

CPN Retail Growth Leasehold Property Fund

2Q10 Results Briefing

Analyst Briefing Transcript

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CORPORATE PARTICIPANTS

CPNRF – CPN Retail Growth Leasehold Property Fund

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

As a representative of CPNRF’s Property Manager

Poom Osatananda

SCB Asset Management (“SCBAM”) – EVP of Investment Management Group

As a representative of CPNRF’s Fund Manager

Presentation – CPN Retail Growth Leasehold Property Fund

Speaker: Mr. Thanasombat Sanitwongse, Vice President – Property Operation Area of CPN

Good morning investors of CPNRF and CPN.

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Overall occupancy rate for CPNRF remained stable at 97.2% in 2Q10, with constant occupancy rate of 99.3% for CentralPlaza Rama II. However, occupancy rate for CentralPlaza Rama III slightly declined by 1.7% qoq from the restaurant zoning adjustment on 6th floor. It is now under the renovation process and is planned to reopen in 3Q10. Occupancy rate for CentralPlaza Pinklao rose by 0.2% to 95.9% in 2Q10, in line with an increased in occupancy rate for Pinklao office Tower A of 94.5% and Pinklao office Tower B of 100%. Overall occupancy rate for CPNRF portfolio remained high at 97.2%.

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Rental rate growth for contract renewal at CentralPlaza Rama II was 6% and 5% for CentralPlaza Rama III. For CentralPlaza Pinklao Project, rental rate at Pinklao Plaza remained high at 5.8% and 5.1% for Pinklao Tower A and B. Overall CPNRF’s rental rate growth rose 0.6% higher than that of 1Q10.

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Lease expiry profile for total CPNRF portfolio amounted for 12.0%: 7.0% from CentralPlaza Rama II, 13.0% for CentralPlaza Rama III, 12.0 from CentralPlaza Pinklao, and 24.0% from Pinklao Tower A & B. Nevertheless, most of the expiring lease can be renewed.

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2Q10 rental structure profile remained unchanged. The proportion of fixed rent and consignment was the same as in 1Q10. The fixed rent occupied area was accounted for 70% of total area, while consignment

area was accounted for 30%. In terms of number of tenants, 96% of total tenants were fixed rent tenants, while 4% were consigned tenants.

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Tenant trade mix for both retail and office properties stayed the same as in 1Q10.

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During 2Q10, all anchor tenants still remained under their contract terms.

Overall, CPNRF 2Q10 performance remained stable with no significant change from 1Q10.

Speaker: Mr. Poom Osatananda, EVP of Investment Management of SCB Asset Management

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The distribution yield for 2Q10 has slightly changed from 95% of net investment income as in 2009 to 93% of net investment income in 2Q10. Lower distribution payout ratio reflected the change in fund's capital structure as debt has been introduced. A decreasing in distribution payout ratio was due to an amount of cash reserved for loan amortization. However, the amount of distribution, in baht, remained stable regardless of change in payout ratio.

As, SEC has requested every property fund to report its distribution payout ratio based on net profit, and the payout ratio should not be less than 90%, CPNRF has reported its distribution payout ration of 95% of net profit. However, CPNRF also use 93% distribution payout ratio, which was calculated based on net investment income. The net profit included changes from asset revaluation, while net investment income reflects actual profit from operation.

The average remaining leasehold life of CPNRF is 36 years. The majority of the remaining life was driven from CentralPlaza Rama III with contract expiring in 2035. However, according to the first right of refusal, CPNRF has a right to extend this contract for another 30 + 30 years with no extra cost for contract renewal. Thus, the contract expiring date of CentralPlaza Rama III becomes 2095.

For leasehold projects, such as CPNRF, the distribution yield has taken into account the investment cost of its asset. The simplest way to calculate the amortization of investment cost for leasehold projects with three assets of different remaining life was by using a straight-line method. First dividing total investment cost of each asset by number of contracted days to result in amortization per day, then, dividing the amortization per day with number of units to result in amount of baht per unit. Therefore, for the distribution per unit of 0.2435 Baht, the amount of approximately 0.11 Baht can be treated as an investment cost, which also implied a decreasing in fund remaining life. However, investor should keep in mind that CPNRF unit price is marked to market. It did not drop as the investment cost reduced. Since the unit price has not yet differ from 10.8 Baht, investor who hold CPNRF unit up to 1 year will receive an annualized yield of approximately 9%, regardless of 0.11 Baht of investment cost.

To understand why the leasehold properties with decreasing remaining life were still able to maintain theirs unit price over time, the discounted cash flow model should be the best explanation. According to the discounted cash flow model, if the declining remaining life can be compensated by a higher rental rate, the asset value will not be affected, thus, the unit price of the fund will be stable over a period.

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CPNRF reported property income for 2Q10 of Baht 558.0 million. However, regarding the Note to financial statement, a part of property income in this quarter was contributed by the guarantee of net property income of CentralPlaza Pinklao project made by CPN. The guarantee of net property income was amounted to Baht 6.3 million.

As stated in the prospectus, a condition attached upon the acquisition of CentralPlaza Pinklao project was the guarantee of the first year net property income of CentralPlaza Pinklao during the time of refurbishment and renovation of CentralPlaza Pinklao. This agreement was made to ensure a stable and continual cash flow to the fund.

Net profit of CentralPlaza Pinklao for 2Q10 was approximately Baht 11.0 million lower than the cumulative quarterly guarantee of net profit of 157.3. However, since the guarantee of net property income was based on the cumulative basis, a higher net profit than guaranteed net profit of CentralPlaza Pinklao in 1Q10 help reduced the injected amount of guarantee net property income in 2Q10 to Baht 6.3 million, rather than approximately Baht 11.0 million.

Nevertheless, excluding the guarantee net income of Baht 6.3 million, total income of Baht 560.7 million comprised approximately Baht 220.0 million from CentralPlaza Rama II, a 1.1% qoq and 8% yoy. In addition, CentralPlaza Rama III contributed approximately Baht 134.0 million to total income, an increase of 2% qoq and 5% yoy. The growth from CentralPlaza Rama II and CentralPlaza Rama III represented an organic growth of the existing properties before acquiring CentralPlaza Pinklao project into CPNRF. Occupancy rate for CentralPlaza Pinklao slightly declined resulting in lower total income of Baht 190.0 million, or approximately 8% yoy. However, the occupancy rate is expected to regain in a near future as a result of continually high traffic. Moreover, CentralPlaza Rama III represented the highest contribution for total net investment income of Baht 428.0 million. CAPEX of Baht 10.3 million in 2Q10, showed under changes in investment value, is normally small in the beginning since it was mainly for general construction. Nevertheless, a higher cash disbursement for the renovation will incur in the near future.

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Balance sheet for 2Q10 did not deviate much from 1Q10. As in the last quarter, excess cash has been used to repay more than half of the loan amount leading to a lower loan amount of Baht 490.0 million in both 1Q10 and 2Q10.

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The remaining detail of CPNRF stayed constant as in 1Q10.

Speaker: Khun Naris Cheyklin, Senior Executive Vice President and Chief Financial Officer

As Khun Poom has mentioned about the guarantee of net payment, a slightly decrease in 2Q10 net income of CentralPlaza Pinklao was mainly due to the renovation which has led to a partial closure of some common areas. However, despite lower revenue from the common areas, revenue from retail shops remained stable with no vacancy. We also anticipate the operation performance to bounce back after the renovation has finished.

Moderator:

Thank you for your attention on our second quarter results announcement briefing. For more information on CPNRF, please visit CPNRF corporate websites at www.cpnrf.com, respectively, or directly contact Investor Relations Department. Thank you.

For more information, please contact CPNRF Investor Relations: ir@cpnrf.com

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