

Central Pattana Public Company Limited

Management's Discussion and Analysis

Consolidated Financial Results: 1Q09

Overall Performance

Central Pattana Public Company Limited ("CPN") reported its three-month consolidated total revenues (rental & service income and food & beverage sales) of 2,598.1 MB, shown a growth of 24.3% y-o-y, mainly from the openings of CentralPlaza Chaengwattana in November 2008 and CentralFestival Pattaya Beach in January 2009. Operating profit registered 871.6 MB, gained 6.3% y-o-y while net profit slightly declined by 2.3% y-o-y to 603.2 MB as there was a capitalization of interest payment in 1Q08 in addition to the lower margin at the initial stage of the two new projects.

On a q-o-q basis, 1Q09 consolidated total revenue increased by 17.3% q-o-q, mainly from a full quarter revenue contribution from CentralPlaza Chaengwattana and an additional income from CentralFestival Pattaya Beach. Similarly, consolidated operating profit and net profit gained by 38.4% q-o-q and 26.6% q-o-q, respectively, primarily from increased revenues and lower personnel and marketing & promotion expenses.

As for operational front, total equity owned leasable area increased by 19.4% y-o-y and 9.8% q-o-q to 854,812 sqm after the openings of CentralPlaza Chaengwattana (66,939 sqm), CentralFestival Pattaya Beach (54,793 sqm) and the office building (19,530 sqm) at CentralPlaza Chaengwattana Project. Occupancy rate of retail space in 1Q09 averaged 96% while that of the office space stood at 84%, lower than 94% of the preceding quarter, as a result of lower take-up at the new office (opened in March 2009) at CentralPlaza Chaengwattana Project. Effective rental rate for retail space averaged 1,272 Bt/sqm/mth, up 1.3% y-o-y but down 1.0% q-o-q.

2009 is another challenging year for CPN and other business operators. Though unfavorable economy factors and prolong political unrest have adversely affected CPN, on the bright side they also provided us opportunities to acquire land and/or other assets at reasonable prices and low construction cost. After all a key priority of the company is to ensure that cash flow remains steady and is well reserved for under-developing project and any unforeseen liquidity needs.

Table 1: Consolidated Results

Consolidated Result (Bt mil)	1Q08	4Q08	1Q09	YoY % Chg	QoQ % Chg
Rental & service income and F & B sales	2,090.7	2,215.7	2,598.1	24.3%	17.3%
Gross profit	936.6	883.3	1,080.6	15.4%	22.3%
Operating profit	819.9	629.8	871.6	6.3%	38.4%
Net profit	617.4	476.5	603.2	(2.3%)	26.6%
EPS (Bt)	0.28	0.22	0.28	(2.3%)	26.6%

New Developments

In January 2009 – opened CentralFestival Pattaya Beach of 54,793-sqm leasable area.

Global recession has negatively impacted CPN on a certain level. The plan to raise fund through CPN Retail Growth Property Fund ("CPNRF") has to be delayed; hence, expansions have been funded through internal cash flow and debts. In regard to these unfavorable sentiments which are viewed as short-to-medium-term adversary, CPN's long-term strategies remain intact. The near-term target of



having 18 projects by 2010 will be prudently executed. Recently, CPN has accomplished the commencements of two new green-field projects – *CentralPlaza Chaengwattana* and *CentralFestival Pattaya Beach* – and an acquisition of *Charoensri Complex* in Udonthani Province (Northeast of Thailand).

CentralFestival Pattaya Beach commenced its operation at the beginning of 1Q09. The mixed-use development comprises of a shopping mall with an occupancy rate of 88% and a 300-room hotel which is currently under construction. Shopping mall performance was recognized within this quarter while that of the hotel business will be realized once commercialize in 3Q 2010.

In March 2009 – opened the Chaengwattana's office of 19,530-sqm leasable area.

In late 1Q09, CPN launched an office building at its *CentralPlaza Chaengwattana* Project. The office offers approximately 19,530 sqm of leasable area, of which 8% were occupied and the other 12% were leased out. Due to its nature of being an office property, which normally takes approximately 2 years for a building to reach its 80% occupancy rate; hence, low take-up rate of the *Chaengwattana's* office at its initial stage is considered normal.

In April 2009, CPN acquired *Charoensri Complex*, a mixed-use development of shopping plaza of approximately 49,000-sqm leasable area (occupancy rate of 99%) and a 255-room hotel (average occupancy rate of 80%). Operating results of the property will be recognized starting in the second quarter of this year.

As for the other three under-developing projects – *CentralPlaza Chonburi*, *CentralPlaza Khon Kaen*, and *CentralPlaza Rama IX* – construction is progressing as per schedule. The funding came from internal cash flow and long-term bank loans. Thanks to the company's strong track record and its A+ credit rating, CPN has secured long-term loans from banks with credit line of totaling 8,000 MB. (**Please refer to session: "Capital Structure" for more details*)

Operational Performance Summary

Number of project reached 13 with an increase in leasable area of 15.6% y-o-y.

As at March 31, 2009, CPN managed 13 projects with a leaseable area of 980,498 sqm (up 15.6% y-o-y and 7.5% q-o-q) in total which includes 810,313 sqm of retail space, 163,812 sqm of office space, and another 6,373 sqm of residential space. The above mentioned retail space consists of 684,627 sqm of equity owned retail space. The remaining 125,686 sqm of *CentralPlaza Rama 2* and *CentralPlaza Ratchada-Rama 3* are owned by CPNRF, which CPN acts as a Property Manager.

96% occupancy rate of retail space.

In 1Q09, occupancy rate for CPN's retail malls averaged 96%, compared to 95% and 97% in 1Q08 and 4Q08, respectively. Occupancy rate of *CentralWorld*, the largest property of CPN, has increased from 90% in 1Q08 to 97% in this quarter after the opening of an anchor "CenterPoint" late last year. Meanwhile, occupancy rates for the newly opened *CentralPlaza Chaengwattana* and *CentralFestival Pattaya Beach* in 1Q09 stood at 92% and 88%, respectively.

Effective same store rental rate up 2.5% y-o-y.

Effective rental rate of retail space averaged 1,272 Bt/sqm/mth, up 1.3% y-o-y and down 1.0% q-o-q. For comparative purpose, excluding those of the newly opened centers, effective rental rate averaged 1,287 Bt/sqm/mth, up 2.5% y-o-y and down 0.3% q-o-q. These were mainly a result of lower rental rate of new leases at *CentralPlaza Lardprao* upon approaching its major renovation. This rental rate is inclusive of special rental discounts given to groups of tenants at *CentralWorld* and the two new projects during their initial stages.



84% take-up rate of office space

Occupancy rate for CPN's offices averaged 84%, declined from 96% in 1Q08 and 94% in 4Q08. This is mainly due to low take-up rate at the initial stage of the new Chaengwattana's office (opened in March 2009), which stood at 8% as at 1Q09. The remaining space is expected to be leased out by 2011.

Table 2: Operation Statistics

Retail Shopping Centers	Net Leaseable Area (Sqm.)	Occupancy Rate (%)		
		1Q08	4Q08	1Q09
Ladprao	55,531	99%	97%	97%
Ramindra	17,159	98%	100%	99%
Pinklao	55,824	91%	98%	97%
Pattaya Center	15,225	100%	100%	100%
Ratchada-Rama3	18,192	100%	100%	99%
Chiangmai	76,108	99%	99%	99%
Bangna	57,435	99%	98%	98%
Rama2	5,937	100%	100%	100%
Rattanaithibet	76,892	99%	98%	98%
CentralWorld	184,592	90%	97%	97%
Chaengwattana	66,939	n/a	91%	92%
Pattaya Beach Festival	54,793	n/a	n/a	88%
Total	684,627	95%	97%	96%

Offices	Net Leaseable Area (Sqm.)	Occupancy Rate (%)		
		1Q08	4Q08	1Q09
Ladprao	17,719	95%	97%	97%
Pinklao A	22,426	94%	85%	92%
Pinklao B	11,334	90%	92%	92%
Bangna	10,007	100%	97%	92%
CentralWorld	82,796	97%	96%	95%
Chaengwattana	19,530	n/a	n/a	8%
Total	163,812	96%	94%	84%

Financial Performance Summary

Total Revenue

Total revenues grew 24.3% y-o-y from the new projects.

In 1Q09 consolidated total revenue from rental & service and food & beverage showed a strong growth of 24.3% y-o-y to 2,598.1 MB. Rental & service income grew 23.0% y-o-y to 2,451.0 MB while food & beverage sales increased 51.3% y-o-y to 147.0 MB. The key drivers remained CentralWorld which posted a continuously strong performance in addition to the contributions of CentralPlaza Chaengwattana and CentralFestival Pattaya Beach.

Compared to the previous quarter, total revenue increased by 17.3%. Rental & service income grew 17.2%, mainly due to the full quarter contribution of CentralPlaza Chaengwattana and the additional income from CentralFestival Pattaya Beach. Similarly, food & beverage sales increased 18.2% q-o-q primarily from the new food centers ("Food Park") at CentralPlaza Chaengwattana and CentralFestival Pattaya Beach.



Total Cost

Total cost increased by 31.5% y-o-y from depreciation expenses of the new projects and higher new sub-lease payment of CentralPlaza Lardprao Project.

Total cost of rental & service and food & beverage includes utilities, depreciation and amortization of rented properties, on-site personnel, repair & maintenance and property tax. In 1Q09, consolidated total cost of rental & service and food & beverage registered 1,517.5 MB, up 31.5% y-o-y and 13.9% q-o-q, mainly as a result of additional depreciation & amortization expenses of the new projects in addition to a higher sub-lease payment of CentralPlaza Lardprao after a renewal of its sub-lease agreement.

Total Operating and Administration Expenses

Operating & administration expenses was up 43.9% y-o-y, mainly from advertising & promotion spending at the new malls.

Total operating and administration expenses include expenses on personnel, marketing and promotion, office supplies, professional fees, depreciation and amortization expenses of office equipments. In 1Q09, total operating and administration expenses stood at 410.6 MB, up 43.9% y-o-y, reflected higher advertising and promotion spending for marketing activities during and after the openings of CentralPlaza Chaengwattana and CentralFestival Pattaya Beach. Personal expense was also higher following an increase in the number of employees to support business expansion.

Compared to the previous quarter, total operating and administration expenses decreased 21.0%, as there were significant marketing & promotion spending for Christmas and New Year celebrations and extra personnel expenses, or annual bonus, in 4Q08.

For 2009, CPN's marketing & promotion expenses were managed through top-line driven basis with a 5.0% budget of total revenues. For 1Q09, excluding the one-time spending for the grand opening of CentralFestival Pattaya Beach, the expenses were 3.5% of total revenue.

Net Profit

Net profit declined 2.3% y-o-y on lower margin at the initial stage of the new malls

CPN reported 1Q09 consolidated net profit of 603.2 MB, declined by 2.3% y-o-y, reflected higher financial charges upon issuing more debts to support business expansion and lower margin at the initial stage of the newly opened CentralPlaza Chaengwattana and CentralFestival Pattaya Beach.

Compared to the preceding quarter, 1Q09 net profit showed a gain of 26.6%, mainly due to higher revenues in addition to lower marketing & promotion spending and personnel expenses as previously mentioned.

Table 3: Profitability Ratios

Profitability Ratios	1Q08	4Q08	1Q09	FY08
Profitability ratio				
Gross profit margin (%)	41.9%	36.4%	39.2%	39.8%
Operating profit margin (%)	30.7%	18.7%	24.3%	26.2%
Net profit margin (%)	26.4%	18.3%	20.9%	22.2%
Return on equity (%)	18.5%	13.4%	16.3%	15.9%



Financial Position as at March 31, 2009

Assets

As at March 31, 2009, consolidated total assets registered 46,360.7 MB. Cash & cash equivalents and current investments amounted to 2,787.0 MB, decreased by 889.7 MB from that as at the end of FY2008, mainly due to construction payment of combined projects and debt repayment as per schedule. Property and equipment including leasehold rights increased by 3,439.4 MB, or 9.8% from that as at the end of FY2008, primarily attributed to a recognition of the up-front payment paid for the leasehold rights of CentraPlaza Lardprao after the renewal of sub-lease agreement and construction in progress of CentralFestival Pattaya Beach, CentraPlaza Chouburi, CentraPlaza Khon Kaen and CentralWorld.

Liabilities

Consolidated total liabilities stood at 30,586.7 MB, increased by 6.9% from that as at the end of FY2008. During 1Q09, CPN repaid 2,205.2 MB of loans and raised 1,920.0 MB of new debts. These contributed to a decrease in interest-bearing debt of 1.7% compared to that at the end of FY2008.

Shareholders' Equity

Consolidated total shareholders' equity registered 15,774.0 MB with total retained earnings of 10,910.4 MB, increased by 603.2 MB or 5.9% from that as at the end of FY2008, mainly from the 1Q09 net profit.

Table 4: Financial Position

Balance Sheet (Bt mil)	1Q08	4Q08	1Q09	% Change from FY08
Total Assets	37,119.2	43,783.8	46,360.7	5.9%
Total Liabilities	22,768.1	28,610.5	30,586.7	6.9%
Interest-Bearing Debts	11,789.8	16,445.1	16,160.0	(1.7%)
Shareholder's Equity	14,351.1	15,173.3	15,774.0	4.0%
Retained earnings	9,457.7	10,307.2	10,910.4	5.9%

Capital Structure

Net debt to equity remained at 0.8x.

As at March 31, 2009, total liabilities represented 66% of total assets. During 1Q09, CPN repaid loans totaling 2,205.2 MB and raised 1,920.0 MB of new debts (1,000-MB of 7-year bank loan at MLR-2.0% pa. and 920-MB short-term loan). These contributed to a decrease in interest-bearing debt of 1.7% to 16,160.0 MB. Net interest-bearing debt to equity stood at 0.8x, relatively unchanged from that as at the end of FY2008.

Weighted average cost of debt stood at 4.8% p.a., down 40 bps from that of FY2008.

CPN has secured 7-year bank loans (covering grace period of 2 years) with credit lines of 8,000 MB in total bearing interest rate of MLR-2.0% p.a. and pledged land, leasehold rights to land, and buildings of certain under-developing projects as collateral. As of March 31, 2009 outstanding loans was 3,500 MB.

As at March 31, 2009, interest-bearing debt comprising of 53% fixed and 47% floating interest rate with a weighted average cost of debt of 4.8% per annum, compared to 5.2% of FY2008.



Table 5: Key Financial Ratios

Key Financial Ratios	1Q08	4Q08	1Q09	FY08
Liquidity ratio				
Current ratio (times)	0.9	0.6	0.5	0.8
Quick ratio (times)	0.8	0.5	0.4	0.7
Cash generate from operation ratio(times)	0.5	0.6	0.6	0.6
Days account receivable (days)	16.2	19.0	17.8	17.8
Efficiency ratio				
Return on assets (%)	6.6%	4.6%	5.4%	5.4%
Return on fixed assets (%)	8.5%	6.0%	6.6%	6.9%
Assets turnover (times)	0.2	0.2	0.2	0.2
Financial policy ratio				
Obligation Recovery Service ¹ (times)	0.5	0.4	0.4	0.4
Net debt to equity (times)	0.6	0.8	0.8	0.8
Interest coverage ¹ (times)	5.7	6.7	6.7	7.2

Note: ¹ Cash generated from operation excludes cash payment of endorsed promissory notes