

CPN Retail Growth Leasehold REIT ("CPNREIT") was established on 1 December 2017 from the conversion from CPN Retail Growth Leasehold Property Fund ("CPNRPF") together with the investment in additional assets i.e. leasehold right in CentralFestival Pattaya Beach Project and Hilton Pattaya for approximately 20-years period ending 31 August 2037. The trust units of CPNREIT were first traded on the Stock Exchange of Thailand on 14 December 2017. Currently, CPNREIT had been investing in 5 shopping malls, which are CentralPlaza Rama 2, CentralPlaza Rama 3, CentralPlaza Pinklao, CentralPlaza Chiangmai Airport and CentralFestival Pattaya Beach with total leasable area of 213,912 sq.m., 2 office buildings which are Pinklao Tower A and Tower B totaling 34,320 sq.m. of leasable area, and Hilton Pattaya.

Economic and Industry Overview

The Thai economy in 3Q19 continued decelerating. Merchandise export continued to contract as a result of slower economic growth in major trading economies and contracted global trade volumes due to the Trade War. Tourism sector grew at a lower rate comparing to the same period of last year following slowdown global economy and strong Thai Baht. Consequently, tourists have changed to other destinations in the region with lower cost. Overall domestic demand expanded at a softer pace even though the government has issued the economic stimulus packages, but the impact was limited. Additionally, private investment also slowed down resulting from concern over the government disbursements that may affect public sector investment. The Bank of Thailand lowered the 2019 expected GDP growth to 2.8%, from 3.3%, and recently cut the policy rate to 1.25%.

Major Events in 3Q19

- CPNREIT announced the interim distribution of returns at the rate of Baht 0.4055 per unit trust from the operating period from 1 April – 30 June 2019, paid on 6 September 2019.
- The appointment of the 2 new independent directors who are 1) Mr. Pongsakorn Thiengtham, and 2) Mrs. Auyporn Footrakul, which was effective from 1 September 2019. Details can be seen from the SET News on 13 August 2019, and 27 August 2019 respectively.
- On 17 October 2019, the Board of Director of CPN REIT Management Co., Ltd., as a REIT Manager of CPNREIT, approved to propose to the Unitholder's Meeting for consideration and approval of an additional investment by CPNREIT, which is comprising of
 - Group-1 Assets from Central Pattana Public Company Limited and subsidiaries ("CPN Group") namely CentralMarina (Pattaya), CentralPlaza Lampang, CentralPlaza Suratthani, CentralPlaza Ubonratchathani, and the lease extension of CentralPlaza Rama 2.
 - Group-2 Assets from GLAND Office Leasehold Real Estate Investment Trust ("GLANDRT") namely The Ninth Towers Office Building, and Unilever House Office Building.and approved to convene the Extraordinary General Meeting of the Unitholders No. 1/2019 to be on 22 November 2019 at 9.00 a.m. Details of the invitation to the EGM of Unitholders No. 1/2019 has been posted on CPNREIT's website <http://www.cpnreit.com/en/download/unitholders-meeting> since 4 November 2019.

Summary of Operating Performance in 3Q19

At the end of 3Q19, the average occupancy rate of shopping malls and office buildings in CPNREIT was at 95.2%, stable from 95.3% at the end of 2Q19. The increase of occupancy rate was seen at CentralPlaza Pinklao (99.2%), and the stable occupancy rate was at CentralPlaza Rama 2 (95.5%), CentralFestival Pattaya Beach (98.4%). Meanwhile, the decrease of occupancy rate resulting from the change of tenants was at CentralPlaza Rama 3 (95.7%), CentralPlaza Chiangmai Airport (94.1%), and

Pinklao Tower A & Tower B (89.3%). Hilton Pattaya's average occupancy rate in 3Q19 was 88.5%, lower than the previous quarter due to low tourist season in September.

The Change of Accounting Policy

CPNREIT has adopted the Thai Accounting Standard No. 17: Lease, stated that "lease income from operating leases is recognized by the lessor on a straight-line basis over the lease term", and applied to the fixed rental income over the 9-years period determined in the Sublease Agreement of Hilton Pattaya. Therefore, starting from 1Q19 onward, the fixed-rental income is recognized on a straight-line basis, and the fixed rental income booked in 2018 was also adjusted equally every quarter throughout 2019. Consequently, rental and service income will be positively impacted in 2019 comparing to that in 2018.

Financial and Operating Performance

Income

Total income was Baht 1,285.2 million, up by 2.5%yoy, from CentralPlaza Rama 3, CentralPlaza Rama 2, and CentralPlaza Chiangmai Airport.

In 3Q19, CPNREIT reported total income of Baht 1,285.2 million, an increase of Baht 31.3 million or 2.5%yoy. Rental and service income totaled Baht 1,278.6 million, increased by 2.2%yoy, mainly resulting from strong performance of CentralPlaza Rama 3 after the major renovation in 2018, higher occupancy rate at CentralPlaza Rama 2 and CentralPlaza Chiangmai Airport, an increase in rental rate according to the lease agreement, revenue from common area utilization, and property tax income collected from some tenants in this quarter.

The fixed rental income from sublease of Hilton Pattaya increased as per the lease agreement, together with the change of accounting policy for the fixed rental income contributed approximately 1.1%yoy growth, equaled to Baht 14.2 million, which was the non-cash adjustment for 3Q18 and 3Q19. Moreover, interest income increased by Baht 3.4 million, resulting from the management of cash and deposits at banks to invest in securities that provide higher returns than bank deposits.

In comparison to 2Q19, total income increased by Baht 9.6 million or 0.7%qoq, mainly from an increase of rental and service income and interest income from cash management to earn higher yields.

Expense

Total expense was Baht 337.0 million, closed to 3Q18

In 3Q19, CPNREIT reported total expense of Baht 337.0 million, closed to 3Q18. Property expense totaled Baht 166.2 million, decreased by 10.4%yoy, from all types of expense, consisting of cost of rental and service totaling Baht 34.4 million, dropped by Baht 1.5 million or 4.2%yoy due to lower repair and maintenance expense, administrative expense amounting to Baht 24.4 million, decreased by Baht 2.4 million or 9.2%yoy, from lower advertising and marketing expense as in 3Q18 there was the Grand Opening of CentralPlaza Rama 3, and property management fee of Baht 107.4 million, decreased by Baht 15.4 million or 12.5%yoy due to lower leasing commission fee resulting from less new and renewed tenancy contracts.

Meanwhile, interest expense increased by Baht 21.3 million or 20.4%yoy due to an issuance of debentures, which has a longer-term and higher coupon rate, to repay outstanding short-term loans with lower interest rate.

In comparison to 2Q19, total expense decreased by Baht 3.4 million or 1.0%qoq. Administrative expense decreased by 10.4%qoq from lower advertising and promotion expense according to lower number of marketing events. Property management fee decreased by 5.8% from lower leasing commission fee resulting from less new and renewed tenancy contracts.

Meanwhile, cost of rental and service increased by 5.4% from repair and maintenance cost which gradually occurs throughout the year. Other management fees and expenses increased by 2.1%qoq following higher total asset values, and interest expense increased by 2.8%qoq.

Net Investment Income

Net investment income totaled Baht 948.2 million, an increase of 3.1%yoy.

In 3Q19, net investment income was Baht 948.2 million, increased by Baht 28.3 million or 3.1%yoy from Baht 919.9 million in 3Q18. This was attributable to strong performance of CentralPlaza Rama 3 after major renovation, CentralPlaza Rama 2, and CentralPlaza Pinklao, as well as efficient cost management.

In comparison to 2Q19, an increase of net investment income of Baht 12.9 million or 1.4%qoq, resulting from slightly increase in rental and service income. Also, administrative expense decreased by 1.0%qoq from advertising and promotion expense, as well as, property management fee declined as a result of lower leasing commission fee.

Comparing the first nine months of 2019 and 2018, CPNREIT reported net investment income of Baht 2,843.7 million, increased by 5.7%yoy. Total revenue increased by 5.6%yoy, from higher rental and service income driven by high occupancy rate and increasing rental rate. Interest income also increased from effective cash management, while, total expenses increased by 5.2%yoy from higher cost of rental and service and property management fee.

Profitability

Net property income margin stood at 87.0%, and net investment income margin was 74.0%.

Net property income margin for 3Q19 stood at 87.0%, an increased by 1.8%yoy. This is mainly contributed by the increase of property income by 2.2%yoy, while property expenses decreased by 10.4%yoy. While net investment income margin stood at 74.0%, slightly increased from 73.4% in 3Q18, as net investment income increased by 3.1%yoy while property income increased by 2.2%yoy.

In comparison to 2Q19, net property income margin increased by 0.6%qoq, from property income increased by 0.5%qoq, while property expenses declined by 4.4%qoq. Net investment income margin also increased by 0.6%qoq, resulting from an increase in net investment income by 1.4%qoq.

Balance Sheet Movement

Total asset totaled Baht 47,613.1 million, increased by Baht 658.1 million from the end of June 2019.

As of 30 September 2019, CPNREIT reported total assets of Baht 47,613.1 million, an increase of Baht 658.1 million from total assets as of 30 June 2019. This was mainly due to an increase of investment in securities resulting from investing cash and cash at banks to earn higher yields than bank deposits.

Total liabilities were Baht 17,584.3 million, increased by 3.9%qoq, from borrowing totaling Baht 726.2 million for asset enhancement.

As of 30 September 2019, Net Asset Value ("NAV") was recorded at Baht 30,028.8 million or Baht 13.5725 per unit, an increase from Baht 13.5697 per unit as of 30 June 2019.

The Distribution of Returns to Unitholder

CPNREIT has announced distribution of returns for 3Q19 at Baht 898.3 million or 0.4060 Baht per unit. CPNREIT will post XD sign on 20 November 2019, followed by Book Closing Date on 22 November 2019 and distribution of returns payment will be made on 6 December 2019.

FINANCIAL SUMMARY

Table 1: Income Statement

Unit: Baht Million	3Q19	3Q18	Change YoY	2Q19	Change QoQ	9M19	9M18	Change YoY
<i>Property income</i>	1,280.8	1,252.9	2.2%	1,274.6	0.5%	3,867.6	3,666.8	5.5%
Rental and service income	1,278.6	1,250.5	2.2%	1,268.9	0.8%	3,855.3	3,660.1	5.3%
Other income	2.2	2.4	(9.3%)	5.8	(61.6%)	12.3	6.7	83.5%
Interest income	4.4	0.9	360.0%	1.0	326.3%	6.0	3.0	99.5%
Total income	1,285.2	1,253.9	2.5%	1,275.6	0.7%	3,873.6	3,669.8	5.6%
<i>Property expenses</i>	166.2	185.5	(10.4%)	173.9	(4.4%)	519.4	568.5	(8.6%)
Cost of rental and service	34.4	35.9	(4.2%)	32.6	5.4%	98.1	103.8	(5.5%)
Selling and administrative expenses	24.4	26.8	(9.2%)	27.2	(10.4%)	76.3	80.3	(4.9%)
Property management fee	107.4	122.8	(12.5%)	114.0	(5.8%)	344.9	384.4	(10.3%)
Interest expense	125.8	104.5	20.4%	122.4	2.8%	377.9	280.1	34.9%
Other management fees and expenses	45.0	44.0	2.2%	44.1	2.1%	132.7	130.1	2.0%
Total expense	337.0	334.0	0.9%	340.3	(1.0%)	1,029.9	978.6	5.2%
Net investment income	948.2	919.9	3.1%	935.3	1.4%	2,843.7	2,691.2	5.7%
Net realised gain (loss) from changes in investment value	7.4	(1.3)	649.5%	(8.2)	190.6%	(0.8)	(3.3)	75.1%
Net unrealised gain (loss) from changes in investment value	(52.3)	(24.9)	(110.4%)	(14.6)	(258.7%)	(93.8)	291.7	(132.2%)
Net increase in net assets from operations	903.3	893.7	1.1%	912.5	(1.0%)	2,749.0	2,979.6	(7.7%)
Income available for distribution	948.2	919.9	3.1%	935.3	1.4%	2,843.7	2,691.2	5.7%
Distribution	898.3	919.7	(2.3%)	897.2	0.1%	2,692.6	2,656.5	1.4%
Distribution per unit (in Baht)	0.4060	0.4157	(2.3%)	0.4055	0.1%	1.2170	1.2007	1.4%
Net property income margin	87.0%	85.2%	1.8%	86.4%	0.6%	86.6%	84.5%	2.1%
Net investment income margin	74.0%	73.4%	0.6%	73.4%	0.6%	73.5%	73.4%	0.1%

Table 2: Balance Sheet

Unit: Baht Million	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19
<i>Investment at fair value</i>					
Central Rama II	6,900.0	6,962.0	6,962.0	6,962.0	6,962.0
Central Rama III	10,662.0	10,698.0	10,698.0	10,698.0	10,698.0
Central Pinklao	5,721.0	5,678.0	5,678.0	5,678.0	5,678.0
Chiangmai Airport	10,658.0	10,658.0	10,658.0	10,658.0	10,658.0
CentralFestival Pattaya Beach	7,283.0	7,289.0	7,289.0	7,289.0	7,289.0
Hilton Pattaya	3,453.0	3,465.0	3,456.0	3,465.0	3,465.0
Total investment in properties	44,677.0	44,750.0	44,750.0	44,750.0	44,750.0
Investment in securities	996.7	999.4	1,002.5	1,005.8	1,849.6
Cash on hand and at banks	609.8	341.7	423.5	427.6	227.8
Other assets	740.7	758.7	747.7	771.6	785.7
Total assets	47,034.3	46,849.8	46,923.6	46,955.0	47,613.1
Deposits received from customers	1,528.8	1,543.6	1,545.0	1,557.2	1,571.8
Borrowing	4,466.0	4,468.7	-	-	726.2
Debentures	10,029.9	10,030.4	14,521.4	14,522.3	14,523.2
Other liabilities	941.5	811.9	849.8	852.7	763.1
Total liabilities	16,966.3	16,854.6	16,916.3	16,932.3	17,584.3
Net Asset	30,068.0	29,995.2	30,007.3	30,022.7	30,028.8
Capital received from unitholders	29,016.4	29,016.4	29,016.4	29,016.4	29,016.4
Equalisation account	216.1	216.1	216.1	216.1	216.1
Gain (Loss) for the period	835.5	762.7	774.8	790.2	796.3
NAV per unit (in Baht)	13.5902	13.5573	13.5627	13.5697	13.5725

Source: 1) Reviewed Interim Financial Statements for the three-month period 2) Audited Financial Statements for the year

OPERATIONS SUMMARY

Table 3: Leasable Area and Occupancy

	Area (sqm)		Occupancy Rate ^{/1}				
	GFA	NLA ^{/1}	30 Sep 18	31 Dec 18	31 Mar 19	30 Jun 19	30 Sep 19
CentralPlaza Rama 2	251,182	82,571	94.5%	95.6%	95.3%	95.5%	95.5%
CentralPlaza Rama 3	169,740	36,505	93.6%	94.3%	94.1%	97.0%	95.7%
CentralPlaza Pinklao	137,692	27,656	99.4%	98.9%	98.3%	96.5%	99.2%
Pinklao Tower A & Tower B	50,653	34,320	88.9%	90.1%	89.8%	90.2%	89.3%
CentralPlaza Chiangmai Airport	122,991	37,775	92.2%	92.7%	93.7%	94.9%	94.1%
CentralFestival Pattaya Beach	70,095	29,404	98.1%	98.4%	98.4%	98.4%	98.4%
Total/Average	802,353	248,232	94.2%	94.9%	94.8%	95.3%	95.2%
Hilton Pattaya ^{/2}	49,686	302 rooms	92.4%	91.1%	92.5%	90.3%	88.5%

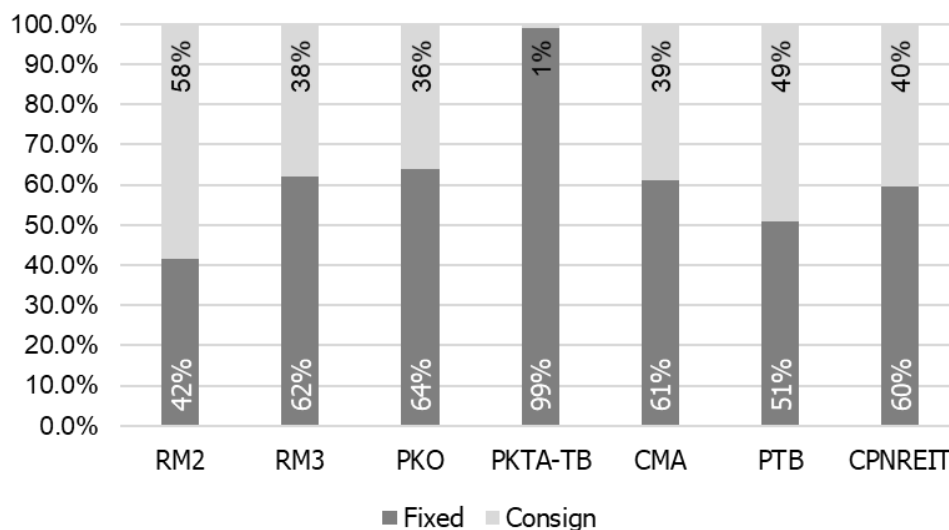
Note: ^{/1} Anchor and in-line tenants only^{/2} Average quarterly occupancy rate

Table 4: Renewals and New Leases

	From 1 January to 30 September 2019		
	Renewals and New Leases ^{/1}		
	No. of Leases	Area (sqm)	%of Total ^{/2}
CentralPlaza Rama 2	61	4,058	5%
CentralPlaza Rama 3	19	3,186	9%
CentralPlaza Pinklao	20	6,169	22%
Pinklao Tower A & Tower B	36	7,048	23%
CentralPlaza Chiangmai Airport	48	6,818	19%
CentralFestival Pattaya Beach	21	13,019	45%
Total	205	40,298	17%

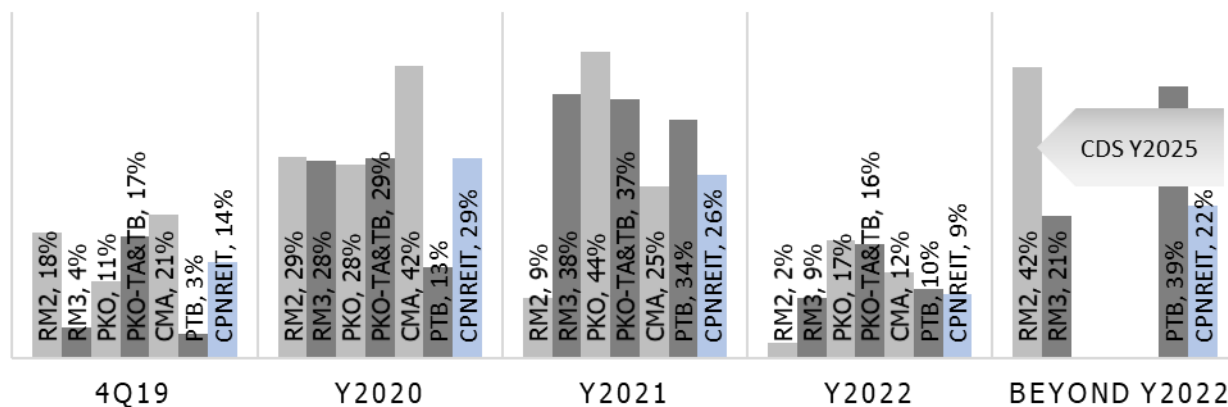
Note: ^{/1} Exclude rental agreements < 1 year^{/2} Percentage of leasable area at 30 September 2019

Graph 1: Rental Structure



Note: As at 30 September 2019

Graph 2: Lease Expiry Profile



Note:

1. Percentage of total occupied area as at 30 September 2019
2. Exclude rental agreements < 1 year