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### Performance Overview

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Business activities in 1Q15 remained at the same level as the previous quarter despite the fact that fiscal spending increased following the disbursement on purchases of goods and services as well as a continued increase in capital expenditure, particularly for transportation and irrigation. Private consumption was stable. Purchasing power of middle to high income consumers had been steady but they viewed the economic uncertainties still remain, led to their discretionary spending. Consequently, businesses have to adjust their strategy by engaging in promotional campaigns as to maintain their market share. However, the tourism sector was considered to be a main growth driver in this quarter as the number of international tourist arrivals continually increased thanks mainly to Chinese and Malaysian tourists.

Amid the fragility of the ongoing economic recovery and Thailand's lackluster retail sales reported in the first 2 months, Central Pattana Public Company Limited ("CPN") demonstrated continual growth in revenue and net profit, and still carried on its business expansion plan, certainly with due caution.

*Despite slow recovery of economy, in 1Q15 CPN managed to report a 10% total revenues growth to 6,221 MB, and a 26% net profit growth to 2,147 MB.*

In 1Q15, CPN's overall financial performance continued to experience growth, recording consolidated total revenues of 6,221 MB, up 10% y-o-y despite the the absence of revenue from Central Chiangmai Airport as part of lease of its properties (partial) to CPN Retail Growth Leasehold Property Fund ("CPNRF"). The continued growth was primarily attributable to:

- Improved performance of existing projects, especially at CentralWorld, reflecting the efficiency of mall management in initiating strategies to bring target customers into CPN's shopping complexes. Marketing activities had been implemented to reach defined target groups in each catchment area. In this quarter, over 161 events were organized across the country e.g. 7 HD event at CentralFestival Hatyai to create awareness of 7 HD TV channel by using popular TV stars as a magnet to attract mass target, Kid's Day/Dog Show events to bring family target in CentralFestival Chiangmai, etc. In addition, sales promotion campaign targeting tourists with purchasing power has been focused at shopping centers located in tourist destinations to cater for tourism's rebound as to stimulate sales for tenants.
- Contributions from two new projects opened at end-March and mid-August 2014.
- Continuing growth in hotel business, led by increased Revenue per available room (RevPar) at Centara Hotel & Convention Centre Udonthaini and Hilton Pattaya Hotel.

In parallel with maintaining growth in revenue, CPN has highly valued cost and expense management as to continue to deliver growth in net profit. The company implements certain measures to reduce operating costs such as energy and utility conservation measures since they constitute the major component of business costs. Furthermore, CPN also joins in Central group companies in establishing a pooled procurement mechanism, aimed at ensuring a cost efficient & effective procurement process for marketing campaign and supply chain management, and achieving cost saving from economies of scale despite the increased number of marketing activities.

Consequent to above activities and measures, CPN demonstrated its profitability with net profit of 2,147 MB recorded in this quarter, up 26% y-o-y, thanks to the growth in total revenues, efficient cost & administrative expense management resulting in higher gross margin and operating margin, effective finance cost management reflecting lower interest expense as a result of a decrease in debt obligations by ways of debt repayment, partial debt prepayment and new loans with lower interest rate.

Note that FY2014 and FY2015 financial results incorporated the following non-recurring items:

FY2014:

In 4Q14

- A 66 MB income from reversals of provisions for impairments of long-term investment in a related company, namely Siam Retail Development Co., Ltd., incorporated in the 4Q14 under other income. *(See notes to the financial statements for the year ended 31 December 2014, Item 11)*

FY2015:

In 1Q15

- A 134 MB income from reversals of provisions for impairments of land at Khonkaen province incorporated in the 1Q15 under other income. *(See notes to the financial statements for three-month period ended 31 March 2015, Item 10)*

Excluding above non-recurring items, total revenues and net profit would have reported 6,086 MB and 2,013 MB, increased by 8% and 18% y-o-y respectively.

*1Q15 total revenues were up 0.3% with a 18% q-o-q net profit growth.*

Compared to the preceding quarter, CPN reported a 0.3% revenue growth and 18% net profit growth. Excluding above non-recurring items, total revenues would have decreased by 1% but net profit would have increased by 14%, mainly attributable by a significant drop in administrative expenses in this quarter.

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## **Operational Performance**

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As of March 31, 2015, 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 1Q15, the occupancy rate for CPN's retail properties remained high at average of 94%, down 2% from 4Q14 due mainly to temporarily low occupancy at CentralPlaza Pinklao related to the major renovation project. The renovation is intended to increase the competing capacity pursuant to the change in retail market situation as well as to build modern image and to promote attractiveness of the shopping complex. The renovation will be gradually implemented starting from G floor up to 4<sup>th</sup> floor and will carry out about 6 months. However, the shopping complex will normally be opened for operation during the renovation.

Table 1: Operational Statistics

Retail property	Net leaseable area (sqm.)	Occupancy Rate (%)		
		4Q14	1Q14	1Q15
Lardprao	48,148	100%	100%	96%
Ramindra	17,193	100%	99%	98%
Pinklao	57,987	99%	100%	65%
Pattaya Center	15,226	96%	97%	93%
Rama 3	55,666	95%	95%	92%
Chiangmai Airport	76,638	99%	97%	99%
Bangna	61,244	96%	92%	90%
Rama 2	94,058	97%	96%	96%
Rattathibet	77,273	99%	95%	99%
CentralWorld	199,501	94%	99%	96%
Chaengwattana	66,135	94%	95%	93%
Pattaya Beach Festival	57,590	98%	96%	98%
Udonthani	72,625	94%	98%	94%
Chonburi	40,387	98%	95%	97%
Khonkaen	49,988	96%	98%	95%
Chiangrai	22,563	99%	95%	98%
Phitsanulok	26,382	96%	98%	95%
Grand Rama 9	59,677	97%	99%	96%
Suratthani	34,537	95%	95%	93%
Lampang	22,270	100%	99%	98%
Ubonratchathani	32,213	98%	100%	97%
Chiangmai Festival	65,797	93%	93%	93%
Hatyai	69,873	88%	78%	88%
Samui	28,704	91%	87%	92%
Salaya	38,394	94%	n.a.	94%
<b>Total</b>	<b>1,390,068</b>	<b>95%</b>	<b>95%</b>	<b>94%</b>

  

Office	Net leaseable area (sqm.)	Occupancy Rate (%)		
		4Q14	1Q14	1Q15
Lardprao	16,250	94%	100%	94%
Pinklao A	22,426	96%	100%	97%
Pinklao B	11,334	98%	95%	99%
Bangna	10,007	95%	96%	94%
CentralWorld	83,059	99%	99%	99%
Chaengwattana	19,936	97%	96%	97%
Grand Rama 9	6,454	97%	99%	95%
<b>Total</b>	<b>169,466</b>	<b>97%</b>	<b>99%</b>	<b>98%</b>

Residential	Net leaseable area (sqm.)	Occupancy Rate (%)		
		4Q14	1Q14	1Q15
Central City Residence Bangna	1,907	38%	43%	38%
Langsuan Colonade	4,466	59%	81%	57%
<b>Total</b>	<b>6,373</b>	<b>53%</b>	<b>70%</b>	<b>51%</b>

  

Hotel	No. of available (rooms)	Occupancy Rate (%)*		
		4Q14	1Q14	1Q15
Centara Udonthani Hotel	259	64%	65%	67%
Hilton Pattaya Hotel	302	89%	86%	87%
<b>Total</b>	<b>561</b>	<b>78%</b>	<b>77%</b>	<b>78%</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*

1Q15 consolidated revenues from rent and services registered 5,271 MB, up 10% y-o-y primarily due to

- Full-quarter realization of two new projects launched in 2014, namely CentralFestival Samui in March, and CentralPlaza Salaya in August.
- Improved revenues generated by existing malls, especially at CentralWorld (CTW), and lowered trade discounts at CTW compared to the same period last year when the discounts were given to the tenants during political rally near the site.
- Increased revenue from revenue recognition and share of profit from the investment in CPNRF for 1Q15 in amount of 87 MB and 46 MB respectively related to the lease of the properties in CentralPlaza Chiangmai Airport (CMA) to the CPNRF since April 2014, offset by a 164 MB revenue from CMA transferred to CPNRF during the quarter.

A q-o-q comparison showed an increase in revenue of 1% arising from the improved revenue at CentralWorld, CentralFestival Chiangmai, CentralFestival Hatyai and CentralFestival Samui, etc.

Excluding the above new projects in 2014 and revenue at CMA related to the lease of the properties in CMA to the CPNRF since April 2014, same store rental revenues for 1Q15 increased approximately by 7%.

However, the growth was contributable by low revenue base in 2014 from considerable discounts given to tenants at CTW affected by political rally during the period. If added back such discounts for calculation base, same store rental revenue would have increased about 4% y-o-y.

In terms of the average rental rate of all retail properties, this quarter recorded at 1,562 Baht/sqm./mth. whereas same store average rental rate (excluding the new projects launched in 2014) was up to 1,581 Baht/sqm./mth. from 1,484 Baht/sqm./mth., or a growth of 6.5% y-o-y.

However, if using normalized rental rate by averaging 2Q14-4Q14 rental rate at CTW (excluding 1Q14 rental rate which had effects of discounts given during the political rally) as the calculation base, the same store rental rate would have increased about 3% y-o-y.

#### *Revenues from food and beverage*

In 1Q15, the in-mall food court business registered a 0.8% y-o-y revenue decrease to 223 MB despite the contributions from the new food courts at CentralFestival Samui and, CentralPlaza Salaya, opened last year. The marginal decrease stemmed mainly from a decrease in revenue from food and beverage at CentralFestival Pattaya Beach according to fewer number of international tourists.

Compared to the previous quarter, 1Q15 revenue from food and beverage showed a decrease of 10% q-o-q due mainly to seasonal effect after a peak period in 4Q14.

#### *Revenues from hotel operation*

Hotel operation, which is considered CPN's complementary business, reported 268 MB revenue, a 5% y-o-y growth, thanks to higher average room rate and occupancy at both hotels. Hilton Pattaya Hotel enjoyed a 6% y-o-y RevPar growth while Centara Hotel & Convention Centre Udonthani saw an 8% y-o-y RevPar growth.

On a q-o-q basis, revenues from hotel operation decreased marginally by 0.4% due to occupancy down 2% at Hilton Pattaya Hotel to 87% as well as a decline in Food and Beverage revenue at both hotels due to seasonality after the celebrative period at yearend.

### **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 1Q15, costs of rent and services rose 6% y-o-y to 2,602 MB primarily due to an increase in cost of rent and services and depreciation incurred by CentralFestival Samui and CentralPlaza Salaya which opened in end-March and mid-August 2014 respectively.

On a q-o-q basis, costs of rent and services decreased by 4% due mainly to a drop in utilities cost in this quarter, thanks to cool weather helping save energy cost for air-conditioning system, as well as a reduction in repair and maintenance costs from the last 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 1Q15, costs of food and beverage edged up 1% y-o-y to 178 MB in line with the revenue growth. Nevertheless, costs of food and beverage decreased 11% q-o-q, in parallel to a decrease in revenue after a peak period in 4Q14.

#### *Costs of hotel operation*

1Q15 costs of hotel operation soared up 4% y-o-y to 83 MB but at a slower pace than the 5% y-o-y revenue growth in the same period.

A q-o-q comparison saw a minimal 0.03% cost increase due to increased personnel costs at Hilton Pattaya Hotel in this quarter relating to the salary raise and bonus payment for the year.

### **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 1Q15 posted 863 MB, up 7% y-o-y due mainly to administrative expenses incurred from two malls launched in 2014 including increased personnel and marketing expenses following the addition of the company's mall portfolio.

Compared to the previous quarter, 1Q15 total administrative expenses decreased considerably by 30% given high marketing and promotion expenses for events during holiday seasons and high personnel expenses from yearly reserve for staff bonus in the fourth quarter.

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

1Q15 Gross Profit ratio (excluding other income) was 50.3%, up from 48.4% over the prior-year period and 48% in previous quarter. The increase was attributable to efficient cost management in retail and hotel business. Operating Profit ratio (excluding non-recurring items) in 1Q15 was 38.8%, up from 37.4% in the same period previous year and 31.4% in the previous quarter, driven by a decrease in rental discount at CTW and a sharp decrease in administrative expenses as mentioned earlier.

## Net Profit

1Q15 CPN recorded net profit of 2,147 MB, a 26% increase y-o-y and 18% increase q-o-q. If excluded non-recurring items, net profit would be reported at 2,013 MB, a 18% increase y-o-y and 14% increase q-o-q. The continuing growth for CPN's performance was primarily attributable to the following factors:

- The increase in recurring revenues from existing projects
- Additional revenue generated from projects launched in 2014
- Efficient & effective costs and expenses management, witnessed by a slower increase in costs and expenses than revenue growth, translating to higher margins
- Prudent monetary policy resulting in the favourable decrease in interest expenses from debt obligations reflecting timing of debt repayment and partial debt prepayment. Consequently, in this quarter CPN still managed to report continued growth in net profit y-o-y and q-o-q.

Table 2: Consolidated Results Summary

Consolidated earnings (MB)	1Q14	4Q14	1Q15	% YoY Change	% QoQ Change
Revenue from rent and services	4,793	5,239	5,271	10%	1%
Retail	4,691	5,140	5,169	10%	1%
Office	98	95	98	(1%)	3%
Other supportive businesses	4	4	4	(18%)	(8%)
Revenue from hotel operation	255	269	268	5%	(0.4%)
Revenue from food and beverage	225	247	223	(1%)	(10%)
Other income	361	447	459	27%	3%
<b>Total revenues</b>	<b>5,634</b>	<b>6,202</b>	<b>6,221</b>	<b>10%</b>	<b>0.3%</b>
<b>Total revenues excluding non-recurring items</b>	<b>5,634</b>	<b>6,136</b>	<b>6,086</b>	<b>8%</b>	<b>(1%)</b>
Cost of rent and services	2,466	2,710	2,602	6%	(4%)
Retail	2,416	2,658	2,554	6%	(4%)
Office	46	48	45	(3%)	(6%)
Other supportive businesses	4	4	4	(3%)	(8%)
Cost of hotel operation	80	83	83	4%	0.03%
Cost of food and beverage	177	201	178	1%	(11%)
<b>Total costs</b>	<b>2,723</b>	<b>2,994</b>	<b>2,864</b>	<b>5%</b>	<b>(4%)</b>
<b>Operating profit</b>	<b>2,109</b>	<b>1,929</b>	<b>2,367</b>	<b>12%</b>	<b>23%</b>
<b>Net profit</b>	<b>1,710</b>	<b>1,820</b>	<b>2,147</b>	<b>26%</b>	<b>18%</b>
<b>Net profit excluding non-recurring items</b>	<b>1,710</b>	<b>1,767</b>	<b>2,013</b>	<b>18%</b>	<b>14%</b>
<b>EPS (Bt)</b>	<b>0.38</b>	<b>0.41</b>	<b>0.48</b>	<b>26%</b>	<b>18%</b>
<b>EPS (Bt) excluding non-recurring items</b>	<b>0.38</b>	<b>0.39</b>	<b>0.45</b>	<b>18%</b>	<b>14%</b>



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## **New Developments**

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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), CentralPlaza WestGate (Bangkok suburb), CentralFestival East Ville (Bangkok), CentralPlaza Nakhonratchasima (northeast of Thailand), CentralPlaza Nakhon Si Thammarat (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.

Moreover, the resolutions of the 2015 AGM of Central Pattana Public Company Limited, held on April 24, 2015, approved the investment in the certain part of CentralFestival Phuket 1 from connected person (Central Department Store or CDS) with 1,292,938,281 votes, accounted for 98.3% of the shareholders who attended the Meeting and had the right to vote, excluding the votes of shareholders with vested interests. The company will invest in Phuket project on June 1, 2015.

### **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: New developments

	Location	Project	Progress	Completion	Net Leaseable Area (sqm.)
<b>Domestic</b>	<b>Bangkok and Greater Bangkok</b>	CentralPlaza WestGate	Under construction	July 2015	75,000
		CentralFestival East Ville	Under construction	October 2015	34,500
	<b>Provinces</b>	CentralPlaza Rayong	Under construction	27 May 2015	33,000
		CentralFestival Phuket 1	Acquisition in progress	1 June 2015	44,347
		CentralPlaza Nakhon Si Thammarat	Design Phase	Second quarter 2016	26,000
		CentralPlaza Nakhonratchasima	Design Phase	Fourth quarter 2016	55,000
	CentralFestival Phuket 2	Design Phase	2017	63,000	
<b>Overseas</b>	<b>Selangor, Malaysia</b>	CentralPlaza i-City	Applying for Construction Permit	Second quarter 2017	89,700

## Capital Structure

*Net interest-bearing debt to equity 0.28 times.*

As of March 31, 2015, outstanding interest-bearing debts was 15,208 MB, decreased by 23% from prior-year period and decreased 5% from the last quarter, comprising 81% fixed and 19% floating interest rate. Net interest-bearing debt to equity ratio was down to 0.28 times from 0.29 times in 4Q14 owing to a decrease in outstanding loan balance together with an increase in retained earnings. The capital structure with low debt-to-equity ratio would not only provide CPN high flexibility in sourcing funding for future business expansion but also reflect the company's robust financial status.

*1Q15 weighted average cost of debt 3.89% p.a.*

Finance costs in 1Q15 amounted to 96 MB, decreased by 46% y-o-y due to debt repayment and partial debt prepayment as well as issuance of debentures to refinance high-cost borrowings last year. A weighted average cost of debt in 1Q15 stood at 3.89% p.a., same level as in 4Q14.

Table 4: Financial Position

Financial position (MB)	4Q14	1Q15	% Change
Current assets			
Cash and current investments	3,773	2,828	(25%)
Other current assets	3,245	2,704	(17%)
Total current assets	7,018	5,532	(21%)
Non-current assets			
Investment properties <sup>(1)</sup>	60,927	63,421	4%
Leasehold rights	11,795	11,519	(2%)
Property & equipment (PP&E)	2,140	2,074	(3%)
Other non-current assets	7,154	7,171	0%
Total non-current assets	82,017	84,186	3%
<b>Total assets</b>	<b>89,035</b>	<b>89,718</b>	<b>1%</b>
Current liabilities	14,126	13,632	(3%)
Non-current liabilities	33,161	32,135	(3%)
<b>Total liabilities</b>	<b>47,287</b>	<b>45,767</b>	<b>(3%)</b>
<b>Total equity</b>	<b>41,748</b>	<b>43,951</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 130,288 MB (127,663 MB in December 2014), stated in the disclosure notes to the main financial statement no. 10 under "Investment Properties".