

Future Park Leasehold Property Fund (FUTUREPF)

Management's Discussion and Analysis for 4Q2016

Analysis of Operating Results

Unit : Million Baht

	2016	2015	% Change (YoY)	4Q2016	4Q2015	% Change (YoY)	3Q2016	% Change (QoQ)
Rental Income	974.7	924.5	5	254.0	241.6	5	245.2	4
Interest Income & Other Income	12.7	16.6	(23)	3.2	3.4	(6)	3.8	(16)
Total income	987.4	941.1	5	257.2	245.1	5	249.0	3
Property Expenses	76.9	79.5	(3)	19.5	25.3	(23)	16.6	17
Property Management Fees	96.4	93.5	3	23.3	23.5	(1)	23.8	(2)
Fund Management Fees and Expenses	33.6	37.2	(10)	8.1	8.9	(9)	8.2	(1)
Total expenses	206.9	210.3	(2)	50.9	57.7	(12)	48.7	5
Net Investment Income	780.5	730.9	7	206.3	187.4	10	200.3	3
Net Unrealized gain (loss) from changes in investment value	-3.6	87.7	(104)	-29.1	6.6	(538)	3.0	(1,067)
Net Increase in net assets from operations	777.0	818.5	(5)	177.1	194.0	(9)	203.3	(13)

Distributable Income *	777.0	730.9	6	177.1	187.4	(5)	200.3	(12)
Distribution Income	704.3	660.9	7	185.9	170.5	9	180.6	3
Distribution Income per Unit (Baht)	1.330	1.248	7	0.351	0.322	9	0.341	3

Net Investment Income Margin	79%	78%	1	80%	76%	4	80%	(0)
Distribution Income Margin	71%	70%	1	72%	70%	2	73%	(1)

*Distributable Income calculates from net increase in net assets from operations, excluding net unrealized gain from changing in investment value.

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Total income

In 4Q2016, FUTUREPF had total income of 257.2 million baht, which increased by 12.1 million baht or 5% from the same period of last year. It was mainly driven from rental income from shop area increased by 8.6 million baht or 1%, mainly resulted from the growth of average rental rate by 5% and average occupancy rate increased from 95% to 99%,

Comparing with 3Q2016, total income increased by 8.2 million baht or 3%, mainly resulted from the increasing of rental income from shop, driven from average occupancy rate increasing.

In 2016 FUTUREPF had total income of 987.4 million baht, which increased by 46.3 million baht or 5% from the last year. This was mainly due to

1. revenue from common area increased by 25.2 million baht or 9% mainly due to the growth of average rental rate by 2% and average occupancy rate increased from 83% to 84%,
2. revenue from shop area increased by 24.1 million baht or 4%. Furthermore, the growth of average rental rate by 2% and average occupancy rate increased from 94% to 95% in Y2016

Total Expenses

In 4Q2016, total expenses amounted to 50.9 million baht, which decreased by 6.8 million baht or 12% compared with the same period of last year. The main reasons were as follows:

1. property expenses decreased by 5.8 million baht or 23%, mainly due to the decrease of marketing expense from the event cancellation during Oct - Dec16 (Halloween, Countdown , Christmas & New Year) as result from the passing of His Majesty King Bhumibol Adulyadej,
2. fund management fees and expenses decreased by 0.8 million baht or 9%, resulted from the decrease of interest expense.

Comparing with 3Q2016, the fund total expenses increased by 2.2 million baht or 5%, mainly due to the increased property expenses from the adjustment of estimated property tax expenses to be in line with the actual expense.

In 2016, the fund total expenses were 206.9 million baht, which decreased by 3.4 million baht or 2 % from last year. This was mainly due to the decrease of the interest expense and marketing expense.

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Net Investment Income

In 4Q2016, FUTUREPF had net investment income of 206.3 million baht, which increased by 18.9 million baht or 10% compared with the same period of last year. It was resulted from the increasing of rental income while total expenses dropped. Therefore, FUTUREPF announced the dividend payment of 185.9 million baht, or 0.351 baht per investment unit. It was increased from 0.322 baht per investment unit in 4Q2015.

Compared with 3Q2016, FUTUREPF had net investment income increased by 5.9 million baht or 3%, which was due to the increasing of rental income.

In 2016, FUTUREPF had net investment income of 780.5 million baht, increased by 49.6 million baht or 7% compared with last year. It was resulted from the increasing of rental income while total expenses dropped. Therefore, the distributable income increased by 6% compared with the last year. This year, FUTUREPF announced dividend payment of 704.3 million baht (90.65% of distributable income) or 1.330 baht per unit which increased from 1.248 baht per unit in 2015.

Unrealized Gain (Loss) from Changes in Investment Value

In 4Q2016, FUTUREPF recognized unrealized loss in property investment value by 23.0 million baht compared with 3Q2016, resulted from changing in assumption for the valuation of investments align with current business. And, there were the capital expenditures for the equipment improvement and the renovation of leasable area of 6.1 million baht. Therefore, total unrealized loss from changes in investment value was recorded at 29.1 million baht.

In 2016, FUTUREPF recognized unrealized gain from property valuation by 6.0 million baht so investment in property was recorded at 6,991 million baht in 4Q2016 from 6,985 million baht in 4Q2015. However, there were the capital expenditures for the equipment improvement and the renovation of leasable area of 9.6 million baht. Therefore the net unrealized loss from changes in investment value was recorded at 3.6 million baht.

Profitability

In 4Q2016, net investment income margin was 80% increased from 76% and distribution income margin was 72% increased from 70% in the same period of last year. This was resulted from the operating performance improvement.

Comparing with 3Q2016, net investment income margin increased to 80% as same as the previous quarter. The distributable income margin decreased by 1%.

Net investment income margin and distribution income margin in 2016 increased by 1% compared with last year because of the operating performance improvement.

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Balance Sheet

Unit : Million Baht

	As 31 Dec 2016	As 31 Dec 2015
Investments in properties at fair value	6,991.0	6,985.0
Investments in securities and cash at banks	410.5	467.9
Other assets	58.5	69.5
Total assets	7,460.0	7,522.3
Deposits of rental and service	343.3	330.4
Borrowing	270.0	420.0
Other liabilities	75.6	88.8
Total liabilities	688.8	839.2
Capital Received from Unit Holders	6,771.2	6,683.1
Retained earnings	5,633.2	5,633.2
Net assets	1,138.0	1,050.0
Net asset value per unit	12.7862	12.6200

As of 31 December 2016, FUTUREPF had total assets of 7,460.0 million baht. The major assets consisted of the investments in properties 6,991.0 million baht and the investment in securities and cash at banks 410.5 million baht. Total liabilities were 688.8 million baht, mainly from the deposits of rental and service. In Y2016, FUTUREPF had the repayment of borrowings amounted to 150.0 million baht so total liabilities decreased from 839.2 million baht at the end of Y2015.

Therefore, FUTUREPF had net asset value 6,771.2 million baht or 12.7862 baht per unit, increased from 12.6200 baht per unit as of 31 December 2015.