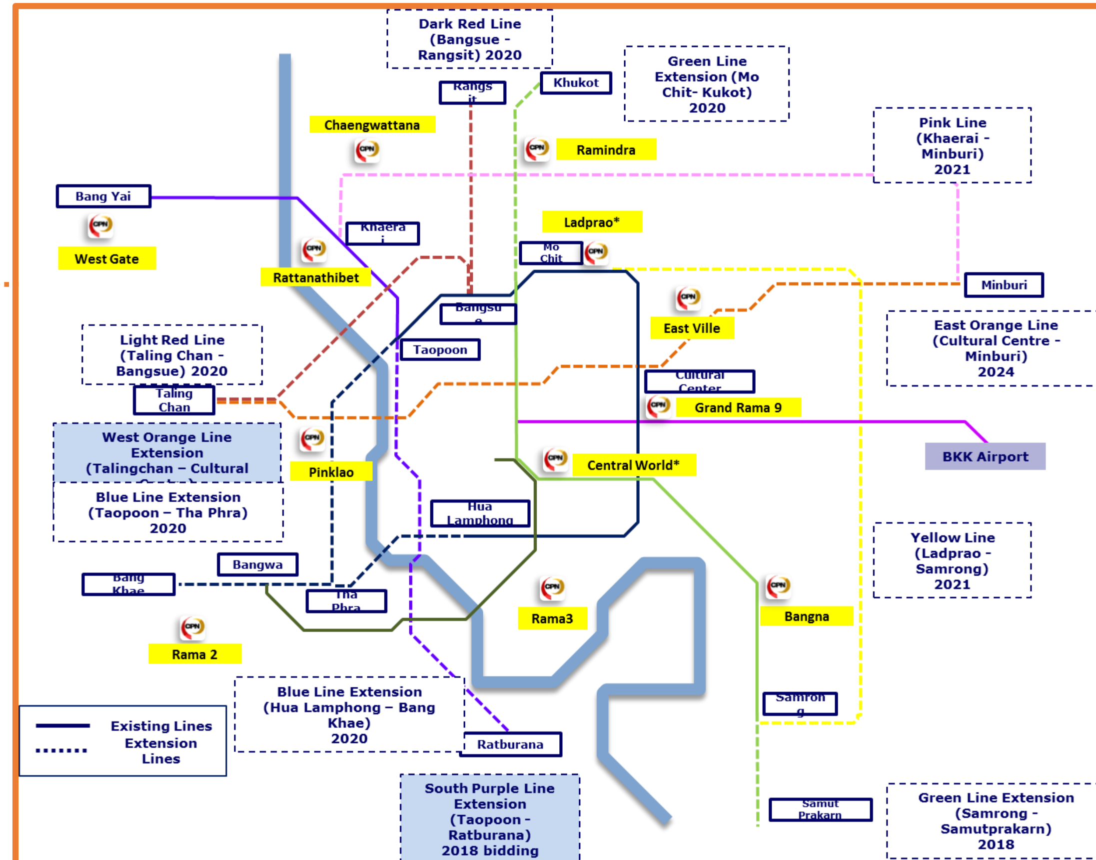
# Where We Operate in Thailand

## 33 strategic locations to bolster our leadership position

| | | BMA | UPC | N | NE | E | S |
|---|---|---|---|---|---|---|---|
| centralplaza | 25 | 12 | 13 | 4 | 4 | 3 | 2 |
| centralfestival | 6 | 1 | 5 | 1 | - | 1 | 3 |
| centralworld | 1 | 1 | - | | | | |
| CENTRAL PHUKET | 1 | - | 1 | | | | 1 |




*As of September 2018*

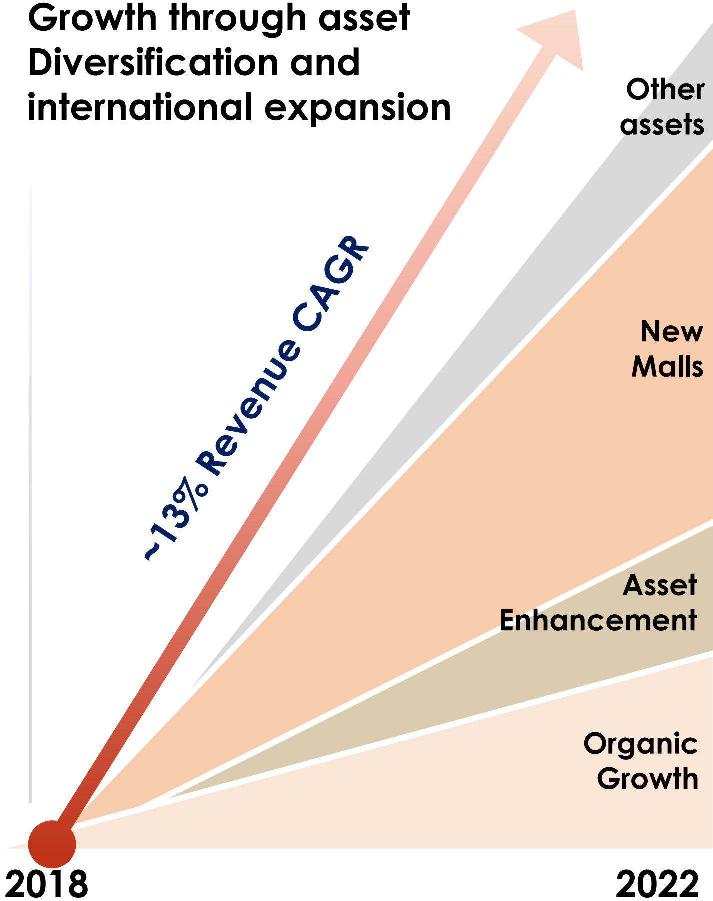


# Our Growth Strategy towards 2022

## Co-Create the Center of Life

**"To be a top 5 diversified regional developer"**

**Growth through asset Diversification and international expansion**




### Key Drivers

**The new living space**
3-5 projects / year in the pipeline

| | Domestic | Oversea |
|---|---|---|
| **2018** | CentralPhuket | Central i-City (Malaysia)<br><br>Ongoing: study possibility of expansion into Vietnam and other SE Asia countries |
| **2019-'22** | Central Village (3Q19)<br>CentralPlaza Ayutthaya (4Q19)<br>2-3 new projects / year | |

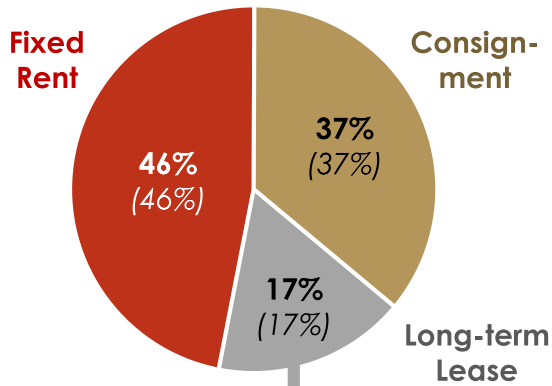
**Ongoing renovation program**
2-3 existing projects / year
to optimize design, format, tenant mix, thus occ. rate and NLA

**Maintain leadership position as "Center of Life"**
- Roll out "destination" concepts
- Integration of digitalized features to promote O2O interactivity and customer engagement
- Space utilization

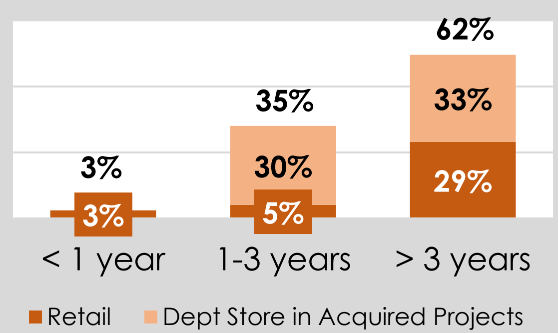
# Expanding Net Leasable Area

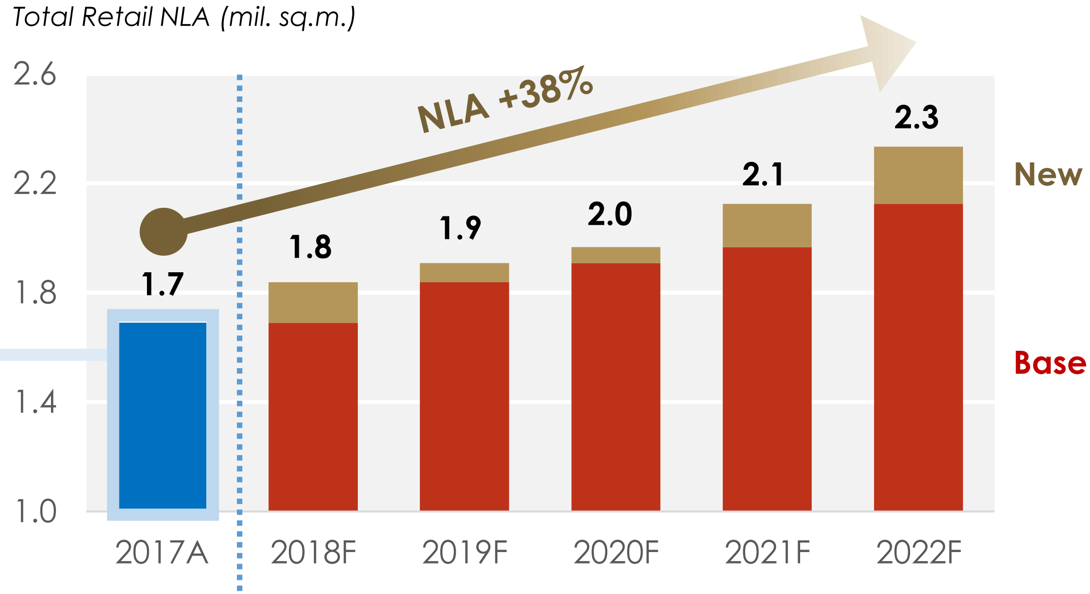
## Supported by strong rental contract foundation

### Robust contract structure with potential upside from expiring long-term leases




### % Long-term lease expiration schedule



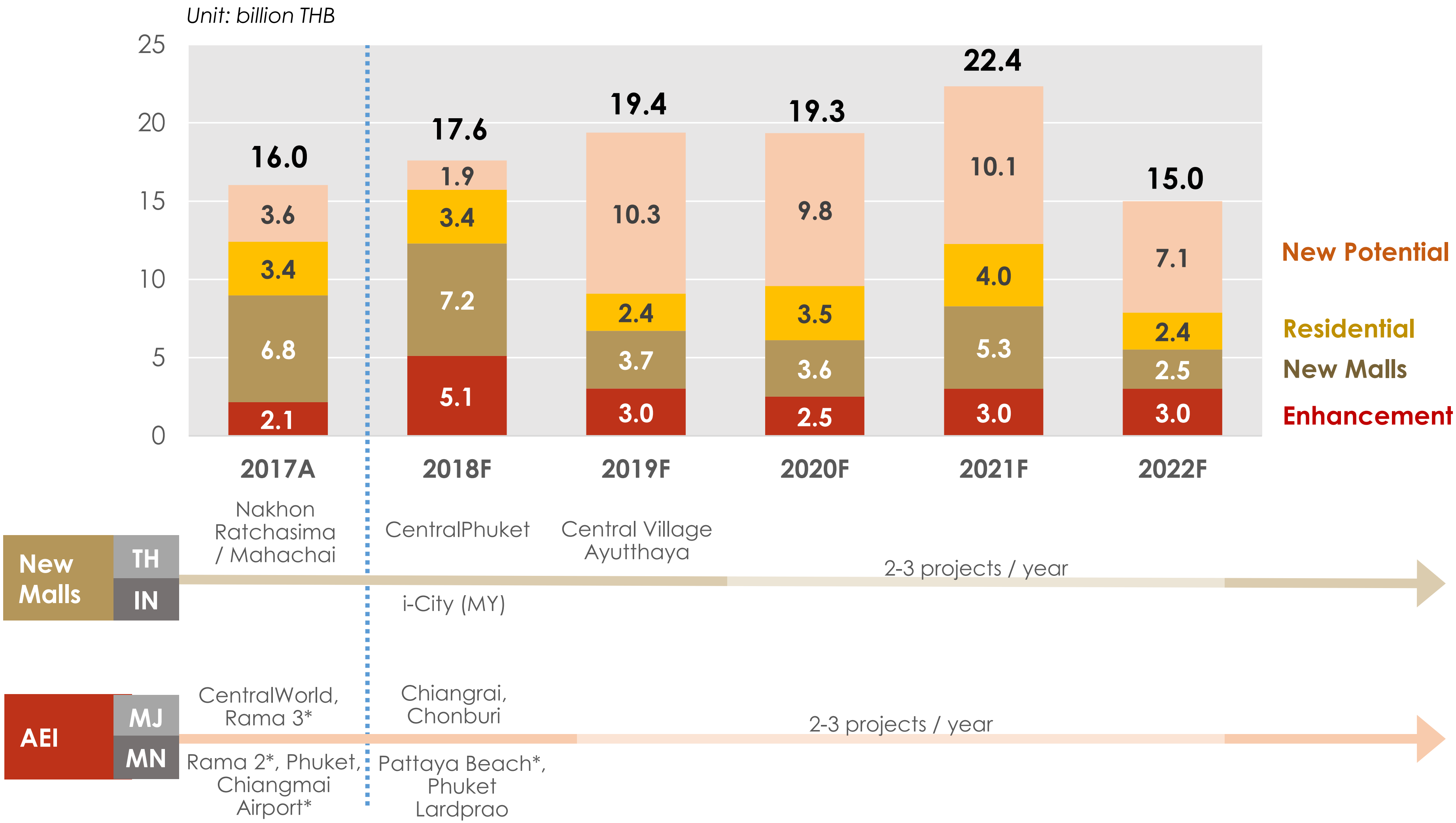




| Number of retail projects operated and managed by CPN | | | | | | |
|---|---|---|---|---|---|---|
| Base | 30 | 32 | 34 | 37 | 40 | 43 |
| New | 2 | 2 | 3 | 3 | 3 | 3 |
| **Total** | **32** | **34** | **37** | **40** | **43** | **46** |
| **Number of mixed-use projects operated and managed by CPN** | | | | | | |
| Resident | 1 | 4 | 3-5 additional / year | | | |
| Other | 1 | 1 | 1-3 additional / year | | | |

Source: Company estimate as of 31 December 2017
(1) Percentage based on occupied area as of 30 June 2018 at 92%. (%) = 2Q17 figure
(2) Total long-term lease area is 154,027 sq.m. with less than 4% rental income contribution.

# Capital Expenditure Plan

## Mainly focus on expansion of core business (i.e., malls)




TH = Thailand ; IN = International ; MJ/MN = major/minor enhancement program ; excludes CAPEX for M&A and land lease renewal

* Assets under the ownership of CPNREIT, except for CentralFestival Pattaya Beach (renovation work does not include areas transferred to CPNREIT)

# Prudent Financial Management

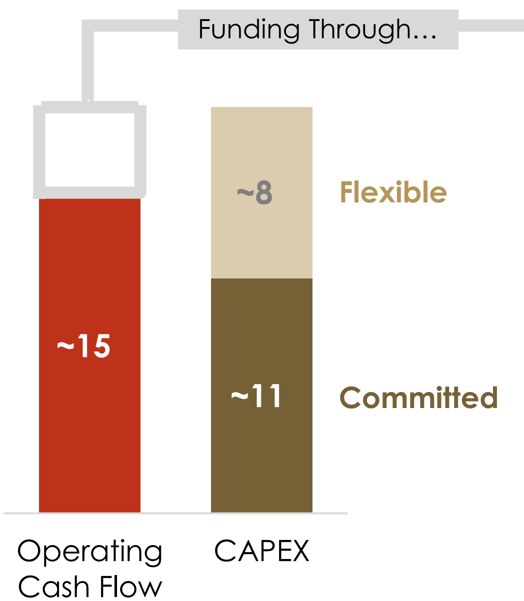
## Solid balance sheet amidst business expansion

**Not only that maintenance CAPEX is adequately covered by internal cash flow…**

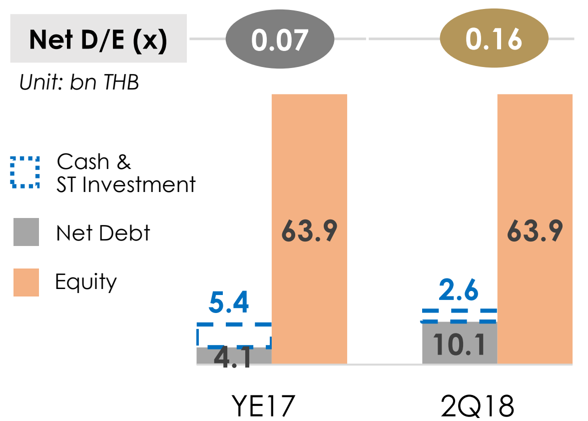
**…but CPN's favorable capital structure also allows to fund new investments**

### Estimated Annual Cash Flow[1]

*Unit: bn THB*



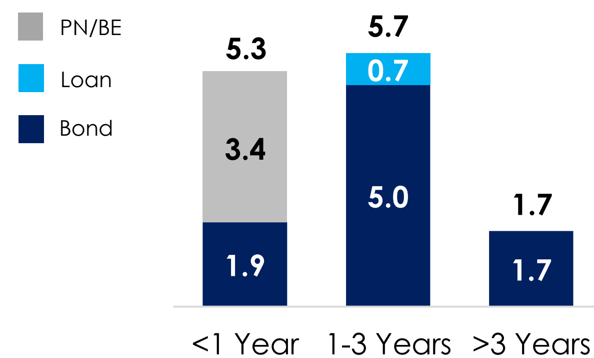

### Robust Capital Structure




| | YE17 | 2Q18 |
|---|---|---|
| **Avg. Cost of Debt[2]** | **2.81%** | **2.80%** |
| **Avg. Loan Life (Yrs.)** | **2.64** | **1.63** |

### Resilient Debt Maturity Profile[3]

*Unit: bn THB*




Evenly-spread repayment schedule allows CPN to manage its cash flow effectively without affecting its investment plan and ability to pay dividend to shareholders

**Strong Credit Rating**

**CPN's corporate rating and rating of senior unsecured debentures are rated "AA" with "Stable" outlook by the Thailand Rating and Information Services (TRIS) on 22 September 2017**

(1) FY17 operating cash flow before changes in net working capital (ex. non-recurring).
Annual CAPEX based on average forecasted figures during 2018-2022. Flexible CAPEX comprises new potential investments
(2) Cost of debt was derived from interest expenses including interest capitalization for projects under development
(3) Debt maturity profile based on gross outstanding interest-bearing debt as of 2Q18

# CPN Strategic Direction

## Focus areas with emphasis on asset diversification


**New Retail Destination**


**Focused Portfolio Management**

CENTER OF LIFE

**Diversified Assets**

**Operational Excellence**

# Enlarge the Asset Base

## Announced new malls in 2018 - 2019

### 2018

### 2019

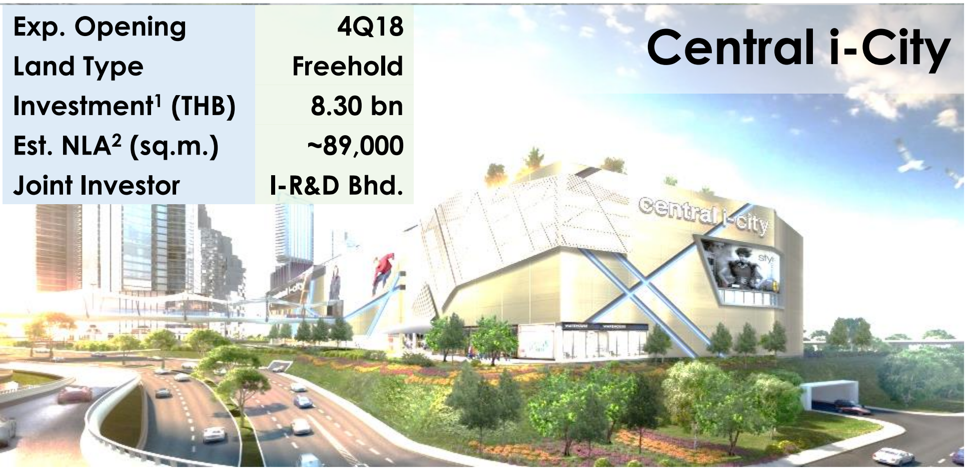
### CentralPhuket

| | |
|---|---|
| Open Date | 10-Sep-18 |
| Land Type | Leasehold |
| Investment[1] (THB) | 5.27 bn |
| Est. NLA[2] (sq.m.) | ~45,000 |
| Joint Developer[3] | Central |
| Occ Rt at Open | ~80% |

### Central Village


| | |
|---|---|
| Exp. Opening | 3Q19 |
| Land Type | Freehold |
| Investment[1] (THB) | ~5.00 bn |
| Est. NLA[2] (sq.m.) | ~40,000 |

### Central i-City




| | |
|---|---|
| Exp. Opening | 4Q18 |
| Land Type | Freehold |
| Investment[1] (THB) | 8.30 bn |
| Est. NLA[2] (sq.m.) | ~89,000 |
| Joint Investor | I-R&D Bhd. |

### CentralPlaza Ayutthaya


| | |
|---|---|
| Exp. Opening | 4Q19 |
| Land Type | Freehold |
| Investment[1] (THB) | TBC |
| Est. NLA[2] (sq.m.) | TBC |

Note 1: Includes land and construction cost of shopping center and parking building. Excludes Central Department Store or Robinson Department Store, and BUs' area.
Note 2: Excludes Central Department Store or Robinson Department Store, BUs' area
Note 3: Area will be developed and owned by the joint developer. However, the store will serve as a magnet to draw traffic into CPN's plaza area.

# CentralPhuket

## World's "Luxury & Leisure" Resort Shopping Destination

**Must-Visit Shopping Destination for Locals and Tourists**

**Over 20 Luxury Brands to Complete Your Shopping**

**Future Potential for Mixed-use Development Projects**

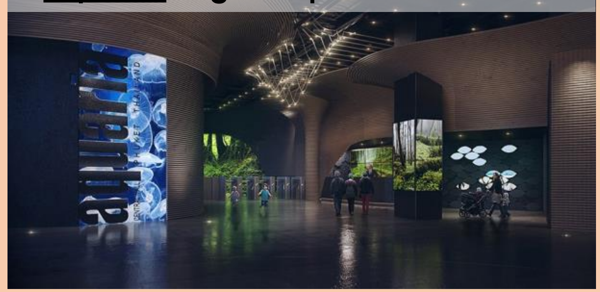
**Grand Opening on 10 September 2018**

**The largest international shopping complex in the new Phuket CBD**


**First-ever world-class attractions along with over 400 shops of luxury and lifestyle brands**

**<u>Tribhum:</u> indoor 3D theme park**

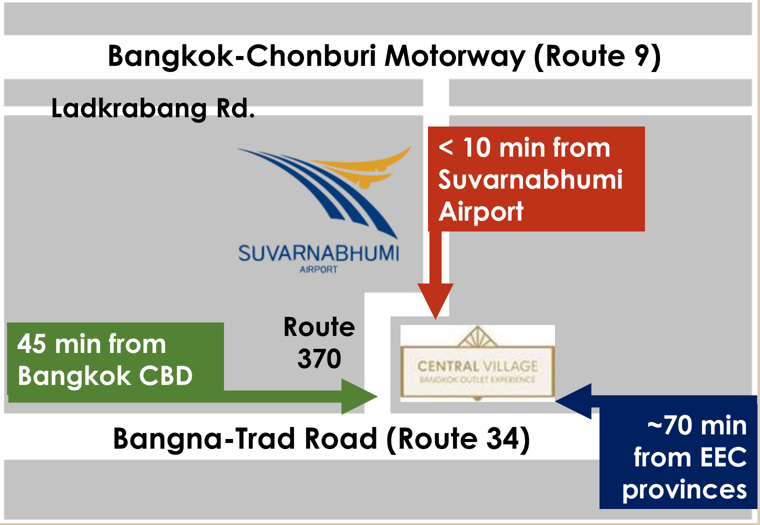

**<u>Aquaria:</u> largest aquarium in Thailand**



**<u>Tales of Thailand:</u> all experiences in one**

# Central Village

"A Must Shopping Experience" to complete your trip


**~40,000**
sq.m. net leasable area

**The First International Luxury Outlet in Thailand**

**235+**
Retail shops ranging from luxury to mass

**~100**
Rais of land for retail outlet and hospitality

**3Q 2019**
Expected opening

**200+**
Hotel rooms to complete the hospitality experience

# CentralPlaza Ayutthaya

## The Prosperity of the Capital

**The New Tourist Destination**

**The Ultimate Lifestyle Destination of Ayutthaya**


**Strategically located on Asian Highway – the Gateway to the North**

**Expected Opening in December 2019**

# International Expansion

## Opportunities in regional markets

### Vietnam – CPN's next focus area

- High growth potential in retail market
- Large population
- Low competition with few major players
- Strong growth in disposable income albeit still with low spending power

**Central Group companies present in Vietnam:**

Big C SUPERCENTER · ROBINS · SUPERsports · NguyenKim · LAN CHI MART Niềm tin của mọi nhà · B2S

### Malaysia – cautiously progressive

- Realistic land prices and minimal restriction on freehold ownership
- Moderate competition with fragmented market
- High spending power with consumer profile similar to that of Thailand

### Indonesia – high potential and risk

- Large and rapidly growing population, especially amongst middle class
- Strong competition in sophisticated market
- High cost of fund and unrealistic land prices with underdeveloped infrastructure

# Regional Expansion Update

## First project in Malaysia

### Central i-City (i-City, Shah Alam, Selangor Darul Ehsan, Malaysia)


| | |
|---|---|
| Exp. Open Date | 4Q18 |
| Investment[1] (THB) | ~8.30 bn |
| NLA[2] (sq.m.) | ~89,000 |
| JV partner | I-R&D Sdn Bhd. [3] |
| CPN role in project | 60% ownership; operator |
| Land type | Freehold |

Project progress:

- 100% completion of Anchor Leasing (Department Store, Supermarket, and Cinema)
- Progressively secured agreements with retail tenants towards opening date


Note 1: Includes land and construction cost of shopping center and parking building.
Note 2: Includes department store area (Department Store Operator TBA)
Note 3: A wholly owned subsidiary of I-Berhad and holds 40% stake in the joint-venture.

# i-City Development

## Ultrapolis masterpiece across 72 acres of freehold land

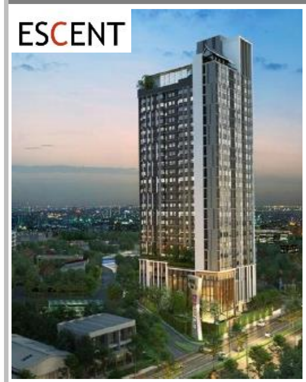

Source: i-City website

# Residential Projects

## First 6 projects sold out driven by strong demand

### Announced projects in 2016 (transfer in 2018)

| Chiangmai | | Rayong | | Khonkaen | |
|---|---|---|---|---|---|






| Chiangmai | | Rayong | | Khonkaen | |
|---|---|---|---|---|---|
| Pre-sale | 100% | Pre-sale | 100% | Pre-sale | 100% |
| Transfer | ~60% | Transfer | ~80% | Transfer | ~20% |
| Units | 400 | Units | 419 | Units | 408 |
| Bldgs. | 1 | Bldgs. | 1 | Bldgs. | 1 |
| Stories | 26 | Stories | 25 | Stories | 24 |

**~2.8**
bn THB total value

### Announced projects in 2017 (transfer in 2019)




| Nakhon Ratchasima | | Chiangrai | | Chiangmai (2) | |
|---|---|---|---|---|---|
| Pre-sale | 100% | Pre-sale | 100% | Pre-sale | 100% |
| Transfer | 3Q19 | Transfer | 2Q19 | Transfer | 2Q19 |
| Units | 380 | Units | 312 | Units | 450 |
| Bldgs. | 2 | Bldgs. | 2 | Bldgs. | 2 |
| Stories | 22/17 | Stories | 8/8 | Stories | 8/8 |

**~2.2**
bn THB total value

Project progress as of 30 June 2018

# 2 New Residential Projects in 2018

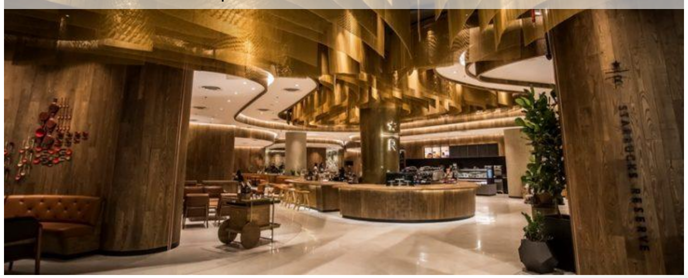
## Diversified housing projects within CPN catchment area

| Pahol Yothin 34 Condominium | | Baromrajchonnee Housing Project | |
|---|---|---|---|
|  | |  | |
| Near | CentralPlaza Lardprao | Near | CPN Pinklao & Salaya |
| Pre-sale start | 3Q18 | Pre-sale start | 4Q18 |
| Transfer | 4Q19 | Transfer | 4Q18-2019 |
| Type | Low-rise condominium | Type | Single-detached House |

# Asset Enhancement Initiatives

## Renovation program outlay for 2018-19

### Key activities in 2Q18

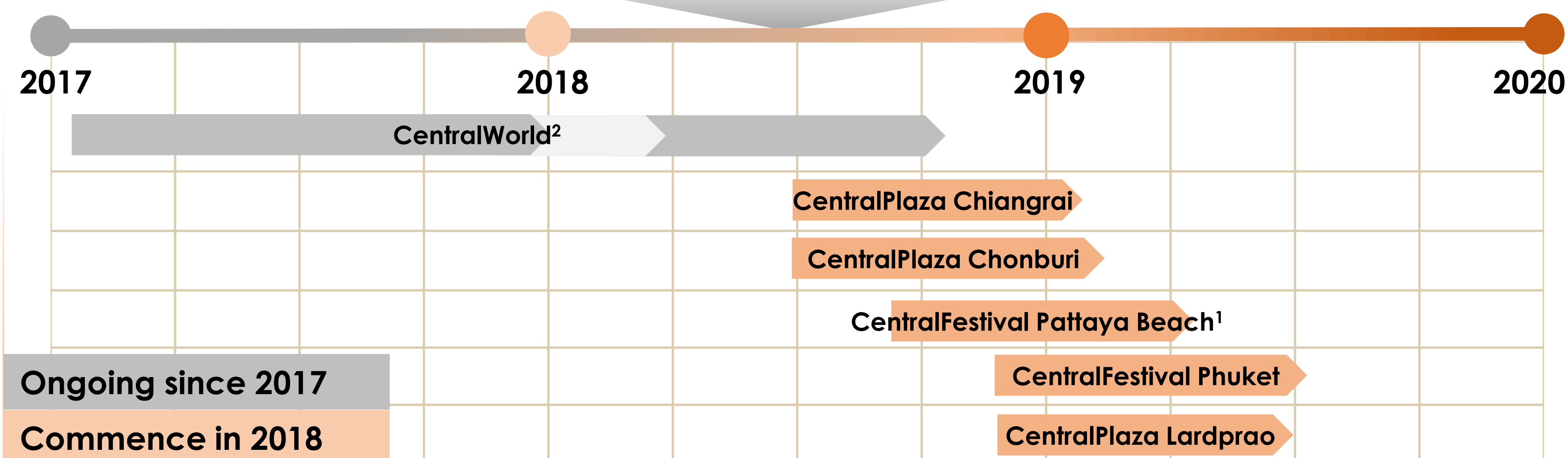


The largest Starbucks Reserve in Thailand now open at CentralWorld

CentralPlaza Chiangrai

CentralPlaza Chonburi

**Preparations for major renovation underway**




Note 1: Renovation program not including area transferred to CPNREIT
Note 2: CentralWorld resumed normal operation during December 2017 – February 2018 to accommodate the festive season. Hence, renovation work will resume thereafter.

# CentralWorld Renovation

## New shops, lifestyle dining and café opened in 1H18

**The largest, most iconic interactive digital out of home (DOOH) LED display in Thailand (managed by Plan B Media)**


**The center of flagship stores and wide assortments of contemporary lifestyle destinations for everyone through more than 50 new shops**

## Engagement with stakeholders

# CUSTOMER ENGAGEMENT

**Higher Customer Satisfaction**

Customers

Tenants

**Educated Tenants**

### Customer Services

Government Services

Tourist Services

### Tourists


Cross boarder promotions with oversea partners

### Tenant and Local SMEs development program


CPN Lead & SME marketplace

### Customer and tenant experience fulfillment Through digitalized engagement

Convenience through mobile application

### Tenant Relationships



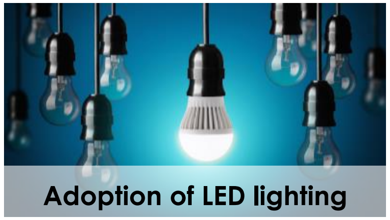
Exclusive campaigns and T1C offers

## Engagement with stakeholders

### SOCIAL AND COMMUNITY ENGAGEMENT

**Energy conservation initiatives**


Solar rooftop at malls


Adoption of LED lighting


Shareholders


Public

**Sustainable Profitability**

**Transparency and Integrity**

**Corporate governance and sustainable development**

- **DJSI** - Emerging Markets, SET SD Award - Rising star, Thailand Sustainability Investment
- Achieved 1.3% energy saving (usage)

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

CAC CERTIFIED

Pledge to anti-corruption

**Heritage adaptation and community engagement**

Local landmark

CPN Life

Social media integration

# 2018 Performance Guidance

## Significant revenue growth from residential projects

| | | 2018 | Key Drivers |
|---|---|---|---|
| **Financial Performance** | Revenue Growth | ~20% | ▪ Residential projects (CMI, KKN, RYG)<br>▪ New malls (NKM, MHC, Phuket, i-City)<br>▪ Recovered Occ. Rate & ARR<br>▪ Asset Enhancement<br>▪ Space Utilization |
| | Gross Profit Margin | Slightly lower vs. 2017 | ▪ Slight impact from lower margin residential projects<br>▪ Incremental cost savings initiatives (e.g., utility)<br>▪ Efficiency improvement through data analytics |
| **Capital Management** | CAPEX | ~17-18 bn THB | ▪ Operating cash flow of 15-16 bn THB<br>▪ Debt financing |
| | Net D/E Ratio | ~0.5x | ▪ Ample debt headroom to fund prudently reviewed investments plan<br>▪ Remain comfortably below policy level of 1.0x |
| **CG & SD** | DJSI Status | Listed 5 consecutive years | ▪ Increase DJSI score to strengthen position on the index |
| | CG Rating | > SET50 Average | ▪ Maintain high level of CG practice standard with focus on sound business ethics, transparency and anti-corruption commitment |

# End of Presentation

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# Appendices

# History of CPN's Shopping Malls

## Strong track record of development & acquisitions

**High-quality assets of 33 shopping malls (14 in BMA and 19 in provincial areas)**

| 1980s | 1990s | 2000s | 2010s | … |
|---|---|---|---|---|

### Greenfield development

**1980s**

**1980** Established under Central Plaza Co.,Ltd.

**Bangkok (1):**

**1982** CPZ Lardprao

CentralPlaza Lardprao

**1990s**

**Bangkok (3):**

**1993** CPZ Ramindra
**1995** CPZ Pinklao
**1997** CPZ Rama 3

**Provinces (1):**

**1995** CPZ Pattaya[(1)]

**2000s**

**Bangkok (2):**

**2002** CPZ Rama 2
**2008** CPZ Chaengwattana

**Provinces (3):**

**2009** CFV Pattaya Beach
**2009** CPZ Chonburi
**2009** CPZ Khonkaen

**2010s**

**Bangkok (5):**

**2011** CPZ Grand Rama 9
**2014** CPZ Salaya
**2015** CPZ WestGate
**2015** CFV EastVille
**2017** CPZ Mahachai

**Provinces (10):**

**2011** CPZ Chiangrai
**2011** CPZ Phitsanulok
**2012** CPZ Suratthani
**2012** CPZ Lampang
**2013** CPZ Ubonratchathani
**2013** CFV Chiangmai
**2013** CFV Hatyai
**2014** CFV Samui
**2015** CPZ Rayong
**2016** CPZ Nakhon Si Thammarat
**2017** CPZ Nakhon Ratchasima
**2018** CentralPhuket

**NEW**

### Acquisitions & Redevelopment

**1990s**

**Provinces (1):**

**1996** CPZ Chiangmai Airport (acquired)
**2000** CPZ Chiangmai Airport (redev. Phase 2A)

**2000s**

**Bangkok (3):**

**2001** CPZ Bangna
**2002** CentralWorld (acq.)
**2003** CPZ Rattanathibet
**2004** The Offices at CTW
**2006** CentralWorld (redev.)

**Provinces (1):**

**2003** CPZ Chiangmai Airport (redev. Phase 2B)
**2009** CPZ Udonthani

**2010s**

**Bangkok:**

**2013** CPZ Bangna (redev.)
**2015** CPZ Pinklao (redev.)

**Provinces (1):**

**2012** CPZ Udonthani (redev. Phase 2)
**2015** CFV Phuket
**2016** CentralMarina[(1)]

Note: CPZ = CentralPlaza ; CFV = CentralFestival

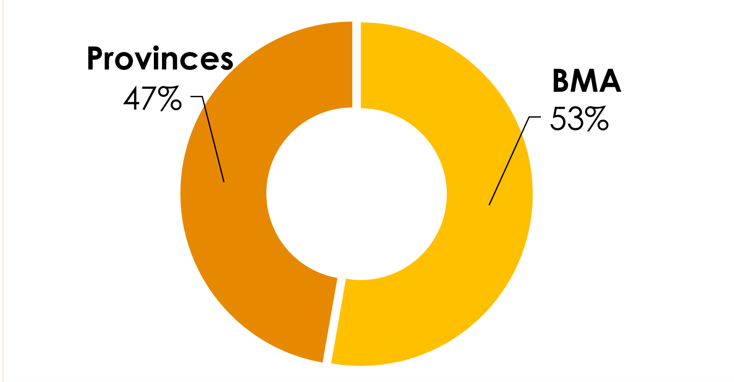
(1) Central Pattaya Center was re-opened as CentralMarina

# Leasable Area and Occupancy

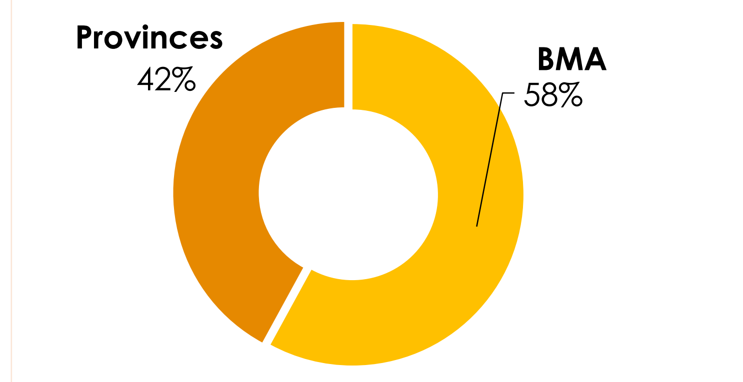
## Healthy occupancy levels in both BMA and provinces

| Retail Properties | No. of Projects | Land | | | NLA[(1)(2)] (mn sqm) | | | Occupancy Rate[(1)] | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Freehold | Leasehold | Freehold & Leasehold | Retail | Department Store | Total | 2Q17 | 1Q18 | 2Q18 |
| BMA | 14 | 4 | 7 | 3 | 0.70 | 0.06 | 0.77 | 93% | 91% | 91% |
| Provinces | 18 | 12 | 4 | 2 | 0.63 | 0.06 | 0.69 | 93% | 92% | 92% |
| **Total[(1)]** | **32** | **16** | **11** | **5** | **1.33** | **0.12** | **1.45** | **93%** | **91%** | **91%** |

**NLA split by region**




**Rent revenue split by region**



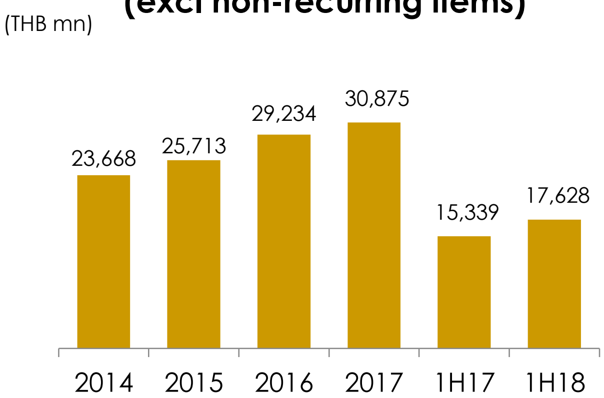

| Non-core Properties | No. of Projects | NLA (sqm) | Occupancy Rate[(1)] (%) | | |
|---|---|---|---|---|---|
| | | | 2Q17 | 1Q18 | 2Q18 |
| Office in BMA[(1)(2)] | 5 | 56,174 | 94% | 94% | 94% |
| Residential in BMA | 1 | 1,568 | 21% | 21% | 21% |
| Hotel in provincial area | 2 | 561 rooms | 83% | 86% | 83% |

(1) Excludes area transferred to CPNRF and CPNCG
(2) Excludes rental agreements < 1 year, such as kiosk, carts, ATMs and coin machines.

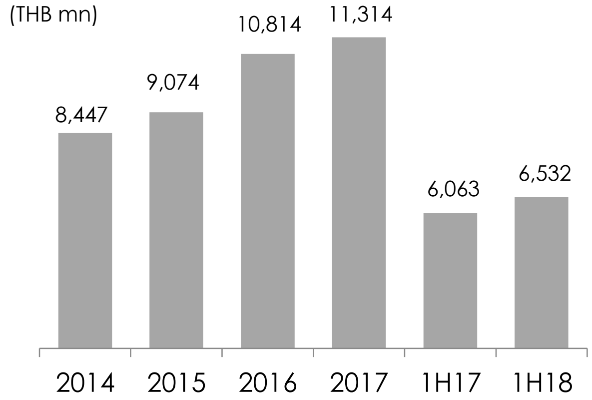
# Financial Summary

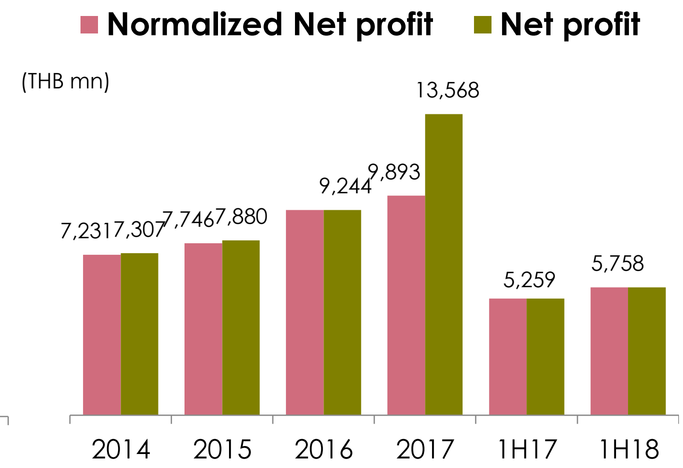
## Solid top line and profit growth

**Total revenues (excl non-recurring items)**




**Operating profit**



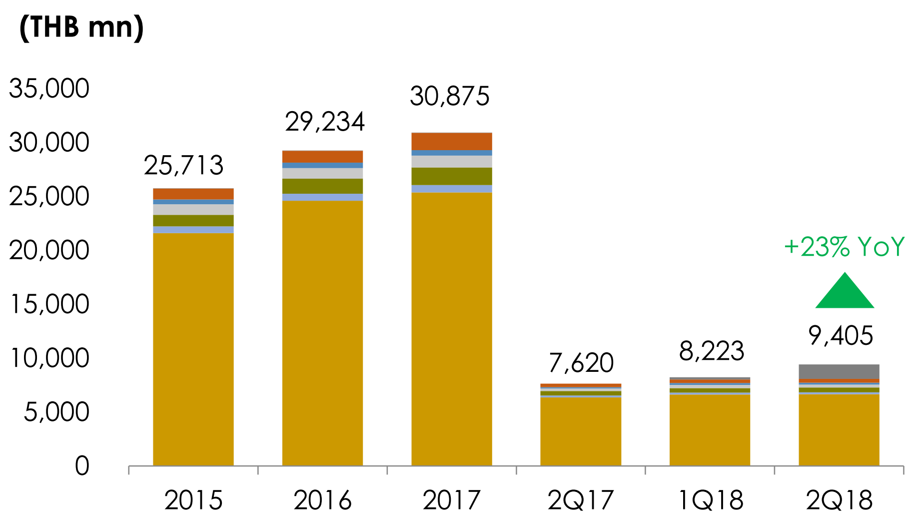




| % YoY Growth | 2014 | 2015 | 2016 | 2017 | 1H17 | 1H18 |
|---|---|---|---|---|---|---|
| Total revenues (Exc. non-recurring items) /1 | 13% | 9% | 14% | 6% | 6% | 15% |
| Operating profit (Exc. non-recurring items) | 15% | 7% | 19% | 5% | 9% | 8% |
| Normalized Net profit | 21% | 7% | 19% | 7% | 12% | 9% |
| Net profit | 16% | 8% | 17% | 47% | 12% | 9% |
| Same store revenue growth | 4% | 2% | 2% | 4% | 3% | 3% /2 |
| Gross Profit Margin (Exc. Other Income)(%) | 48% | 48% | 49% | 50% | 51% | 49% |
| EBITDA Margin (%) | 53% | 53% | 54% | 54% | 56% | 53% |

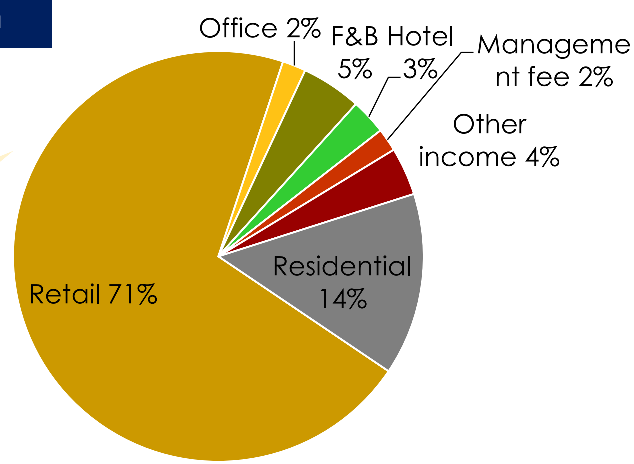
*/1 Total revenue includes rental & service, hotel operation, food & beverage, and other incomes, excluding interest income, and share of profit from investment.*
*/2 Excl. CentralWorld, CentalPlaza Nakhon Ratchasima, CentralPlaza Mahachai, Central Plaza Rama 3, and CentralFestival Pattaya Beach*

# Revenue Breakdown

## Mainly boosted by residential sales




**2Q18 Breakdown**




- Rent from shops
- Promotional Area (Events)
- Service income
- Convention hall
- On site media

**2Q18 total revenues** /1 **+23% YoY** mainly contributed by

**Rent and services +5% YoY**

- Contributions from new shopping malls in 2017: CentralPlaza Nakhon Ratchasima and CentralPlaza Mahachai
- Increase from renovated mall in 2017: CentralPlaza Rama 3
- Strong performances of existing shopping malls: Rama 2, Pinklao, WestGate, Grand Rama 9 and Chiangrai

**Hotel +10% YoY**

- Higher occupancy rate at Hilton Pattaya and higher room rates from both Hilton Pattaya and Centara Hotel & Convention Centre Udonthani

**F&B sales +9% YoY**

- New food courts opened in 2017 at CentralPlaza Nakhon Ratchasima and CentralPlaza Mahachai
- Strong performances with double digit sales growth from Rama 2, Pinklao, Samui, CentralMarina and Festival Chiangmai

**Real estate sales +100% YoY**

- Continued unit ownership transfer at 3 residential projects: ESCENT Rayong, ESCENT Chiangmai and ESCENT Khonkaen

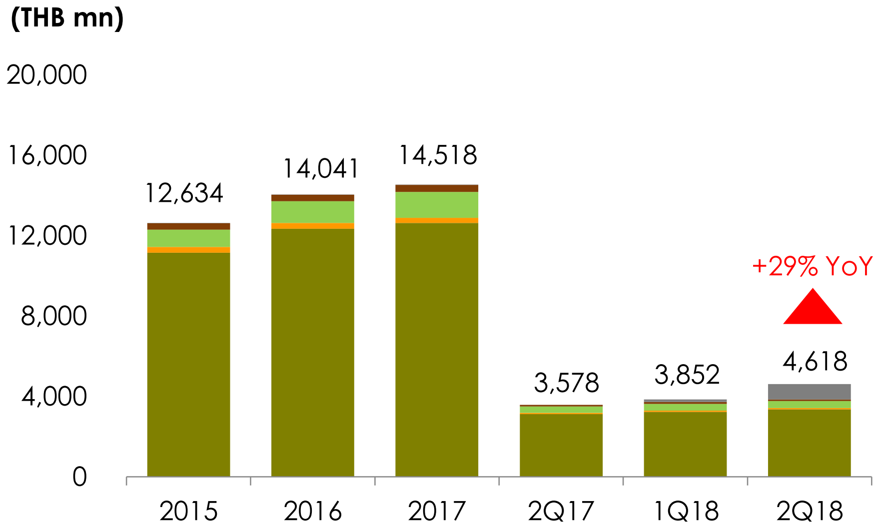
**Active marketing and promotional events throughout the year**

Collaboration with business partners, holding promotional campaigns to encourage more spending from local customers and cater for expanding foreign tourists visiting Thailand, are vital to the strong revenue performance throughout the year.

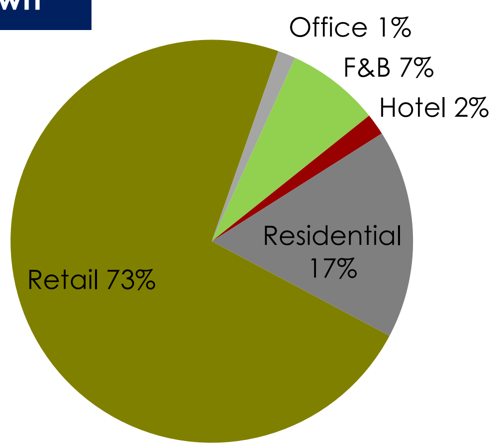
*Note: /1 Includes revenues from residential projects and water & amusement park, and property management fees from CPNRF & CPNCG. Excludes non-recurring items.*

# Cost Breakdown

## Efficiencies maintained despite external cost pressure




**2Q18 Breakdown**




*Note: Excludes non-recurring items.*

**2Q18 total costs +29% YoY** mainly contributed by

**Cost of rent and services +7% YoY**

- Higher operating and depreciation costs of newly opened malls and renovated projects in 2017, namely CentralPlaza Nakhon Ratchasima, CentralPlaza Mahachai and CentralPlaza Rama 3.
- Higher maintenance, repair and personnel expenses to support the expansion of new shopping malls
- Slightly higher utility cost amidst rising electricity unit cost, courtesy of continuous energy conservation initiatives

**Cost of hotel operations +3% YoY**

- In line with revenues of hotel business mainly from effective cost management and control in the operations

**Cost of F&B sales +10% YoY**

- Better cost management at existing food courts despite higher cost from newly opened food courts in 2017

**Cost of real estate sales +100% YoY**

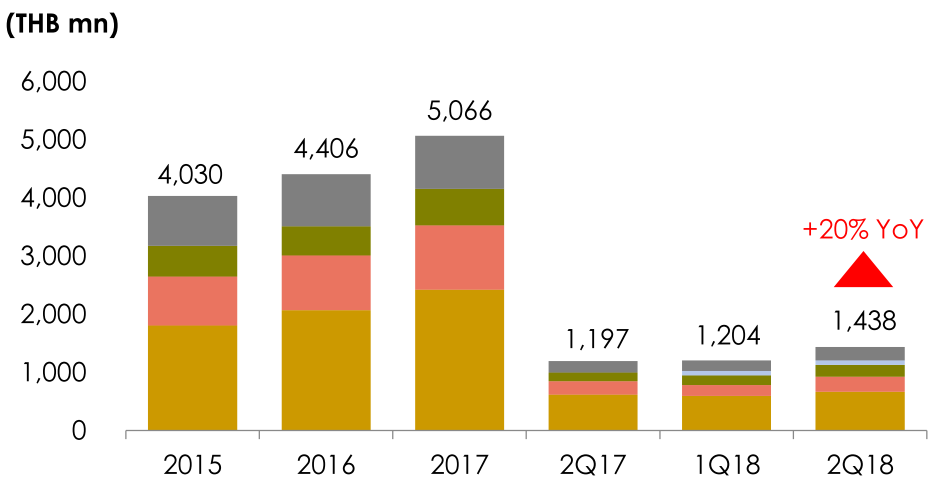
- In-line with the increase in real estate sales from 3 residential projects: ESCENT Rayong, Chiangmai and Khonkaen

**Continued focus on efficient cost management**

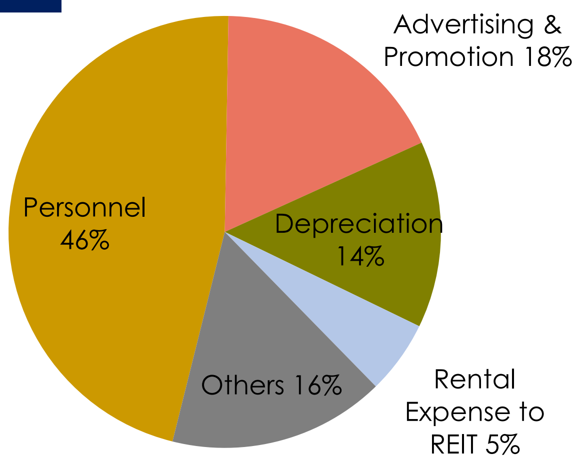
Implementation of energy conservation initiatives at shopping malls to yield lower electricity unit consumption, in face of rising unit cost, is actively carried out to maintain or increase overall gross profit margin.

# SG&A Expenses Breakdown

## In line with business expansion




**2Q18 Breakdown**




*Note: Excludes non-recurring items.*

**2Q18 SG&A expenses +20% YoY** mainly contributed by

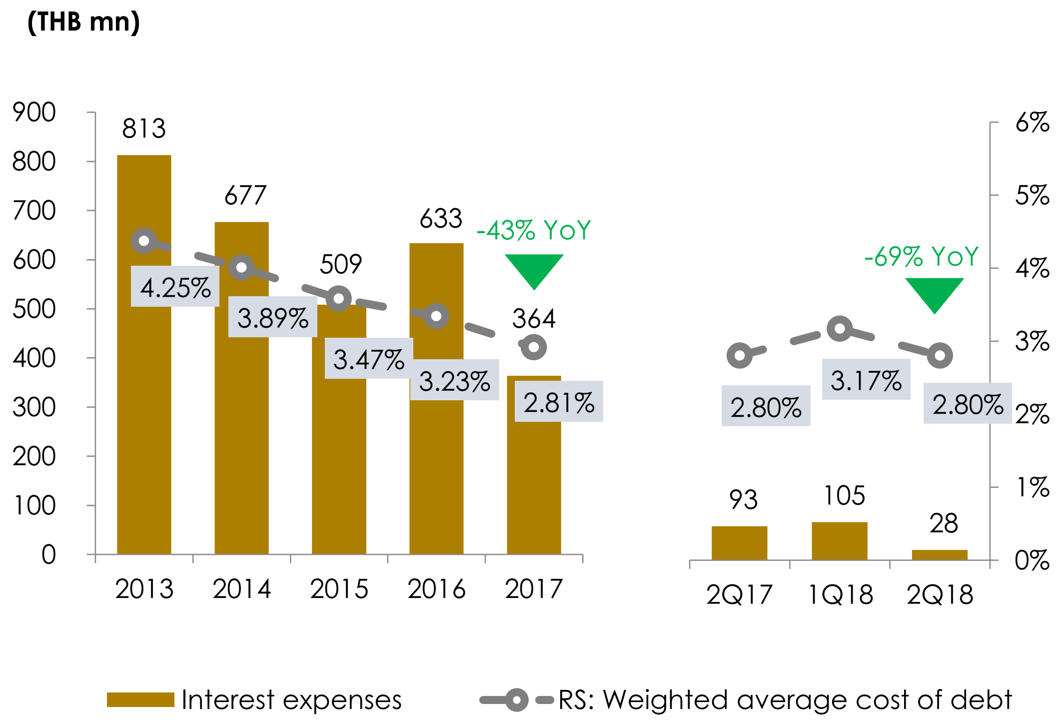
- Higher personnel expenses to support business expansion
- Higher marketing expenses from higher frequency and scale of events and customer engagement activities at malls
- Inclusion of administrative expenses related to transfers of residential projects and rental expense of Hilton Pattaya Hotel based on the sublet agreement with CPNREIT

**Balancing overhead expenses with business plan**

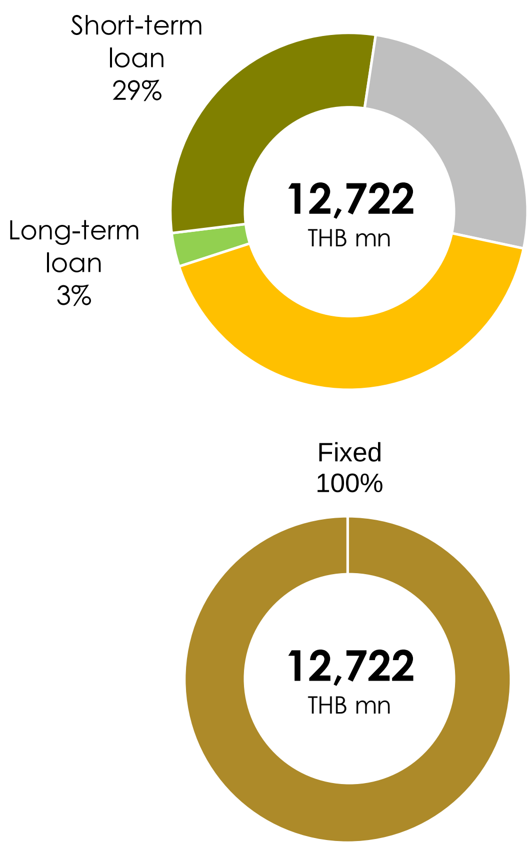
Close monitoring of operating performance and maintain optimal SG&A expenses level according to business requirements with potential incremental savings from 1) synergy with Central Group in marketing activities and supply chain management 2) preparing organizational readiness for future growth

# Low finance cost and strong credit rating

## Finance cost and average cost of debt




## 2Q18 Outstanding Debt Breakdown




TRIS RATING

- Corporate credit
- Senior unsecured debenture

**AA** Credit Rating

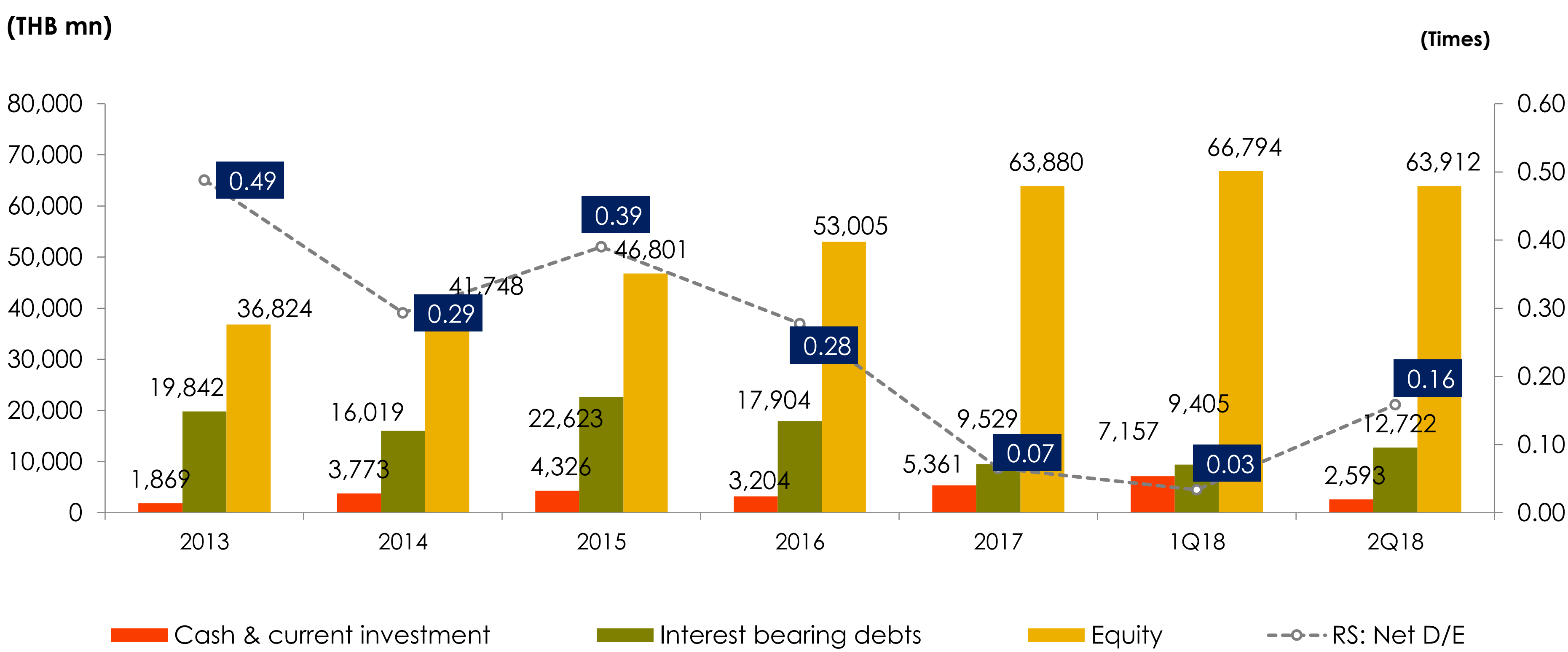
**Stable** Rating Outlook

*Note: Weighted average interest rate was derived from interest expenses including interest capitalization for projects under development.*
*All borrowings at denominated in THB*

# Capital Structure

## Slightly higher gearing but comfortably below covenant

**CPN's net D/E ratios are historically below its debt covenant of 1.75x**

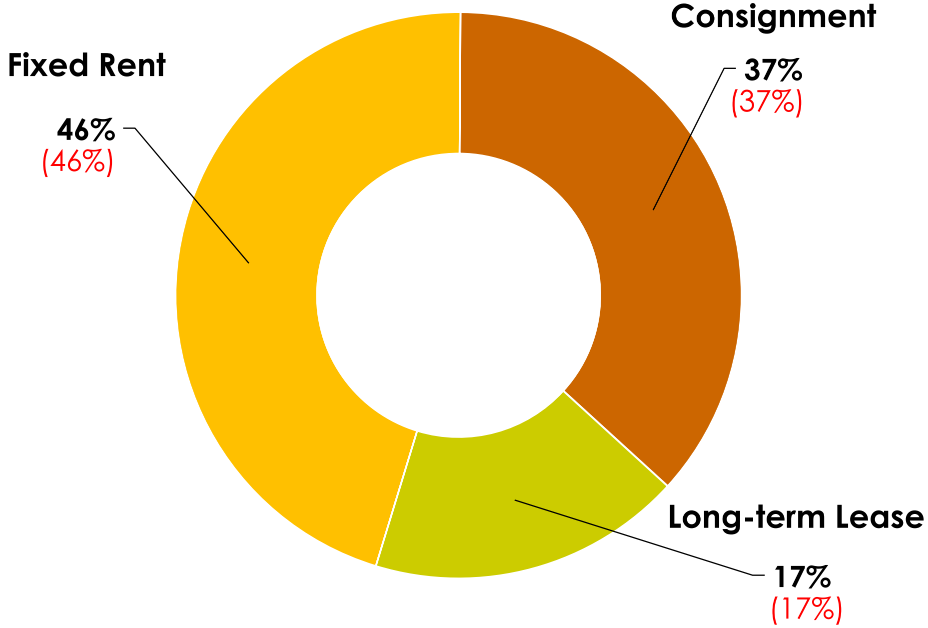


# Rental Contract Structure

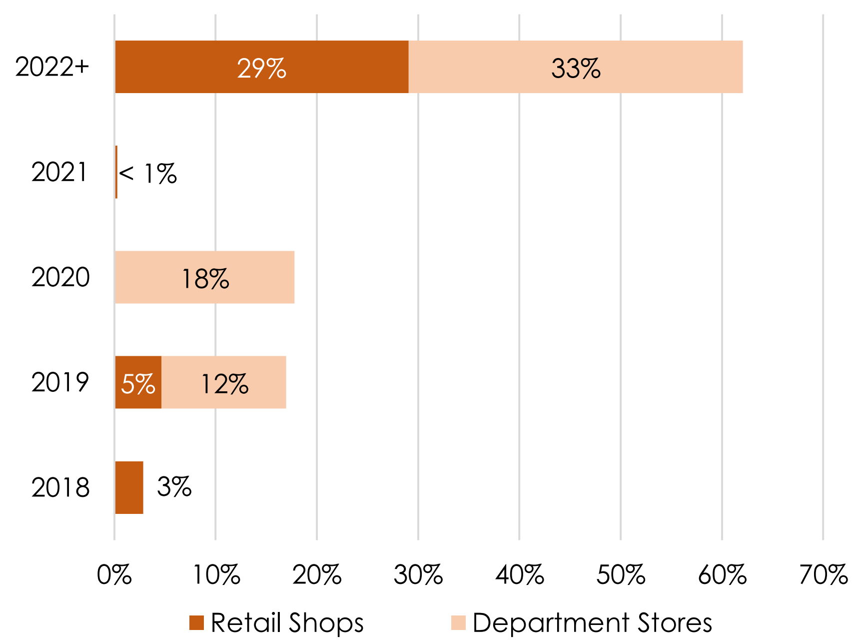
## Contract structure unchanged from previous year

**Upside from long-term lease contract expirations to convert into short term contracts at market rental rate should help increase revenues**

### Rental contract composition by area(1)




### Long-term lease contracts expiration(2)




Source: Company estimate as of 30 June 2018
(1) Percentage based on occupied area.
(%) 2Q17 figure
(2) Based on total long-term lease area of 154,027 sq.m. with less than 4% rental income contribution.

# Statement of Financial Position

| *Unit: million THB* | End of 2Q 2017 | End of FY 2017 | End of 2Q 2018 | YoY | YTD |
|---|---|---|---|---|---|
| *Current assets* | | | | | |
| Cash and current investments | 2,205 | 5,361 | 2,593 | 18% | (52%) |
| Other current assets | 4,475 | 7,753 | 8,071 | 80% | 4% |
| Total current assets | 6,680 | 13,114 | 10,664 | 60% | (19%) |
| *Non-current assets* | | | | | |
| Investment properties [1] | 79,073 | 84,972 | 84,343 | 7% | (1%) |
| Leasehold rights | 10,268 | 11,207 | 13,881 | 35% | 24% |
| Property & equipment (PP&E) | 1,734 | 1,676 | 1,552 | (11%) | (7%) |
| Other non-current assets | 10,874 | 9,605 | 12,566 | 16% | 31% |
| Total non-current assets | 101,949 | 107,460 | 112,342 | 10% | 5% |
| **Total assets** | **108,629** | **120,574** | **123,006** | **13%** | **2%** |
| *Current liabilities* | | | | | |
| Interest-bearing debt - 1 year | 7,421 | 2,274 | 5,634 | (24%) | 148% |
| Other current liabilities | 10,925 | 12,080 | 11,174 | 2% | (8%) |
| Total current liabilities | 18,346 | 14,354 | 16,807 | (8%) | 17% |
| *Non-current liabilities* | | | | | |
| Interest-bearing debt | 11,890 | 7,255 | 7,088 | (40%) | (2%) |
| Other non-current liabilities | 23,733 | 35,085 | 35,198 | 48% | 0% |
| Total non-current liabilities | 35,623 | 42,340 | 42,286 | 19% | (0%) |
| **Total liabilities** | **53,969** | **56,694** | **59,093** | **9%** | **4%** |
| *Shareholders' equity* | | | | | |
| Retained earnings - unappropriated | 42,586 | 50,890 | 50,257 | 18% | (1%) |
| Other shareholders' equity | 12,074 | 12,990 | 13,656 | 13% | 5% |
| **Total shareholders' equity** | **54,660** | **63,880** | **63,912** | **17%** | **0%** |

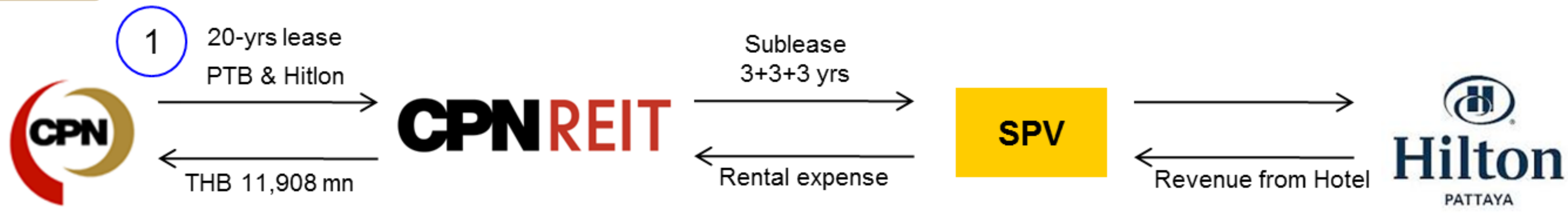
[1] Investment Properties are booked at cost and depreciated with the straight-line basis over the life of the assets. The estimated fair value is THB 180,409 mn as of December 31, 2017 (stated in the disclosure notes to the audited 2017 financial statements no. 13 under "Investment Properties").

# Statement of Comprehensive Income

| Unit: million THB | 2Q 2017 | 1Q 2018 | 2Q 2018 | YoY | QoQ | 6M 2017 | 6M 2018 | YoY (%) |
|---|---|---|---|---|---|---|---|---|
| Revenue from rent and services | 6,518 | 6,776 | 6,819 | 5% | 1% | 13,048 | 13,594 | 4% |
| *Retail* | *6,345* | *6,603* | *6,645* | *5%* | *1%* | *12,705* | *13,248* | *4%* |
| *Office* | *173* | *173* | *174* | *1%* | *1%* | *343* | *347* | *1%* |
| Revenue from hotel operations | 240 | 310 | 263 | 9% | (15%) | 533 | 573 | 7% |
| Revenue from food and beverages | 409 | 429 | 446 | 9% | 4% | 791 | 875 | 11% |
| Revenue from real estate sales | 0 | 216 | 1,351 | 100% | 526% | 0 | 1,567 | 100% |
| Other income | 453 | 492 | 527 | 16% | 7% | 967 | 1,019 | 5% |
| **Total revenues** | **7,620** | **8,223** | **9,405** | **23%** | **14%** | **15,339** | **17,628** | **15%** |
| ***Excluding non-recurring items*** | **7,620** | **8,223** | **9,405** | **23%** | **14%** | **15,339** | **17,628** | **15%** |
| Cost of rent and services | 3,185 | 3,299 | 3,418 | 7% | 4% | 6,258 | 6,717 | 7% |
| *Retail* | *3,118* | *3,234* | *3,352* | *8%* | *4%* | *6,126* | *6,586* | *8%* |
| *Office* | *67* | *65* | *66* | *(1%)* | *2%* | *132* | *131* | *(1%)* |
| Cost of hotel operations | 78 | 87 | 80 | 3% | (7%) | 163 | 167 | 3% |
| Cost of food and beverages | 315 | 332 | 346 | 10% | 4% | 617 | 677 | 10% |
| Cost of real estate sales | 0 | 135 | 774 | 100% | 474% | 0 | 909 | 100% |
| **Total cost of operations** | **3,578** | **3,852** | **4,618** | **29%** | **20%** | **7,038** | **8,470** | **20%** |
| Selling, general and admin expense | 1,195 | 1,203 | 1,438 | 20% | 20% | 2,238 | 2,641 | 18% |
| **Operating profits** | **2,847** | **3,168** | **3,349** | **18%** | **6%** | **6,063** | **6,516** | **7%** |
| ***Excluding non-recurring items*** | **2,847** | **3,168** | **3,349** | **18%** | **6%** | **6,063** | **6,516** | **7%** |
| Net finance cost/income tax/others | 364 | 345 | 413 | 14% | 20% | 804 | 759 | (6%) |
| **Net profit** | **2,483** | **2,822** | **2,935** | **18%** | **4%** | **5,259** | **5,758** | **9%** |
| ***Excluding non-recurring items*** | **2,483** | **2,822** | **2,935** | **18%** | **4%** | **5,259** | **5,758** | **9%** |
| **Earnings per basic share (THB)** | **0.55** | **0.63** | **0.65** | **18%** | **4%** | **1.17** | **1.28** | **9%** |
| ***Excluding non-recurring items*** | **0.55** | **0.63** | **0.65** | **18%** | **4%** | **1.17** | **1.28** | **9%** |

# CPNREIT Accounting Impact

## Transactions on transfer of assets at Pattaya Beach




1 **Accounting**

Record immovable asset sales

| | | |
|---|---|---|
| Dr. Cash | 11,241 mn | |
| Withholding Tax | 592 mn | |
| Cr. Unearned income | | 11,833 mn |

Record movable asset sales

| | | |
|---|---|---|
| Dr. Cash | 75 mn | |
| Cr. Equipment | | 35 mn |
| Gain on movable asset sales | | 40 mn |

**Balance Sheet:**

Assets

| | |
|---|---|
| Cash | 11,316 mn |
| Other AR (WHT) | 592 mn |
| Equipment | (34) mn |

Liabilities

CL

| | |
|---|---|
| Advance received from rental income | 592 mn |

Non-CL

| | |
|---|---|
| Unearned income | 11,241 mn |

Income & Expense occurred from asset transfer

**P&L:**

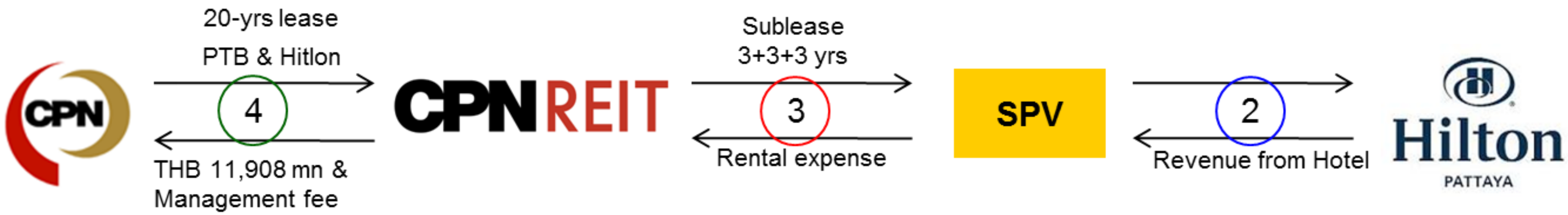
Other income

| | |
|---|---|
| Gain on movable asset sales | 40 mn |
| Acquisition Fee (1.5% of new asset) | |

Other expenses (34.5mn)

FA Fee
Legal Fee
Auditor Fee
Pre-AGM, AGM

## P&L of CPN and CPNREIT after the asset transfers




Accounting treatment as Operating Lease

| P&L | CPN | CPNREIT | SPV |
|---|---|---|---|
| Revenue<br>• Rental and service income<br>• Realized income<br>• Revenue from hotel | Decrease from PTB<br>Increased from Unearned income amortized over 20-yrs lease term<br>unchanged | Increase from PTB & rental income on Hilton from SPV<br>-<br>- | -<br>-<br>Hotel Income |
| Cost<br>• Cost of rental and service income<br>• Cost of hotel business | Decrease from PTB<br>unchanged | Increase from PTB<br>- | -<br>Cost of hotel |
| Management Income (Other income)<br>• REIT Management Fee<br>• Property Management Fee | Increase<br>0.275% of total asset value (old+ new assets)<br>0.28% of appraisal value (old + new assets) | Increase from new assets | - |
| SG&A<br>• Rental expense from SPV to CPNREIT | Increase from<br>Fixed: 65% of hotel income, 3.5% increase every year<br>Variable: 90% of Net EBITDA & not >50% of fixed rent | | Increase<br>Rental expense paid to CPNREIT |
| Share of Profit | Increase from performance from old + new assets | - | - |
| Corporate Income Tax | Increase from 20% of dividend from CPNREIT | n/a | |
| | | | |
| Depreciation | unchanged | - | n/a |

# CPNREIT Accounting Impact

## Projected impact to P&L in 2018

Unit: '000 Baht

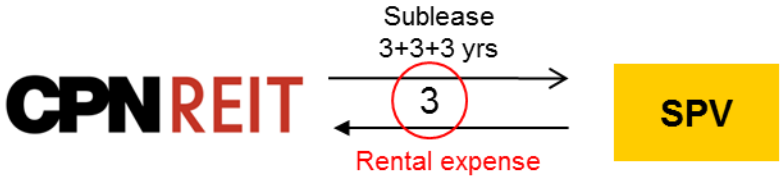
| | CPNRF | CPNREIT | CPNREIT + new assets |
|---|---|---|---|
| **Investment Income** | | | |
| **Shopping Malls and Office Buildings** | | | |
| Rental and service income | 3,922,605 | 3,922,605 | 4,563,765 |
| Other income | 208,384 | 208,384 | 238,385 |
| **Total income-Shopping Malls and Office Buildings** | **4,130,989** | **4,130,989** | **4,802,150** |
| **Hotel** | | | |
| Fixed rental income | - | - | 217,436 |
| Variable rental income | - | - | 77,096 |
| **Total income-Hotel** | - | - | **294,532** |
| **Total gross income** | **4,130,989** | **4,130,989** | **5,096,682** |
| Interest income | 6,753 | 5,961 | 7,553 |
| **Total income** | **4,137,742** | **4,136,950** | **5,104,235** |
| **Fund/REIT expenses** | | | |
| Property management expenses | (234,843) | (234,843) | (263,088) |
| Fund/REIT management fees and administrative expenses | (48,890) | (142,329) | (181,952) |
| Property management fee | (381,812) | (380,591) | (461,860) |
| Amortization of issuance and offering costs | - | (20) | (93) |
| Finance cost | (103,204) | (78,239) | (415,115) |
| **Total expenses** | **(768,749)** | **(836,022)** | **(1,322,107)** |
| **Net investment income before adjustments** | **3,368,993** | **3,300,928** | **3,782,127** |
| Add: Excess liquidity from amortization of issuance and offering costs | - | 20 | 93 |
| Less: Non-cash rental and service income | - | - | (7,436) |
| **Net cash available for distribution/distribution of benefit** | **3,368,993** | **3,300,948** | **3,774,784** |
| | | | |
| Projected distribution/distribution of benefits (%) | 90.1 | 98.7 | 98.2 |
| Number of investment units/trust units (Millions of Units) | 2,212 | 2,212 | 2,212 |
| **Projected distribution/distribution of benefits** | **3,035,355** | **3,259,638** | **3,705,844** |
| **Distribution/distribution of benefits per unit (THB)** | **1.3719** | **1.4733** | **1.6750** |

3

4

# CPNREIT Accounting Impact

## SPV – Rental Expense paid to CPNREIT




CPNREIT will gain the benefits in form of fixed rent and variable rent from the sublessee of the assets under the conditions specified in the sublease agreement .

| Year | Fixed Rent (Bt mn) | Variable Rent |
|---|---|---|
| 2018 | 210.0 | 90% of Net EBITDA of Hilton Pattaya and not more than 50% of accumulated fixed rent |
| 2019 | 217.4 | |
| 2020 | 225.0 | |
| 2021 | 232.8 | |
| 2022 | 241.0 | |
| 2023 | 249.4 | |
| 2024 | 258.1 | |
| 2025 | 267.2 | |
| 2026 | 276.5 | |

*Net EBITDA = Total revenue – Total cost & expenses – Reserves for repairs, improvement, procurement – Fixed rent

# CPNREIT Accounting Impact

## CPNREIT – Fee expenses

4

| Fee expense | CPNRF | CPNREIT |
|---|---|---|
| **Property Management Fees – to CPN** | | |
| - Property Management Fees | Not > 0.30% of NAV | Not > 0.28% of appraisal value of investment properties ex hotel |
| - Commission for securing tenants | Calculate from monthly rental rate | |
| - Rent collection fee | Not > 3% of total net rental income | |
| - Incentive fee | Not > 2.35% of Net Property Income | |
| - Purchase and sale of property | 1.5% of acquired property value and 0.75% of sold property value | |
| - Construction management Fee for improvement/development | 2% of total cost of improvement | |
| **Annual Management fee – to SCBAM or REIT Management Fee – to RM** | Not > 1% of NAV | Not >1% of Total asset values (floor not < Bt 15 mn in 2018), and increase 3% per year (0.275% of Total asset values ) |
| Advertising, PR, Sale promotion expense | Not > 0.5% of NAV | Actual payment, not > 0.5% of NAV |
| **Trustee fee - SCBAM** | Not > 0.05% of NAV | Not > 1% of Total asset values (floor of not < Bt 20 mn) |
| **Registrar fee** | Not > 0.05% of NAV | As specified by the registrar |
| | | |

# CPNREIT Accounting Impact

## CPNREIT – Other expenses

1) Property management expenses
    - Property tax
    - Insurance expenses
    - Advertising and other expenses

2) REIT Management fees
    - REIT Management fee
    - Trustee fee
    - Registrar fee

3) Administrative expenses including annual listing fee in the SET, Annual report filing fees, Audit and advisory fees, Asset appraisal fees, Media and publishing and admin expenses

4) Property Management fee
    - Rental and service collection fee
    - Leasing commission
    - PM base fee
    - PM incentive fee
    - Fee for overseeing the renovation

# 2017 Awards and Achievements

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

4 consecutive years (2014-17)

**Member of Dow Jones Sustainability Indices (DJSI) Emerging Markets 2017** showcases a track record of excellence in performance, governance, social and environmental development

3 consecutive years (2015-17)

SET The Stock Exchange of Thailand

THSI THAILAND SUSTAINABILITY INVESTMENT 2017

**SET Thailand Sustainability Investment 2017 listing** confirms CPN's commitment towards sustainable growth and focus on environmental, social and governance (ESG) factors

Sustainable Retail Property Developer and Manager

Top-Class Operator

Accredited Energy Conserver

4 consecutive years (2014-17)

**Thailand's Top Corporate Brands 2017** for property development sector in recognition of the most widely regarded brand amongst customers, investors and the general public.

CentralPlaza Suratthani

CentralPlaza Chonburi

THAILAND ENERGY AWARDS 2017

**Thailand Energy Awards 2017** honors CPN on developing and promoting energy conservation retail facilities at 2 shopping centers.

ASIA PACIFIC PROPERTY AWARDS

CentralPlaza Nakhon Si Thammarat

CentralFestival Eastville

**Asia Pacific Property Awards 2017** organized by International Property Awards, recognizes CPN amongst the highest levels of achievement in the category 'Retail Development – Thailand' for 2 shopping centers

ICSC

**The 2017 ICSC Asia-Pacific Shopping Center Silver Award – New Development** was presented in recognition of the exemplary design innovation for CentralFestival Eastville

# CPN Shares Trading Statistics

## Key Trading Statistics as of 2Q18

| Key Metrics | THB |
|---|---|
| Par Value | 0.50 |
| Share Price (THB) | 69.75 |
| Earnings per Diluted Share (THB) | 3.13 |
| P/E (x) | 22.3 |
| P/BV (x) | 4.90 |
| Dividend Yield[3] (%) | 2.01% |
| Market Capitalization (THB bn) | 313 |
| Authorized Share Capital (mn shares) | 4,488 |

## Dividend History

| Key Metrics | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|
| Par Value (THB) | 0.50 | 0.50 | 0.50 | 0.50 | 0.50[2] | 1.00 | 1.00 |
| Dividend (THB/Share) | 1.40[3] | 0.83 | 0.70 | 0.65 | 0.55 | 0.475 | 0.37 |
| Dividend Paid (THB mn) | 6,283[3] | 3,725 | 3,142 | 2,917 | 2,468 | 2,070 | 806 |
| Dividend Payout Ratio | 46%[3] | 40% | 40% | 40% | 39% | 33%[1] | 39% |

*Dividend policy is paid annually approximately 40% of net profit (unless there is compelling reason against this).*

*Note 1: Dividend payout ratio of 33% in 2012 was derived from 40% of normal net profit and 17% of gain from transferring assets into CPNCG.*

*Note 2: Par split from THB 1.00 to THB 0.50 per share effective on May 7, 2013*

*Note 3: Approved by shareholders at the 2018 Annual General Meeting of Shareholders on April 27, 2018 and paid on May 16, 2018*

Source: SETSMART (except P/E and P/BV ratios, calculated based on the latest financial results), company announcements on SET

# Operational performance

On December 1, 2017, CPNRF was converted into CPNREIT, which also leased additional assets in CentralFestival Pattaya Beach and Hilton Pattaya. At the end of 4Q17, CPNREIT has five retail properties and two office towers in its portfolio, with CPN REIT Management Co., Ltd., as the REIT manager and CPN as the property manager.

CPNCG was established in September 2012 and currently owns one office with SCB Asset Management Co., Ltd. as the fund manager and CPN as the property manager.

| CPNREIT Properties | Remaining Life (years) | Leasable Area[(1)] (sq.m.) | Occupancy Rate (%) [(2)] | | |
|---|---|---|---|---|---|
| | | | 2Q17 | 1Q18 | 2Q18 |
| Rama 3 (Retail) | 77 Yr & 1 M | 36,197 | 63 | 84 | 90 |
| Rama 2 (Retail) | 7 Yr & 1 M | 82,592 | 90 | 95 | 95 |
| Pinklao (Retail) | 6 Yr & 6 M | 27,603 | 96 | 99 | 99 |
| Chiangmai Airport (Retail) | 25 Yr & 10 M | 37,556 | 94 | 92 | 93 |
| Pattaya Beach (Retail) | 19 Yr & 2 M | 29,404 | | 95 | 96 |
| Pinklao Tower A & B (Office) | 6 Yr & 6 M | 34,337 | 90 | 83 | 88 |
| Total NLA and Occupacy Rate for Retail and Office | | 247,689 | 87 | 92 | 94 |
| Hilton Pattaya (Hotel) | 19 Yr & 2 M | 302 rooms | 89 | 98 | 92 |

| CPNCG Office Property | Remaining Life (years) | Leasable Area[(1)] (sq.m.) | Occupancy Rate (%) [(2)] | | |
|---|---|---|---|---|---|
| | | | 2Q17 | 1Q18 | 2Q18 |
| CentralWorld (Office) | 15 Yr | 81,490 | 98 | 99 | 100 |

*Note 1: Includes rental agreements < 1 year such as kiosk, carts, ATMs and coin machines and CPN acts as the property manager.*
*Note 2: Percentage based on leasable area.*