

CPNREIT Operation Report for the year 2023

At the end of 2023, CPNREIT had been investing in the leasehold rights of seven shopping malls, which are Central Rama 2, Central Rama 3, Central Pinklao, Central Chiangmai Airport, Central Pattaya, Central Marina and Central Lampang with a total leasable area of 252,443 sq.m., four office buildings namely Pinklao Tower A and Tower B, The Ninth Towers and Unilever House with total leasable area of 111,536 sq.m., and one hotel which is Hilton Pattaya totaling 304 guest rooms.

On 31 July 2023, the Extraordinary General Meeting of the Trust Unitholders No. 1/2023 ("EGM No. 1/2023") approved the lease renewal of Central Pinklao for a period of 15 years (from 1 January 2025 to 31 December 2039) with the investment value of not exceeding Baht 12,161 million, together with the renovation of Central Pinklao during 2024 and 2025, with the budget of not more than Baht 1,100 million, and the change of lease payment of Central Rama 2 (Renewal Period) from a lump sum payment in 2025 to be the installments throughout the lease term, provided that the first payment will be equal to the rental fee for the first 10-year lease period of not exceeding Baht 12,853 million. (Further details can be seen from the SET News No. CPNREIT 2023/07004 Re: Notification of resolutions of Extraordinary General Meeting of Unitholders No. 1/2023 via electronic means and the Minutes of the meeting on the CPNREIT website)

Major Events in 2023

Issuance of Bond "CPNREIT262A" and "CPNREIT272B"

On 3 February 2023, CPNREIT issued 2 tranches of debentures, offering to Institution Investor and/or High Net Worth. The proceeds from the debentures were used for repayment of CPNREIT232A worth Baht 1,795.0 million and debt repayment including interest payment and expenses relating to the issuance of the debentures. The details are as follows:

- CPNREIT262A worth Baht 500.0 million with 3 years term due 2026 at coupon rate of 2.77%.
- CPNREIT272B worth Baht 1,400.0 million with 4 years term due 2027 at coupon rate of 2.89%.

TRIS Rating assigned the ratings of "AA" to the two tranches of senior unsecured debentures on 20 December 2022.

The 2023 Annual General Meeting of Trust Unitholders

The REIT Manager of CPNREIT has convened the 2023 Annual General Meeting of Trust Unitholders on 26 April 2023 at 2.00 p.m. via Electronic Meeting ("E-AGM") and disclosed the Minutes of 2023 Annual General Meeting of Trust Unitholders via the Stock Exchange of Thailand and on CPNREIT's website (www.cpnreit.com) since 10 May 2023.

The Extraordinary General Meeting of Trust Unitholders No. 1/2023

The REIT Manager of CPNREIT has convened the Extraordinary General Meeting of Trust Unitholders No. 1/2023 on 31 July 2023 at 2.00 p.m. via Electronic Meeting ("E-AGM") and disclosed the Minutes of the meeting via the Stock Exchange of Thailand and on CPNREIT's website (www.cpnreit.com) since 11 August 2023.

TRIS Rating announced CPNREIT credit rating at "AA- with "Negative" outlook

On 12 September 2023, TRIS Rating has assigned "AA-" rating on CPNREIT with "negative" outlook, assessing that the financial leverage of CPNREIT is expected to materially increase following the successful renewal of the leasehold rights for Central Pinklao and Central Rama 2 projects during 2024-2025 not exceeding Baht 25,041 million with the funding structure of 40% equity raising and 60% debt financing. However, CPNREIT will be able to manage liquidity with its highly predictable cash flows from rental and service income and the prospect of the continued recovery trend of its invested assets in the shopping center and hotel which are high quality assets as well as predictable cash flow from rental and service income.

The credit rating results are as expected for CPNREIT. The financial leverage after the lease renewals to total assets remains at the level where CPNREIT can still service debts and manage finance costs to match with operating cash flows and lease maturity. This is the result of prudent financial policies and maintaining a strong financial profile to create continuously sustainable and stable growth.

Distribution payment to trust unitholders from the 2023 operation period

CPNREIT announced the distribution payment from the 2023 operation period totaled Baht 1.1260 per unit trust, equivalent to 10.0% yield at the market price of Baht 11.30 per unit at the end of 2023. The distribution payment divided into the distribution of return amounting Baht 1.0510 per unit and the payment in form of capital reduction amounting Baht 0.0750 per unit.

Sustainability Excellence

CPNREIT was selectively listed in the 2024 edition of S&P Global's Sustainability Yearbook in Real Estate business category for the three consecutive years. S&P Global assessed and analyzed the sustainability operations in all 3 dimensions, namely the environment, society, economy & governance. Additionally, CPNREIT was received GRESB 2-star rating for the 2023 Real Estate Assessment.

Summary of Operating Performance

In 2023, the average shopper traffic was 84% of normal level, improved from 69% in the previous year. The average occupancy rate of shopping malls and office buildings was at 92.9%, slightly increased from 91.5% in the previous year, mainly from the increase of occupancy rate of all shopping malls and office buildings except the Unilever House which had the decrease of average occupancy rate due to the office space downsizing of Unilever Thai Trading Co., Ltd. Hilton Pattaya achieved the average occupancy rate at 88.1%, increased from 75.7% in 2022.

OPERATIONS SUMMARY

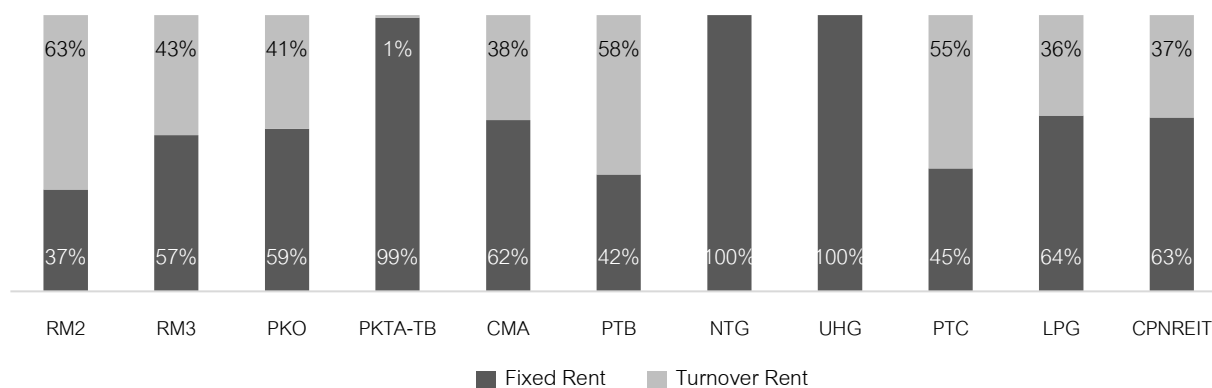
Table 1: Leasable Area and Occupancy

	Area (sqm)		Average Occupancy Rate				
	GFA	NLA ¹	4Q22	1Q23	2Q23	3Q23	4Q23
Central Rama 2	286,580	88,346	95.8%	95.3%	96.2%	97.6%	98.2%
Central Rama 3	169,740	36,040	94.5%	95.8%	96.3%	96.0%	96.9%
Central Pinklao	137,692	27,711	97.4%	97.9%	99.5%	98.6%	98.4%
Pinklao Tower A & Tower B	50,653	34,096	84.7%	83.0%	84.3%	84.5%	83.6%
Central Chiangmai Airport	122,991	39,317	96.4%	95.7%	97.1%	97.0%	96.3%
Central Pattaya	70,095	29,212	91.6%	91.6%	93.0%	93.7%	95.7%
The Ninth Towers ²	95,997	58,914	85.9%	86.8%	85.8%	92.3%	92.7%
Unilever House	30,176	18,527	100.0%	88.8%	83.2%	66.9%	66.9%
Central Marina	45,149	15,453	87.1%	88.9%	93.1%	96.7%	97.5%
Central Lampang	45,716	16,363	92.4%	94.2%	94.9%	93.3%	94.6%
Total/Average	1,054,789	363,979	92.5%	92.1%	92.6%	93.3%	93.6%
Hilton Pattaya	49,686	304 Rooms	84.8%	87.6%	87.1%	88.8%	89.1%

Note: ¹ Anchor and in-line tenants only

² excluding meeting room area of 3,068 sq.m.

Graph 1: Rental Structure



Note: As at 31 December 2023

Financial Reporting Standards affecting to CPNREIT Financial Statements

From 1 January 2020 onwards, CPNREIT has adopted Thai Financial Reporting Standards (TFRS 16) which requires lessee to recognize rights-of-use assets and lease liabilities for all lease agreement over 1 year period, and the lease liabilities were discounted using interest rate implicit in the lease or lessee's incremental borrowing rate if the interest rate implicit in the lease was not available, recorded in the Statement of financial position. Also, interest expense from lease liabilities were included in the finance cost in the Statement of comprehensive income. These accounting transactions are non-cash items. In this regard, CPNREIT recognized the rights-of-use assets and lease liabilities for the two lease agreements as follows:

- 1) the lease agreement of the wastewater treatment of Central Rama 2, ended August 15, 2025, which was recognized on 1 January 2020
- 2) the lease agreement of Central Rama 2 (Renewal), 30 years lease period starting from 16 August 2025 – 15 August 2055, which was recognized on 31 March 2020.

On 30 September 2023, CPNREIT has recorded the one-time accounting adjustment for right-of-use assets and lease liabilities of Central Rama 2 (Renewal) to be in line with the period specified in the lease agreement, also presented the adjustment in the Statement of comprehensive income which are non-cash items i.e. interest on lease liabilities decreased by Baht 140.9 million, and gain on change in fair value of investment properties totaled Baht 525.3 million.

Financial and Operating Performance in 2023

In compliance with TFRS 16, the operating results reported in the financial statements are different from the actual business performance. Therefore, the REIT Manager would like to clarify the financial information excluding the impact of TFRS 16, which reflects the actual performance of CPNREIT, to clearly compare the operating results. The details are as follows:

Income

In 2023, CPNREIT reported total income of Baht 5,837.5 million, an increase of Baht 804.6 million or 16.0%yoy, this was attributable to:

- Rental and service income totaled Baht 5,788.8 million, an increase of Baht 779.0 million or 15.5%yoy, the details are as follows:
 - Rental and service income from shopping centers totaled Baht 4,521.1 million, increased by 16.0%yoy, mainly due to rental discounts already normalized since the beginning of the year and the increase of income from common areas and rental income from turnover rent.

- Rental and service income from 4 office buildings, namely Pinklao Tower A & Tower B, The Ninth Towers and Unilever House, totaled Baht 889.3 million, increased by 4.4%yoy resulting from higher occupancy rate of the Ninth Towers and normalize level of rental discount of Pinklao Tower A and Tower B.
- Rental income from hotel totaled Baht 378.4 million, divided into the fixed rent of Baht 252.3 million and the variable rent of Baht 126.1 million, an increase of 45.7%yoy as CPNREIT received the full rental income comparing to the previous year then CPNREIT waived the fixed rent in 1Q22 to the sublessee due to the COVID-19 pandemic and CPNREIT received some variable rent only.
- Other income was Baht 24.7 million, increased by 44.8%yoy mainly resulting from sponsorship for marketing events. Interest income was Baht 24.1 million, increased by 295.2%yoy resulting from rising interest rate and higher portion of fixed deposits at banks.

Expense

In 2023, CPNREIT reported total expense of Baht 1,901.6 million, increased by Baht 144.6 million or 8.2%yoy, comprising of:

- The cost of rental and service totaling Baht 367.0 million, increased by 12.0%yoy, mainly from higher electricity cost from the increase of the fuel tariff (FT) rate and units used as well as the increase of personnel expense in relation to business recovery.
- Other expenses were Baht 160.9 million, increased by 41.4%yoy, mainly from the advertising and promotion expense of shopping malls.
- Property management fee was Baht 518.8 million, increased by 4.9%yoy, from the increase of rental collection fee from higher rental and service income as well as the increase of incentive fee from higher net property income.
- Management fee was Baht 159.4 million, same level as last year and Trustee fee was Baht 22.9 million, decreased by 19.6%yoy resulting from the decrease of fair value of investment in leasehold properties (excluding value of Central Rama 2-renewal period).
- Interest expense was Baht 667.1 million, increased by 6.7%yoy due to higher interest rate following the rising interest rate environment.

Net profit on investments

In 2023, CPNREIT reported net profit on investments of Baht 3,936.0 million, increased by Baht 660.1 million or 20.1%yoy, driven mainly from the decrease of rental discount, the increase of rental income from hotel business, and the increase of income from common areas and rental income from turnover rent.

Balance Sheet Movement

As of 31 December 2023, CPNREIT reported total assets of Baht 81,367.0 million, increased by Baht 1,050.2 million or 1.3% from total assets as at the end of 2022. This is mainly attributable to:

- 1) Investment in leasehold properties at fair value amounting to Baht 77,018.9 million, increased by Baht 715.4 million or 0.9% from the increase of valuation of leasehold investment in Central Rama 2 and Central Rama 3 from remaining leasehold period, while the valuation of leasehold investment in Central Pinklao and Central Marina decreased from the remaining leasehold period and the performance respectively.
- 2) Investment in securities totaled Baht 2,757.1 million, increased by 1,883.2 million or 215.5%, and cash equivalents totaled Baht 962.5 million, decreased by Baht 1,079.3 million, or 52.9%, resulting from liquidity management by investing cash in fixed deposit account.
- 3) Rental and service receivables totaling Baht 373.9 million, decreased by 44.3%, comprising of the accounting record on a straight-line basis of Baht 206.6 million and the receivables from the delay of rental payment of Baht 167.3 million, decreased by 58.6% from the payment of the postponed rental income from hotel totaling Baht 228.3 million.
- 4) Receivable from the Revenue Department totaling Baht 85.7 million, decreased by Baht 170.5 million or 66.6% from VAT credit to be used in the following months.

Total liabilities were Baht 47,908.2 million, decreased by Baht 170.5 million or 66.6% from the end of 2022.

- 1) Lease liability of Central Rama 2 totaling Baht 22,205.1 million, increased by Baht 1,160.1 million due to the growth of interest expense of lease liabilities recorded under TFRS 16, which was non-cash item.
- 2) Borrowing totaled Baht 4,664.8 million, decreased by 1,011.7 million or 17.8% from loan repayment.
- 3) Debentures totaled Baht 17,430.9 million, increased by 0.6% due to the issuance of debenture amounting Baht 1,900 million for loan and bond repayment.
- 4) Accrued expenses totaled Baht 694.4 million, increased by Baht 138.6 million or 24.9%, from accrued expense for renovation of Central Pattaya.
- 5) Rental received in advance totaled Baht 538.4 million, increased by Baht 514.1 million, from the rental income from Unilever Thai Trading Co., Ltd. due to the office space reduction.
- 6) Provision for decommissioning of Central Lampang project declined by Baht 81.4 million, or 87.6%, due to the change of conditions in the land lease agreement.

As at 31 December 2023, Net Asset Value ("NAV") was recorded at Baht 33,458.9 million or Baht 13.0289 per unit, increased from Baht 12.9582 per unit as of 31 December 2022.

Interest bearing debt (excluding lease liabilities) to total assets equaled to 27.2%.

FINANCIAL SUMMARY

Table 2: Statement of comprehensive income

Unit: Baht Million	2023	2022	Change YoY
<i>Property income</i>	5,752.7	4,880.6	17.9%
Rental and service income	5,728.0	4,863.6	17.8%
Rental and service income (excluded TFRS16 impact)	5,788.8	5,009.8	15.5%
Other income	24.7	17.1	44.8%
Interest income	24.1	6.1	295.2%
Total income	5,776.8	4,886.7	18.2%
Total income (excluded TFRS16 impact)	5,837.5	5,032.9	16.0%
<i>Property expenses</i>	1,046.8	936.1	11.8%
Cost of rental and service	367.0	327.6	12.0%
Other expenses	160.9	113.8	41.4%
Property management fee	518.8	494.7	4.9%
Interest expense	667.1	624.9	6.7%
Interest on lease liability	1,832.6	1,736.5	5.5%
Adjusted finance cost in accordance with lease agreements	(140.9)	-	(100.0%)
Management fee	159.4	162.4	(1.9%)
Trustee fee	22.9	28.5	(19.6%)
Registrar fee	4.1	3.7	10.7%
Professional fee	1.3	1.3	(0.0%)
Total expense	3,593.3	3,493.4	2.9%
Total expense (excluded TFRS16 impact)	1,901.6	1,757.0	8.2%
Net profit on investments	2,183.5	1,393.3	56.7%
Net profit on investments (excluded TFRS16 impact)	3,936.0	3,275.9	20.1%
Net gain (loss) on investments	(0.7)	(3.1)	77.2%
Net gain (loss) on change in fair value of investments	527.0	721.0	(26.9%)
Adjusted net gain on change in fair value of investments in accordance with lease agreements	525.3	0.0	100.0%
Net increase (decrease) in net assets from operations	3,235.1	2,111.2	53.2%
Net increase (decrease) in net assets from operations (excluded TFRS16 impact)	4,462.2	3,993.8	11.7%
Distribution	2,699.0	2,111.2	27.8%
Distribution per unit (in Baht)	1.0510	0.8221	27.8%
Capital reduction	192.6	808.4	(76.2%)
Capital reduction per unit (in Baht)	0.0750	0.3148	(76.2%)
Net property income margin (excluded TFRS16 impact)	81.9%	81.3%	0.6%
Net profit on investments margin (excluded TFRS16 impact)	68.0%	65.4%	2.6%

Table 3: Statement of financial position

Unit: Baht Million	Change		
	31-Dec-22	31-Dec-23	YTD
<i>Investment in leasehold properties</i>			
Central Rama 2	27,168.5	28,591.9	5.2%
Central Rama 3	13,099.0	13,824.0	5.5%
Central Pinklao and Offices	2,184.0	1,050.0	(51.9%)
Central Chiangmai Airport	10,439.0	10,549.0	1.1%
Central Pattaya	7,474.0	7,437.0	(0.5%)
Hilton Pattaya	3,790.0	3,767.0	(0.6%)
The Ninth Towers	5,921.0	5,920.0	(0.0%)
Unilever House	1,361.0	1,245.0	(8.5%)
Central Marina	1,904.0	1,703.0	(10.6%)
Central Lampang	2,963.0	2,932.0	(1.0%)
Total investment in leasehold properties	76,303.5	77,018.9	0.9%
Investment in securities	873.9	2,757.1	215.5%
Cash equivalents	2,041.8	962.5	(52.9%)
Accrued rental and service receivables	671.5	373.9	(44.3%)
Receivable from the Revenue Department	256.2	85.7	(66.6%)
Other assets	169.9	169.0	(0.6%)
Total assets	80,316.8	81,367.0	1.3%
Deposits received from customers	1,772.3	1,810.5	2.2%
Lease liability	21,044.9	22,205.1	5.5%
Borrowings	5,676.5	4,664.8	(17.8%)
Debentures	17,324.9	17,430.9	0.6%
Accrued expenses	555.8	694.4	24.9%
Rent received in advance	24.3	538.4	2118.4%
Provision for decommissioning	92.9	11.5	(87.6%)
Other liabilities	548.1	552.7	0.8%
Total liabilities	47,039.6	47,908.2	1.8%
Net Assets	33,277.2	33,458.9	0.5%
Capital received from unitholders	30,919.6	30,061.1	(2.8%)
Capital surplus	2,201.4	2,201.4	0.0%
Retained earning (deficit)	156.1	1,196.3	666.4%
NAV per unit (in Baht)	12.9582	13.0289	0.5%