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### Performance Overview

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Economic conditions for the third quarter of 2014<sup>1</sup> demonstrated a positive sign of the recovery of economic activities and expansion in private consumption on the back of increased spending on nondurable items. This was attributable to increasing non-farm households' confidence and income. However, consumer outlays on durable items remained weak. The tourism sector improved gradually thanks to the return of tourist arrivals from Asia, particularly China, on the back of their lessening concerns on the political situation. Nonetheless, the number of foreign tourists remained below its normal trend since many countries still maintained their travel warning advisory levels. This was coupled with softening economic conditions in some countries, especially European countries.

Amid the slow recovery of Thai economy, in 3Q14, Central Pattana Public Company Limited ("CPN") continued to keep growth well in revenue and net profit, and gear strategic plan towards business expansion. In August, CPN successfully launched CentralPlaza Salaya with well-received responses from customers and tenants, reflecting in foot traffic higher than expected. Occupancy at the opening date was 87% then climbing up to 93% in September.

Apart from the business strategy on economic growth, CPN always places great emphasis on the policies in the environmental and social dimension along with those in economic dimension, which support its management strategy to reduce operating expenses, especially the energy cost. Simultaneously, CPN holds on to its principle and realizes its responsibilities for society by taking care of all groups of stakeholders, communities and society. In September 2014, CPN, the first and only Thai company in the real estate sector, has been selected as an index component of 2014 Dow Jones Sustainability Indices Emerging Markets (DJSI Emerging Markets), one of the world's most credible sustainability ratings. As one of the largest 800 companies in emerging market countries by market capitalization, CPN participated in Corporate Sustainability Assessment on economic, environmental and social aspects.

Being included in the Dow Jones Sustainability Indices is an affirmation of CPN's long-term commitment to corporate sustainability, business transparency, social responsibility, innovation, human capital development as well as our endeavor in creating value for society, communities and all stakeholders that in turn will deliver credible and incremental returns to our shareholders in the long run. This widely global recognition is a confirmation of CPN's vision to become the regional player that is determined to demonstrate sustainable growth.

<sup>1</sup> Source: Bank of Thailand

*3Q14 total revenues of 6,057 MB, up 18% y-o-y with a 33% y-o-y net profit growth to 1,935 MB.*

In 3Q14, CPN's overall financial performance continued to see a growth, recording consolidated total revenues of 6,057 MB, up 18% y-o-y. The growth was largely attributable to improved performance of existing projects, contributions from two projects opened at the end of 2013 and two projects opened in March and August 2014 in spite of the absence of revenue from CentralPlaza Chiangmai Airport as part of lease of its properties (partial) to CPNRF.

Net profit of 1,935 MB was recorded during the quarter, up 33% y-o-y, thanks to an increase in total revenues, efficient cost & administrative expense management resulting in maintained gross and operating margins, and effective finance cost management reflecting lower interest expenses owing to partial debt prepayment and issuance of debenture to refinance high-cost borrowings.

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. The afore-mentioned lease amount received was totally booked under unearned rental and service income. Eventually, in 3Q14 it came to a conclusion that such income would be recognized on a straight-line basis throughout the lease period of 30 years according to generally accepted accounting principles given that CPN has the ownership over land and building and entered into 30-year land and building lease contract with the CPNRF. To this end, this should assist the company in realizing revenue consistently each year.

Note that FY2013 and FY2014 financial results incorporated the following non-recurring items:

FY2013:

In 3Q13

- A 91-MB cost from lease back of long-term lease at CentralPlaza Bangna.

FY2014:

In 2Q14

- A 157-MB execution fee received from CPNRF in proceeding with the lease of the properties in CentralPlaza Chiangmai Airport and a 128-MB finance cost associated with asset monetization into CPNRF.

In 3Q14

- 2Q14 revenue and depreciation in amount of 62 MB in connection with the lease of properties in CentralPlaza Chiangmai Airport were recorded in this quarter.

Excluding above non-recurring items, total revenues and net profit would have increased by 17% and 22% y-o-y.

*3Q14 total revenues were up 1% q-o-q with an 5% q-o-q increase in net profit.*

Compared to the preceding quarter, CPN reported an increase in total revenues and net profit of 1% and 5% respectively. Without the non-recurring items, total revenues and net profit would have increased by 3% and 4% respectively. The growth was mainly attributable to overall improved performance in existing branches in Bangkok & greater Bangkok area and in upcountry as well as the contribution of a newly opened project i.e. CentralPlaza Salaya launched in mid-August 2014.

The hotel business in this quarter saw a rise from 2Q with a growth of 3% compared to same period prior year and 3% compared to the preceding quarter.

Food and Beverage business experienced a 17% growth over prior-year same period, contributed by the food courts newly launched in 4Q13 and in 2014, however, down by 2% compared to the previous quarter because of seasonal effect.

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### **Operational Performance**

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As of September 30, 2014, CPN managed 25 shopping centers (11 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 3Q14, the occupancy rate for CPN's retail properties remained high at average of 95%. Occupancy at CentralPlaza Lardprao was temporarily down due to the change of tenants during renewal of expired 3-year contracts. Lower occupancy at CentralPlaza Bangna and CentralPlaza Udonthani stemmed from the change of tenants and it is under way to find new tenants to replace the exited ones.

**Table 1: Operational Statistics**

Retail property	Net leaseable area (sqm.)	Occupancy Rate (%)		
		2Q14	3Q13	3Q14
Lardprao	47,779	99%	100%	97%
Ramindra	17,193	98%	100%	99%
Pinklao	57,538	100%	100%	99%
Pattaya Center	15,226	97%	97%	96%
Rama 3	55,775	96%	97%	95%
Chiangmai Airport	76,639	95%	93%	95%
Bangna	59,791	96%	88%	93%
Rama 2	93,718	96%	95%	96%
Rattathibet	77,238	99%	100%	99%
CentralWorld	194,340	94%	97%	94%
Chaengwattana	65,864	95%	96%	95%
Pattaya Beach Festival	56,747	95%	96%	97%
Udonthani	72,439	98%	98%	95%
Chonburi	40,394	98%	97%	98%
Khonkaen	50,044	95%	96%	95%
Chiangrai	21,459	98%	99%	99%
Phitsanulok	25,368	98%	99%	97%
Grand Rama 9	59,505	99%	99%	99%
Suratthani	32,358	95%	96%	95%
Lampang	21,567	98%	100%	99%
Ubonratchathani	31,174	98%	100%	98%
Chiangmai Festival	67,298	94%	n.a.	93%
Hatyai	70,092	88%	n.a.	88%
Samui	27,489	92%	n.a.	91%
Salaya	38,444	n.a.	n.a.	93%
<b>Total</b>	<b>1,375,478</b>	<b>96%</b>	<b>97%</b>	<b>95%</b>

Office	Net leaseable area (sqm.)	Occupancy Rate (%)		
		2Q14	3Q13	3Q14
Lardprao	16,250	96%	98%	96%
Pinklao A	22,426	98%	100%	97%
Pinklao B	11,334	99%	93%	98%
Bangna	10,007	98%	95%	99%
CentralWorld	83,040	100%	99%	99%
Chaengwattana	19,936	98%	99%	96%
Grand Rama 9	6,454	99%	100%	97%
<b>Total</b>	<b>169,447</b>	<b>99%</b>	<b>98%</b>	<b>98%</b>
Residential	Net leaseable area (sqm.)	Occupancy Rate (%)		
		2Q14	3Q13	3Q14
Central City Residence Bangna	1,907	43%	39%	38%
Langsuan Colonade	4,466	74%	78%	77%
<b>Total</b>	<b>6,373</b>	<b>65%</b>	<b>67%</b>	<b>66%</b>
Hotel	No. of available (rooms)	Occupancy Rate (%)*		
		2Q14	3Q13	3Q14
Centara Udonthani Hotel	259	67%	70%	66%
Hilton Pattaya Hotel	302	76%	87%	81%
<b>Total</b>	<b>561</b>	<b>72%</b>	<b>79%</b>	<b>75%</b>

\*Occupancy rate of Hotel Business was an average of 3 months (July - September)

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## Financial Performance

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### Total Revenues

#### *Revenues from rent and services*

3Q14 consolidated revenues from rent and services increased to 5,290 MB, up 19% y-o-y primarily due to

- Full-quarter realization of two new projects launched in 4Q13, namely CentralFestival Chiangmai, and CentralFestival Hatyai.
- Contributions from the two newly launched projects i.e. CentralFestival Samui in late March 2014 and CentralPlaza Salaya in mid-August 2014.
- In 3Q14, CPN recognized 62-MB revenue for 2Q performance in this quarter for the lease of the properties (partial) in CentralPlaza Chiangmai Airport to the CPNRF since April where CPN had fully collected the lease amount in cash and booked it as unearned rental and service income. In 2Q14, CPN had not yet to realize income/gain given pending discussion with concerned regulators. If excluded such revenue, revenues from rent and services would grow by 18% y-o-y.
- Increased revenue from the revenue recognition for the lease of the properties in Central Plaza Chiangmai Airport to the CPNRF and share of profit from the investment in CPNRF in amount of 87 MB and 49 MB respectively. In addition, CPN had also received the management fee as a property manager from the CPNRF. At the same time, 177-MB revenue from CentralPlaza Chiangmai Airport as part of the lease of its properties (partial) to CPNRF had been transferred to CPNRF in 3Q14.
- Improved revenues generated by existing malls supported by the increase in rental and service rate. However, the occupancy was lower marginally as change of tenants was in progress at CentralPlaza Lardprao, CentralPlaza Bangna and CentralPlaza Udonthani.

A q-o-q comparison showed a 5% revenue increase as a result of

- Contribution from the newly opened project i.e. CentralPlaza Salaya launched in the third quarter.
- Increased revenues generated by existing malls in Bangkok & greater Bangkok and in provinces.
- Increased revenue from the revenue recognition for the lease of the properties in Central Plaza Chiangmai Airport to the CPNRF and share of profit from the investment in CPNRF, offset by decreased revenue from CentralPlaza Chiangmai Airport due to the lease of its properties (partial) to CPNRF since April 2014 as mentioned above. If recorded 62-MB revenue for 2Q performance back in the second quarter for comparison purpose, revenues from rent and services would grow by 2% q-o-q.

Excluding the above new projects and non-recurring income, same store rental and service revenues for 3Q14 increased by 5% y-o-y. In terms of the

average rental rate of all retail properties, this quarter recorded at 1,526 Baht/sqm./mth. whereas the same store average rental rate was up to 1,516 from 1,458 Baht/sqm./mth., or a growth of 4.0% y-o-y.

#### *Revenues from food and beverage*

In 3Q14, the in-mall food court business recorded a 17% y-o-y sales growth to 249 MB, contributed primarily by the food courts at the new malls launched in 4Q13 and in 2014 including good performance at existing malls, especially at CentralPlaza Rama 3, CentralPlaza Rama 2, CentralPlaza Suratthani, and CentralPlaza Ubonratchathani.

Compared to the previous quarter, 3Q14 revenue from food and beverage overall showed a decline of 2% due mainly to the seasonal effect during rainy period.

#### *Revenues from hotel operation*

Hotel operation, which is CPN's supporting business, reported a 3% y-o-y revenue growth to 220 MB. The growth was mainly driven by higher average room rate of both hotels despite a 4% and 6% occupancy decrease at Centara Hotel & Convention Center Udon Thani Hotel and Hilton Pattaya Beach Hotel respectively given lower number of tourist arrival this year.

On q-o-q basis, revenues from hotel operation increased by 3% as occupancy at Hilton Pattaya Beach Hotel edged up to over 80% while slid by 1% at Centara Hotel & Convention Center Udon Thani Hotel in this quarter, in spite of the lower average room rate compared to previous quarter, which was high during Songkran period.

### **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 3Q14, costs of rent and services soared up 15% y-o-y to 2,744 MB due to an increase in cost of rent and services and depreciation incurred by CentralFestival Samui and CentralPlaza Salaya which have recently opened in late March 2014 and mid-August 2014 respectively in addition to two new malls opened in 4Q13.

On a q-o-q basis, costs of rent and services rose by 5% owing mainly to additional cost of rent and services from the opening of CentralPlaza Salaya and increased repair & maintenance cost in general.

3Q14 Gross Profit ratio (excluding other income and non-recurring items) for rental and services business was 47.2%, marginally down from 47.9% over the prior-year period and 47.7% compared to the previous quarter.

#### *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 3Q14, costs of food and beverage surged 18% y-o-y to 220 MB in line with the revenue growth. The cost increase stemmed primarily from the opening of new food centers in four new malls launched in 4Q13 and 2014.

Compared to the previous quarter, overall costs of food and beverage marginally edged up by 0.1% q-o-q. If omitted costs of food and beverage from CentralPlaza Salaya which has recently launched in 3Q14, costs of food and beverage would show a drop of 4% in parallel to the decrease in revenue due to the seasonal effect.

#### *Costs of hotel operations*

3Q14 costs of hotel operation posted 77 MB, up 2% y-o-y against a 3% revenue increase at the same period. A q-o-q comparison saw a 4% cost increase in line with a 3% revenue increase.

### **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 3Q14 recorded at 801 MB, up 8% y-o-y due primarily to administrative expenses incurred from four newly launched malls in 4Q13 and in 2014 including increased personnel and marketing expenses.

Compared to the previous quarter, 3Q14 total administrative expenses shrank by 3%, thanks to the fall in depreciation as some assets have been fully depreciated and in other expenses. Though, marketing expenses increased in this quarter for the publicity on CentralPlaza Salaya.

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

3Q14 Gross Profit ratio (excluding other income and non-recurring items) was 47.2%, minimally down from 47.7% over the prior-year period and 47.9% previous quarter. Operating Profit ratio (excluding non-recurring items) in 3Q14 was 36.6%, up from 36.1% in the same period previous year but down

from 36.8% in the previous quarter. CPN has been capable of maintaining margins at this level by way of revenue improvement and efficient cost management.

### **Net Profit**

3Q14 CPN posted net profit of 1,935 MB, a 33% increase y-o-y and 5% increase q-o-q. If excluded non-recurring items, net profit would be recorded at 1,886 MB, a 22% increase y-o-y and 4% increase q-o-q. The continued growth in net profit was contributable to the increase in recurring revenues from existing projects together with additional revenue generated from newly launched projects, efficient revenue and cost management to maintain margins including the favorable decline in interest expenses from debt obligations reflecting timing of debt repayment and debt prepayment.

Table 2: Consolidated Results Summary

Consolidated earnings (MB)	3Q13	2Q14	3Q14	% YoY	% QoQ
Revenue from rent and services	4,437	5,052	5,290	19%	5%
Retail	4,337	4,949	5,186	20%	5%
Office	95	99	100	5%	1%
Other supportive businesses	5	4	4	(13%)	(9%)
Revenue from hotel operation	214	214	220	3%	3%
Revenue from food and beverage	213	253	249	17%	(2%)
Other income	255	478	297	17%	(38%)
<b>Total revenues</b>	<b>5,119</b>	<b>5,998</b>	<b>6,057</b>	<b>18%</b>	<b>1%</b>
<b>Total revenues excluding non-recurring items</b>	<b>5,119</b>	<b>5,841</b>	<b>5,995</b>	<b>17%</b>	<b>3%</b>
Cost of rent and services	2,390	2,602	2,744	15%	5%
Retail	2,338	2,552	2,693	15%	6%
Office	48	47	47	(3%)	0%
Other supportive businesses	4	4	4	(7%)	0%
Cost of hotel operation	76	74	77	2%	4%
Cost of food and beverage	170	201	201	18%	0%
<b>Total costs</b>	<b>2,636</b>	<b>2,877</b>	<b>3,022</b>	<b>15%</b>	<b>5%</b>
<b>Operating profit</b>	<b>1,766</b>	<b>2,317</b>	<b>2,249</b>	<b>27%</b>	<b>(3%)</b>
<b>Net profit</b>	<b>1,459</b>	<b>1,841</b>	<b>1,935</b>	<b>33%</b>	<b>5%</b>
<b>Normalized net profit</b>	<b>1,551</b>	<b>1,812</b>	<b>1,886</b>	<b>22%</b>	<b>4%</b>
<b>EPS (Bt) excluding non-recurring items<sup>(1)</sup></b>	<b>0.33</b>	<b>0.41</b>	<b>0.42</b>	<b>29%</b>	<b>2%</b>

(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 adding approximately 3 new projects annually. In light of Thailand's urbanization, CPN will expand its business in Bangkok's 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 six new projects are under construction and design phase, namely CentralPlaza Rayong (east of Thailand), CentralWestGate (Bangkok suburb), CentralFestival East Ville (Bangkok), CentralPlaza Nakhonratchasima (northeast of Thailand), CentralPlaza Nakhonsrithammarat (south of Thailand), including new projects recently announced on November 12, 2014 i.e. CentralFestival Phuket (south of Thailand) and the asset enhancement of two existing projects, namely CentralPlaza Pinklao and CentralPlaza Bangna Phase II.

### **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 740 million (or approximately Baht 7,400 million) regional shopping mall at i-City, Shah Alam, Selangor DarulEhsan, Malaysia.

For the total investment approximately Baht 7,400 million, CPN will use mainly its internal source of cash flows and/or proceeds from future bank loans.

Table 3: Future developments

Location		Project	Progress	Completion	Net Leaseable Area (sqm.)
Domestic	Bangkok and Greater Bangkok	CentralWestGate	Under construction	Third 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 Nakhonsrithammarat	Design Phase	Second quarter 2016	26,000
		CentralPlaza Nakhonratchasima	Design Phase	Fourth quarter 2016	55,000
		CentralFestival Phuket	Design Phase	2017	Pending BOD Approval
Overseas	Selangor, Malaysia	Central i-City	Design Phase	Second quarter 2017	89,700

### **Capital Structure**

*Net interest-bearing debt to equity 0.35 times.*

As of September 30, 2014, outstanding interest-bearing debts was 15,534 MB, decreased by 24% from prior-year period and decreased 5% from the last quarter, comprising 83% fixed and 17% floating interest rate. Net interest-bearing debt to equity ratio stood at 0.35 times, considerably decreased from 0.51 times in 3Q13 due to the debenture redemption in the amount of 500 MB in 4Q13 and 1,000 MB in 2Q14 and partial loan prepayment in the amount of 3,500 MB.

*3Q14 weighted average cost of debt 3.95% p.a.*

Finance costs in 3Q14 amounted to 120 MB, decreased by 27% y-o-y from debt repayment and partial debt prepayment and decreased 58% q-o-q from the 128-MB issuance and offering fee associated with asset divestment into CPNRF booked under this item in 2Q14. Excluding the transaction fee, finance costs in 3Q14 decreased 24% 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 3Q14 was 3.95% pa. compared to 3.96% in 2Q14.

Table 4: Financial Position

Financial position (MB)	2Q14	3Q14	% Change
Current assets			
Cash and current investments	2,182	1,482	(32%)
Other current assets	4,854	4,522	(7%)
Total current assets	7,036	6,004	(15%)
Non-current assets			
Investment properties <sup>(1)</sup>	57,129	58,609	3%
Leasehold rights	11,447	12,044	5%
Property & equipment (PP&E)	2,244	2,189	(2%)
Other non-current assets	7,166	7,115	(1%)
Total Non current assets	77,986	79,957	3%
<b>Total assets</b>	<b>85,022</b>	<b>85,961</b>	<b>1%</b>
Current liabilities	12,590	12,703	1%
Non-current liabilities	34,504	33,364	(3%)
<b>Total liabilities</b>	<b>47,095</b>	<b>46,067</b>	<b>(2%)</b>
<b>Total equities</b>	<b>37,927</b>	<b>39,894</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 123,668 MB (121,326 MB: June 2014), stated in the disclosure notes to the main financial statement no. 11 under "Investment Properties".