



November 13, 2015

Attention: The President & Director,  
The Stock Exchange of Thailand (SET)

Subject: Clarifications regarding Q3/2015 Operating Performance Results  
(with YoY variances exceeding 20%).

In compliance with the regulations of the Stock Exchange of Thailand (SET), dated November 19, BE 2536, as well as associated requirements for the preparation and reporting of financial statements, financial status and operating performance results by listed companies together with the required clarifications for any Year-on-Year (YoY) variances in a listed company's performance results for any comparable financial periods that exceed 20%, the CENTRAL PLAZA HOTEL Pcl. (CENTEL) wishes to inform the SET as below.

For the 3 months Quarter 3/2015 period (Q3/2015), ended September 30, 2015, and according to the associated audited Financial Statements, the CENTRAL PLAZA HOTEL Pcl. and Subsidiary companies (CENTEL) achieved a increase of 74.7% Year-on-Year (YoY) in Total Consolidated Net Profit compared to the same period last year - as per the following summary.

Overview : Operating Performance Results – Q3/2015

(In: Baht - Millions)	Q3/2015		Q3/2014		Changes YoY (increase + / decrease -)	
	Baht	%	Baht	%	Baht	%
Revenues – Hotels Business	1,910.8	42.2%	1,772.6	40.6%	+138.2	+7.8%
Revenues – Food Business	2,468.4	54.5%	2,483.2	56.8%	-14.8	-0.6%
Other income	148.6	3.3%	114.5	2.6%	+34.1	+29.8%
<b>Total Consolidated Revenues</b>	<b>4,527.8</b>	<b>100.0%</b>	<b>4,370.3</b>	<b>100.0%</b>	<b>+157.5</b>	<b>+3.6%</b>
Cost of Sales – Hotels Business	(785.2)	(17.3%)	(711.1)	(16.3%)	+74.1	+10.4%
Cost of Sales – Food Business <sup>(1)</sup>	(1,170.7)	(25.9%)	(1,227.5)	(28.1%)	-56.8	-4.6%
Total Cost of Sales <sup>(1)</sup>	(1,955.9)	(43.2%)	(1,938.6)	(44.4%)	+17.3	+0.9%
Less: Selling general Admin Expenses	(1,733.6)	(38.3%)	(1,712.9)	(39.2%)	+20.7	+1.2%
Add: Share of Profit(Loss) from Investments (by the equity method)	10.4	0.2%	1.5	0.1%	+8.9	+595.3%
<b>EBITDA</b>	<b>848.7</b>	<b>18.7%</b>	<b>720.3</b>	<b>16.5%</b>	<b>+128.4</b>	<b>+17.8%</b>
Less : Depreciation & Amortization	(405.8)	(9.0%)	(403.0)	(9.2%)	+2.8	+0.7%
<b>EBIT</b>	<b>442.9</b>	<b>9.8%</b>	<b>317.3</b>	<b>7.3%</b>	<b>+125.6</b>	<b>+39.6%</b>
Less: Interest Expenses	(101.5)	(2.2%)	(118.8)	(2.7%)	-17.3	-14.5%
Less: Corporate Income tax	(61.9)	(1.4%)	(39.0)	(0.9%)	+22.9	+58.7%
Less: Profit from Non-Controlling Interests	(11.1)	(0.2%)	(16.6)	(0.4%)	-5.5	-33.1%
Add: revenues from amortization of deferred rental income (CGBS)	25.2	0.6%	25.2	0.6%	-	-
<b>NET PROFIT/(Loss)</b>	<b>293.6</b>	<b>6.5%</b>	<b>168.1</b>	<b>3.8%</b>	<b>+125.5</b>	<b>+74.7%</b>
Note: Gross Margin (% total revenues)	2,423.3	55.3%	2,317.2	54.4%	+106.1	+4.6%

(1) Cost of Sales EXCLUDES associated depreciation & amortization expenses that are allocated as CoS.

## 1. Revenues

In Q3/2015, the Company and its Subsidiary companies achieved Total Consolidated Revenues of Baht 4,527.8 million (vs Baht 4,370.3 million in Q3/2014) - an increase of Baht 157.5 million, or 3.6% YoY, as shown below.

Hotels Business Total Q3/2015 Hotels Business Revenues increased by Baht 138.2 million, or equal to 7.8%, YoY compared to the same quarterly period last year, primarily because, during 2014, hotels located in Bangkok and nearby provinces – such as Pattaya and Hua Hin – were affected the then ongoing political rallies and associated negative situations. However, in 2015, the overall political situation has become more stable, which has resulted in an increase in the number of tourist arrivals to Thailand. Thus, the Group' s hotels were able to achieve an average occupancy (OCC) of 80.2% (or equal to a YoY increase of 8.0 percent bsp) when compared to the period last year; while achieved Average Room Rate (ARR) per night was Baht 4,128. As such, these core hotels achieved YoY increased revenues:

- The Centara Grand and Bangkok Convention Center at Central World as well as the Centrara Grand Central Ladprao, Bangkok both achieved YoY increased total revenues of Baht 53.0 million and Baht 46.4 million respectively.
- Furthermore, the Kata Phuket Hotel Co. Ltd. - in which the Company invested an additional 49% equity shareholding in October 2014 (from a previous direct shareholding of 50%) and, thus, resulting in a new equity shareholding of 99% making it a full Subsidiary company instead of a joint venture business as well as now requiring its performance results to be consolidated with that of the Company - achieved total revenues of Baht 19.3 million for the Q3/2105 period.

Food Business: Total Q3/2015 Food Business Revenues decrease by Baht 14.8 million, or equal to 0.6%, YoY compared to the same quarterly period last year. This is primarily due to YoY decrease in total sales for the Mister Donut and Ootoya brand concepts basically because total sales in the previous year included sales of premium products (Hello Kitty sets) by the Mister Donut outlets, while there was no such sales campaign this year. Additionally, the overall YoY decrease in Food Business sales directly corresponded to and was a result of the decrease in marketing promotions spending, by the Company, for advertising and public relations campaigns on TV as well as in the press, various publications and other media.

As at the end of the Q3/2015 period, the Company has a (net) total of 785 QSR outlets - with 287 outlets (equal to 36.6% of the total) being located in Bangkok and 498 outlets (equal to 63.4% of the total) being located in the Provinces. Furthermore, achieved Same-Store-Sales (SSS) Growth and Total-System-Sales Growth (TSS) was -3.1% and -0.6% (vs +4.9% and +13.6% in Q3/2014) respectively.

Other Income: Other income consists of such fees derived from hotel management services, space rental and other services income, together with cooperative and marketing support income; whereby the ' hotel management services' income are fees derived from managing third party hotel properties/facilities based on the various Hotel Management Agreements.

## 2. Cost of Sales (COS - Baht) and Gross Margin (GM-%)

In Q3/2015, the Company and its Subsidiary companies had Total Consolidated Cost of Sales of Baht 1,955.9 million (vs Baht 1,938.6 million in Q3/2014) resulting in a consolidated Gross Margin of 55.3% of total revenues (vs 54.4% in Q3/2014), with the following details by Business Groups:

Business Group	Q3/2015			Q3/2014			% Changes in CoS
	CoS (Bht - Mln)	Gross Margin (Bht - Mln)	GM (%)	CoS (Bht - Mln)	Gross Margin (Bht - Mln)	GM (%)	
Hotels Business	785.2	1,125.6	58.9%	711.1	1,061.5	59.9%	+10.4%
Food Business	1,170.7	1,297.7	52.6%	1,227.5	1,255.7	50.6%	-4.6%
<b>Total *</b>	<b>1,955.9</b>	<b>2,423.3</b>	<b>55.3%</b>	<b>1,938.6</b>	<b>2,317.2</b>	<b>54.4%</b>	<b>+0.9%</b>

\* Cost of Sales EXCLUDES associated depreciation & amortization expenses that are allocated as CoS.

### Hotels Business group

In Q3/2015, the Company and its Subsidiary companies had Costs of Sales for its Hotels Business totaling Baht 785.2 million, comprising of direct costs - such as, costs in providing guest rooms services together with costs of F&B sales, salaries and benefits for direct staff, and costs of consumables; whereby relative to total revenues, this resulted in a Gross Margin of 58.9% of total sales and services (vs 59.9% in Q3/2014). This YoY decrease in the Gross Margin is mainly due to the YoY decrease in ARR of Baht 4,128.- per room night from an ARR of Baht 4,136.- achieved in the same period of the previous year.

### Food Business group

In Q3/2015, the Company and its Subsidiary companies had Costs of Sales for its Food Business totaling Baht 1,170.7 million, comprising of direct costs - such as, costs of food and beverage sales, salaries and benefits for direct staff, and costs of consumables; whereby relative to total revenues, this resulted in a Gross Margin of 52.6% of total sales (vs 50.6% in Q3/2014). This YoY increase is primarily because of the decrease in the overall Cost of Sales due to the reduced costs of raw food materials, ongoing effective costs management and changes to some of the promotional combo ' menu sets' , as well as increased selling prices.

## 3. Selling and General Administrative Expenses

General Selling and General Administrative expenses comprise of staff salaries and benefits, hotel properties management expenses, facilities rental costs, costs for credit cards usage, QSR franchise fees and associated royalty payments; whereby, in Q3/2015, the Company and its

Subsidiary companies had Total Selling and General Administrative Expenses of Baht 1,733.6 million, an increase of Baht 20.7 million, or 1.2%, YoY compared to the same period last year; whereby, relative to total revenues, this total is equal to 38.3% of Total Consolidated Revenues (vs 39.2% in Q3/2014). The YoY increase in the total amount of Selling and General Administrative Expenses was primarily due to ongoing expansion of the QSR outlets network for the Food Business (totaling (net) 12 outlets compared to the same period last year). However, relative to the Total Consolidated Revenues, the overall percentage of Q3/2015 Total Selling and Administrative Expenses is still *lower* than the corresponding percentage for the same period last year, which is mainly due to the corresponding increase in total revenues together with ongoing management of costs that is more effective this year.

#### **4. Share of Profit/(Loss) from investments (by the equity method)**

In Q3/2015, the Company and its Subsidiary companies had a gain from its investments (based on the equity method) totaling Baht 10.4 million – namely, a YoY increase of Baht 8.9 million (or equal to 595.3%) compared to the same item in the same period of 2014. This is due to the YoY increased profits achieved by the CTARAF property fund, which is investment fund in the property assets rental rights.

#### **5. Consolidated EBITDA and NET PROFIT**

In Q3/2015, the Company and its Subsidiary companies achieved Total Consolidated EBITDA of Baht 848.7 million, an increase of Baht 128.4 million, or 17.8%, YoY; whereby this EBITDA amount is equal to 18.7% of total revenues – an increase from 16.5% achieved for the same period last year; and also achieved Total Consolidated Net Profit of Baht 293.6 million, an increase of Baht 125.5 million, or equal to 74.7%, YoY. This is mainly due to increases in the total sales of the Hotels Business. While the Food Business is due to the increases in the net income from cost saving.

### **Financial Status**

#### **1. Assets**

As at September 30, 2015, the Company and its Subsidiary companies had total assets of Baht 27,993.8 million, which is a decrease (from the end of 2014) of Baht 715.0 million or 2.5% mainly due to the depreciation and amortization of land, buildings and equipments during the year.

#### **2. Liabilities**

As at September 30, 2015, the Company and its Subsidiary companies had total liabilities of Baht 15,494.3 million, which is a decrease (from the end of 2014) of Baht 1,498.4 million or 8.8% due to the Company having a lower amount of outstanding short term loans by Baht 623.4 million together with a lower amount of outstanding long term loans by Baht 623.4million.

### 3. Shareholders Equity

As at September 30, 2015, the Company and its Subsidiary companies had total Shareholders Equity of Baht 12,499.5 million, which is an increase (from the end of 2014) of Baht 783.4 million or 6.7%, due to the Company having achieved total combined Net Profit of Baht 1,373.7 million for the nine-month period ended 30 September 2015 while also having made a dividend payment totaling Baht 540.0 million.

#### Maintenance of the Liquidity Ratio

As at September 30, 2015 and as at December 31, 2014, the Company and its Subsidiary companies achieved a Liquidity Ratio of 0.27 times and 0.46 times respectively. The Liquidity Ratio has decreased compared to the end of 2014, mainly due to the Group has current portion of debenture of Baht 3,300 million. However, the Group plan to issue new debentures in the future for replace maturity debentures.

When taking into account the Debt Service Coverage Ratio (DSCR) of the Company and its Subsidiary companies for the nine-month period ended 30 September 2015, the DSCR equaled to 0.72 times (vs 0.88 times as at December 31, 2014); whereby the Company and its Subsidiary companies still has adequate cash flows to be able to service its debts (principal and interest costs) obligations.

#### Key Policies and Overview of the Business Operations

##### 1.Strategies – Hotels Business Group

2015 is proving to be yet another year for the Centara Hotels & Resorts (CHR) group in successfully continuing to expand its hotels management services (HMS) business activities; whereby CHR has expanded in the Asia continents through signing HMS agreements with 5 hotel properties - namely: Thailand, Vietnam, Turkey, China, and Doha. Thus, as at end Q3/2015, there was a total of 60 hotels with more than 12,356 rooms in its Hotels Business group.

As for the Hotels Group' s business development strategy for 2015, it is still basically oriented towards being ' asset light' in accordance with the overall long term business development plans of the Company; namely:

##### Domestic market

Focusing on investing in hotels properties under the COSI brand, which aims at being a new ' life style' hotel brand concept for independent budget-oriented travelers, who still like to seek ' good value' . COSI hotels will provide hospitality services in a modern, clean, and safe ambiance, with the first COSI Hotel to be launched in 2017.

### Overseas markets

The Group will continue to seek business opportunities in investing and purchasing hotel properties in CBD/city locations of those cities that are international/regional 'aviation hubs' – especially London. At the same time, the Group will also place importance on entering new markets in the Middle East, China, and Asia, but mainly through undertaking hotels management services activities.

### 2.Strategies – Food Business Group

As for the Food Business, the Central Restaurant Group o. Ltd. ("CRG"), a Subsidiary company, is still continuing to focus on its core strategies to expand its QSR outlets network and to develop new products/menu offerings. As such, during 2015, to date CRG had established an additional (net) 12 new QSR outlets when compared to the end of the same quarterly period last year – all of which are of the same existing QSR brand concepts (namely: Mister Donut, KFC, Auntie Anne's, Pepper Lunch, Chatbuton, Coldstone Creamery, The Terrace, Yoshinoya, Ootya, and Tenya) together with new brand concepts (ie: Katsuya). As at the end of Q3/2015, there was a total of 785 QSR outlets (compared to 773 as at the end of Q3/2014).

Lastly, given that the economic and political situations may have possible negative impacts on the tourism industry and the hotels business, the CENTEL Group has maintained its efforts in finding various measures to reduce overall costs and expenses - such as, negotiating with key suppliers, together with implementing energy costs savings programs together with ongoing costs management and controls procedures. Additionally, the CENTEL Group plans to continuously explore additional sources of revenues, through focusing on further expanding its hotels management services activities; as well as to maintain its core strategies for the Food Business in adding new QSR outlets and new QSR brand concepts, together with ongoing new products/menu offerings development and sustained proactive marketing activities.

For your information accordingly;

Respectfully Yours



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