

Growth continued both revenue and net profits, attributed to efficient mall management and effective operating costs control

Performance Overview

The Thai economy in 2Q17 continued to expand and recovered at a modest pace, driven by export of goods which showed a high expansion, and the tourism sector which continued to expand. Public spending and private consumption remained to be the main growth drivers. The policy rate remained stable at 1.5%.

Central Pattana Public Company Limited ("The Company" or "CPN") reported 2Q17 consolidated net profit of THB 2,483 mn, up by 8% YoY with total revenues of THB 7,620 mn, grew by 6% YoY. The strong performance was resilient as CPN has continually placed great emphasis on effective revenue generation from new malls, asset enhancement, coupled with efficient operating costs management. Currently, CPN manages 30 shopping malls with the net leasable area (NLA) of 1.6 mn sqm.

2Q17 Major Events

The conversion of CPN Retail Growth Leasehold Property Fund ("CPNRF") into a new Real Estate Investment Trust (REIT)

on 31 May 2017, the Board of Directors has agreed with the conversion of CPNRF into CPN Retail Growth Leasehold REIT ("CPNREIT") and the lease of CentralFestival Pattaya Beach shopping mall (certain parts) and Hilton Pattaya to CPNREIT, detailed as follow

1. The conversion of CPNRF into CPNREIT for the overall interests of all CPNRF unitholders. In addition, the tax incentive of CPNRF unitholders for the personal income tax exemption and the tax incentives of a property fund for exemption of the value added tax, the specific business tax, and the stamp duty due to the conversion of a property fund into a real estate investment trust, as well as the benefits relating to the fee for registration of the conversion of a property fund into a real estate investment trust will be expired on 31 December 2017.
2. The lease of CentralFestival Pattaya Beach shopping mall (certain parts) and Hilton Pattaya to CPNREIT for 20 years, ending 31 August 2037, with the net asset price of THB 11,908 mn.
3. The establishment of CPN REIT Management Company Limited, CPN's subsidiary which has been completely established on 27 June 2017, as the REIT Manager.

In this regard, all matters require the resolution of the CPNRF unitholders' meeting and the approval from the SEC. The registration of the asset lease is expected to be completed within the 4Q17.

The Joint Venture for the Development of Theme Park Project in CentralPhuket

On 31 May 2017, the Board has passed the resolution to approve the entering into the joint venture for the development of theme park project in CentralPhuket through the Joint Venture Company, namely Phenomenon Creation Company Limited, with the registered capital of THB 400 mn. Such project will be operated through the joint venture company between Bangna Central Property Co., Ltd. ("BCP"), the subsidiary that CPN indirectly holds 99.99%, and Rightman Co., Ltd. ("RM"). The shareholding ratio of BCP and RM in the new joint venture company is 51:49. The approximated total investment in this project is THB 550 mn which is the BCP's estimated portion of investment of THB 281 mn

Business expansion toward mixed-use project development

CPN and Dusit Thani Public Company Limited ("DTC") joint-invest in a mixed-use development project including hotel, residence, shopping mall, and office building. The project is located on the corner between Silom Road and Rama 4 Road, Bangkok. CPN's CAPEX plan for this project is set at approximately THB 17,393 mn, which roughly THB 2,408 mn will be invested during 2017-2018 and the remaining investment amount will be allocated throughout the project development period up until 2024.

On 28 June 2017, CPN increased capital for the four joint venture companies between CPN and DTC. CPN will gradually invest in accordance with the progress of project. The final shareholding proportion of CPN will be 40% in hotel, residence and the shopping malls bare shell structures projects, 85% in the shopping mall project, 90% in office building project, and 100% in leasing the office building.

The purchase of shares in Dara Harbour Co., Ltd.

On 14 July 2017, CPN purchases 26 mn shares in Dara Harbour Co., Ltd. held by Property Perfect Public Company Limited ("PF"), equivalent to 65% from the total shares of 40 mn shares for THB 291.75 mn with the purpose to acquire the land sublet right in order to support the business expansion in Si Racha district, Chonburi.

After the transaction, shareholding proportion in Dara Harbour Co., Ltd. will be 65% held by CPN, 30% held by Fatima R.B.D.S. International Co., Ltd., and 5% held by Ascend Development Co., Ltd.

Asset Enhancement Projects

- 1) CentralWorld started a phase-by-phase major renovation since 4Q16 and is expected to be finished in 2Q18. The occupancy rate at the end of 2Q17 was 91%.
- 2) CentralFestival Phuket continues its renovation and strengthens the shopping mall's positioning with new concepts, Food Destination and Public House. Both concepts were finished in 2Q17 with the project's occupancy rate of 94% at the end of 2Q17.
- 3) Minor renovation has been taken place at two shopping malls under

CPNRF, including CentralPlaza Rama 2 (renovated 25% of NLA and expected to be finished in 4Q17) and CentralPlaza Chiangmai Airport (renovated 10% of NLA and expected to be finished in 4Q17). Meanwhile, the major renovation at CentralPlaza Rama 3 will last about 6 months and is expected to be completed in December 2017. The occupancy rate of CentralPlaza Rama 3 at the end of 2Q17 was 70%.

2Q17 Performance

2Q17 total revenues of THB 7,620 mn, up by 6% YoY with an 8% YoY growth in net profit to THB 2,483 mn.

On a YoY basis, CPN reported its 2Q17 consolidated net profit of THB 2,483 mn, up by 8% YoY with total revenues of THB 7,620 mn, grew by 6% YoY. At the end of 2Q17, the occupancy rate for CPN's retail properties remained high at an average of 92%, slightly lower from 93% in 1Q17 from major renovations at CentralWorld and CentralPlaza Rama 3.

In 2Q17, the average rental rate of all retail properties was THB 1,636 per sqm/month. Excluding new malls launched in 2016, CentralPlaza Nakhon Si Thammarat, and asset enhancement projects in 2Q16 and 2Q17 i.e. CentralPlaza Pinklao, CentralMarina, CentralPlaza Rama 3, and CentralWorld, the same store average rental rate of other retail properties grew by 3.8% YoY from THB 1,524 per sqm/month to THB 1,582 per sqm/month. The same store rental growth was primarily driven by the growth of rental rate with lower rental discounts in most projects, especially at CentralPlaza Chiangrai with double-digit rental growth after contract renewal.

Excluding new and renovated projects, same store rental revenues for 2Q17 increased approximately by 3.4% YoY.

Effective costs management resulted in higher Gross Profit ratio. In 2Q17, Gross Profit ratio was 50.1%. The 2Q17 strong performance was attributable to the following factors:

A new mall opened in 2016 – Major revenue growth contribution

On 28 July 2016, CPN launched one new shopping mall, namely CentralPlaza Nakhon Si Thammarat, which is the 30th lifestyle shopping complex of CPN and the first one-stop lifestyle shopping destination in Nakhon Si Thammarat. This project received good response from both customers and tenants with an occupancy rate of 88% at the end of 2Q17.

Asset Enhancement – Continue to create value for shoppers, tenants, and the community to sustain recurring income

- **CentralMarina** (previously known as Central Center Pattaya) was inaugurated in December 2016 after a six-month renovation. Occupancy rate of CentralMarina after the re-launch picked up to

90% at the end of 2Q17.

- **Food Destination Zone**, which incorporating food court, food kiosks, and supermarket in the same area, was added at CentralPlaza Bangna, CentralPlaza Chaengwattana, CentralMarina, and CentralFestival Phuket to draw traffic into shopping malls.

Shopping Mall Operations – Driving organic growth by improving space utilization

The Company focused on marketing communication activities and promotional campaigns, as well as and effectively utilized spaces in shopping malls (i.e. common areas, convention halls, on-site-media, and promotional areas) by continuously rolling out a variety of marketing events in all projects.

Continual effective cost management

The lower operating cost was driven mainly by the well-managed utility costs and CPN's proactive energy savings implementation such as installation of Solar rooftop and innovative utility saving technologies and equipment.

In 2Q17, CPN was able to manage operating costs to continue growing at a considerably slower pace than the growth of revenues. Revenues from rent and services and revenues from hotel operations showed a positive growth of 5% YoY and 6% YoY respectively, whereas its respective cost showed a slower growth of 2% YoY and 5% YoY. Costs of food and beverage were in line with revenues from food and beverage at +15% YoY.

CPN will continue to focus on the implementation of energy savings programs in order to lower costs to total revenues from 2016, though the electricity tariff (Ft tariff) gradually increased since May 2017 with the upward trend expected until the end of 2017.

Well-managed finance cost

CPN was able to lower cost of debt to 2.65% p.a. from 3.24% p.a. in 2Q16, mainly from the use of various financial instruments suitable with money and capital market environment.

On a quarterly basis, CPN reported a 1% QoQ drop in total revenues. This was due to 1) lower revenues from projects under renovation, especially at CentralWorld 2) lower revenues from hotel business during off-peak season 3) Ft tariff started to increase in this quarter 4) higher administrative expenses from the employment of new senior management members to be ready for the future business expansion and higher marketing & promotion expenses to draw higher traffic into shopping malls. As a result, net profit declined 11% QoQ.

1H17 total revenues were THB 15,339 mn, up 6% YoY with an increase of 12% YoY in net profit to THB 5,259 mn.

1H17 performance continued to grow YoY

In 1H17, CPN reported a 6% YoY growth in total revenues and a 12% YoY growth in net profit. Excluding new and renovated projects, same store rental revenues for 1H17 increased approximately by 3.4% YoY.

The resilient performance in 1H17 was due to the continuous growth of shopping mall business from new and renovated projects, and continual strong performance of existing projects such as CentralFestival EastVille and CentralPlaza Westgate.

Robust performance of new, renovated, and existing food courts such as food courts at CentralFestival EastVille and CentralFestival Samui drove revenues from food and beverage to grow 18% YoY.

Both hotels also showed strong performance with 5% YoY growth at Hilton Pattaya Hotel and 11% YoY increase at Centara Hotel & Convention Centre Udonthani ("Centara Udonthani Hotel").

Well-managed financial costs with 42% drop YoY also contributed to the higher net profit.

Effective operating costs management resulted in higher Gross Profit ratio, which increased to 51.0% from 49.4% in 1H16 and higher EBITDA Profit ratio, increased to 56.4% from 55.7% in the same period last year.

Table 1: Operational Statistics

Retail Properties	No. of Projects	Net leaseable area (sqm)	Occupancy Rate (%)		
			2Q16	1Q17	2Q17
CPN in BMA	13	889,934	93%	93%	92%
CPN in Provinces	17	713,817	92%	93%	93%
Total	30	1,603,751	93%	93%	92%

Note: Occupancy rate of CPN and CPNRF

Non-Core Properties	No. of Projects	Net leaseable area (sqm)	Occupancy Rate (%)		
			2Q16	1Q17	2Q17
Office	7	171,589	97%	96%	95%
Residential	1	1,567	37%	21%	21%
Hotel *	2	561 rooms	79%	92%	83%

* Occupancy rate of Hotel Business was an average of occupancy rate in each quarter.

Financial Performance

Total Revenues

Revenues from rent and services

2Q17 consolidated revenues from rent and services increased by 5% YoY to THB 6,518 mn. The increase in revenue was primarily due to:

- Contributions from a new project launched in 2016, CentralPlaza Nakhon Si Thammarat
- Full quarter contributions with healthy performance of renovated projects, including CentralPlaza Pinklao, CentralPlaza Bangna, and CentralMarina
- Resilient performance of existing projects such as CentralFestival EastVille, CentralPlaza Westgate, CentralPlaza Ubonratchathani, CentralPlaza Rayong, CentralPlaza Salaya, and CentralPlaza Suratthani

Revenues from food and beverage

2Q17, the in-mall food court business posted a 15% YoY sales growth to THB 409 mn. The increase was mainly attributed to the new food courts launched in 2016 at CentralPlaza Nakhon Si Thammarat, CentralPlaza Bangna, Central Marina, CentralPlaza Chaengwattana, and a new food court at CentralFestival Phuket launched in this quarter, coupled with an impressive double digit sales growth at a number of projects both in Bangkok and provinces such as CentralFestival Samui, CentralFestival EastVille, and CentralFestival Hadyai.

Revenues from hotel operations

Hotel operations are considered CPN's non-core businesses. Revenue from hotel operations was THB 240 mn, grew 6% YoY, driven mainly by higher average occupancy rate and room rate of both Hilton Pattaya Hotel and Centara Udonthani Hotel. The average occupancy rate of both hotels was 83%, up from 79% in 2Q16. Hilton Pattaya adjusted marketing strategies to attract tourists during off-peak season, while Centara Udonthani Hotel continues to target groups of corporate and government customers.

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.

2Q17, costs of rental and services increased by 2% YoY to THB 3,185 mn.

The cost of rental and services grew at a slower pace than the growth of revenues from rent and services because of the lower security costs and lower utility cost. Utility cost, which was a major component (accounts for 30% of cost of rent and services) for shopping mall operation, decreased 3% YoY, even with a new shopping mall.

On a same-store basis, utility cost decreased 5% YoY, driven mainly by low Ft tariff throughout 2016 and continued to April 2017, coupled with the effectiveness of the continuing energy conservation measures.

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.

2Q17 costs of food and beverage increased by 15% YoY to THB 315 mn, in line with growth of revenues from food and beverage, stemmed primarily from new and renovated food courts launched in 2016 and 2017 as previously mentioned.

Costs of hotel operations

2Q17 costs of hotel operations were THB 78 mn, up 5% YoY, in line with the growth of revenues. Both hotels showed effective cost control in both room and food and beverage management.

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.

2Q17, total administrative expenses amounted to THB 1,197 mn, up 19% YoY mostly due to additional personnel expense and marketing & promotion expenses arising from business expansion.

Gross Profit Ratio & Operating Profit Ratio

2Q17, Gross Profit ratio (excluding other income) increased to 50.1% from 49.0% in 2Q16. The increase was mainly from effective cost management, reflected in higher Gross Profit ratio in all businesses. The Operating Profit ratio was 37.4% down from 37.9% in 2Q16 due to higher administrative expenses, especially from personnel expense and marketing & promotion expenses to support future business expansion.

Net Profit

The consolidated net profit was THB 2,483 mn, increased 8% YoY, mainly contributed by revenue growth of all businesses, effective cost management

resulted in improved gross profit margin, as well as 44% YoY lower interest expense.

Table 2: Consolidated Results Summary

Consolidated Earnings (THB mn)	2Q16	1Q17	2Q17	% Change QoQ (1Q17 vs 2Q17)	% Change YoY (2Q16 vs 2Q17)
Revenue from rent and services	6,218	6,530	6,518	(0%)	5%
Retail	6,049	6,359	6,345	(0%)	5%
Office	169	170	173	2%	3%
Other supportive businesses	0	0	0	0%	(40%)
Revenue from hotel operations	226	293	240	(18%)	6%
Revenue from food and beverage	355	382	409	7%	15%
Other income	399	514	453	(12%)	14%
Total revenues	7,199	7,719	7,620	(1%)	6%
Total revenues excluding non-recurring items	7,199	7,719	7,620	(1%)	6%
Cost of rent and services	3,116	3,073	3,185	4%	2%
Retail	3,046	3,008	3,118	4%	2%
Office	70	65	67	3%	(5%)
Other supportive businesses	0	0	0	(53%)	(53%)
Cost of hotel operation	75	85	78	(8%)	5%
Cost of food and beverage	275	302	315	4%	15%
Total costs	3,466	3,460	3,578	3%	3%
Operating profit	2,732	3,216	2,847	(11%)	4%
Net profit	2,293	2,776	2,483	(11%)	8%
EPS (Bt)	0.51	0.62	0.55	(11%)	8%
Gross Profit Margin (excl. other income)	49%	52%	50%	(2%)	1%
Operating Profit Margin (exc. non-recurring item)	38%	42%	37%	(4%)	(1%)

New Developments

Under its 5-year plan (2017-2021), CPN aims to increase its revenues at a compound annual growth rate (CAGR) of 14-15% per annum through 2-3 new projects a year, asset enhancement projects to add value to existing malls, regular rental increase, and operational improvement.

Retail Property Development

Domestic Expansion

Currently, CPN's three new projects are under construction, namely CentralPlaza Nakhon Ratchasima (northeast), CentralPlaza Mahachai (Suburban BKK), and CentralPhuket (south). While CentralPlaza Nakhon Ratchasima and CentralPlaza Mahachai are scheduled to open in November 2017, CentralPhuket is expected to open at the beginning of 2018.

Two new shopping malls to be launched in 2017 will add NLA of around 85,000 sqm and increase our total NLA to 1.70 mn sqm.

Additionally, there are total five existing projects under renovation, 2

projects of CPN namely CentralWorld (to be completed by 2Q18), CentralFestival Phuket (additional renovation plan under process), and 3 projects under CPNRF i.e. CentralPlaza Rama 3 (to be completed in Dec'17), CentralPlaza Chiangmai Airport (to be completed by 4Q17), and CentralPlaza Rama 2 (to be completed by 4Q17).

Overseas Expansion

CPN has participated in Malaysia's Central i-City project as its pioneering shopping complex abroad, since CPN envisions retail commerce there to be blessed with opportunities and growth potential.

This project is developed by the joint venture, in which CPN through subsidiaries holds a sixty-percent (60%) stake and I-R&D Sdn. Bhd. ("IRD"), an I-Berhad wholly-owned subsidiary, holds a forty-percent (40%) stake. The investment was a RM 830 mn (or approximately THB 8,300 mn). This project is under construction and scheduled to launch in 2018. CPN has secured key anchor tenants including department store, supermarket, and cinema. Retail tenants are now under negotiation.

Residential Property Development

CPN recognized the potential of our mixed-use development of shopping mall complex projects. The company plans to utilize our existing vacant plots of land next to existing shopping mall to add value to our core business. CPN plans to launch about three new residential projects per year.

Presently, three condominiums, adjacent to the Chiangmai, Khonkaen, and Rayong shopping mall, are under construction. The construction progress of all projects was around 50-60% as planned and expected to be ready to transfer from 1Q18. Presales have started since January 2016 and CPN achieved 100% take-up for all three projects at the end of October 2016.

Table 3: New developments

Retail Properties:

Location		Project	Progress	Completion	Net Leaseable Area (sqm)
Domestic	Greater Bangkok	CentralPlaza Mahachai	Under Construction	Nov-17	28,850
	Provinces	CentralPlaza Nakhon Ratchasima	Under Construction	Nov-17	56,000
		CentralPhuket	Under Construction	Feb-18	63,000
Overseas	Selangor, Malaysia	Central i-City	Under Construction	Oct-18	89,700

Residential Properties:

Location	Project	Progress	Completion	Type	Presales	
Domestic	Provinces	ESCENT Chiangmai	Under Construction	1H2018	26-storey Condominium, 400 units	100%
	ESCENT Khonkaen	Under Construction	1H2018	24-storey Condominium, 408 units	100%	
	ESCENT Rayong	Under Construction	1H2018	25-storey Condominium, 419 units	100%	

Capital Structure

As of 30 June 2017, outstanding interest-bearing debts was THB 19,311 mn, comprising of 78% fixed and 22% floating interest rates, decreased by 7% YoY due to scheduled debt repayment and debenture redemption, but increased by 29% QoQ.

Net interest-bearing debt to equity of 0.31 times

Net interest-bearing debt to equity ratio stood at 0.31 times, considerably decreased from 0.38 times previous year due to lower outstanding debt and higher retained earnings, but increased from 0.21 times in 1Q17.

2Q17 weighted average cost of debt 2.65% p.a.

In 2Q17, finance costs amounted to THB 93 mn, decreased by 44% YoY and 15% QoQ. A weighted average cost of debt in 2Q17 was 2.65% per annum, down from 3.24% in 2Q16 and 3.04% in 1Q17.

In April 2017, at the 2017 Annual General Meeting of Shareholders, the dividend payment was approved against the 2016 performance outcomes at THB 0.83 per share to 4,488 mn shares for the total of THB 3,725 mn, thus a dividend rate payout ratio of 40% of the operating net profit for 2016. Dividend was paid on 19 May 2017.

Table 4: Financial Position

Financial Position (THB mn)	End of 2Q16	End of 1Q17	End of 2Q17	% Change QoQ	% Change YoY
Current assets					
Cash and current investments	2,172	3,328	2,205	(34%)	2%
Other current assets	3,339	3,337	4,475	34%	34%
Total current assets	5,511	6,665	6,680	0%	21%
Non-current assets					
Investment properties ⁽¹⁾	75,096	77,304	79,073	2%	5%
Leasehold rights	11,182	10,540	10,268	(3%)	(8%)
Property & equipment (PP&E)	1,817	1,767	1,734	(2%)	(5%)
Other non-current assets	7,993	8,993	10,873	21%	36%
Total non-current assets	96,088	98,603	101,949	3%	6%
Total assets	101,599	105,269	108,628	3%	7%
Current liabilities	16,229	13,127	18,346	40%	13%
Non-current liabilities	36,977	36,335	35,623	(2%)	(4%)
Total liabilities	53,206	49,462	53,969	9%	1%
Total equity	48,393	55,807	54,660	(2%)	13%

⁽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 THB 171,530 mn (THB 167,688 mn in December 2016), stated in the disclosure notes to the main financial statements no. 9 under "Investment Properties".