
Performance Overview

The Thai economy in 2Q16 has shown a sign of improvement continued from the previous quarter, particularly in domestic spending. The supporting factors include the following: 1) government measures to support farmers and low income individuals; 2) government spending to accelerate high growth of public investment; 3) alleviated drought conditions; and 4) rising agricultural prices of some farm products. These measures consequently stimulated consumer's purchasing power. However, consumer confidence and retail sales remained tentative due to concerns about slow global economic recovery causing diminishing exports, and high household debt.

One of the positive factors to the Thai economy was the robust growth of the tourism industry despite the low season with 8.2% p.a. and 7.55 million inbound tourists in 2Q16. The majority of tourists came from China, CLMV, South Korea, India, Hong Kong, Russia and the United States. Additionally, the tax deduction campaign offered by the government - i.e. the dining tax rebate of up to THB 15,000 during 9-17 April 2016, and the renewal of domestic travel tax rebate up to THB 15,000 - benefited retail segments. These measures helped boost domestic consumption and travelling, as well as increased entrepreneurs' retail sales.

Central Pattana Public Company Limited ("The Company" or "CPN") continued business operations as planned. CPN has placed great emphasis on effective revenue generation from new malls, existing malls, and improved 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 continued to increase despite the availability of temporarily financial aid to selected tenants amid slow economic recovery.

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

New Malls opened in 2015 – 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.

On 21 July 2016, the grand opening of "Think Space B2S", an area offering full-scale services and an entirely new shopping experience for consumers, took place at CentralFestival Eastville. It is the first new concept store away from being just a comprehensive bookstore. It offers inspirational hangout spaces or Co-Working Space for young people, the area divided into 5 zones – Lifestyle Book Space, Art x Idea Space, Entertainment Space, Play x Learn Space, and Networking Space.

Asset Enhancement projects to enhance asset value – Flat rate reversion during renovation

CentralPlaza Pinklao renovation project was fully completed in May 2016 and the mall re-launched with a big party under the concept “The Best is Back” in early June.

CentralPlaza Bangna’s ground floor was renovated into a “Food Destination” and other certain areas are still currently under renovation.

Central Center Pattaya has begun to undergo a major renovation since May 2016, and is 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, 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 offering, contests, competitions, celebrations, and seminars. The marketing events 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.

CPN reported 2Q16 net profit of THB 2,293 mn, an increase of 14% YoY, attributed mainly to a 16% YoY increase in revenues from rent and services, and a 34% YoY increase in revenues from food and beverages. Gross Profit margin stood at 49.0%, thanks to CPN’s effective cost management. After the CentralPlaza Pinklao project returned to normal operations, this resulted in higher management income from CPNRF, thus reflected in Operating profit margin slightly escalated to 37.9%. Also, its higher reversion rate was partly attributed to same store rental growth for 2Q16 of approximately 3%, though CPN had given temporary discounts to tenants in certain categories and kept rental rates flat for various malls under minor renovation.

On a QoQ basis, 2Q16 net profit declined slightly by 4%, attributable to the 0.4% decrease of total revenues due to lower revenues from hotel operations during the low season period starting from April. Consequently, gross profit margin and operating profit margin decreased slightly.

For 1H16 period, net profit (excluding a non-recurring item) was THB 4,683 mn, an increase of 17% YoY, driven primarily by new malls opened in 2015. Similarly, total revenues (excluding a non-recurring item) increased by 18% YoY, mainly due to a 37% increase of revenues from food and beverages and a 17% increase of revenues from rent and services. Gross profit margin stood at 49.4% and operating profit margin remained at 38.5%, primary reflecting effective cost and expense management.

2Q16 total revenue and net profit continued to grow double-digit YoY, mainly from new malls opened in 2015 and effective mall operations

Operational & Financial Performance

At the end of 2Q16, the occupancy rate for CPN's retail properties stood at 93%, unchanging from 1Q16.

The renovation at CentralPlaza Pinklao has been completed 100% since 31 May 2016 and has become fully operational with occupancy at 94% by the end of 2Q16. New international fashion brands such as Uniqlo, Zara, Topshop Topman, Mango, etc., new restaurants such as Hot Star, IPPUDO, Boon Tong Kee, etc., and a variety of financial services such as banks, brokerage firms, and insurance companies were added in to the shopping mall. New tenants, as well as fresh faced brands and refreshed concepts strengthened the shopping mall's popularity and supported CentralPlaza Pinklao's new slogan, "The Best is Back".

The renovation at Central Center Pattaya started in May 2016. The entire area, excluding the Cinema, was closed down and resulted in a temporary drop of occupancy to 20%. This major renovation is expected to take approximately 6 months to complete, and the mall will resume normal operations in December 2016. After the renovation, the NLA will increase by around 5,000 sq.m.

Think Space B2S at CentralPlaza EastVille, where ideas inspire, rolled out its grand opening on 21 July 2016 under the concept of "INSPIRATION IS IN THE AIR". This lifestyle bookstore, which occupies over 3,000 sqm, targets the inspired and innovative who could utilize the unique space as a creative hub. The shop was specially designed by professionals, and is currently not only is the biggest bookstore in the country, but also in Southeast Asia.

Table 1: Operational Statistics

Retail properties	No. of Projects	Net leaseable area (sqm)	Occupancy Rate (%)		
			2Q15	1Q16	2Q16
CPN in BMA	13	890,807	92%	93%	93%
CPN in Provinces	16	689,143	94%	94%	92%
Total	29	1,579,950	93%	93%	93%

Non-core Properties	No. of Projects	Net leaseable area (sqm)	Occupancy Rate (%)		
			2Q15	1Q16	2Q16
Office	7	170,487	98%	98%	97%
Residential	1	1,568	30%	37%	37%
Hotel *	2	561 rooms	74%	80%	82%

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

Total Revenues

Revenues from rent and services

2Q16 consolidated revenues from rent and services recorded THB 6,218 mn, up 16% YoY primarily due to:

- Contributions from 4 new projects launched in 2015;
- Increased revenue from CentralPlaza Pinklao with a higher rental rate and increased occupancy after completing Phase 1 renovations since December 2015; and
- Existing projects nationwide experiencing operational improvement.

A QoQ comparison showed a slight revenue increase of 0.1% from operational improvement deriving from existing malls, but decreasing at Central Center Pattaya due to its closure for renovation since May.

Excluding the four new projects launched in 2015, and one project which has undergone renovation in 2016 (i.e. Central Center Pattaya), 2Q16 same store rental growth increased by approximately 3% YoY while the average rental rate of all retail properties was charged at THB 1,559 /sqm/mth.

Revenues from food and beverages

In 2Q16, the food court business reported a 34% YoY sales growth to THB 355 mn. The growth was contributed by strong performances of food courts in our Bangkok and provincial malls. Plus, the new food courts at malls launched 2015 and inside Food Destination at CentralPlaza Pinklao (following completion of Phase 1 renovation), attributed to higher revenues.

Compared to the previous quarter, 2Q16 revenue from food and beverages increased by 13% QoQ, driven by good performances of our food courts nationwide. This gain was supported by increased traffic from Thai customers and international tourists during the traditional New Year festival, as well as Thai clients during school break. Plus, the Cabinet's approval of economic stimulus measures encouraged people to increase spending on dining, tour packages, and hotel rooms during the festival season, as well as travelling for the whole year, with a maximum tax deduction of THB 30,000 per person.

Revenues from hotel operation

Hotel operations, which are considered as CPN's complementary business, posted THB 226 mn in revenues (+3% YoY). This was mainly from strong performances from Hilton Pattaya Hotel ("Hilton"). At the same time, Centara Hotel & Convention Centre Udonthani ("CUD") used sales promotions to stimulate demand from tourist groups. Hence, the combined occupancy rate increased as compared to last year.

On a QoQ basis, revenues from hotel operations decreased by 18% mainly from lower revenue from both Hilton and CUD during the low season period starting from April onwards leading to a lower occupancy rate and RevPar at

Hilton, while CUD's occupancy rate increased from the Miss Grand Thailand Contest hosted in Udonthani. The main customers of Hilton are still inbound tourists from China, Korea, Hong Kong, and some from Thailand, while CUD targets government offices and local corporates.

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 2Q16, costs of rent and services increased by 14% YoY to THB 3,116 mn, which was in line with a 16% increase in revenues. The cost increase can be attributed to cost of rent and services and depreciation expenses from the new malls launched in 2015, as well as from CentralPlaza Pinklao's becoming fully operational after its completion of Phase 2 at the end of May 2016. The higher cost item stemmed mainly from an increase of THB 232 mn depreciation expense. Utilities costs were up by THB 46 mn or +5% YoY, but growing at a slower rate than the mall space expansion. On a same-store basis, CPN was able to lower the utilities costs by 7% YoY as a result of the continuing implementation according to 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 THB 34 mn rise in repair and maintenance costs.

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 2Q16, costs of food and beverages were THB 275 mn, up by 31% YoY. The cost increase was in line with our 34% revenue growth, derived from new malls launched in 2015 in addition to strong performances of our existing malls.

Compared to the previous quarter, costs of food and beverages increased by 13%, at the same level of its corresponding revenue growth.

Costs of hotel operation

In 2Q16, costs of hotel operations decreased by 4% YoY to THB 75 mn, mainly from lower personnel costs at Hilton Pattaya for both permanent and temporary staff. Hilton Pattaya also paid lower commissions to travel agents, following lower occupancy rate in 2Q16.

A QoQ comparison saw a 14% cost decrease, which was in line with declining revenues owed to a lower occupancy rate at Hilton and a lower RevPar at both Hilton and CUD.

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 2Q16 were THB 1,010 mn (+18% YoY). The increase can be mainly attributed to the hike in personnel expenses due to the addition of staff accommodating new mall expansion, including CentralPlaza Nakhon Si Thammarat which has just recently launched in July. Besides, advertising & promotion expenses also went up from more marketing activities and from the addition of new malls.

On a QoQ basis, total administrative expenses increased by 3% from increased personnel expenses. The increase stemmed from a new mall opening at Nakhon Si Thammarat coupled with staff training and system maintenance expenses at HO, which occurred in this quarter.

Gross Profit Ratio & Operating Profit Ratio

2Q16 Gross Profit ratio (excluding other income) was 49.0%, up from 48.3% in the prior-year period. The increase can be attributed to effective cost management measures that CPN has continually followed, such as energy conservation initiatives and pooled procurement mechanisms joined with Central Group in order to lower costs per unit. To this end, it reflected in costs rising at a slower pace than revenues. Operating Profit ratio was 37.9%, up from 36.9% in the same period previous year, which was partly owing to management income from CPNRF increasing after the completion of Phase 1 renovation at CentralPlaza Pinklao.

On a QoQ basis, Gross Profit ratio (excluding other income) declined from 49.7% to 49.0% and Operating Profit ratio decreased from 39.2% to 37.9%. The margin decrease was primarily due to higher costs and expenses in repair and maintenance, and staff and other expenses as above mentioned. Also, seasonal effect of hotel business in the second quarter resulted in the decrease of gross margin.

Net Profit

2Q16 CPN posted net profit of THB 2,293 mn (+14% YoY and -4% QoQ), attributable to the following factors:

- Higher revenues generated from projects launched in 2015 including from CentralPlaza Pinklao after the completion of Phase 1 renovation in December 2015 with higher rental rate and occupancy. Existing projects countrywide also experienced operational improvement.
- Strong performances of our food courts nationwide delivering high growth in revenues from food and beverages, and continuing growth of hotel business.
- Continuing cost and expense management, led to improved margins

compared to the same period previous year. SG&A to total revenues ratio maintained approximately 14% YoY. Finance costs increased noticeably from last year mainly from borrowings to finance the acquisition of CentralFestival Phuket, however, CPN still managed to report the net profit growth in line with the revenue growth YoY. Even so, the net profit growth decreased on a QoQ basis due to the increase in staff as well as repair and maintenance expenses during the quarter as mentioned earlier.

Table 2: Consolidated Results Summary

Consolidated Earnings (MB)	2Q15	1Q16	2Q16	% Change QoQ	% Change YoY
Revenue from rent and services	5,363	6,213	6,218	0%	16%
Retail	5,259	6,105	6,108	0%	16%
Office	101	108	110	2%	8%
Other supportive businesses	4	0	0	0%	(91%)
Revenue from hotel operations	220	277	226	(18%)	3%
Revenue from food and beverage	265	313	355	13%	34%
Other income	294	426	399	(6%)	36%
Total revenues	6,141	7,229	7,199	(0%)	17%
Total revenues excluding non-recurring items	6,141	7,229	7,199	(0%)	17%
Cost of rent and services	2,734	3,093	3,116	1%	14%
Retail	2,684	3,047	3,070	1%	14%
Office	46	45	46	3%	1%
Other supportive businesses	4	0	0	0%	(92%)
Cost of hotel operation	78	88	75	(14%)	(4%)
Cost of food and beverage	210	244	275	13%	31%
Total costs	3,022	3,424	3,466	1%	15%
Operating profit	2,268	2,835	2,732	(4%)	20%
Operating profit excluding non-recurring items	2,268	2,835	2,732	(4%)	20%
Net profit	2,006	2,390	2,293	(4%)	14%
Net profit excluding non-recurring items	2,006	2,390	2,293	(4%)	14%
EPS (Bt)	0.45	0.53	0.51	(4%)	14%
EPS (Bt) excluding non-recurring items	0.45	0.53	0.51	(4%)	14%
Gross Profit Margin (excl. other income)	48%	50%	49%	(1%)	1%
Operating Profit Margin	37%	39%	38%	(1%)	1%

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 asset enhancement to add value to existing malls, regular rental increase, and new project developments. CPN targets to grow its portfolio by adding 2-3 new projects a year. 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 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 with an aim to ensure future growth of business with stability and sustainability.

Domestic Expansion

Currently, CPN's two new projects are under construction and design phase, namely CentralPlaza Nakhon Ratchasima (northeast of Thailand), and Central Phuket Phase 2 (south of Thailand), including the asset enhancement of two existing projects, namely Central Center Pattaya and CentralPlaza Bangna Phase 3.

CentralPlaza Nakhon Si Thammarat, the 30th lifestyle shopping complex, was opened on 28 July 2016 with high occupancy rate at 80%.

The shopping complex was launched under concept 'Suk Nakhon' to bring liveliness and happiness to Nakhon Si Thammarat with highlights from the 'Spectrum of Happiness' such as a 3-storey-high vertical feature and a giant paper flower sculpture, with the shopping complex decorated in the Himavanta Forest and 'shadow play' themes.

The lifestyle shopping complex will offer comprehensive range of products and services that caters to every lifestyle including:

- A fashion hub of well-known Thai and international brands, boasting over 100 shops;
- A new dining destination comprising over 100 restaurants and cafés;
- The best entertainment complex boasting six SF Cinema City movie theaters (the highest number of theaters in the province) and the largest family entertainment complex 'Fun Planet', an empire of fun and joy under the concept 'Digital Pacific', which uses innovation to create toys from rubber tree latex;
- A new hangout for everyone in the family and a center of activities and events for the province featuring an activity space of over 1,000 sqm in front of the complex containing a green area called 'Laan Suk Nakhon';
- Family services that include mini playgrounds and mini features on every floor;
- The Market-Market zone, the first semi-outdoor lifestyle market in a new model in the South. Visitors will enjoy various cuisines and fashion goods at affordable prices (over 100 vendors of food and fashion); and
- The first 'co-working space' in the South for creating ideas for school or work.

Overseas Expansion

For the past five years, CPN has been contemplating overseas investment, especially in Asian countries with high economic potential to expand its business base while diversifying investment risks. CPN has looked into overseas investment opportunities including the renovation of existing projects as well as new development projects in areas with great potential. At this stage, CPN has signed a Joint Venture Agreement with I-R&D Sdn. Bhd. ("IRD") (formerly, I-City Properties Sdn. Bhd. as the contract party), an I-Berhad wholly-owned subsidiary, to form a joint venture, in which CPN through subsidiaries holds a sixty-percent (60%) stake and IRD holds a forty-percent (40%) stake. The Joint Venture will develop a RM 830 million (or approximately Baht 8,300 million) regional shopping mall at i-City, Shah Alam, Selangor DarulEhsan, Malaysia. CPN envisions retail commerce in Malaysia to be filled with opportunities and great potential. Furthermore, CPN has studied additional investment opportunities in Southeast Asian countries, with a focus on Vietnam and Indonesia.

Residential Property Development

Recognizing the potential of mixed-use development of shopping complex projects, CPN plans to develop residence projects in optimal support of its core shopping-complex business. Presently, CPN is developing residential projects (three condominiums) on CPN's shopping complex land adjacent to the Chiangmai, Khonkaen, and Rayong projects, worth around 1,626 MB (excluding land value). Presales have started since January 2016 with well-received response from customers. As of July 31, 2016, CPN achieved 100% take-up for Chiangmai project, 85% for Rayong project and 97% for Khonkaen project. All projects are now under construction, and will take about two years to complete and be ready for transfer in 2018.

Table 3: New developments

Retail properties

Location		Project	Progress	Completion	Net Leaseable Area (sqm)
Domestic	Provinces	Central Plaza Nakhon Ratchasima	Under Construction	3Q17	56,000
		Central Phuket Phase 2	Under Construction	4Q17	63,000
Overseas	Selangor, Malaysia	Central i-City	Under Construction	2018	89,700

Residential properties

Location		Project	Progress	Completion	Type
Domestic	Provinces	ESCENT Chiangmai	Under Construction	2018	26-storey Condominium
		ESCENT Khonkaen	Under Construction	2018	24-storey Condominium
		ESCENT Rayong	Under Construction	2018	25-storey Condominium

Capital Structure

Net interest-bearing debt to equity at 0.38 times.

CPN's outstanding interest-bearing debts were THB 20,661 mn on 30 Jun 2016, comprising of 72% fixed and 28% floating interest rates. These debts had decreased by 12% YoY and 4% QoQ due to debenture redemption and scheduled debt repayment. Net interest-bearing debt to equity ratio increased from 0.33x in 1Q15 to 0.38x which was well below 1.0x. Consequently, CPN had a high flexibility in sourcing funding for future business expansions as well as the company's robust financial status.

2Q16 weighted average cost of debt 3.2% p.a.

Finance costs in 2Q16 amounted to THB 166 mn, increasing by 61% YoY, mainly due to higher borrowings and issuance of debentures during the year mainly to fund the CentralFestival Phuket acquisition. A weighted average cost of debt at the end of 2Q16 increased from 3.0% p.a. in 2Q15 to 3.2% p.a. in 2Q16. On a QoQ basis, finance costs decreased by 8.0% due to lower outstanding interest-bearing debts.

On 23 June 2016, TRIS Rating has affirmed the company and the existing senior debenture ratings of Central Pattana PLC at "AA-" with "Stable" outlook. The "AA-" ratings reflect CPN's leading position in the retail property development industry in Thailand. CPN has a proven record of 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 2016-2018. The "stable" outlook reflects the expectation that CPN will continue to sustain its strong operating performance of its shopping centers. Despite pursuing its growth strategy, the company is expected to maintain financial discipline. The net interest-bearing debt to equity ratio should be kept lower than 1x.

In April 2016, at the 2016 Annual General Meeting of Shareholders, the dividend payment was approved against the 2015 performance outcomes at THB 0.70 per share to 4,488,000,000 shares for the total of THB 3,141.60 mn, thus a dividend rate payout ratio of 39.87% of the operating net profit for 2015. Dividend was paid on 18 May 2016.

Table 4: Financial Position

Financial Position (MB)	End of 2Q15	End of 1Q16	End of 2Q16	% Change QoQ	% Change YoY
Current assets					
Cash and current investments	1,917	5,358	2,172	(59%)	13%
Other current assets	3,477	2,571	3,339	30%	(4%)
Total current assets	5,394	7,929	5,511	(30%)	2%
Non-current assets					
Investment properties ⁽¹⁾	70,996	74,742	75,096	0%	6%
Leasehold rights	12,243	11,482	11,182	(3%)	(9%)
Property & equipment (PP&E)	2,009	1,883	1,817	(4%)	(10%)
Other non-current assets	7,216	7,542	7,993	6%	11%
Total non-current assets	92,464	95,650	96,088	0%	4%
Total assets	97,858	103,579	101,599	(2%)	4%
Current liabilities	21,226	16,707	16,229	(3%)	(24%)
Non-current liabilities	33,570	37,652	36,977	(2%)	10%
Total liabilities	54,795	54,358	53,206	(2%)	(3%)
Total equity	43,062	49,221	48,393	(2%)	12%

⁽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 157,213 mn (THB 157,349 mn: 31 March 2016), stated in the disclosure notes to the main financial statement no. 9 under "Investment Properties".