TRIS RATING

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News for Investors

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Central Pattana Public Company Limited

Company Rating:	A+
Issue Ratings:	
CPN10DA: Bt1,500 million senior debentures due 2010	A+
CPN119A: Bt1,500 million senior debentures due 2011	A+
CPN126A: Bt3,000 million senior debentures due 2012	A+
CPN135A: Bt2,000 million senior debentures due 2013	A+
CPN136A: Bt1,200 million senior debentures due 2013	A+
CPN145A: Bt1,000 million senior debentures due 2014	A+
Rating Outlook:	Stable

Rating History:	**Company Rating**	**Issue Rating**	
		Secured	**Unsecured**
23 May 2007	A+/Stable	-	A+
22 Feb 2005	A/Stable	-	A
12 Jul 2004	A-/Positive	-	A-
4 Oct 2002	A-	-	A-
17 May 2001	BBB+	-	BBB+

Rating Rationale

TRIS Rating affirms the company rating of Central Pattana PLC (CPN) and the ratings of CPN's debentures at "A+". The ratings reflect the company's leading position in the retail property development market, proven record in 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 recent fire at the CentralWorld shopping center, the significant amount of capital expenditures needed for expansion during the next three years and the uncertain political situation in Thailand.

CPN is the largest retail property developer in Thailand. Its major shareholders are the Chirathivat family (32%) and Central Holding Co., Ltd. (27%), the leading retailer in Thailand. The ownership link with the Central Group is seen as a benefit since Central Department Store has been a strong magnet for shopping centers owned by CPN. As of June 2010, CPN managed 14 shopping centers, with total retail space of 779,211 square meters (sq.m.), in Bangkok and other major cities in Thailand. However, if CentralWorld, which has been temporarily closed, is included in the total, total retail space would be 966,239 sq.m. The amount of retail space in Bangkok operated by CPN has expanded continuously, growing at an average rate of 6.1% per annum for the past five years. At the same time, the total supply of retail space in Greater Bangkok grew by an average of 6% per annum. CPN has long been the market leader in the retail property market in Thailand. As measured by total retail space in Greater Bangkok, CPN had 22% market share at the end of June 2010. The market share of CPN in Greater Bangkok was slightly lower than in the previous year, as most new CPN shopping centers were located in provincial areas.

CPN's solid operating performance is attributable to high occupancy rates and healthy same store sales growth for its shopping centers. As of March 2010, the average occupancy rate of the 15 shopping centers stood at 96%, better than the industry average of 93.4%. CPN opened three new shopping centers despite a sluggish economy in 2009: CentralFestival Pattaya Beach, CentralPlaza Chonburi, and CentralPlaza Khonkaen. These three new centers have each achieved a 90% occupancy rate.

The prolonged and violent political unrest during March-May 2010 in Bangkok severely affected CentralWorld, which is located at Ratchaprasong junction, the center of the protest. CentralWorld is

CPN's largest shopping center with retail space of 187,028 sq.m. CPN has closed the CentralWorld shopping center since April 2010 and the center was partially damaged by fire on 19 May 2010. The loss was initially estimated at no more than Bt3,500 million. The loss is expected to be mostly covered by insurance policies, including industrial all risk, business interruption and terrorism insurance. CPN plans to renovate CentralWorld and expects to re-open most of the CentralWorld space by December 2010. The reconstruction of the Zen department store, majority-owned by the Chirathivat family, is expected to be completed in the third quarter of 2011. In order to compensate for the revenue shortfall from the closure of CentralWorld, CPN has postponed the planned closure and renovation of the CentralPlaza Lardprao shopping center. The closure and renovation will start in the first quarter of 2011.

For the first six months of 2010, the company's rental and service income slightly decreased, falling by 1.7% to Bt4,900 million, compared with the first six months of 2009. The decrease derived mainly from the loss of income from closing CentralWorld and the transfer of CentralPlaza Pinklao to a property fund in late 2009. However, contributions from three new shopping centers opened in 2009 and CentralPlaza Udonthani, acquired in 2009, helped mitigate the impact from the fire at CentralWorld.

In November 2009, CPN successfully subleased CentralPlaza Pinklao to CPN Retail Growth Leasehold Property Fund (CPNRF), improving its total debt to capitalization ratio from 52.26% in 2008 to 48.55% in 2009. However, as of June 2010, the total debt to capitalization ratio increased to 50.71% and total debt rose to Bt19,511 million, due to ongoing capital expenditures of approximately Bt9,000 million for 2010, including new expansion projects and the renovation of CentralWorld. During 2011-2013, development plans will require Bt8,000-Bt9,500 million in capital expenditures annually. To maintain the net debt to equity ratio below one, the company plans to fund these expansion projects using a combination of cash flow from operations, new borrowings, and the lease of assets to property funds.

Rating Outlook

The "stable" outlook reflects CPN's ability to maintain its solid position in the retail property development industry. With a diversified portfolio of shopping centers, flexibility in managing capital expenditures, and strong support from shareholders, CPN has sufficient ability to withstand unexpected events affecting operations.

Key Rating Considerations

Strengths/Opportunities

- Leading position in the retail property development industry
- Diversified portfolio of high-quality shopping centers
- Recurring cash flow from contract-based rental and service income
- Proven record in shopping center management

Weaknesses/Threats

- High capital requirements to fund expansion during 2010-2013
- Uncertain political situation in Thailand

Corporate Overview

CPN was incorporated in 1980 under the name "Central Plaza Co., Ltd." to develop and operate a mixed-use shopping complex in Bangkok. The company was listed on the Stock Exchange of Thailand (SET) in 1995. As of June 2010, the Chirathivat family held a 59% stake in CPN through Central Holding Co., Ltd. (27%) and family members (32%). Central Holding, wholly-owned by Chirathivat family members, is a holding company engaged in retailing, real estate, hotels, wholesaling, and food retailing.

CPN is the largest Thai shopping center developer with 966,239 sq.m. of total retail space at the end of June 2010. Currently, the company operates and manages 15 shopping centers, six office buildings, two residential condominiums, one hotel and 12 food centers. Over the last three years, CPN held a 24% share in retail space in Greater Bangkok, followed by The Mall Group, which had a 16% share.

For the first six months of 2010, rental and service income from shopping centers accounted for 78.9% of total revenue, followed by rental and service income from office buildings and residential condominiums (5.9%), food center operations (4.8%), hotel operations (1.2%) and other income (9.2%). The increase in the contribution from shopping centers was derived mainly from the openings of three new shopping centers, CentralFestival Pattaya Beach, CentralPlaza Chonburi, and CentralPlaza Khonkaen, and the acquisition of CentralPlaza UdonThani in 2009. Rental and service income from the largest tenant was around 7%, and the top 10 tenants contributed roughly 22% of total rental and service income. The company's average occupancy rate for shopping centers during January-June 2010 was 95.5%, excluding CentralWorld.

Table 1: CPN's Total Property Portfolio

Property	2006	2007	2008	2009	Jan-Jun 2010**
Total area (sq.m.)					
Shopping center*	691,332	696,993	761,111	967,430	779,211
Office*	145,875	144,792	144,280	163,746	163,983
Apartment	6,373	6,373	6,373	6,373	6,373
Occupancy rate (%)					
Shopping center	92.3	96.3	97.4	96.1	95.5
Office	90.3	92.7	93.9	86.4	84.3
Apartment	68.6	69.2	67.2	67.2	70.8

* *Including shopping centers and office buildings owned by CPN Retail Growth Leasehold Property Fund*
** *Excluding CentralWorld*
Source: CPN

Table 2: CPN's Revenue Breakdown

Revenue	2006	2007	2008	2009	Jan-Jun 2010
Total rental and service income (Bt mil.)	7,282	8,496	9,311	11,821	5,776
Growth (%)	6.4	16.7	9.6	27.0	0.7
Proportion (%)					
Shopping centers	76.3	78.4	77.9	78.5	78.9
Office buildings	10.1	9.9	9.3	7.4	5.8
Apartments	0.3	0.2	0.3	0.2	0.1
Hotel	-	-	-	1.0	1.2
Food & beverages	5.4	4.4	4.9	5.4	4.8
Other income	7.9	7.1	7.6	7.5	9.2
Total	**100**	**100**	**100**	**100**	**100**

Source: CPN

Recent Developments

- ***Fire incident at CentralWorld***

Due to the political protest in the Ratchaprasong area during April-May 2010, the CentralWorld shopping center was partially damaged by fire on 19 May 2010. Most of the damage was to Zen department store, which is majority-owned by the Chirathivat family. CentralWorld is the largest shopping center of CPN with 187,028 sq.m. of retail space, or approximately 19% of the total retail space operated by CPN. The company has closed the center since April 2010. However, CPN aims to re-open most of the CentralWorld retail space by December 2010.

- ***Hilton Pattaya Beach Hotel to open in October 2010***

The total investment cost for the 300-room Hilton Pattaya Beach Hotel project was Bt2,000 million. As of June 2010, the construction was 80% complete. The hotel is expected to open in October 2010.

- ***Four new shopping centers to open in 2011-2012***

To accomplish its growth strategy and secure its market leading position, CPN has continuously added shopping centers both in Bangkok and in provincial areas. In 2011 and 2012, CPN plans to open four new shopping centers: CentralPlaza Rama 9, CentralPlaza Chiangrai, CentralPlaza Pitsanuloke, and CentralPlaza Suratthani. The total investment cost for the four projects is approximately Bt9,800 million. The openings of these four projects will increase total retail space by approximately 150,000 sq.m.

INDUSTRY ANALYSIS

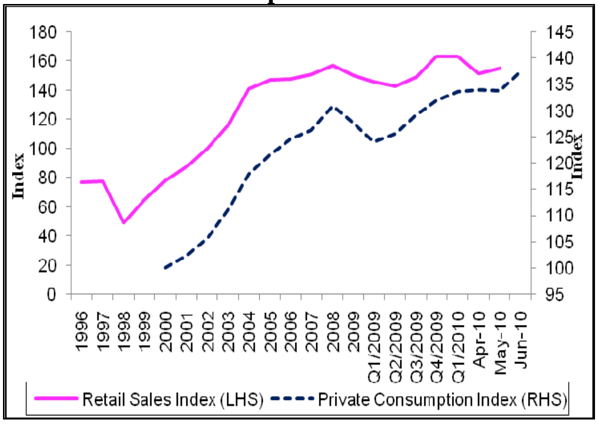
- ***Private consumption has recovered since end-2009***

Thailand's private consumption dropped for the first time in decade, falling by 1.1% year-on-year (y-o-y) in 2009, from average annual growth of 4.4% during 1999-2008. Private consumption picked up slightly in the fourth quarter of 2009, rising by 1.4% y-o-y as the economy improved. Thailand's wholesale and retail trade contributes 13%-14% of gross domestic product (GDP). Growth in retailing is mainly driven by private consumption, which started to recover at the end of 2009. After the consumer confidence index (CCI) bottomed out at 71.5 in May 2009, it rose to 77.1 in June 2010, showing signs of a recovery. According to the latest forecast by the National Economic and Social Development Board (NESDB), private consumption would grow by 4.1% in 2010.

Chart 1: Consumer Confidence Index

Source: Center for Economic and Business Forecasting

Chart 2: Retail Sales Index* and Private Consumption Index**



* 2002 Prices
** 2000 Prices
Source: Bank of Thailand

- ***Riots in Bangkok cut private consumption in April and May 2010***

The anti-government demonstrations by the United Front for Democracy against Dictatorship (UDD) started in March 2010 and ended with riots in the middle of May. Since the demonstration site was located in the Ratchaprasong area, a popular Bangkok shopping place, a number of retail stores, restaurants, hotels, shopping arcades and various entertainment centers had to shut down. On the afternoon of 19 May, the UDD leaders called off the demonstration, but the situation dissolved into gunfire, explosions and running street battles that lasted several days. A number of private and public properties were burnt in arson attacks.

The riots, with scenes of unprecedented violence, hurt the tourism industry, cut tourist arrivals and depressed private consumption. The private consumption index dropped steadily from 135.2 in March 2010 to 134 in April and to 133.72 in May. At the same time, the retail sales index also plunged, falling from 180 in March 2010 to 151.5 in April before a slight recovery to 155 in May.

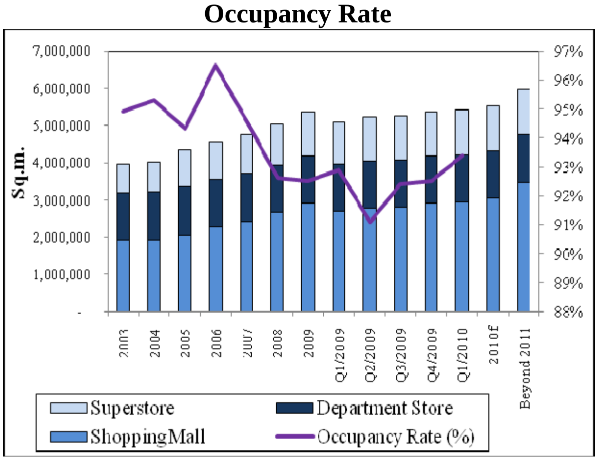
- ***Political and economic recoveries support near-term growth of retailing***

After the riots in May, consumer confidence rebounded modestly in line with a more optimistic outlook for the global and local economies. The CCI in June 2010 was 77.1, up from 75 in April. The private consumption index also rose, climbing to 137.32 in June. The NESDB has upward revised its economic forecast for Thailand in 2010, predicting GDP growth of 7% to 7.5%.

- ***Demand for retail space continues to grow***

According to CB Richard Ellis (Thailand) Co., Ltd., the total supply of retail space in Greater Bangkok stood at 5.41 million sq.m. in the first quarter of 2010, up from 5.38 million sq.m. and 5.04 million sq.m. in 2009 and 2008, respectively. The amount of retail property in the midtown and suburb on areas expanded by 6.75% y-o-y and 9.68% y-o-y in the first three months of 2010, respectively. Out of the total supply of retail space in Greater Bangkok, 54.1% was taken by shopping malls, 23.5% by department stores and 22.4% by superstores. Newly constructed retail centers are choosing a different format: from one-stop mega shopping complexes to community malls and medium-sized lifestyle and entertainment complexes. The total area of shopping space should continue to grow over the medium term along with the increasing demand for shopping as the economy grows.

Chart 3: Bangkok Retail Supply and Occupancy Rate



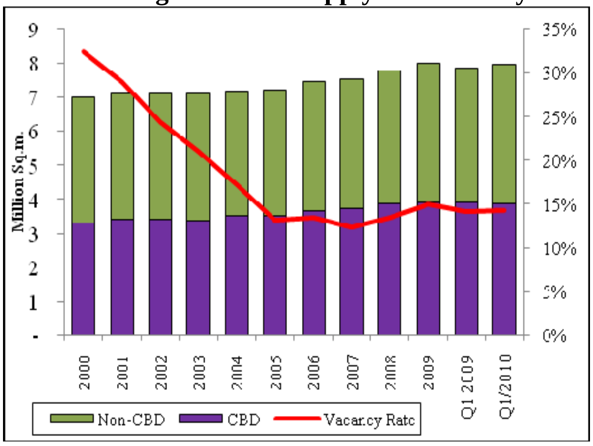
Source: CB Richard Ellis

Across the industry, the average occupancy rate was stable during the last two years, holding at 92.5% in 2009 and 92.6% in 2008. The occupancy rate slightly improved to 93.4% in the first quarter of 2010 from 92.9% in the same period a year earlier.

- ***Office space rental rates contract as demand weakens***

According to CBRE, the total supply of office space in Greater Bangkok stood at 7.98 million sq.m. in 2009, up from 7.8 million sq.m. in 2008. In the first quarter of 2010, the total amount of office space slightly decreased by 4,892 sq.m., or 0.1% quarter-on-quarter (q-o-q). The drop was due to office renovations and the subsequent adjustment of total occupied office space which reflects real usage of space. PTT Group and other companies expanded to occupy space in Energy Complex, reducing the vacancy rate from 5% in the end of 2009 to 4.4% in the first quarter of 2010. The average rental rate for office space in Bangkok has moved steadily downward since late 2008. The average rate fell to Bt540 per sq.m. in the first quarter of 2010, or a drop of 5.7% y-o-y.

Chart 4: Bangkok Office Supply and Vacancy Rate



Source: CB Richard Ellis

- ***Stringent zoning regulations moderate competition***

Competition in the retail property industry is moderate as the government is adopting stringent zoning laws and the economic slowdown discourages household consumption. The rapid expansion of superstores has drawn people away from traditional retailers. The government was pressured to implement more stringent rules to control the number of new superstores in cities. The Town Planning Act and the Building Control Act now govern commercial development in most cities. The regulations mainly affect the expansion of superstores. In response, superstores have created new strategies and opened smaller-scale centers, which are permitted in the regulations, in order to maintain market share. Currently, there has been no progress on the Retail and Wholesale Business Act, after the Cabinet approved the draft of this Act on 8 May 2007. This new Act delegates the authority from the national committee to provincial committees. The intent of this law is to strike a balance between the traditional shophouse retailers and modern trade retailers, which have expanded rapidly and command greater bargaining power than traditional retailers.

BUSINESS ANALYSIS

CPN's strong business profile reflects the company's leading position in the retail property development industry, high-quality assets, and predictable cash flow from contract-based rental and service income. With 15 shopping centers in its portfolio, the company benefits substantially from scale, diversification and flexibility in managing its retail properties.

- ***Rescheduled renovation of CentralPlaza Lardprao***

The redshirt protest in the Ratchaprasong area began in April 2010 and the CentralWorld shopping center has been closed since then. To offset the partial loss of revenue from CentralWorld during 2010, CPN kept CentralPlaza Lardprao open and rescheduled the planned closure and renovation to February 2011. CentralPlaza Lardprao was previously planned to close in April 2010 for six months to allow the renovation to be completed swiftly.

Table 3: CentralWorld Re-opening Schedule

Zone	Re-Open	Retail Space under CPN (%)
Isetan	June 2010	n.a.
Shopping center	September 2010 November 2010 Q3/2011	80 17 3
Zen	Q3/2011	n.a.

Source: CPN

The loss for CentralWorld was initially estimated at no more than Bt3,500 million, which is expected to be mostly covered by insurance policies. CPN carries industrial all risk (coverage of Bt13,224 million), business interruption (Bt6,147 million), and terrorism insurance (Bt3,500 million). Isetan department store, an anchor tenant which sustained no damage, re-opened in late June 2010. Most of retail space in the CentralWorld shopping center is expected to re-open by December 2010. The reconstruction of the Zen department store is expected to be completed in 14 months. The store will re-open in the third quarter of 2011.

- ***Leading market position***

CPN currently manages 15 shopping centers, comprising one downtown, three mid-town, five suburban, and six upcountry shopping centers. As of June 2010, across all its shopping centers, CPN held total rentable area of 779,211 sq.m. or 966,239 sq.m., including CentralWorld. This is the largest amount of space among all Thai shopping center owners. The company's overall occupancy rate in December 2009 was 96.1%, slightly lower than the 97.4% rate recorded in December 2008, but still better than the industry average of 92.5% for 2009. The occupancy rate in March and June 2010 slightly declined to 95.8% and 95.3%, respectively. The drop was due to the openings of three new shopping centers (CentralFestival Pattaya Beach, CentralPlaza Chonburi, and CentralPlaza Khonkaen, each with a 90% occupancy rate) and the drop in occupancy at CentralPlaza Lardprao in preparation for shut down and renovation.

CPN's solid operating performance is the result of the successful development of both existing and new shopping centers. Rental and service income grew by 26.4% in 2009 and 13.1% y-o-y for the first three months of 2010. The jump in rental and service income came mainly from the openings of three new shopping centers and the acquisition of CentralPlaza UdonThani in 2009. However, rental and service income dropped by 14.6% y-o-y for the second quarter of 2010, as CentralWorld was closed down and CentralPlaza Pinklao was partially transferred to CPNRF in November 2009. CPN expects to re-open most of the CentralWorld space by the end of 2010. The company is currently developing five new shopping centers, to be completed during 2011-2013. The new projects will increase the ability to generate income and strengthen its position in retail property market.

Table 4: CPN's Shopping Center Portfolio As of June 2010

Shopping Center	Salable Area (Sq.m.)	Occupancy Rate (%)
1. CentralPlaza Ladprao	55,583	87
2. CentralPlaza Ram Indra	17,160	100
3. CentralPlaza Pinklao - CPN - CPNRF	 37,463 23,973	 100 96
4. CentralPlaza Pattaya	15,226	97
5. CentralPlaza Ratchada Rama 3 - CPN - CPNRF	 18,192 39,919	 100 94
6. CentralPlaza Chiangmai Airport	75,873	99
7. CentralPlaza Bangna	57,695	99
8. CentralPlaza Rama 2 - CPN - CPNRF*	 5,937 93,423	 100 99
9. CentralWorld	187,028	-
10. CentralPlaza Rattanathibet	76,938	98
11. CentralPlaza Chaengwattana	65,568	91
12. CentralFestival Pattaya Beach	56,832	90
13. CentralPlaza Udon Thani	49,773	98
14. CentralPlaza Chonburi	40,119	90
15. CentralPlaza Khonkaen	49,537	90
Total	**966,239**	-
Total (Excluding CentralWorld)	**779,211**	**95**

* *CPNRF = CPN Retail Growth Leasehold Property Fund*

Source: CPN

- ***Recurring cash flow from contract-based rental and service income***

The company's main business is the development and management of shopping centers. Some centers are mixed-use complexes, which incorporate office and residential space. A mixed-use complex normally has fairly consistent weekday and weekend traffic, yielding a more consistent revenue stream.

Approximately 75% of CPN's rental space is under three-year rental contracts, while the remaining 25% is under long-term lease contracts. However, the proportion of long-term lease contracts is expected to fall in the future due to the company's target rent-to-lease ratio of 80:20 for the new shopping centers. The higher the proportion of short-term contracts, the greater the flexibility for rate adjustments, refurbishment and tenant mix changes. In terms of income generation, for the first three months of 2010, long-term leases contributed 14% of rental and service income, while short-term leases accounted for 86%.

The monthly rental fee per square meter of each rentable unit differs depending upon location and the marketing policy of each shopping center. CPN has increased rental rates for the popular shopping centers while maintaining competitive rental rates at the remaining centers. The average rental rate of Bt1,201/sq.m./month for the second quarter of 2010 represented a 4% decrease from Bt1,251/sq.m./month for the second quarter of 2009. A decline in average rental rate of CPN's portfolio came from lower rental rates of the provincial projects and the company's practices in offering discounts to tenants at the new locations.

- ***High-quality shopping centers, good locations, and a mix of tenants***

CPN's overall asset quality is good, as a result of its diversified portfolio of income-producing properties, good locations, and a diverse and strong tenant base.

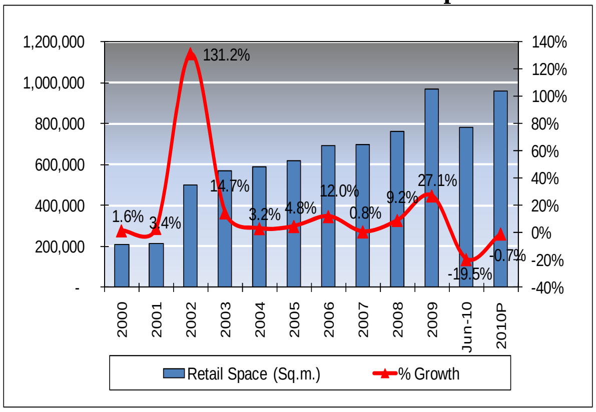
Each of CPN's shopping centers usually undergoes a major renovation every 10 years in order to enhance retail appeal and draw customer traffic. Magnet attractions, such as Central Department Stores, cinemas, super-markets, brand name shops, and large multi-purpose halls, also stimulate traffic. A good mix of anchor tenants attracts other specialty retailers. The prime-quality shopping centers also attract a diverse mix of local and international branded retailers, which ensures earnings stability through economic cycles. CPN's rent-expiry profile is manageable, with 15%-30% of contracts expiring every year. This spread mitigates the rollover risk of the tenant base.

- ***Growth in both retail and office space***

During the past five years, CPN focused on the redevelopment of CentralWorld and did not open any new shopping centers. Since November 2008, four new shopping centers, with total retail space of 212,056 sq.m., have been launched: CentralPlaza Chaengwattana, CentralFestival Pattaya Beach, CentralPlaza Chonburi, and CentralPlaza Khonkaen. In April 2009, the company also acquired the Charoensri Complex project, comprising a 49,773 sq.m. shopping center and a 255-room hotel. The occupancy rate of both the shopping center and the hotel were high at 99% and 88%, respectively.

CPN's retail space increased to 967,430 sq.m. in December 2009 from 696,993 sq.m. in December 2007, a rise of 38.8%. Although total retail space dropped by 19.4% in June 2010, CPN expects most of CentralWorld to re-open by the end of 2010, resulting in just a 0.7% drop in retail space compared with 2009.

Chart 5: CPN's Total Retail Space



Source: CPN

The office space portfolio also increased, rising by 19,699 sq.m., after the opening of the office building at CentralPlaza Chaengwattana in March 2009. The occupancy rate of CentralPlaza Chaengwattana improved from 8% at the inception to 53% as of June 2010.

- ***Substantial capital expenditures ahead***

During the next three years, CPN will need funding for both renovations and new development projects, with a total of Bt8,000-Bt9,500 million per year. CPN's market position will be strengthened, but the company may face cash flow pressure due to the high level of capital expenditures. The company focuses on expanding to provincial areas with smaller sized centers to match consumer behavior. Apart from developing new shopping centers, CPN also considers acquiring existing centers in order to avoid limitations imposed by zoning regulations.

CPN plans to renovate two shopping centers, CentralPlaza Lardprao and CentralPlaza Udon Thani, during 2011-2012. The total investment for each project is Bt2,100 million and Bt2,700 million, respectively. Three new projects are expected to be completed in 2011. The total investment costs are Bt7,800 million. The CentralPlaza Chiangrai project with 23,300 sq.m. of retail space and the CentralPlaza Pitsanuloke project with 20,600 sq.m. of retail space are expected to be completed in the second and third quarter of 2011, respectively. The CentralPlaza Rama 9 project, with 16% of construction completed, is expected to open by the end of 2011.

CPN's first shopping center in the south will open in Suratthani in 2012. The project, which has already secured a location, is undergoing a detailed feasibility study.

In addition to shopping center projects, CPN invested Bt2,000 million to build a hotel at the CentralFestival Pattaya Beach. The hotel will be named the Hilton Pattaya Beach. The project is expected to open in the fourth quarter of 2010. As hotel is not core business, CPN plans to sell the hotel to a property fund or investors in the future.

Table 5: CPN's Expansion Projects

Project Location	Space* (Sq.m.)	Investment Cost (Bt Mil.)	Target Completion
1. Hilton Pattaya Beach Hotel	40,000	2,000	Q4/2010
2. Chiangrai	23,300	2,000	Q2/2011
3. Pitsanuloke	20,600	1,300	Q3/2011
4. Rama 9	83,300**	4,500	Q4/2011
5. Suratthani	27,600	2,000	Q2/2012
6. Chiangmai 2	46,500	3,300	2013

Source: CPN
* *Excluding department stores*
** *Including department stores*

CPN was awarded a 30-year lease from the Crown Property Bureau to develop 40 rai of land on Rama 4 road, formerly the military Pre-Cadet School. However, the lease agreement will take effect after all existing retailers move out. The development period for this project will span the next three to five years.

For overseas investment, the company keeps studying the feasibility and regulations in many potential locations, especially in China. Under the company's vision, CPN targets to be a dynamic regional retail property developer by 2015.

FINANCIAL ANALYSIS

CPN's strong financial profile reflects the predictable cash flow from contract-based income and its conservative financial policy. The company's current financial position slightly deteriorated due to the temporary absence of income from CentralWorld and the increased amount of debt required for the expansion projects.

- ***Conservative financial policy***

CPN's financial policy has been moderately conservative, with a net debt to equity ratio target of less than 1. The company has a policy to use long-term loans and property funds to finance property assets. The company has moderate interest rate risk, because fixed interest rate loans constituted around 62% of total debt as of June 2010. The amortized repayment schedule of the property funds (Type IV) and long-term loans help CPN properly manage cash flow. In addition, the company has only Thai baht-denominated loans.

- ***Successfully subleased some assets of CentralPlaza Pinklao***

In November 2009, CPN subleased parts of the CentralPlaza Pinklao shopping center plus two office buildings to CPNRF. Total rentable area of shopping center and office buildings, subleased to CPNRF, was approximately 24,000 sq.m. and 33,762 sq.m., respectively. The lease agreement will be expired in 2024. These transactions are worth Bt5,680 million, providing CPN with a gain on sale assets of Bt3,206 million. Although CPN currently holds 27.80% share in CPNRF, its intent to hold 33.33% remains. CPN's total debt to capitalization ratio improved from 52.26% in 2008 to 48.55% in 2009 after the transaction was completed.

- ***Healthy profitability, albeit a temporary decline***

CPN's rental and service income decreased by 1.73% from Bt4,986 million for the first half of 2009 to Bt4,900 million for the first half of 2010. The slight decrease in rental and service income came from the closing of CentralWorld in the second quarter of 2010 and the transfer of CentralPlaza Pinklao assets to CPNRF in late 2009. The drops were mitigated by income from the new shopping centers opened in 2009.

Gross margin for the first six months of 2010 dropped to 34.5%, as some CentralWorld operating costs are fixed. The operating margin for all of 2010 may decline because of the fixed costs of CentralWorld and increasing marketing expenses to encourage consumer spending during the second half of 2010. However, operating income before depreciation and amortization as a percentage of rental and service income and sales held at 42.32% in 2009 and 42.99% for the first six months of 2010.

- ***Declined cash flow protection, due to absence of income***

The funds from operations (FFO) to total debt ratio improved from 15.01% in 2008 to 23.67% in 2009, as FFO jumped to Bt6,469 million in 2009 from the gain on leasing assets to the property fund. For the first six months of 2010, the FFO to total debt ratio decreased to 11.48% (annualized), due to the close of CentralWorld since April 2010. In the future, FFO from normal operations is expected to increase after the new shopping centers open. The earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage ratio improved from 6.17 times in 2008 to 8.60 times in 2009, but declined to 5.74 times for the first six months of 2010.

- ***Leverage level increases due to high capital expenditures***

CPN has a policy to balance its funding needs with equity and debt in order to maintain a healthy capital structure. Total debt increased from Bt16,610 million in 2008 to Bt17,934 million in 2009 and to Bt19,511 million in June 2010. The total debt (including capitalized annual leases) to capitalization ratio increased from 57.97% in 2008 to 58.98% in 2009 and to 60.62% in June 2010. The rise came mainly from the new lease payments for the CentralPlaza Lardprao site and loans for new projects.

According to the renovation and expansion plans, capital expenditures will be approximately Bt8,000-Bt9,500 million per year during 2010-2013. CPN plans to finance its 2010 capital expenditures with operating cash flow of approximately Bt4,000-Bt5,000 million and borrowings of Bt4,000-Bt5,000 million. The company continues its policy to lease assets to property funds in coming years and maintain its net debt to equity ratio below 1 in the medium term.

Financial Statistics and Key Financial Ratios*

Unit: Bt million

	Jan-Jun 2010	----------- Year Ended 31 December ----------- 2009	2008	2007	2006	2005
Rental and service income	4,900	10,178	8,142	7,517	6,310	6,002
Food and beverage sales	277	639	456	378	397	420
Gross interest expense	342	745	543	581	621	544
Net income from operations	1,115	4,952	2,186	1,783	1,685	3,701
Funds from operations (FFO)	1,677	6,469	3,141	2,749	2,692	4,264
Capital expenditures	2,192	9,450	7,187	3,587	4,440	3,002
Cash and short-term investment	2,930	2,541	3,677	3,983	3,690	6,140
Total assets	51,947	50,895	43,784	37,205	34,336	33,376
Total debt	19,511	17,934	16,610	12,048	11,127	11,060
Shareholders' equity	18,963	19,008	15,173	13,639	12,574	11,789
Operating income before depreciation and amortization as % of rental & service income and sales	42.99	42.32	44.66	42.28	48.76	55.58
Pretax return on permanent capital (%)	4.36 **	18.80	10.99	10.89	11.34	22.89
Earnings before interest, tax, depreciation and amortization (EBITDA) interest coverage (times)	5.74	8.60	6.17	5.38	5.09	13.49
FFO/total debt (%)	5.74 **	23.67	15.01	17.05	17.95	28.92
Total debt/capitalization (%)	60.62	58.98	57.97	54.17	54.39	55.57
Total debt/capitalization (%) ***	50.71	48.55	52.26	46.90	46.95	48.40

Note: *All ratios are operating lease adjusted*
* *Consolidated financial statements*
** *Non-annualized*
*** *Excluding capitalized annual leases*

Rating Symbols and Definitions

TRIS Rating uses eight letter rating symbols for announcing medium- and long-term credit ratings. The ratings range from AAA, the highest rating, to D, the lowest rating. The medium- and long-term debt instrument covers the period of time from one year up. The definitions are:

AAA The highest rating, indicating a company or a debt instrument with smallest degree of credit risk. The company has extremely strong capacity to pay interest and repay principal on time, and is unlikely to be affected by adverse changes in business, economic or other external conditions.

AA The rating indicates a company or a debt instrument with a very low degree of credit risk. The company has very strong capacity to pay interest and repay principal on time, but is somewhat more susceptible to the adverse changes in business, economic, or other external conditions than AAA rating.

A The rating indicates a company or a debt instrument with a low credit risk. The company has strong capacity to pay interest and repay principal on time, but is more susceptible to adverse changes in business, economic or other external conditions than debt in higher-rated categories.

BBB The rating indicates a company or a debt instrument with moderate credit risk. The company has adequate capacity to pay interest and repay principal on time, but is more vulnerable to adverse changes in business, economic or other external conditions and is more likely to have a weakened capacity to pay interest and repay principal than debt in higher-rated categories.

BB The rating indicates a company or a debt instrument with a high credit risk. The company has less than moderate capacity to pay interest and repay principal on time, and can be significantly affected by adverse changes in business, economic or other external conditions, leading to inadequate capacity to pay interest and repay principal.

B The rating indicates a company or a debt instrument with a very high credit risk. The company has low capacity to pay interest and repay principal on time. Adverse changes in business, economic or other external conditions could lead to inability or unwillingness to pay interest and repay principal.

C The rating indicates a company or a debt instrument with the highest risk of default. The company has a significant inability to pay interest and repay principal on time, and is dependent upon favourable business, economic or other external conditions to meet its obligations.

D The rating for a company or a debt instrument for which payment is in default.

The ratings from AA to C may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within a rating category.

TRIS Rating's short-term ratings focus entirely on the likelihood of default and do not focus on recovery in the event of default. Each of TRIS Rating's short-term debt instrument covers the period of not more than one year.The symbols and definitions for short-term ratings are as follows:

T1 Issuer has strong market position, wide margin of financial protection, appropriate liquidity and other measures of superior investor protection. Issuer designated with a "+" has a higher degree of these protections.
T2 Issuer has secure market position, sound financial fundamentals and satisfactory ability to repay short-term obligations.
T3 Issuer has acceptable capacity for meeting its short-term obligations.
T4 Issuer has weak capacity for meeting its short-term obligations.
D The rating for an issuer for which payment is in default.

All ratings assigned by TRIS Rating are local currency ratings; they reflect the Thai issuers' ability to service their debt obligations, excluding the risk of convertibility of the Thai baht payments into foreign currencies.

TRIS Rating also assigns a **"Rating Outlook"** that reflects the potential direction of a credit rating over the medium to long term. In formulating the outlook, TRIS Rating will consider the prospects for the rated company's industry, as well as business conditions that might have an impact on the fundamental creditworthiness of the company. The rating outlook will be announced in conjunction with the credit rating. In most cases, the outlook of each debt obligation is equal to the outlook assigned to the issuer or the obligor. The categories for *"Rating Outlook"* are as follows:

Positive The rating may be raised.
Stable The rating is not likely to change.
Negative The rating may be lowered.
Developing The rating may be raised, lowered or remain unchanged.

TRIS Rating may announce a **"CreditAlert"** as a part of its monitoring process of a publicly announced credit rating when there is a significant event that TRIS Rating considers to potentially exerting a substantial impact on business or financial profiles of the rated entity. Due to an insufficient data or incomplete developments of the event, such as merger, new investment, capital restructuring, and etc., current credit rating remains unchanged. The announcement aims to forewarn investors to take a more cautious stance in investment decision against debt instruments of the rated entity. CreditAlert report consists of a "Rational" indicating warning reasons, a "CreditAlert Designation", and a current credit rating. Rating Outlook is withheld in the announcement.

CreditAlert Designation illustrates a short-term rating outlook indicative of the characteristics of impacts on the credit rating in one of the three directions (1) *Positive* (2) *Negative* and (3) *Developing.*

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