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### Performance Overview

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The Thai economy in 1Q17 has shown signs of improvement continued from last year, driven mainly from government spending and rapid recovery of tourism sector after impact from zero-dollar tours measures and continual government supports. Other supporting factors include slowly improving private investment and private consumption supported by better farm income from both prices and products, improving export sector, improving purchasing power after the first-car buyer scheme ended and stable policy rate at 1.5%.

*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") reported 1Q17 consolidated net profit of THB 2,776 mn, up by 16% YoY with total revenues of THB 7,719 mn, grew by 7% 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 and administrative expense management. Currently, CPN manages 30 shopping malls with the net leasable area (NLA) of 1.6 mn sqm.

### 1Q17 Major Events

#### Business expansion toward mixed-use project development

On 1 March 2017, CPN announced the joint venture between CPN and Dusit Thani Public Company Limited ("DTC") to 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.

#### Asset Enhancement Projects

- 1) CentralWorld started a phase-by-phase major renovation since 4Q16 and is expected to finish in 2Q18. The occupancy rate at the end of 1Q17 was 93%.
- 2) CentralFestival Phuket continues its renovation and strengthens the shopping mall's positioning with new concepts, Food Destination and Public House. Both are targeted to finish in 2Q17.
- 3) Minor renovation has taken place at two shopping malls under CPN Retail Growth Leasehold Property Fund ("CPNRF"), including CentralPlaza Rama 2 (renovated 25% of NLA) and CentralPlaza

Chiangmai Airport (renovated 10% of NLA). Meanwhile, the major renovation at CentralPlaza Rama 3 started from April and is expected to complete in December 2017.

#### The conversion of CPNRF into a new Real Estate Investment Trust (REIT)

CPNRF is in the process of conversion into REIT, which is scheduled to complete within this year.

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### **1Q17 Performance**

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*1Q17 total revenues of THB 7,719 mn, up by 7% YoY with a 16% YoY growth in net profit to THB 2,776 mn.*

CPN reported its 1Q17 consolidated net profit of THB 2,776 mn, up by 16% YoY with total revenues of THB 7,719 mn, grew by 7% YoY. At the end of 1Q17, the occupancy rate for CPN's retail properties remained high at an average of 93%, slightly lower from 94% in 4Q16 from renovation at CentralWorld and CentralPlaza Rama 3.

In 1Q17, the average rental rate of all retail properties was THB 1,644 per sqm/month. Excluding new malls launched in 2016, CentralPlaza Nakhon Si Thammarat, and asset enhancement projects in 1Q16 and 1Q17 i.e. CentralPlaza Pinklao and CentralWorld, the same store average rental rate of other retail properties grew by 3.5% YoY from THB 1,532 per sqm/month to THB 1,586 per sqm/month. The same store rental growth was primarily driven by the growth of rental rate with lower rental discounts in most projects, together with impressive double-digit rental growth of CentralMarina after renovation.

Effective costs management resulted in higher Gross Profit ratio and Operating Profit ratio. In 1Q17, Gross Profit ratio was 52.0% and Operating Profit ratio was 41.6%. The 1Q17 strong performance was attributable to the following factors:

#### **New malls opened in 2016** – Major revenue growth contribution

CentralPlaza Nakhon Si Thammarat, the 30<sup>th</sup> lifestyle shopping complex launched on 28 July 2016, was 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 87% at the end of 1Q17.

**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 88% at the end of 1Q17.
- **Food Destination Zone**, which incorporating food court, food kiosks, and supermarket in the same area, was added at CentralPlaza Bangna, CentralPlaza Chaengwattana, and CentralMarina 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 such as Children’s day Event, Chinese New Year Celebration, Japan Expo, World Food Expo 2016, etc.

**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 1Q17, CPN was able to manage operating costs to continue growing at a significantly 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 negative growth of -1% YoY and -3% YoY. Same store costs of food and beverage was in line with same store revenues from food and beverage at +9% YoY.

**Well-managed finance cost**

CPN was able to lower cost of debt to 3.04% p.a. from 3.31% p.a. in 1Q16, mainly from the use of various financial instruments suitable with money and capital market environment.

**On a quarterly basis**, CPN reported a 3% QoQ growth in total revenues. This was due to continuous growth of existing projects, strong performance of both new and existing food courts, better performance of both hotels after the mourning period in 4Q16, and a full-quarter operation of renovated projects completed in 4Q16. Net profit rose 25% from last quarter, mainly from a significantly drop in SG&A expenses and well-managed operating and financial costs.

*1Q17 total revenues were up 3% QoQ with an increase of 25% QoQ in net profit.*

Table 1: Operational Statistics

Retail Properties	No. of Projects	Net leaseable area (sqm)	Occupancy Rate (%)		
			1Q16	4Q16	1Q17
CPN in BMA	13	897,218	93%	94%	93%
CPN in Provinces	17	713,667	94%	94%	93%
Total	30	1,610,886	93%	94%	93%

Non-Core Properties	No. of Projects	Net leaseable area (sqm)	Occupancy Rate (%)		
			1Q16	4Q16	1Q17
Office	7	171,589	98%	97%	96%
Residential	1	1,567	37%	21%	21%
Hotel *	2	561 rooms	80%	83%	92%

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

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## Financial Performance

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### Total Revenues

#### *Revenues from rent and services*

1Q17 consolidated revenues from rent and services increased by 5% YoY to THB 6,530 mn. The increase in revenue was primarily due to:

- Resilient performance of existing projects such as CentralFestival EastVille, CentralPlaza Westgate, CentralPlaza Lampang, CentralPlaza Suratthani, and CentralPlaza Udonthani
- Contributions from a new project launched in 2016, CentralPlaza Nakhon Si Thammarat
- Full quarter contributions with healthy performance of renovated projects, including CentralPlaza Pinklao and CentralMarina after completing a major renovation in 2Q16 and 4Q16 respectively

#### *Revenues from food and beverage*

1Q17, the in-mall food court business posted a 22% YoY sales growth to THB 382 mn. The increase was mainly attributed to the new food courts launched in 2016 at CentralPlaza Bangna, Central Marina, and CentralPlaza Chaengwattana, coupled with an impressive double digit sales growth at a number of projects both in Bangkok and provinces such as CentralFestival Samui, CentralPlaza Chiangmai Airport, CentralFestival Chiangmai, CentralPlaza Chonburi, CentralPlaza Westgate, CentralFestival EastVille, CentralPlaza Pinklao, CentralFestival Phuket, CentralPlaza Phitsanulok, and CentralPlaza Salaya.

Same store revenues from food and beverage increased impressively at 9% YoY.

#### *Revenues from hotel operations*

Hotel operations are considered CPN's non-core businesses. Revenue from hotel operations was THB 293 mn, grew 6% YoY, driven mainly by average occupancy rate of Hilton Pattaya Hotel and Centara Hotel & Convention Centre Udonthani ("Centara Udonthani Hotel") of 92%, up from 80% in 1Q16. First quarter was considered a high season for Hilton Pattaya as Chinese tourists coming for holidays during Chinese New Year, while Centara Udonthani Hotel had more customers booking from online travel agents and groups of corporate and government customers in this quarter.

## **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.

1Q17, costs of rental and services decreased by 1% YoY to THB 3,073 mn. The lower cost of rental and services declined while rent and services increased because of lower utility cost. Utility cost, which was a major component (accounts for 30% of cost of rent and services) for shopping mall operation, decreased 9% YoY, even with a new shopping mall.

On a same-store basis, utility cost decreased 10% YoY, mainly driven by low electricity tariff (Ft tariff) throughout 2016 and 1Q17, 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.

1Q17 costs of food and beverage increased by 24% YoY to THB 302 mn, in line with growth of revenues from food and beverage, stemmed primarily from new and renovated food courts launched in 2016 as previously mentioned.

### *Costs of hotel operations*

1Q17 costs of hotel operations were THB 85 mn, down 3% YoY from lower personnel expense from vacant positions at Hilton Pattaya. Other costs were in line with revenues.

## **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.

1Q17, total administrative expenses amounted to THB 1,053 mn, up 8% YoY mostly due to additional personnel expense and marketing & promotion expenses arising from business expansion. However, marketing & promotion expenses to revenues from rent and services ratio was maintained the same as 1Q16.

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

1Q17, Gross Profit ratio (excluding other income) increased to 52.0% from 49.7% in 1Q16. The increase was mainly from effective cost management, reflected in lower costs even growing revenues, especially from revenues

from rent and services and revenues from hotel operations. The Operating Profit ratio rose to 41.6% from 39.2% in 1Q16 due to effective costs management as mentioned earlier and substantial higher other income from increase in revenue charging from tenants i.e. Property Tax.

### Net Profit

The consolidated net profit was THB 2,776 mn, increased 16% YoY, mainly contributed by revenue growth of shopping mall business and hotel business, improved gross profit margin and operating margin, as well as lower interest expense.

Table 2: Consolidated Results Summary

Consolidated Earnings (THB mn)	1Q16	4Q16	1Q17	% Change QoQ (4Q16 vs 1Q17)	% Change YoY (1Q16 vs 1Q17)
Revenue from rent and services	6,213	6,492	6,530	1%	5%
Retail	6,052	6,323	6,359	1%	5%
Office	161	168	170	1%	6%
Other supportive businesses	0	0	0	(18%)	(40%)
Revenue from hotel operations	277	247	293	19%	6%
Revenue from food and beverage	313	362	382	5%	22%
Other income	426	386	514	33%	21%
<b>Total revenues</b>	<b>7,229</b>	<b>7,487</b>	<b>7,719</b>	<b>3%</b>	<b>7%</b>
<b>Total revenues excluding non-recurring items</b>	<b>7,229</b>	<b>7,487</b>	<b>7,719</b>	<b>3%</b>	<b>7%</b>
Cost of rent and services	3,093	3,273	3,073	(6%)	(1%)
Retail	3,023	3,201	3,008	(6%)	(0%)
Office	69	72	65	(10%)	(7%)
Other supportive businesses	0	0	0	0%	0%
Cost of hotel operation	88	79	85	8%	(3%)
Cost of food and beverage	244	288	302	5%	24%
<b>Total costs</b>	<b>3,424</b>	<b>3,639</b>	<b>3,460</b>	<b>(5%)</b>	<b>1%</b>
<b>Operating profit</b>	<b>2,835</b>	<b>2,522</b>	<b>3,216</b>	<b>27%</b>	<b>13%</b>
<b>Net profit</b>	<b>2,390</b>	<b>2,219</b>	<b>2,776</b>	<b>25%</b>	<b>16%</b>
<b>EPS (Bt)</b>	<b>0.53</b>	<b>0.49</b>	<b>0.62</b>	<b>25%</b>	<b>16%</b>
Gross Profit Margin (excl. other income)	50%	49%	52%	3%	2%
Operating Profit Margin (exc. non-recurring item)	39%	34%	42%	8%	2%

### 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), which are scheduled to open in 2H17.

Additionally, there are total five existing projects under renovation, 2 projects of CPN namely CentralWorld, CentralFestival Phuket, and 3 projects under CPNRF i.e. CentralPlaza Rama 3, CentralPlaza Chiangmai Airport, and CentralPlaza Rama 2. In 2017, additional NLA of around 0.16 mn sqm from new projects should help increase our total NLA to 1.76 mn sqm.

### **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 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.

Table 3: New developments

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	Sep-17	56,000	
		CentralPhuket	Under Construction	Dec-17	63,000	
Overseas	Selangor, Malaysia	Central i-City	Under Construction	Oct-18	89,700	
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 31 March 2017, outstanding interest-bearing debts was THB 14,959 mn, comprising of 69% fixed and 31% floating interest rates, decreased by 31% YoY and 16%QoQ due to scheduled debt repayment and debenture redemption.

*Net interest-bearing debt to equity of 0.21 times*

Net interest-bearing debt to equity ratio stood at 0.21 times, considerably decreased from 0.33 times previous year and decreased from 0.28 times in 4Q16 due to lower outstanding debt and higher retained earnings.

*1Q17 weighted average cost of debt 3.04% p.a.*

In 1Q17, finance costs amounted to THB 110 mn, decreased by 39% YoY and 17% QoQ. A weighted average cost of debt in 1Q17 was 3.04% per annum, down from 3.31% in 1Q16 and 3.14% in 4Q16.

Table 4: Financial Position

Financial Position (THB mn)	End of 1Q16	End of 4Q16	End of 4Q16	% Change QoQ	% Change YoY
Current assets					
Cash and current investments	5,358	3,204	3,328	4%	(38%)
Other current assets	2,571	3,455	3,337	(3%)	30%
Total current assets	7,929	6,659	6,665	0%	(16%)
Non-current assets					
Investment properties <sup>(1)</sup>	74,742	76,700	77,304	1%	3%
Leasehold rights	11,482	10,647	10,540	(1%)	(8%)
Property & equipment (PP&E)	1,883	1,797	1,767	(2%)	(6%)
Other non-current assets	7,542	8,724	8,993	3%	19%
Total non-current assets	95,650	97,868	98,603	1%	3%
<b>Total assets</b>	<b>103,579</b>	<b>104,527</b>	<b>105,269</b>	<b>1%</b>	<b>2%</b>
Current liabilities	16,707	14,878	13,127	(12%)	(21%)
Non-current liabilities	37,652	36,644	36,335	(1%)	(3%)
<b>Total liabilities</b>	<b>54,358</b>	<b>51,523</b>	<b>49,462</b>	<b>(4%)</b>	<b>(9%)</b>
<b>Total equity</b>	<b>49,221</b>	<b>53,005</b>	<b>55,807</b>	<b>5%</b>	<b>13%</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 THB 169,017 mn (THB 167,688 mn in December 2016), stated in the disclosure notes to the main financial statements no. 9 under "Investment Properties".