
Performance Overview

In 3Q16, the Thai economy continued to recover at a gradual pace, driven mainly by 1) government measures to accelerate public investment and government expenditure, 2) continual solid growth of the tourism sector in both revenue and the number of tourist arrivals, despite the southern bombing and measures on zero-dollar tours, 3) slowly improving private consumption supported by government packages and higher agricultural prices of selected farm products, and 4) easing export contraction amid slow global economic recovery.

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

Central Pattana Public Company Limited ("The Company" or "CPN") continued with business operations as planned. Currently, CPN owns and manages 30 shopping malls with a total of 1.6 mn sqm of net leasable area (NLA). The Company has placed great emphasis on effective revenue generation from new, existing, and improving malls, coupled with efficient operating costs and administrative expense management. The occupancy rate of shopping malls remained high at 93%, and the average rental rate was well maintained despite the availability of temporary financial aid given to selected tenants amid slow economic recovery.

New Malls opened in 2015 and 2016 – Major revenue contribution

The four new shopping malls opened in 2015 i.e. CentralPlaza Rayong (May), CentralFestival Phuket (June), CentralPlaza WestGate (August), and CentralFestival EastVille (November), were major contributors to overall revenue this year with occupancy rate above 90%. On 28 July 2016, CentralPlaza Nakhon Si Thammarat, the 30th lifestyle shopping complex, was opened to offer a variety of products and services i.e. fashion hub, dining destination, SF Cinema City movie theatres, Fun Planet, "Laan Suk Nakhon" – an activities space, family services including mini playgrounds and features, Market-Market zone - a semi-outdoor lifestyle market, and the first "Co-Working Space" in the South of Thailand.

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

CentralPlaza Pinklao renovation project was fully completed in May 2016 and re-launched in early June.

CentralPlaza Bangna launched the "Food Patio" on basement floor in July 2016 and other certain areas are still currently under renovation.

Central Center Pattaya has undergone a major renovation since May 2016, and is currently scheduled to last 6 months. Normal operations are expected to resume in December 2016.

Various projects have been undergoing minor renovations including rezoning, remerchandising mix, and changing tenants.

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. These events include exotic experience offerings, contests, competitions, celebrations, and seminars. The marketing events are aimed to attract customers into regularly visiting shopping malls, which in turn boosted retail sales for tenants.

Additionally, CPN also cooperated with government authorities to promote Small and medium-sized enterprises (SMEs) organized “SME Market Place” to promote their quality products and services in our shopping malls, with the first location starting at CentralPlaza Udonthani.

3Q16 total revenue and net profit continued to grow double-digit YoY, mainly from new malls opened in 2015 and effective mall operations

CPN reported 3Q16 net profit of THB 2,342 mn, an increase of 29% YoY, attributed mainly from a 14% YoY increase in revenues from rent and services, and a 31% YoY increase in revenues from food and beverages. Gross Profit margin stood at 49.3%, thanks to CPN's effective cost management. Operating profit margin stood at 37.2%, which is slightly escalated due to higher income from shopping malls, sales of food and beverages, hotels as well as management income from CPNRF once the CentralPlaza Pinklao project returned to normal operations, with effective cost and expense management.

On a QoQ basis, 3Q16 net profit increased by 2%, attributable to the 2% increase of total revenues due to both the opening of CentralPlaza Nakorn Si Thammarat in late July, and the higher income from hotels. July and August were the peak travelling months for Hilton Pattaya during the Summer Holidays period of 3Q16.

For 9M16 period, net profit was THB 7,025 mn, an increase of 18% YoY driven primarily by new malls opened in 2015. Similarly, total revenues increased by 16% YoY, mainly due to a 35% increase of revenues from food and beverages and a 16% increase of revenues from rent and services. Gross profit margin stood at 49.3%, primary reflecting effective cost and expense management, and operating profit margin was at 38.1%. Same store rental revenues growth (excluding new projects launched in 2015 and 2016, and CentralPlaza Pinklao and Central Center Pattaya) for the first nine months of 2016 increased approximately by 2.2% YoY due to temporary discount given to tenants, lower utilities charges from tenants, as well as, flat rental rates for malls under minor renovation. However, if including CentralPlaza Pinklao after renovation, 9M16 same store rental revenue growth increased by approximately 4.4% YoY. The average rental rate of all retail properties was recorded at THB 1,556 per sqm/month.

Operational & Financial Performance

The 30th lifestyle shopping complex was launched on 28 July 2016. CentralPlaza Nakhon Si Thammarat, with a total NLA of 21,339 sqm, was successfully opened with 80% occupancy rate on the opening day and ramped up to 85% by the end of 3Q16.

At the end of 3Q16, CPN continued to achieve the occupancy rate of 93%, the same level as in 2Q16, despite having some shopping malls under renovation. Central Center Pattaya has been undergoing major renovation since May 2016 and is expected to resume normal operation in mid of December 2016. The entire area excluding the Cinema was closed down and this resulted in a temporary drop of occupancy to 20%. After the renovation, the NLA should increase by approximately 5,000 sqm with the rental rate reversion of up to 10-15%. Other shopping malls i.e. CentralPlaza Chaengwattana and CentralPlaza Bangna are undergoing minor renovations for certain areas with hopes to improve on customer experiences.

Table 1: Operational Statistics

Retail properties	No. of Projects	Net leaseable area (sqm)	Occupancy Rate (%)		
			3Q15	2Q16	3Q16
CPN in BMA	13	889,537	91%	93%	93%
CPN in Provinces	17	710,738	94%	92%	92%
Total	30	1,600,275	92%	93%	93%

Non-core Properties	No. of Projects	Net leaseable area (sqm)	Occupancy Rate (%)		
			3Q15	2Q16	3Q16
Office	7	170,487	97%	97%	97%
Residential	1	1,568	30%	37%	37%
Hotel *	2	561 rooms	78%	82%	88%

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

Total Revenues

Revenues from rent and services

3Q16 consolidated revenues from rent and services recorded THB 6,323 mn, up 14% YoY primarily due to

- Contributions from new projects launched in 2H15 and one newly opened mall in 2016;
- Increased revenue from CentralPlaza Pinklao with a higher rental rate and increased occupancy after completing renovations; and
- Existing projects nationwide experiencing operational improvement.

A QoQ comparison showed a revenue increase of 2% from contributions from existing malls and CentralPlaza Nakhon Si Thammarat.

Revenues from food and beverages

In 3Q16, the food court business reported a 31% YoY sales growth to THB

359 mn. The growth was attributed to strong performances of food courts in our Bangkok and provincial malls, especially in tourist destinations such as Samui and Pattaya. Plus, the new food courts at malls launched in 2H15, and the new Food Destination at renovated projects including CentralPlaza Pinklao and CentralPlaza Bangna boosted sales.

Compared to the previous quarter, 3Q16 revenue from food and beverages increased by 1% QoQ, the improvement was driven by good performances of many food courts such as ones at Hatyai, Samui, Pattaya Beach, and EastVille. Moreover, the new food court in 3Q16 at CentralPlaza Nakhon Si Thammarat and CentralPlaza Bangna also significantly contributed to QoQ growth.

Revenues from hotel operation

Hotel operations, which are considered as CPN's complementary business, posted THB 248 mn in revenues (+7% YoY). This is mainly due to strong performances from both Hilton Pattaya Hotel ("Hilton") during Summer Holidays season, as well as Centara Hotel & Convention Centre Udonthani ("CUD"). Online travel agents and corporate groups drove up hotel occupancies, increasing the combined occupancy rate as compared to last year.

On a QoQ basis, revenues from hotel operations increased by 10% mainly from higher occupancy level at both hotels, while the room rate was slightly lower. Due to the high season during July and August, Hilton achieved a 96% occupancy rate during 3Q16. Strong demand in September during the Mid-Autumn Festival also contributed to the high rate. Similarly, CUD's performance was driven mainly from an increase of both corporate groups and government groups.

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 3Q16, costs of rent and services increased by 7% YoY to THB 3,148 mn, which was significantly lower than a 14% increase in revenues. The cost increase can be attributed to depreciation expenses from the new malls launched in 2H15 and 2016, as well as CentralPlaza Pinklao after its renovation.

Utility cost, a major component of cost of rent and services, was lower in all existing shopping malls. Even with the new expansion, utility cost decreased by 2% YoY. On a same-store basis, CPN was able to lower the utilities costs by 11% YoY as a result of the continuing energy conservation measures.

On a QoQ basis, costs of rent and services increased slightly by 1% as there was no major change in costs during the quarter. The increase was primarily due to a depreciation of CentralPlaza Nakhon Si Thammarat.

Costs of food and beverages

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

In 3Q16, costs of food and beverages were THB 280 mn, up by 29% YoY. The cost increase was in line with our 31% revenue growth, derived from new malls launched in 2H15 and 2016, new food courts at CentralPlaza Pinklao and CentralPlaza Bangna after renovation in addition to strong performances of our existing malls.

Compared to the previous quarter, costs of food and beverages increased by 2%, at the same level of its corresponding revenue growth.

Costs of hotel operation

In 3Q16, costs of hotel operations decreased by 4% YoY to THB 84 mn, mainly from lower personnel costs at Hilton for both permanent and temporary staff.

A QoQ comparison saw a 12% cost increase, which was in line with increasing revenues owing to higher occupancy rate at Hilton and CUD. Additionally, CUD had greater number of online travel agent customers, which brought up more commission cost paid to travel agents.

Administrative Expenses

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

Total administrative expenses in 3Q16 were THB 1,091 mn, up 14% YoY. The increase can be mainly attributed to the hike in personnel expenses due to the addition of staff accommodating new mall expansion and condominium projects, the increase in monthly reserve for staff bonus, and staff training. Advertising & promotion expenses also went up from increased marketing activities and from the addition of new malls.

On a QoQ basis, total administrative expenses increased slightly by 8% from increased personnel expenses and marketing expense at CentralPlaza Nakhon Si Thammarat.

Gross Profit Ratio & Operating Profit Ratio

3Q16 Gross Profit ratio (excluding other income) was 49.3%, an increase from 46.6% in the prior-year period. The increase can be attributed to effective cost management, especially utility costs, reflected in costs rising at a significantly slower pace than revenues. Operating Profit ratio was 37.2%, compared to 34.1% in the same period previous year, which was attributable to management income from CPNRF increasing after the completion of renovation at CentralPlaza Pinklao, effective cost management of utility costs, and lower SG&A to total revenue.

On a QoQ basis, Gross Profit ratio (excluding other income) increased from 49.0% to 49.3% primarily from effective utility cost management. However,

Operating Profit ratio decreased from 37.9% to 37.2%, primarily due to higher marketing expense as CPN continually organizes market events in the shopping malls nationwide to attract customers and to boost retail sales for tenants.

Net Profit

3Q16 CPN reported net profit of THB 2,342 mn, up +29% YoY and +2% QoQ. The growth was attributable to the following factors:

- Higher revenues generated from four projects launched in 2015 and one new project launched in 2016;
- CentralPlaza Pinklao after renovation with higher rental rate and occupancy;
- Existing projects countrywide also experienced exceptional operational improvement;
- Strong performances of food courts nationwide delivering high growth in revenues from food and beverages;
- Continuing strong performance of hotel business; and
- Continuing cost and expense management, led to improved margins compared to the same period previous year. Utility cost was lower despite new project openings. Same store utility cost dropped by 11% YoY. SG&A to total revenues ratio declined slightly to 15%, which resulted in higher Operating Profit margin.

After all, CPN managed to report the net profit growth impressively higher than the YoY revenue growth.

Table 2: Consolidated Results Summary

Consolidated Earnings (MB)	3Q15	2Q16	3Q16	% Change QoQ	% Change YoY
Revenue from rent and services	5,565	6,218	6,323	2%	14%
Retail	5,459	6,108	6,213	2%	14%
Office	104	110	110	0%	6%
Other supportive businesses	2	0	0	(10%)	(86%)
Revenue from hotel operations	232	226	248	10%	7%
Revenue from food and beverage	274	355	359	1%	31%
Other income	301	399	389	(2%)	29%
Total revenues	6,372	7,199	7,319	2%	15%
Total revenues excluding non-recurring items	6,372	7,199	7,319	2%	15%
Cost of rent and services	2,938	3,116	3,148	1%	7%
Retail	2,890	3,070	3,102	1%	7%
Office	45	46	45	(2%)	0%
Other supportive businesses	3	0	0	17%	(89%)
Cost of hotel operation	87	75	84	12%	(4%)
Cost of food and beverage	217	275	280	2%	29%
Total costs	3,243	3,466	3,511	1%	8%
Operating profit	2,173	2,732	2,725	(0%)	25%
Operating profit excluding non-recurring items	2,173	2,732	2,725	(0%)	25%
Net profit	1,816	2,293	2,342	2%	29%
Net profit excluding non-recurring items	1,816	2,293	2,342	2%	29%
EPS (Bt)	0.40	0.51	0.52	2%	29%
EPS (Bt) excluding non-recurring items	0.40	0.51	0.52	2%	29%
Gross Profit Margin (excl. other income)	47%	49%	49%	0%	3%
Operating Profit Margin	34%	38%	37%	(1%)	3%

New Developments

Under its 5-year plan (2016-2020), CPN aims to increase its revenues at a compound annual growth rate (CAGR) of 15% per annum through 2-3 new projects a year, asset enhancement to add value to existing malls, regular rental increase, and operational improvement.

In light of Thailand's urbanization, CPN will expand its business in Bangkok & vicinities, as well as the provinces. CPN, moreover, looks out for opportunities to offer new formats and concept of retail business including innovative designs and decorations to reinforce its eye-catching appearances, which would provide fresh and unique experiences that can respond to local customers and foreign visitors' changing lifestyles.

In addition, CPN has conducted additional studies on opportunities for investments in Southeast Asia, focusing on countries with good investments and growth potential i.e. Malaysia, Vietnam, and Indonesia, with an aim to ensure future growth of business with stability and sustainability

Retail Property Development

Domestic Expansion

Currently, CPN's three new projects are under construction, namely CentralPlaza Nakhon Ratchasima (northeast), CentralPlaza Mahachai (Suburban BKK), and Central Phuket Phase 2 (south), which are scheduled to open in 2017. Additionally, there are three existing projects, namely Central Center Pattaya, CentralPlaza Chaengwattana, and CentralPlaza Bangna Phase 3, under renovation. In 2017, additional NLA of around 0.16 mn sqm will make up to total NLA of 1.77 mn sqm.

Overseas Expansion

At this stage, 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 scheduled to launch in 2018.

Residential Property Development

Recognizing the potential of mixed-use development of shopping complex projects, CPN plans to utilize existing vacant land plots next to existing shopping malls that is still available for other related businesses development including residential projects. This will be an optimal support of its core shopping-complex business as well as value added to the company.

Presently, three condominiums, adjacent to the Chiangmai, Khonkaen, and Rayong shopping mall, are under construction and expected to be completed in 1H18. Presales have started since January 2016 and CPN achieved 100% take-up for all three projects at the end of October 2016.

CPN plans to launch about three new residential projects per year. Revenue from residential projects will contribute to CPN top-line approximately 5-7% from 2018.

Table 3: New developments

Retail properties

Location		Project	Progress	Completion	Net Leaseable Area (sqm)
Domestic	Greater Bangkok	CentralPlaza Mahachai	Under Construction	Nov-17	TBC
	Provinces	CentralPlaza Nakhon Ratchasima	Under Construction	Sep-17	56,000
		Central Phuket Phase 2	Under Construction	Dec-17	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

Net interest-bearing debt to equity at 0.33 times.

As of September 30, 2016, outstanding interest-bearing debt was THB 19,646 mn, comprising of 73% fixed and 27% floating interest rates. These debts had decreased by 14% YoY and 5% QoQ due to debenture redemption, scheduled debt repayment, and debt prepayment. Net interest-bearing debt to equity ratio was decreased from 0.38 times in 2Q16 to 0.33 times in 3Q16. Net interest-bearing debt was below 1x and reflected a high flexibility in sourcing funding for future business expansions as well as the company's robust financial status.

3Q16 weighted average cost of debt 3.2% p.a.

Finance costs in 3Q16 amounted to THB 155 mn, increasing by 10% YoY, while weighted average cost of debt remained 3.2% p.a., same as in 3Q15. The increase was resulting from finance cost related to new malls, which was capitalized during the same period last year. On a QoQ basis, finance costs decreased by 7% due to lower outstanding interest-bearing debts.

Table 4: Financial Position

Financial Position (MB)	End of 3Q15	End of 2Q16	End of 3Q16	% Change QoQ	% Change YoY
Current assets					
Cash and current investments	2,522	2,172	3,118	44%	24%
Other current assets	3,041	3,339	3,341	0%	10%
Total current assets	5,564	5,511	6,459	17%	16%
Non-current assets					
Investment properties ⁽¹⁾	73,171	75,096	75,089	(0%)	3%
Leasehold rights	11,952	11,182	10,886	(3%)	(9%)
Property & equipment (PP&E)	1,971	1,817	1,805	(1%)	(8%)
Other non-current assets	7,306	7,993	8,202	3%	12%
Total non-current assets	94,400	96,088	95,982	(0%)	2%
Total assets	99,964	101,599	102,441	1%	2%
Current liabilities	17,152	16,229	14,945	(8%)	(13%)
Non-current liabilities	37,909	36,977	36,734	(1%)	(3%)
Total liabilities	55,061	53,206	51,679	(3%)	(6%)
Total equity	44,903	48,393	50,762	5%	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 160,574 mn (THB 158,213 mn: 30 June 2016), stated in the disclosure notes to the main financial statement no. 9 under "Investment Properties".