

Central Pattana Public Company Limited

Management's Discussion and Analysis

Consolidated Financial Results: 1Q08

Overall Performance

Central Pattana Public Company Limited ("CPN") reported 1Q08 consolidated net profit of 617.4 MB, representing an increase of 48.5% y-o-y while consolidated operating profit grew 29.8% y-o-y to 819.9 MB, mainly supported by increased rental and service income at all properties. Consolidated total revenue increased 13.7% y-o-y to 2,090.7 MB, primarily due to higher contribution from CentralWorld.

On a q-o-q basis, 1Q08 consolidated net profit grew 18.7% with an increase of 23.6% in consolidated operating profit. Consolidated total revenue declined 4.9% as last quarter's performance included a one-time income of 214.3 MB from compensation for cancellation of rights to a certain land at CentralWorld. Excluding the non-recurring income, 1Q08 net profit increased 101.8% q-o-q while operating profit and total revenue grew 82.6% q-o-q and 5.3% q-o-q, respectively. These growths were primarily due to increased service income after adjustment of common-area, air-conditioning and maintenance ("CAM charge") rate in January 2008 and lower marketing and promotion expenses.

As for operational performance, total leasable area remained 716,163 sqm with an average occupancy rate of 95% for both retail and office space. Effective rental rate for retail space averaged 1,255 Bt/sqm/mth, up 1.2% q-o-q and 3.4% y-o-y.

The improvements of 1Q08 financial performance were largely supported by stronger market sentiment and improved consumer confidence which eased rental increase and lower marketing and promotional expenses. As the economy is in its recovery stage, our challenges for the remaining of 2008 line ahead on rising energy and commodity prices and continuous improvement of consumer confidence.

As for projects under development, main contractors of CentralPlaza Chaengwattana (suburb of Bangkok), CentralFestival Pattaya Beach (tourist destination - East of Thailand) and CentralPlaza Chonburi (Chonburi Province - East of Thailand) have been awarded with fixed budget agreements. Construction of the projects is progressing as per schedule. Pressure from rising construction cost remains for CentralPlaza Khon Kaen (Khon Kaen Province - Northeast of Thailand), which is currently under designing phase.

Table 1: Consolidated Results

Consolidated Result (Bt mil)	1Q07	4Q07 ⁽¹⁾	1Q08	YoY % Chg	QoQ % Chg
Rental & service income and F & B sales	1,838.1	2,199.1	2,090.7	13.7%	(4.9%)
Operating profit	631.7	663.3	819.9	29.8%	23.6%
Net profit	415.8	520.2	617.4	48.5%	18.7%
EPS (Bt)	0.19	0.24	0.28	48.5%	18.7%

Note: ⁽¹⁾ Include non-recurring income of Bt214.3mil in 4Q07



Operational Performance Summary

As at March 31, 2008 total leasable area stood at 716,163 sqm (flat y-o-y and q-o-q), which includes 564,998 sqm of retail space, 144,792 sqm of office space and another 6,373 sqm of residential space. The leasable area mentioned above excludes leasable area of CentralPlaza Rama 2 and CentralPlaza Ratchada-Rama 3, totaling 131,814 sqm, of which performance has been transferred to CPN retail Growth Property Fund ("CPNRF") and CPN acts as the property manager.

In 1Q08, occupancy rate for CPN's retail malls averaged 95%, compared to 94% and 96% in 1Q07 and 4Q07, respectively. Occupancy rates of CentralPlaza Ramindra and CentralPlaza Rattanathibet improved from 89% and 92% in 1Q07 to 98% and 99% in this quarter, respectively, after completion of their enhancement projects in December 2006. In 1Q08 Occupancy rate of CentralWorld stood at 90%, up from 88% in 1Q07 and down from 93% in 4Q07, as new anchor, Center Point (replacing Major Cineplex), is currently fitting out with an expected opening date in 3Q08.

Effective rental rate of retail space averaged 1,255 Bt/sqm/mth, up 1.2% q-o-q and up 3.4% y-o-y. This rental rate has taken into account special rental discount given to groups of tenants at CentralWorld during its initial stage.

Occupancy rate for CPN's offices averaged 95%, up from 91% in 1Q07 and 93% in 4Q07. There was a strong taking-up at Pinklao Tower B, of which take-up rate increased to 85% in this quarter from 66% in 1Q07. Similarly, take-up rate at CentralWorld's office improved to 97% in this quarter from 92% in 1Q07.

Table 2: Operation Statistics

Retail Malls	Net Leaseable Area (Sqm.)	Occupancy Rate (%)		
		1Q07	4Q07	1Q08
Ladprao	55,562	99%	100%	99%
Ramindra	17,722	89%	99%	98%
Pinklao	56,832	98%	91%	91%
Pattaya	15,227	96%	99%	100%
Ratchada-Rama3	18,192	100%	100%	100%
Chiangmai	76,410	99%	98%	99%
Bangna	57,392	99%	99%	99%
Rama2	5,937	100%	100%	100%
Rattanathibet	77,131	92%	99%	99%
CentralWorld	184,592	88%	93%	90%
Total	564,997	94%	96%	95%

Offices	Net Leaseable Area (Sqm.)	Occupancy Rate (%)		
		1Q07	4Q07	1Q08
Ladprao	17,719	100%	86%	95%
Pinklao A	22,560	92%	91%	94%
Pinklao B ^{/1}	11,335	66%	75%	85%
Bangna	9,796	97%	98%	100%
CentralWorld	83,382	92%	95%	97%
Total	144,792	91%	93%	95%

Note: ^{/1} Pinklao B completed its conversion of apartment building into office building in 1Q 2006.



Financial Performance Summary

Total Revenue

In 1Q08 consolidated total revenue from rental & service and food & beverage showed an increase of 13.7% y-o-y to 2,090.7 MB. Rental & service income grew 14.2% y-o-y to 1,993.5 MB, supported by higher contribution from CentralWorld, continuous increase in rental rates achieved at all properties, and increased service income after CAM Charge rate adjustment in January 2008.

Compared to the previous quarter, total revenue declined 4.9% as that of the previous quarter included a non-recurring income of 214.3 MB from compensation for cancellation of rights to a certain land (875 sqm) at CentralWorld. Without the non-recurring item, 1Q08 total revenue grew 5.3% q-o-q, primarily from higher service income after CAM Charge rate adjustment in January 2008 and rental growth at all properties.

Total Cost

Total cost of rental & service and food & beverage includes utilities, depreciation and amortization of rented properties, on-site personnel, repair & maintenance and property tax. In 1Q08 total cost of rental & service and food & beverage registered 1,154.0 MB, up 8.1% y-o-y and 1.1% q-o-q. Cost of rental & service amounted to 1,077.2 MB, up 7.9% y-o-y and 1.0% q-o-q, mainly due to higher depreciation and amortization of lease payment of CentralWorld upon further completion of the project's construction.

Total Operating and Administration Expenses

Total operating and administration expenses include expenses on personnel, marketing and promotion, office supplies, professional fees, depreciation and amortization of office equipments. In 1Q08, total operating and administration expenses stood at 285.3 MB, down 3.9% y-o-y, reflecting lower marketing and promotion expenses and higher personnel expense following an increase in the number of employees to support business expansion.

Compared to the previous quarter, total operating and administration expenses decreased 50.9%, mainly due to lower marketing and promotional spending in 1Q08 and inclusion of annual bonus in 4Q07 personnel expenses.

Net Profit

CPN reported 1Q08 consolidated net profit of 617.4 MB, up 48.5% y-o-y and 101.8% q-o-q (excluding the non-recurring income in 4Q07 performance). The increase was a result of increased rental and service income and decreased marketing and promotional expenses as previously mentioned.



Table 3: Financial Ratios

Key Financial Ratios	1Q07	4Q07 ⁽¹⁾	1Q08	YoY Chg	QoQ Chg
Liquidity ratio					
Current ratio (times)	1.1	1.2	0.9	(0.1)	(0.2)
Quick ratio (times)	1.0	1.0	0.8	(0.2)	(0.2)
Cash generate from operation ratio(times)	1.2	0.8	0.6	(0.6)	(0.3)
Days account receivable (days)	14.8	14.6	16.2	1.3	1.5
Profitability ratio					
Gross profit margin (%)	41.9%	48.1%	44.8%	2.9%	(3.3%)
Operating profit margin (%)	29.2%	31.1%	36.9%	7.7%	5.8%
Net profit margin (%)	20.8%	21.8%	27.3%	6.5%	5.5%
Return on equity (%)	13.3%	16.3%	18.5%	5.2%	2.2%
Efficiency ratio					
Return on assets (%)	4.8%	5.7%	6.6%	1.8%	1.0%
Return on fixed assets (%)	6.3%	7.4%	8.5%	2.2%	1.1%
Assets turnover (times)	0.2	0.3	0.2	0.0	(0.1)
Financial policy ratio					
Obligation Recovery Service ¹² (times)	2.6	0.5	0.6	(2.0)	0.1
Net debt to equity (times)	0.5	0.6	0.6	0.1	0.0
Interest coverage ¹² (times)	8.5	5.6	6.7	(1.8)	1.0

Note: ¹ Include non-recurring income of Bt214.3mil in 4Q07

¹² Cash generated from operation excludes cash payment of endorsed promissory notes.

Financial Position as at March 31, 2008

Assets

As at March 31, 2008, consolidated total assets registered 37,119.2 MB. Compared to the position as at the end of FY2007, net of cash, cash equivalents and current investments decreased by 717.5 MB, or 7.9%, mainly due to construction payment of combined projects and repayment of borrowings as per repayment schedule. Property and equipment increased by 601.6 MB, or 2.0%, primarily attributed to construction in progress of CentralPlaza Chaengwattana, CentralWorld, and CentralFestival Pattaya Beach.

Liabilities

Consolidated total liabilities stood at 22,768.1 MB, down 3.4% from that as at the end of FY2007, mainly from payments of accrued expenses and endorsed promissory notes for land acquisition of CentralPlaza Khon Kaen project. During 1Q08, borrowings totaling 255.1 MB were repaid. As at March 31, 2008, interest-bearing debts stood at 11,789.8 MB, down 2.1% from that of the end of FY2007 and representing 51.8% of total liabilities.

Shareholders' Equity

Consolidated total shareholders' equity registered 14,351.1 MB with total retained earnings of 9,457.7 MB, increased by 737.1 MB from that as at FY2007. This increase was mainly due to a) 1Q08 net profit, and b) realized carrying negative goodwill as gain, adjusted in retain earnings, as a result of change in accounting policy. (see Note 15 to the interim financial statements for the three-month period ended March 31, 2008)



Table 4: Financial Position

Balance Sheet (Bt mil)	1Q07	4Q07	1Q08	YoY % Chg	QoQ % Chg
Total Assets	34,320.0	37,204.6	37,119.2	8.2%	(0.2%)
Total Liabilities	21,330.7	23,565.3	22,768.1	6.7%	(3.4%)
Interest-Bearing Debts	10,831.7	12,044.9	11,789.8	8.8%	(2.1%)
Shareholder's Equity	12,989.3	13,639.3	14,351.1	10.5%	5.2%
Retained earnings	8,143.0	8,720.6	9,457.7	16.1%	8.5%

Capital Structure

Net debt to equity remained at 0.6 times.

Weighted average cost of debt stood at 5.2% pa., down 30 bps from that of FY2007.

Net interest-bearing debt to equity stood at 0.6 times, unchanged from the end of FY2007. As at March 31, 2008, interest-bearing debts amounted to 11,789.8 MB, comprising of 69% fixed and 31% floating interest rate.

Interest expense for 1Q08 amounted to 126.8 MB with weighted average cost of debt of 5.2% per annum, slightly declined from 5.5% of FY2007, supported by declining interest rate environment, therein prime rate (MLR) declined from 7.5% per annum in 1Q07 to 6.9% per annum in 1Q08.

Change in Accounting Policy

With the implementation of revised Thai Accounting Standard No.43 (TAS No.43) "Business Combinations", starting from January 1, 2008, the accounting for any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost has been changed from the previous "negative goodwill" to realized profit or loss.

The effect of the change in accounting policy on Consolidated Balance Sheet as at March 31, 2008 is highlighted as followings.

Consolidated Balance Sheet as at March 31, 2008

- a) A decrease of 112.6 MB in Negative goodwill with a corresponding increase in the Unappropriated retained earnings.
- b) An increase of 98.5 MB in Intangible assets with a corresponding increase in the Unappropriated retained earnings.

Noted that the change had no effect on the Company's Balance Sheet. (see Note 15 to the interim financial statements for the three-month period ended March 31, 2008)