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### Performance Overview

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Business activities in 1Q14 had the impact from the political situation, led to more caution on the consumption and investment of households and businesses including the contraction of tourism. However, after the improvement in political situation in March, retail and food entrepreneurs resumed launching new marketing campaigns and focused more on the markets in provincial areas with high potential to compensate sales drop in the city. Tourism sector has improved after the revocation of the Emergency Decree. Income for non-rice farmers has expanded subsequently to the increased output. Merchandise exports have recovered following gradual pickup in the global economy and the penetration into new international markets.

While the overall situations this year was expanding at a slower rate, Central Pattana Public Company Limited ("CPN") maintained healthy performances, demonstrating growth, and continuing to expand its business according to the strategic plan. In 1Q14, CPN accomplished its expansion plan with the launch of CentralFestival Samui.

*1Q14 total revenues of 5,634 MB, up by 8% y-o-y with a 3% y-o-y growth in recurring net profit to 1,710 MB.*

*1Q14 total revenues were down 3% q-o-q with an increase of 18% q-o-q in normal net profit. (excluding a onetime income of 377 MB in 4Q13)*

FY 1Q14, CPN recorded consolidated total revenues of 5,634 MB, up 8% y-o-y as a result of the contribution of the newly opened projects in 2013; net profit of 1,710 MB, up 3% y-o-y. The results included the impact of political protest at some points in Bangkok area for the first 2 months that had on the tenants, specifically at CentralWorld so that the company had given some trade discounts to help relieve the financial burden of the tenants. If excluded such discounts given out for the first 2 months in 2014 together with backdated service income and the raise of service income charged from tenants in 1Q13, the company would have reported the revenue and net profit growth of approximately 17% and 27% respectively.

Compared to the preceding quarter, the company saw a drop in total revenue and net profit of 9% and 2% respectively. Note that 4Q13 financial results incorporated the following non-recurring items:

- A 377-MB income from the reversal of allowance for impairment of assets at CentralPlaza Grand Rama9 incorporated in the 4Q13-other income. *(See notes to the financial statements for the year ended 31 December 2013, Item 28)*

Without the non-recurring items in 4Q13, total revenue should have decreased by 3% q-o-q, owing to the discount given at CentralWorld during political rally near the site. However, 1Q14 net profit should have increased by 18%, contributed by a considerably decrease in SG&A in this quarter.

## Operational Performance

As of March 31, 2014, CPN managed 24 shopping centers (10 projects in Bangkok and 14 in the provinces), 7 office towers, 2 residential properties (totaling 62 units). These include the properties which had been transferred to CPN Retail Growth Leasehold Property Fund ("CPNRF") and CPN Commercial Growth Leasehold Property Fund ("CPNCG"), of which CPN acts as the property manager. In addition, CPN owned 2 hotel properties (totaling 561 guest rooms), but outsourced their managements.

At the end of 1Q14, the occupancy rate for CPN's retail properties remained high at average of 95% even after taking into account a temporary high vacancy during its renovation at CentralPlaza Bangna and the low occupancy rate at the initial stage of the newly launched shopping malls.

Table 1: Operational Statistics

Retail property	Net leaseable area (sqm.)	Occupancy Rate (%)		
		4Q13	1Q13	1Q14
Lardprao	47,779	100%	98%	100%
Ramindra	17,156	100%	99%	99%
Pinklao	57,538	100%	99%	100%
Pattaya Center	15,226	98%	97%	98%
Rama 3	73,081	98%	97%	95%
Chiangmai Airport	54,608	94%	94%	97%
Bangna	59,428	88%	90%	92%
Rama 2	93,628	96%	99%	96%
Rattana Thibet	192,796	100%	100%	95%
CentralWorld	77,238	97%	95%	99%
Chaengwattana	65,864	96%	94%	95%
Pattaya Beach Festival	56,747	95%	96%	96%
Udonthani	40,392	98%	99%	98%
Chonburi	50,077	98%	97%	95%
Khonkaen	71,722	96%	95%	98%
Chiangrai	21,459	100%	100%	95%
Phitsanulok	25,348	100%	99%	98%
Grand Rama 9	59,505	99%	99%	99%
Suratthani	32,413	97%	96%	95%
Lampang	21,567	100%	98%	99%
Ubonratchathani	31,174	100%	n.a.	100%
Chiangmai Festival	65,469	92%	n.a.	93%
Hatyai	66,956	78%	n.a.	78%
Samui	26,921	n.a.	n.a.	87%
<b>Total</b>	<b>1,324,091</b>	<b>96%</b>	<b>96%</b>	<b>95%</b>

Office	Net leaseable area (sqm.)	Occupancy Rate (%)		
		4Q13	1Q13	1Q14
Lardprao	16,250	99%	97%	100%
Pinklao A	22,426	100%	98%	100%
Pinklao B	11,334	95%	94%	95%
Bangna	10,007	93%	98%	96%
CentralWorld	83,040	99%	98%	99%
Chaengwattana	19,936	95%	87%	96%
Grand Rama 9	6,454	100%	95%	99%
<b>Total</b>	<b>169,447</b>	<b>98%</b>	<b>96%</b>	<b>99%</b>

Residential	Net leaseable area (sqm.)	Occupancy Rate (%)		
		4Q13	1Q13	1Q14
Central City Residence Bangna	1,907	43%	48%	43%
Langsuan Colonade	4,466	78%	74%	81%
<b>Total</b>	<b>6,373</b>	<b>68%</b>	<b>67%</b>	<b>70%</b>

Hotel	No. of available (rooms)	Occupancy Rate (%)*		
		4Q13	1Q13	1Q14
Centara Udonthani Hotel	259	63%	71%	65%
Hilton Pattaya Hotel	302	87%	88%	86%
<b>Total</b>	<b>561</b>	<b>76%</b>	<b>81%</b>	<b>77%</b>

\*Occupancy rate of Hotel Business was an average of 3 months (January – March)

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## Financial Performance

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### Total Revenues

#### *Revenues from rent and services*

1Q14 consolidated revenues from rent and services registered 4,793 MB, an 8% y-o-y increase, thanks primarily to the full-quarter realization of three new projects launched in 2013 i.e. CentralPlaza Ubonratchathani, CentralFestival Chiangmai, and CentralFestival Hatyai.

In 1Q14, CPN had given the rental discounts to the tenants at CentralWorld to compensate the shortening of the operating time during political rally near the site. Afterwards the rally around Bangkok had consolidated into one place and the political situation had subsided, the discount was taken away since then.

A q-o-q comparison showed a decrease in revenue of 1%, despite an increase in the rental revenue contributed by the full-quarter realization of CentralFestival Chiangmai and CentralFestival Hatyai. The decrease was mainly caused by the rental discounts given during political unrest at CentralWorld as earlier mentioned.

In 1Q14, the average rental rate of all retail properties was recorded at 1,484 Baht/sqm./mth. whereas the same store average rental rate was up to 1,519 from 1,455 Baht/sqm./mth., or a growth of 4.5% y-o-y.

#### *Revenues from food and beverage*

In 1Q14, the in-mall food court business recorded a 13% y-o-y sales growth to 225 MB, contributed by the new food courts at CentralPlaza Ubonratchathani, CentralFestival Chiangmai, and CentralFestival Hatyai, opened last year.

Compared to the previous quarter, 1Q14 revenue from food and beverage declined by 9% q-o-q because of seasonality after a peak season in 4Q13.

#### *Revenues from hotel operation*

Hotel operations are considered CPN's non-core businesses. In 1Q14, revenues from its 2 hotels amounted to 255 MB, increased by 5% y-o-y and 5% q-o-q mainly from a higher Rev/Par of both hotels, especially at Hilton Pattaya Hotel together with a slightly higher occupancy rate to 77% from 76% last quarter.

## **Total Costs**

### *Costs of rent and services*

Costs of rent and services constituted utilities, security & cleaning services, on-site personnel, land rental, depreciation & amortization, repair & maintenance costs and insurance premium and property tax of properties owned to earn rentals.

In 1Q14, costs of rent and services amounted to 2,466 MB, up 10% y-o-y due to a rise in costs incurred by three newly opened malls in 2013 including CentralFestival Samui which has recently opened in March 2014.

On a q-o-q basis, costs of rent and services decreased by 3% as a main result of a drop in supplies and repair and maintenance costs. Please note that repair and maintenance costs are mostly incurred in the fourth quarter of each year.

### *Costs of food and beverage*

Costs of food and beverage constituted costs of operating in-mall food centers, as well as depreciation and repair & maintenance costs of food center equipment and furniture, and decoration costs.

In 1Q14, costs of food and beverage stood at 177 MB, up 8% y-o-y in line with higher revenue from new food centers in newly opened shopping centers. However, costs of food and beverage decreased 5% q-o-q, in parallel to a decline in revenue after a peak season in 4Q13.

### *Costs of hotel operations*

1Q14 costs of hotel operation rose 3% y-o-y in parallel to higher revenue from hotel operations but decreased 2% q-o-q to 80 MB despite a 5% increase q-o-q in revenue given that the supplies cost was lowered by 4 MB in 1Q14 over the last quarter.

## **Administrative Expenses**

Total administrative expenses constituted expenses on personnel, marketing & promotion, office supplies, professional fees, and depreciation and amortization of office equipment and hotel properties.

Total administrative expenses in 1Q14 stood at 807 MB, a rise of 13% y-o-y mainly from administrative expenses of three newly opened malls including additional personnel expense to cater for business expansion.

Compared to the last quarter, 1Q14 total administrative expenses decreased sharply by 33%, led by

- Lower marketing and sales promotion expenses after holiday seasons in 4Q13.
- High one-off expenses in 4Q13 for the grand opening events of CentralFestival Chiangmai, and CentralFestival Hatyai.

### **Gross Profit Ratio & Operating Profit Ratio**

Gross Profit ratio for 1Q14 was up to 52% from 51% in 4Q13 from efficient cost management, especially hotel business. Operating Profit ratio was up to 37% from 31% in 4Q13 from lower SG&A in this quarter as mentioned earlier.

### **Net Profit**

1Q14 CPN recorded the net profit of 1,710 MB, up 3% y-o-y, thanks mainly to an increase in revenue and the continual rental growth of existing projects together with a favorable decrease of financing costs as a consequence of the repayment of due loans and debentures.

If excluded the non-recurring items of 377 MB from the reversals of provisions for impairments of assets at CentralPlaza Grand Rama 9 in 4Q13, 1Q14 net profit would have increased by 18% q-o-q, owing to lower SG&A from marketing and promotion expenses after holiday season at year end and one-off expenses for the grand opening events of CentralFestival Chiangmai, and CentralFestival Hatyai in 4Q13.

Table 2: Consolidated Results Summary

Consolidated earnings (MB)	1Q13	4Q13	1Q14	% YoY	% QoQ Change
Revenue from rent and services	4,424	4,829	4,793	8%	(1%)
Retail	4,326	4,726	4,691	8%	(1%)
Office	93	98	98	6%	0%
Other supportive businesses	5	5	4	(6%)	(4%)
Revenue from hotel operation	244	244	255	5%	5%
Revenue from food and beverage	200	247	225	13%	(9%)
Other income <sup>(1)</sup>	344	469	361	5%	(23%)
<b>Total revenues</b>	<b>5,211</b>	<b>5,789</b>	<b>5,634</b>	<b>8%</b>	<b>(3%)</b>
Cost of rent and services	2,250	2,552	2,466	10%	(3%)
Retail	2,196	2,492	2,416	10%	(3%)
Office	50	50	46	(7%)	(8%)
Other supportive businesses	4	10	4	(10%)	(63%)
Cost of hotel operation	78	81	80	3%	(2%)
Cost of food and beverage	164	187	177	8%	(5%)
<b>Total costs</b>	<b>2,492</b>	<b>2,821</b>	<b>2,723</b>	<b>9%</b>	<b>(3%)</b>
<b>Operating profit<sup>(1)</sup></b>	<b>2,026</b>	<b>1,783</b>	<b>2,109</b>	<b>4%</b>	<b>18%</b>
<b>Net profit</b>	<b>1,656</b>	<b>1,750</b>	<b>1,710</b>	<b>3%</b>	<b>(2%)</b>
<b>Normalized net profit</b>	<b>1,656</b>	<b>1,373</b>	<b>1,710</b>	<b>3%</b>	<b>25%</b>
<b>EPS (Bt) excluding non-recurring items<sup>(2)</sup></b>	<b>0.37</b>	<b>0.31</b>	<b>0.38</b>	<b>3%</b>	<b>25%</b>

<sup>(1)</sup> Excluding other income from the reversal of allowance for impairment of assets

<sup>(2)</sup> Number of shares used to calculate EPS is 4,488,000,000 shares, which is the number after the par split and the capital increase.

### **New Developments**

Under its 5-year plan, CPN aims to increase its revenues at a compound annual growth rate (CAGR) of 15% per annum through rental increase, continuous asset enhancement, and new project development. CPN targets to grow its portfolio by 10% a year through new developments. In light of Thailand's urbanization, CPN will expand its business in Bangkok & vicinities, and the provinces. In addition, CPN will also study other formats to introduce modern shopping malls to the market as well as overseas markets to sustain growth in the long-term.

### **Domestic Expansion**

Currently, CPN's five new projects are under construction, namely CentralPlaza Salaya (Bangkok suburb), CentralPlaza Rayong (east of Thailand), CentralWestGate (Bangkok suburb), CentralFestival East Ville (Bangkok), and CentralPlaza Nakhonratchasima (northeast of Thailand).

### **Overseas Expansion**

CPN signed a Joint Venture Agreement with I-City Properties SdnBhd (“ICP”), an I-Berhad wholly-owned subsidiary, to establish a joint venture, in which CPN through its local subsidiaries will hold a sixty-percent (60%) stake and ICP will hold a forty-percent (40%) stake. The Joint Venture will develop a RM 580 million (or approximately Baht 5,800 million) regional shopping mall at i-City, Shah Alam, Selangor DarulEhsan, Malaysia.

For the total investment approximately Baht 5,800 million, CPN will use mainly its internal source of cash flows and/or proceeds from future bank loans or issuance of debentures and/or proceeds from future offering of investment units of property funds/REITs.

Table 3: New developments

Location		Project	Progress	Completion	Net Leaseable Area (sqm.)
Domestic	Bangkok and vicinities	CentralPlaza Salaya	Under construction	Third quarter 2014	33,900
		CentralWestGate	Under construction	Second quarter 2015	75,000
		CentralFestival East Ville	Under construction	Fourth quarter 2015	34,500
	Provincial areas	CentralPlaza Rayong	Under construction	Second quarter 2015	33,000
CentralPlaza Nakhonratchasima		Design Phase	Second quarter 2016	55,000	
Overseas	Selangor, Malaysia	Central i-City	Signed the Joint Venture and Shareholders' Agreement	Fourth quarter 2016	89,700

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### **Capital Structure**

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*Net interest-bearing debt to equity 0.45 times.*

As of March 31, 2014, interest-bearing debts stood at 19,787 MB, decreased 22% y-o-y and slightly decreased from the last quarter, comprising 89% fixed and 11% floating interest rate. Net interest-bearing debt to equity ratio stood at 0.45 times, considerably decreased from 0.78 time in 1Q13, mainly from the capital increase in 2Q13 and the maturity of unsecured debentures of 3,200 MB in 2Q13 and 500 MB in 4Q13.

*1Q14 weighted average cost of debt 4.02% p.a.*

Financing costs in 1Q14 amounted to 179 MB, decreased by 17% y-o-y from a decrease in outstanding borrowing and increased 14% q-o-q from accrued interest expense of a 1,500-MB unsecured debenture issued in February 2014. A weighted average cost of debt is 4.02% pa. compared to 4.25% in 4Q13.



Table 4: Financial Position

Financial position (MB)	4Q13	1Q14	% Change
Current assets			
Cash and current investments	1,869	2,279	22%
Other current assets	3,630	3,302	(9%)
Total current assets	5,499	5,581	1%
Non-current assets			
Investment properties <sup>(1)</sup>	53,575	55,017	3%
Leasehold rights	11,457	11,594	1%
Property & equipment (PP&E)	2,353	2,297	(2%)
Other non-current assets	4,655	4,658	0%
Total Non current assets	72,040	73,565	2%
<b>Total assets</b>	<b>77,539</b>	<b>79,146</b>	<b>2%</b>
Current liabilities	15,458	15,703	2%
Non-current liabilities	25,257	24,879	(1%)
<b>Total liabilities</b>	<b>40,715</b>	<b>40,582</b>	<b>(0%)</b>
<b>Total equities</b>	<b>36,824</b>	<b>38,564</b>	<b>5%</b>

<sup>(1)</sup> Investment Properties are booked at cost and depreciated with the straight-line basis over the life of the assets. The estimated fair value is 117,686MB (115,803 MB in December 2013), stated in the disclosure notes to the main financial statement no. 11 under "Investment Properties".