
Performance Overview

Overall economic condition in 2Q14 was on an upward trend from the previous quarter following improvement in political situation and clarity on government policy, which helped restore households and business confidence. Consequently, domestic spending started to recover. In 2Q14, Central Pattana Public Company Limited ("CPN") continued to report good performances, experience a growth in revenue and net profit, and move forward with the business expansion according to strategic plan and target.

On April 23, 2014, CPN formally proceeded with the lease of the properties (partial) in CentralPlaza Chiangmai Airport to the CPNRF, amounted 10,496 MB approximately and has invested in 23.53% of the additional investment units of CPNRF, or 135,593,664 units at a value of Baht 15, for a total of 2,034 MB. This leads CPN to hold in total of 590,521,686 units, and the percentage of investment in CPNRF has changed from 27.80% to 26.69% after the capital increase. Accordingly, CPN had fully collected the lease amount in the same day but has not yet to realize income/gain in 2Q14 given pending discussion with concerned regulators, expected to conclude within 3Q14. The afore-mentioned lease amount received was totally booked under unearned rental and service income. At the same time, revenue from CentralPlaza Chiangmai Airport as part of the lease of its properties (partial) to CPNRF had been transferred to CPNRF since then.

This transaction should strengthen CPN's overall financial position by enhancing its capital base and flexibility to capture more growth opportunities in the future in a bid to maintain our leading position and competitive advantage over our counterparts. Furthermore, partial proceeds would be used to prepay debts and/or to reserve for working capital.

2Q14 total revenues of 5,998 MB, up 17% y-o-y with a 29% y-o-y net profit growth to 1,841 MB.

In 2Q14, CPN's overall financial performance continued to demonstrate a growth, recording consolidated total revenues of 5,998 MB, up 17% y-o-y, despite the absence of revenue from CentralPlaza Chiangmai Airport as part of lease of its properties (partial) to CPNRF. The growth was on the back of continued healthy performance in most of existing projects, contributions from two projects opened at the end of 2013 and one new project opened at the end of 1Q14.

Net profit of 1,841 MB was posted during the quarter, up 29% y-o-y, thanks to higher revenues, efficient cost & administrative expense management reflecting higher gross and operating margins, and lower interest expenses from declining debt obligations reflecting timing of debt repayment and debt prepayment.

2Q14 total revenues were up 6% q-o-q with an 8% q-o-q increase in net profit. Compared to the preceding quarter, CPN reported an increase in revenues and net profit of 6% and 8% respectively, owing to overall improved performance in existing branches in Bangkok & greater Bangkok area as well as those in provinces, the contribution of newly opened project i.e. CentralFestival Samui in late March 2014, increased revenue at CentralWorld after the political tension was cooled down. Nevertheless, normal discounts had been given to tenants in other areas to help them relieve the impact from the uncertainty in political and economic conditions.

While retail business seemed to see a turnaround in 2Q14, the hotel business was likely to slow down from the previous quarter due to the low season, however, it still experienced a growth over prior-year same period.

Operational Performance

As of June 30, 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 2Q14, the occupancy rate for CPN's retail properties remained high at average of 96%. Occupancy at CentralPlaza Bangna with temporarily high vacancy during the renovation currently improved after renovated area had been gradually completed and tenants moved in to operate. Additionally, low occupancy at the initial stage of newly launched malls at CentralFestival Hatyai (opened in 4Q13) and Central Festival Samui (opened in 1Q14) showed an increasing progress as shown in Table 1 below.

Table 1: Operational Statistics

Retail property	Net leaseable area (sqm.)	Occupancy Rate (%)		
		1Q14	2Q13	2Q14
Lardprao	47,779	100%	99%	99%
Ramindra	17,193	99%	100%	98%
Pinklao	57,538	100%	100%	100%
Pattaya Center	15,226	98%	96%	97%
Rama 3	55,775	95%	93%	96%
Chiangmai Airport	76,468	97%	95%	95%
Bangna	59,738	92%	90%	96%
Rama 2	93,718	96%	96%	96%
Rattana Thibet	77,238	95%	100%	99%
CentralWorld	194,340	99%	95%	94%
Chaengwattana	65,864	95%	96%	95%
Pattaya Beach Festival	56,747	96%	98%	95%
Udonthani	72,405	98%	99%	98%
Chonburi	40,394	95%	97%	98%
Khonkaen	50,195	98%	96%	95%
Chiangrai	21,459	95%	98%	98%
Phitsanulok	25,348	98%	99%	98%
Grand Rama 9	59,505	99%	99%	99%
Suratthani	32,279	95%	97%	95%
Lampang	21,567	99%	100%	98%
Ubonratchathani	31,174	100%	99%	98%
Chiangmai Festival	66,451	93%	n.a.	94%
Hatyai	70,702	78%	n.a.	88%
Samui	27,098	87%	n.a.	92%
Total	1,336,201	95%	97%	96%

Office	Net leaseable area (sqm.)	Occupancy Rate (%)		
		1Q14	2Q13	2Q14
Lardprao	16,250	100%	98%	96%
Pinklao A	22,426	100%	100%	98%
Pinklao B	11,334	95%	95%	99%
Bangna	10,007	96%	95%	98%
CentralWorld	83,040	99%	97%	100%
Chaengwattana	19,936	96%	90%	98%
Grand Rama 9	6,454	99%	100%	99%
Total	169,447	99%	97%	99%

Residential	Net leaseable area (sqm.)	Occupancy Rate (%)		
		1Q14	2Q13	2Q14
Central City Residence Bangna	1,907	43%	39%	43%
Langsuan Colonade	4,466	81%	73%	74%
Total	6,373	70%	63%	65%

Hotel	No. of available (rooms)	Occupancy Rate (%)*		
		1Q14	2Q13	2Q14
Centara Udonthani Hotel	259	65%	60%	67%
Hilton Pattaya Hotel	302	86%	85%	76%
Total	561	77%	74%	72%

*Occupancy rate of Hotel Business was an average of 3 months (April - June)

Financial Performance

Total Revenues

Revenues from rent and services

2Q14 consolidated revenues from rent and services increased by 14% y-o-y to 5,052 MB primarily due to

- Full-quarter realization of two new projects launched in 4Q13, namely CentralFestival Chiangmai, and CentralFestival Hatyai.
- Contribution from the newly launched project i.e. CentralFestival Samui in late March 2014
- Revenue from CentralPlaza Chiangmai Airport in amount of 117 MB had been transferred to CPNRF since April 2014 as this was part of the lease of its properties (partial) to CPNRF. If included such revenue, overall revenues from rent and services would grow by 16% y-o-y.

A q-o-q comparison showed a 5% revenue increase, driven by

- Contribution from the newly opened project in Samui, which launched in the end of 1Q14
- Increased contribution from CentralWorld given discounts taken away from tenants in 2Q14 after the Bangkok Shutdown was over and the political tension was relaxed.
- Improved revenues generated by existing malls in Bangkok & greater Bangkok as well as in provinces, offset by decreased revenue from CentralPlaza Chiangmai Airport due to the lease of its properties (partial) to CPNRF since April 2014.

In 2Q14, the average rental rate of all retail properties was recorded at 1,537 Baht/sqm./mth. whereas the same store average rental rate was up to 1,521 from 1,457 Baht/sqm./mth., or a growth of 4.4% y-o-y.

Revenues from food and beverage

In 2Q14, the in-mall food court business recorded a 14% y-o-y sales growth to 253 MB, contributed primarily by the new food courts at CentralFestival Chiangmai, CentralFestival Hatyai, and CentralFestival Samui.

Compared to the previous quarter, 2Q14 revenue from food and beverage rose by 13% q-o-q due to increased revenue mainly from existing food courts in Bangkok and provincial branches and additional revenue from a new food court in CentralFestival Samui, which launched in late 1Q14.

Revenues from hotel operation

Hotel operation, which is CPN's supporting business, reported a 6% y-o-y revenue growth to 214 MB. The growth was mainly driven by higher average

room rate of both hotels together with a 7% occupancy increase at Centara Hotel & Convention Center Udon Thani Hotel, which was partially offset by a 9% occupancy decline at Hilton Pattaya Beach Hotel due to lower number of tourists especially during May and June.

On q-o-q basis, revenues from hotel operation decreased by 16% due to a seasonal effect in the second 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 2Q14, costs of rent and services increased 11% y-o-y to 2,602 MB due to an increase in cost of rent and services and depreciation incurred by CentralFestival Samui which has recently opened in late March 2014 in addition to two new malls opened in 4Q13.

On a q-o-q basis, costs of rent and services increased by 6% mainly as a result of increased electricity cost in the second quarter due to hot temperature in summer, increased repair & maintenance cost and additional cost of rent and services from the opening of CentralFestival Samui.

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 2Q14, costs of food and soared up 18% y-o-y to 201 MB due primarily to the opening of new food centers in three new malls launched in 2013 and 2014.

Compared to the previous quarter, costs of food and beverage increased 13% proportionately to the growth of food & beverage revenue in most of the existing malls. The new food center operation at CentralFestival Samui also added to the costs in the second quarter.

Costs of hotel operations

2Q14 costs of hotel operation posted 74 MB, approximately the same as in the prior-year period in spite of a 6% revenue increase. A q-o-q comparison saw a 7% cost decrease in parallel to lower revenue due to low season.

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 2Q14 recorded at 829 MB, up 5% y-o-y owing mainly to increased personnel and marketing expenses as well as administrative expenses incurred from three newly launched malls.

Compared to the previous quarter, 2Q14 total administrative expenses increased by 3%, led by higher personnel expenses and full-quarter realization of CentralFestival Samui including administrative expenses for the pre-opening of CentralPlaza Salaya to be launched in this August.

Gross Profit Ratio & Operating Profit Ratio

2Q14 Gross Profit ratio increased from 49% in the prior-year period and remained the same as the first quarter at 52%. Operating Profit ratio in 2Q14 was 39% in 2Q14 compared to 37% in the previous quarter as revenue grew at the faster rate than a surge in operating and administrative expenses.

In 2Q14 CPN recorded 157 MB execution fee, under other income item, received from CPNRF in proceeding with the lease of the properties in CentralPlaza Chiangmai Airport. Excluding such fee and other income, gross profit ratio would be 47.9%, up from 46.7% over the prior-year period but marginally down from 48.4% last quarter due to the seasonal effect of hotel business.

Net Profit

2Q14 CPN recorded net profit of 1,841 MB, a 29% increase y-o-y and 8% increase q-o-q, thanks to the increase in recurring revenues from existing projects together with additional revenue generated from newly launched projects, the growth in revenue at higher rate than the rise in operating and administrative expenses, the decline in interest expenses from debt obligations reflecting timing of debt repayment and debt prepayment despite the increase in finance costs associated with asset monetization into CPNRF with the amount of 128 MB posted in 2Q14, which was offset by 157 MB execution fee collected from CPNRF in the same quarter.

Table 2: Consolidated Results Summary

Consolidated earnings (MB)	2Q13	1Q14	2Q14	% YoY	% QoQ
Revenue from rent and services	4,439	4,793	5,052	14%	5%
Retail	4,337	4,691	4,949	14%	6%
Office	96	98	99	3%	1%
Other supportive businesses	5	4	4	(10%)	0%
Revenue from hotel operation	201	255	214	6%	(16%)
Revenue from food and beverage	222	225	253	14%	13%
Other income	254	361	478	89%	32%
Total revenues	5,116	5,634	5,998	17%	6%
Cost of rent and services	2,349	2,466	2,602	11%	6%
Retail	2,296	2,416	2,552	11%	6%
Office	48	46	47	(3%)	0%
Other supportive businesses	5	4	4	(15%)	8%
Cost of hotel operation	74	80	74	0%	(7%)
Cost of food and beverage	170	177	201	18%	13%
Total costs	2,593	2,723	2,877	11%	6%
Operating profit	1,770	2,109	2,317	31%	10%
Normalized net profit	1,427	1,710	1,841	29%	8%
EPS (Bt) excluding non-recurring items⁽¹⁾	0.32	0.38	0.41	29%	8%

⁽¹⁾ Number of shares used to calculate EPS is 4,488,000,000 shares, subsequent to its par split and the capital increase in 2013

Future 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) (recently opened on August 12, 2014), 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: Future developments

Location		Project	Progress	Completion	Net Leaseable Area (sqm.)
Domestic	Bangkok and Greater Bangkok	CentralPlaza Salaya	Construction completed	Third quarter 2014 ⁽¹⁾	33,900
		CentralWestGate	Under construction	Second quarter 2015	75,000
		CentralFestival East Ville	Under construction	Fourth quarter 2015	34,500
	Provinces	CentralPlaza Rayong	Under construction	Second quarter 2015	33,000
		CentralPlaza Nakhonratchasima	Design Phase	Second quarter 2016	55,000
Overseas	Selangor, Malaysia	Central i-City	Design Phase	Second quarter 2017	89,700

⁽¹⁾ Recently launched on August 12, 2014

Capital Structure

Net interest-bearing debt to equity 0.37 times.

As of June 30, 2014, outstanding interest-bearing debts was 16,314 MB, decreased by 25% from prior-year period and decreased 18% from the last quarter, comprising 81% fixed and 19% floating interest rate. Net interest-bearing debt to equity ratio stood at 0.37 times, considerably decreased from 0.52 times in 2Q13 due to the debenture redemption in the amount of 500 MB in 4Q13 and 1,000 MB in 2Q14 and partial loan prepayment.

2Q14 weighted average cost of debt 3.96% p.a.

Finance costs in 2Q14 amounted to 286 MB, increased by 4% y-o-y and 60% q-o-q. The increase in finance costs in spite of the decrease in interest-bearing debts resulted from 128 MB issuance and offering fee associated with asset divestment into CPNRF, booked under this item. Excluding the transaction fee, finance costs in 2Q14 decreased 43% from prior-year period and decreased 12% from the last quarter due to lower interest expenses from debt obligations reflecting timing of debt repayment and partial debt prepayment as mentioned above. A weighted average cost of debt in 2Q14 was 3.96% pa. compared to 4.02% in 1Q14.

On May 12, 2014, TRIS Rating has upgraded the company and the existing senior debenture ratings of Central Pattana PLC to "AA-" from "A+" with "Stable" outlook. The upgrade reflects improvements in CPN's operating and financial performances during the last three years. The "AA-" ratings continue to reflect CPN's leading position in the retail property development industry in Thailand, proven record in managing high-quality shopping centers, reliable cash flow from contract-based rental and service income, and conservative financial policy. The ratings also take into consideration the

large amount of capital expenditures needed for business expansion during 2014-2016. The “stable” outlook reflects the expectation that CPN will continue to sustain its strong operating performance for its shopping center portfolio. Despite pursuing its growth strategy, the company is expected to maintain its financial discipline. The net interest-bearing debt to equity ratio is expected to stay below 1 time in the medium term.

In April 2014, at the 2014 Annual General Meeting of Shareholders, the dividend payment was approved against the 2013 performance outcomes at Baht 0.55 per share for a total of 4,488,000,000 shares, or Baht 2,468,400,000 in dividend payout. Dividend had been paid on May 21, 2014.

Table 4: Financial Position

Financial position (MB)	1Q14	2Q14	% Change
Current assets			
Cash and current investments	2,279	2,182	(4%)
Other current assets	3,302	4,854	47%
Total current assets	5,581	7,036	26%
Non-current assets			
Investment properties ⁽¹⁾	55,017	57,129	4%
Leasehold rights	11,594	11,447	(1%)
Property & equipment (PP&E)	2,297	2,244	(2%)
Other non-current assets	4,658	7,166	54%
Total Non current assets	73,565	77,986	6%
Total assets	79,146	85,022	7%
Current liabilities	15,703	12,590	(20%)
Non-current liabilities	24,879	34,504	39%
Total liabilities	40,582	47,095	16%
Total equities	38,564	37,927	(2%)

⁽¹⁾ Investment Properties are booked at cost and depreciated with the straight-line basis over the life of the assets. The estimated fair value is 121,326 MB (117,686 MB: March 2014), stated in the disclosure notes to the main financial statement no. 11 under “Investment Properties”.