



CENTRAL PLAZA HOTEL plc.



EXECUTIVE SUMMARY

OPERATING PERFORMANCE – Q2/2007

Both the sustained uncertain political situation and the strengthening of the Thai Baht - since the start of the year and during the immediate period preceding Q2/07 - has adversely impacted the overall travel and tourism market environment as well as the Thai consumers confidence. This negative business environment together with the temporary closure (for major renovations for renovations as part of a Group-wide products upgrade and brand enhancement strategy) of over 150 hotel rooms within the Group becoming a key reason in a year-on-year (YOY) decline in the Company's total revenue for the Q2/2007 period – as shown in the chart below.

Summary : CENTEL's Operating Results – Q2/2007 & H1 (Jan – Jun)/2007

<i>(in Baht million)</i>	Q2/2007	% change YoY	H1 (Jan-Jun) 2007	% change YoY
Revenues				
• Hotels	559.2	- 6.4%	1,402.2	+6.4%
• Foods	1,118.6	- 2.8%	2,112.9	- 2.3%
TOTAL REVENUES	1,677.8	- 4.0%	3,515.1	+1.0%
EBITDA	295.9	- 15.0%	825.4	+6.3%
NET PROFIT/(LOSS) <i>(after extraord items)</i>	19.1	- 89.6%	226.2	- 32.6%

Total consolidated Q2/07 revenues was Baht 1,678 million (YoY) decrease of 4% - with the Hotels Business Group achieving revenues of Baht 559 million (a decrease of 6.4% YoY) while the Foods Business Group achieved revenues of Baht 1,119 million (a decrease of 3% YoY), although some of the QSR concepts were able to show YoY increases in same store sales.

As at the end of Q2/2007, the Company's Earnings before interest, tax and depreciation & amortisation (EBITDA) decreased by Baht 52 million (or 15% YoY), while its Net Profit (before extraordinary items) decreased by Baht 58 million - or by approximately 75% compared to last year (in which the overall Net Profit also included the extraordinary gain from the sale of the floating hotel's assets). Also during Q2/07, the Company booked pre-operating expenses totaling Baht 16 million relating to the new Bangkok Convention Hall (located within the planned Centara Grand Hotel & Convention Centre at the Central World Complex) which is due to have its soft opening in July this year.

OPERATING PERFORMANCE – H1/2007

For the period Jan –Jun 2007, total revenues was Baht 3,515.1 (a marginal increase of 1% YoY) – with the Hotels Business Group achieving very positive YoY gains while the Foods Business revenues showed a slight 2.3% decrease YoY). However, H1/2007 EBITDA showed a YoY increase of 6.3%, while overall Net Profit decrease by 33% YoY – since in 2006 Net Profits included an extraordinary gain realized from the sales of the floating hotel assets in Q2/06.

GENERAL BUSINESS CONDITIONS

POLITICAL & ECONOMIC ENVIRONMENT

Further, based on the ongoing political situation, the overall negative market sentiments, and decline in consumer spending, it is projected that Thailand's 2007 YoY GDP growth continues to be flat from last year. However, once the political situation improvements – with a success Constitutional referendum in late August as well as elections in late 2007 that will lead to a more generally accepted democratically elected Government being put into place by early 2008, the economy is projected to bounce back and a return of a more positive public and private sectors investments and consumer confidence environment. Thus, preliminary 2008 GDP YoY growth is targeted at a more positive 4.5 – 5.5 for next year – especially if inflation is at a more manageable 2% pa and exports prospects improve through a more stable Baht exchange rate.

Thailand's GDP : 2005 – 2008 (YoY Growth)

Actual GDP 2005	Actual GDP 2006	Estimated GDP 2007	Projected GDP 2008
4.5%	4.5 %	3.5 -4.3 (3.5 – 4.0) Note: Q2/07 : 4.1% (est)	4.5 -5.5 (4.0 – 5.0)

Source: KBank Research/Press articles

TOURISM & TRAVEL INDUSTRY OVERVIEW

After a year with very positive growth in 2006, the sustained uncertain political situation and negative business climate situation coupled with the strengthening of the Thai Baht significantly impacted the tourism market environment – with YoY growth being quite flat for Q1 & Q2, thus with Jan-Jun total international arrivals being only 3.3% above H1/06. Please see chart below.

**Thailand's Tourism Sector :
International & Local Tourists (No. & YoY growth)**

(in millions)	Actual FY 2005	Actual FY 2006	Est/Actual FY 2007	Target FY 2008
International Arrivals	11.5 - 2.0%	13.8 (vs target 15.2) + 20%	14.5 (vs 14.8) +5% Note: Actual Q1/07 : 3.83 / +5.7% Q2/07 : 3.12 / +0.5% Jan-Jun07 : 6.95 / +3.3%	15.5 -16.0 + 8 -10% Note: Targets 2009 : 16.3 -17.0 2010 : 17.6 -18.2 2011 : 18.7- 19.5
Domestic Tourists	78.0	79.0	82.0	90.0

Source: TAT statistics/Press articles/KBank Research

While, a more positive growth for H2/07 is projected – once the political situation as well as economic environment improves – to give overall annual growth of only 5.0% for this year, the slow down in H1/07 has impacted the overall Average Occupancy Rate for hotels operating in Thailand (please see below) - taking into account also, of course, the additional new hotel rooms coming on stream. It is hoped that a more stable political climate returns in early 2008 together with a more positive business climate as well as a stable and more favourable (to incoming tourists) Baht exchange rate, FY/2008 will see a much more positive YoY growth of 10%, especially as PATA projects that Asia will see an average of 6.5% increase in foreign tourisms over the next few years. Please see summary as shown in the chart above. In the meantime, the TAT deploy special added budgets to increase its already ongoing proactive marketing promotions activities for the rest of 2007.

Thailand' Tourism Sector :
Est/Act No of Hotel Rooms by Region & Est/Actual Hotels Avg Occupancy Rate (AOC)

Region / Total No. of hotel rooms		Region /	Est/Actual
Bangkok	62,200 rooms	Bangkok	60 - 70% (vs 73 -75% in 2006)
Central	12,000 rooms	Chiangmai	45 – 50 % (vs 55- 60%+ in 2006)
West	26,500 rooms	Pattaya/Rayong	45 - 55%
East	59,200 rooms	Hua Hin/Chaam	55 – 60% (vs 75%+)
North	48,000 rooms	Samui/Krabi	50 - 55 % (vs 35 -45%
NorthEast	30,000 rooms	Phuket	due to tsunami impact)
South	99,000 rooms		

Source: TAT & THA statistics

Given the overall positive trend of the Tourism sector over the previous few years, in addition to the more well-known local hotel operators, many global hotel chains have been entering into the Thai market, deploying their various brands in both the upper end and mid-market segments - namely : Starwood, Accor, Best Western, and Intercontinental. They are either taking over existing local sand alone hotels, refurbishing and rebranding them or developing new projects – in all the major key city as well as resorts destinations throughout Thailand.

FOODS SERVICE & QSR SECTOR OVERVIEW

Again, the sustained uncertain political situation and resultant decline in overall business as well as consumers confidence has had significant adverse impact on the QSR market sector – with an overall slower average industry growth trend to date in 2007 (at 3.5 – 5.0% YoY in 2007 vs the 9 -10% as seen in 2006. With a slower growth in major retail mall locations, competition to acquire key locations among the major QSR players has intensified – as each endeavours to maintain its market coverage and presence in increasingly limited available prime commercial retail real estate. There is also a trend to invest and develop more compact size QSR outlets as well as to fast track new sales channels – eg: takeaway-only kiosks, home deliveries and outside catering. Faster and more frequent launch of new products and year long promotions and CRM/loyalty programs are among the new strategies being deployed to enhance sales in a slower growing number of QSR locations.

CENTEL's OPERATING PERFORMANCE for Q1/2007 (vs Q1/06)

OVERVIEW

The overall negative tourism and local Thai consumer market environment - resulting from the sustained uncertain political situation, strengthening of the Thai Baht and the prolonged declined in both investors and consumers confidence - together with the temporary closure (for major renovations and refurbishments) of up to 157 rooms in 4 hotels located in key resort destinations are a key reasons in a year-on-year (YOY) decline in the Company's total revenue for the Q2/2007 period – as shown in the chart below. Moreover, The drop in consumer's propensity to spend is also a key reason for the Q2/07 decrease in the Foods Business revenues.

However, when the political situation improves in late 2007 and 2008 – once elections are held and a new Government is installed – a more positive business investment climate and consumer sentiments should return by the time the 'high tourists season' is reached in the Q4/2007 to Q1/2008 period, by which time, the rooms closed for renovations should become available for sales once again.

Additionally, as part of this market positioning enhancement strategy, apart from the major new properties being developed in Bangkok and other key travel destinations with planned launch during 2008/2009, in June 2007 the CENTEL Group also launched its major hotels products portfolio

“rebranding” exercise – whereby, depending to the location and new ‘market positioning’ of its various properties, all its hotels will be renamed as shown below :

CENTEL’s Current Hotels & Resorts portfolio

Location	Existing Hotels/ Resorts (No. of rooms)	New Hotels/Resorts Being developed (No of rooms) - planned opening
Bangkok	Sofitel Centara Grand Bangkok (607)	Centara Grand & Bangkok Convention Center at Central World (505) – Q2/2008
Hua Hin / Chaam	Sofitel Centara Grand Resort & Villas, Hua Hin (207/42)	Centara Baan Hua Hin Acadia Hotel, Hua Hin (46 suites, 28 villas) - end 2007/early 2008
Samui Krabi/Phuket	Centara Grand Beach Resort, Samui (207) Centara Villas, Samui (99) Centara Villas, Phuket (72) Centara karon Resort, Phuket (335) Centara Kata Resort, Phuket (128) Centara Grand Beach Resort & Villas, Krabi (192)	Centara Grand Phuket Beach Resort (262) – March-2010
Chiangmai	Centara Duangtawan Hotel, Chiangmai (567)	
Hat Yai	Novotel Centara Hat Yai (245)	
Mae Sot, Tak	Centara Mae Sot Hill Resort (113)	
Pattaya		Centara Grand Mirage Beach Resort (555) – Q4/2008

Source: CENTEL

Hotels Business operations

The Tourism & Travel market has become very challenging due to the overall decline in the hotels business environment in Thailand (as a result of the sustained unstable political situation and resultant overall investment and economic slowdown) which has adversely affected all the key markets for all hotels and resorts operators (ie: international and domestic holidaying travelers, the FIT Business travelers and the MICE market).

Thus, the decrease in the Q2/2007 Hotels Business Group revenues is a primarily due to the abovementioned negative market environment as well as to the fact that, for this period, the Company closed down a total of 157 rooms for renovations and improvements in 4 of its hotel properties, ie:

- Centara Grand Beach Resort Hotel, Samui (closed down 71 out of 207 rooms)
- Centara Villa Hotel, Samui (closed down 25 out of 99 rooms)
- Centara Villa Hotel, Phuket (closed down 31 out of 72 rooms)
- Centara Kata Beach Hotel, Phuket (closed down 30 out of 128 rooms)

These temporary closures (for major renovations) – which is a key part of CENTEL’s strategy to upgrade its rooms product mix so as to increase the total number of its 5-star rooms segment from the current 55% (of total rooms available) to 73% by 2010 and thereby improving its overall realisable Average Room Rates (ARR) - has resulted in the Group having 7% less rooms capacity, out of the overall total rooms available and have thus significantly and adversely impacted the Average Occupancy Rate (AOC) for the Q2/07 period as well as overall Hotels Business revenues. (Please see chart below). However, in hindsight, the consolation is that with the overall tourists arrivals in a ‘low and negative’ mode, it is a good opportunity for CENTEL to enhance its products and be relatively well-positioned once the hoped-for improved travel market environment returns in the ‘high tourists season’ in Q4/07 and Q1/2008.

CENTEL : Hotels Business Key Indicators

	Q2/2007 (Q2/06)	Q1/2007 (Q1/06)
Average Occupancy Rate (AOC)	50.5 % (64.4 %)	75.1 % (77.6 %)
Average Room Rate (ARR)/night	Baht 2,911 (Baht 2,902)	Baht 3,847 (Baht 3,445)
Rev PAR	Baht 1,451 (Baht 1,611)	Baht 2,890 (Baht 2,675)

Source: CENTEL

Key markets overview for Q2/07 & the balance of 2007

- **Bangkok** market still remains slower and is expected to be slow for most of Q3 & Q4/07, as much of the corporate business is in a slow mode – especially for the BT and MICE markets. High hopes are being pinned on increasing revenue contributions from the recently launched new Centara Bangkok Convention & meeting facilities in CBD Bangkok at the Central World Complex.
- **Hua Hin/Chaam** was in a low season mode for international travelers although local tourists demand is sustained during Q2/07; and a more positive improvement is seen and expected for Q3 and Q4/07 although this market continues to be very competitive as many new local 'boutique' hotels and reputable multinational chains start up their operations later this year
- **Phuket/Samui & Krabi markets** slowed down (in terms of AOC and ARR), as expected during the mid-year low season despite ongoing proactive promotions campaigns being deployed and was also affected by the closure of many rooms for major renovations. However, with several new properties Q3 & Q4/07 (except for Samui, with its 'low season due to the prevalent storms in the Gulf during this period) is expected to improve significantly and be very solid - once the 'high tourists season' arrives and the renovations are completed by end Q3 – and this positive trend should continue into the early months of 2008, whereby CENTEL with its various properties and increased capacity would be very well-positioned to benefit from the uptrend.
- **Chiangmai** is fairly positive in Q2 even after the end of the Flora 2006 event – with more corporate and Government events and is expected to see strong demand going into Q4 'high season'; but it has become increasingly competitive (like Hua Hin/Chaam) with continued entry of new local boutique hotels and reputable international hotel chain operators between late 2006 and going into 2008
- **Haadyai**, with the prolonged political strife in the Southern provinces, continues to be in a very slow and quiet mode as most travelers shun this location. However, barring further terrorist activities or adverse publicity, both local business and the traditional leisure travelers (from Malaya, Indonesia and Singapore) should slowly start to return by end 2007, thus building up a more positive market going into 2008. And **Mae Sot** market has recently improved – with new Government meetings and leisure businesses – and is expected to see a more positive mode going into late 2007.
as well as Government business resulting from the ongoing political unrest
- **Pattaya's** attractiveness and change into a more family-oriented resort destination continues to grow (with its convenient proximity and improved access to the new Suvarnabhumi International Airport as well as well-established tourism infrastructure). CENTEL's new 5-star resort property should be well-positioned to benefit once it is completed by late 2008.

Meanwhile, CENTEL's online sales has continued to increase (over 40% YoY in terms of booking and over 70% in terms of sales revenues earned) and continues to become a well-contributing and cost-effective sales channel for the Group. Further, the successful and todate good acceptance of the new Bangkok Convention Hall (at the planned Centara Grand Hotel & Convention Centre at the Central World Complex in CBD Bangkok) may contribute to the F&B/meetings revenues exceeding initial projections - since currently bookings for the rest of this year is almost Baht 70 million and those for next year is approximately Baht 100 million.

Based on the hope-for improved travel market environment as well as the benefits to be gained from its Hotels portfolio rebranding exercise and products improvements, the Group is still targeting to achieve FY/2007 revenues of approximately Baht 2,600 million (or equal to a YoY increase of 35% over FY/2006).

Foods Business Operations

As for its FOODS BUSINESS Group, the Company was considerably and adversely affected by the overall negative market sentiments as well as the resulting decline in consumer demand – intensifying further the already very competitive market environment that demands increasingly innovative marketing programmes in order to maintain a leading market position. During the period, KFC achieved increased sales when compared to the same period last year, while Pizza Hut also achieved a corresponding YoY increase in its average 'same store sales' per store. Also, during Q2/07, the Group added 6 new retail Foods outlets but also closed 6 non-profitable outlets – thus ending the period with the same total of 465 retail Foods outlets as at the end of Q1/07. (Please see chart below)



CENTEL : QSR RETAIL OUTLETS

<i>as at end</i>	Q2/2007	Q2/2006
KFC	130	124
Pizza Hut	24	25
Auntie Anne's	83	76
Mister Donut	182	172
Baskin Robbins	46	44
= TOTAL	465	441
	Added 6 Closed 6	

Note : Total 456 outlets as at end 2006

Source: CENTEL

For the full year period, the Foods Business Group plans to invest in up to 32 new QSR outlets – and with closure of some non-profit making locations, a net total of 24 - 25 outlets will be achieved for FY/2007 to end up the year with a total of 480 outlets.

Additionally, apart from a planned new (Asian food) QSR concept that will be launched in late 2007, with planned ongoing new outlets network expansion and refurbishments activities, continued new menu offerings launches and deployed proactive marketing & promotions campaigns - coupled with more focused CRM/Customer loyalty-oriented programmes - for the rest of the year, the Foods Business operations is still targeting to achieve FY/2007 revenues of approximately Baht 4,400 million (or equal to a YOY increase of 8% from FY/2006).

CONSOLIDATED CENTEL OPERATING PERFORMANCE & FINANCIAL RESULTS

SUMMARY OF FINANCIAL RESULTS

AS a result of the decline in overall revenues – for the various reasons stated above – but coupled with ongoing and effective costs management practices in place, as at the end of Q2/2007 (Please see details in the chart below)

- Earnings before interest, tax and depreciation & amortisation (EBITDA) decreased by Baht 52 million (or 15% YoY),
- Net Profit (before extraordinary items) was baht 19.1 million – a YoY decrease Baht 58 million or approximately 75% compared to Q2/06. It should be noted also that during Q2/07, the Company also booked pre-operating expenses of Baht 16 million relating to the new Bangkok Convention Hall (located within the planned Centara Grand Hotel & Convention Centre at the Central World Complex) which is due to have its soft opening in July this year,

- Net profits (after extraordinary items) was Baht 19.1 million – a 89.6% decrease YOY vs Q2/06, as last year the Net Profit also included the extraordinary gain from the sale of the floating hotel's assets in Q2/06
- Cash Flow from operations – to fund required new projects investments - for Q2/07 was Baht 210.6 million; and cumulative for H1/2007 is Baht 538 .0 million – in line with expectations.

SUMMARY : CENTEL's OPERATING PERFORMANCE – Q2/2007 & H1 (Jan – Jun)/2007

<i>(in Baht million)</i>	Q2/2007	% change YoY	H1 (Jan-Jun) 2007	% change YoY
Revenues				
• Hotels	559.2	- 6.4%	1,402.2	+6.4%
• Foods	1,118.6	- 2.8%	2,112.9	- 2.3%
TOTAL REVENUES	1,677.8	- 4.0%	3,515.1	+1.0%
Costs of Sales	722.7	-2.9%	1,438.8	-0.2%
Expenses	638.0	0.1%	1,238.4	-0.3%
Equity loss in JV	21.2	18.4%	12.5	-30.2%
TOTAL COSTS & EXPENSES	1,381.9	-1.3%	2,689.7	-2.9%
EBITDA	295.9	- 15.0%	825.4	+6.3%
Less:				
Depreciation/Amrtsn	177.5	+12.4%	350.1	+13.9%
Interest Expenses	37.3	+20.7%	71.8	+36.0%
Corp Income Tax	38.9	-34.5%	111.9	-14.3%
Minority Interest & pre Acq income	5.3	+5.3%	27.6	+23.2%
Dividends for PPF unit holders	17.8	0.0%	37.8	+6.5%
NET POFIT/(LOSS) (b/f Extraord items)	19.1	-75.1%	226.2	-2.9%
Less : Extraord items	0.0	-100.0%	0.0	-100.0%
NET PROFIT/(LOSS)	19.1	-89.6%	226.2	-32.6%

Source: CENTEL's audited finanal statements for Q2/2007

OUTLOOK FOR FY/2007 PERFORMANCE

Despite the overall negative Q2/07 as well as H1/07 operating performance to date (as shown in the chart above), the Company is still confident that results for the second part of 2007 will be much more positive – especially for the Q4/07 period which corresponds to the 'high tourists season' that will see more incoming travelers, as well as with the rooms currently under renovation during Q2 and Q3/07 should be reopened for sales, the overall political situation improves and more stable and the resultant economic environment as well as market sentiments become more positive.

Thus, as per current expectations, for the FY/2007 period, the Company is still targeting overall total revenues of Baht 7,500 million (UP 10% YoY vs FY/2006).

For more information, please contact

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