

Executive Summary

In 3Q18, the Thai economy extends its growth momentum following the GDP expansion by 4.6% in 2Q18. The growth is attributed to a number of factors, namely 1.) strong export growth despite a slight decline in September 2.) growth in private consumption supported by higher household income in various sectors, including agriculture, and recovering consumer confidence, whilst inflation level also grew within the expected range 3.) strong tourism performance especially from increased foreign tourist arrivals from Malaysia, Japan, Hong Kong and India, despite having been affected by lower arrivals from China, following the boat accident in Phuket, and Russia, following the sanction imposed by the US, and last but not least, 4.) other supporting factors, namely public investments driven by state-owned enterprises' spending, and private investments driven by increased manufacturing capacities in many industries. Overall, the Thai economy will continue to grow, which in turn could be affected by the uncertainties surrounding the global economy, such as the trade war, financial stability in China and intensified geopolitical conflicts.

The performance of Central Pattana Public Company Limited ("The Company" or "CPN") in 3Q18 shows total revenue of THB 9,499 mn, a decrease of 15.2% from the same period in the previous year (YoY), and net profit of THB 2,928 mn, a decrease of 51.1% YoY, mainly due to the recognition of non-recurring income from the insurance claim under terrorism coverage of THB 3,500 mn (for the first nine months of 2018, CPN reported total revenue of THB 27,126 mn, an increase of 2.2% YoY, and net profit of THB 8,686 mn, a decrease of 22.7% YoY).

CPN's total revenue and net profit continues to grow according to its business plan.

Excluding the non-recurring items In 3Q18, CPN reported an increase in total revenue of 19.4% and an increase in net profit of 5.5%. The result demonstrates the growth resiliency of CPN's operating results despite the ongoing major renovation at CentralWorld and the transfer of CentralFestival Pattaya Beach to CPN Retail Growth Leasehold REIT ("CPNREIT") in December 2017 (for the first nine months of 2018, CPN reported an increase in total revenue of 16.4% YoY, and an increase in net profit of 8.2% YoY).

CPN continues to emphasize on effective revenue generation through new shopping malls, enhancement of existing malls, as well as efficient cost management. CPN currently manages 33 shopping malls with the net leasable area (NLA) of approximately 1.7 mn sqm., a YoY increase from approximately 1.6 mn sqm. due to the opening of 2 new shopping malls in 2017, which are CentralPlaza Nakhon Ratchasima and CentralPlaza Mahachai, and 1 new mall in 2018, namely Central Phuket Floresta. At the end of 3Q18, the average occupancy rate for CPN's retail properties stood at 92%, similar level YoY.

Major Events in 3Q18

CPN is selected into the DJSI World and DJSI Emerging Markets Indices in 2018.

The acquisition of GLAND, which has high potential assets, is an important step for CPN to become a leader in mixed-use projects

"Central Phuket Floresta", CPN's 33th shopping mall, was open on September 10, 2018.

Sustainable Growth as a Core Principle in Business

CPN is selected to be the member of the Dow Jones Sustainability Indices (DJSI) in 2018. The inauguration into the DJSI World index, in which CPN is the only real estate company and one of eight Thai companies to achieve the feat, and the DJSI Emerging Markets for the fifth consecutive year (2014-2018). This is a testimony to CPN's philosophy on sustainable business operations by taking into consideration the interests of the whole, the environment, the related parties and continuously partake in driving the well-being of society and communities forward.

The acquisition of shares in Grand Canal Land Public Company Limited or "GLAND" with details to the transactions as follow

- On September 12, 2018, CPN Pattaya Co., Ltd., ("CPN Pattaya"), a wholly owned subsidiary of CPN, acquired shares of GLAND equivalent to 50.43% of total issued and paid-up shares, for THB 10,162 mn, or at THB 3.10 per share, from a total of 5 individual and corporate shareholders, immediately followed by a declaration of intent.
- On September 24, 2018, CPN Pattaya made a tender offer to purchase the remaining shares, or 49.57% of total issued and paid-up shares, at the offer price of THB 3.10 per share, at a total amount not exceeding THB 9,987 mn, during September 25 – October 31, 2018. After the completion of the offer period, a total of 17.10% of total issued and paid-up shares was accepted for a total amount of THB 3,445 mn. Hence, CPN effectively has 67.53% ownership in GLAND as announced to the Stock Exchange of Thailand (SET) on November 5, 2018.

For the consolidated financial statements as of 3Q18, CPN recorded an increase in investment properties at THB 23,370 mn and an increase in interest-bearing debt of THB 7,849 mn based on the events above. CPN is currently in the process of reviewing the investment plan to develop the assets of GLAND.

CPN constantly looks for new investment opportunities, including mergers and acquisitions (M&A), to reinforce its business plan and long-term growth strategy. The acquisition of GLAND marks an important step for CPN towards becoming the leader in mixed-use development projects, as many of GLAND's assets are located in high-potential locations capable of large-scale project development, thus increases the competitiveness in the industry and create sustainable return to shareholders in the long-term.

The opening of Central Phuket, the largest shopping complex in the southern part of Thailand. Covering over 111 rai of land, the complex reigns as the first luxury flagship of CPN, seamlessly blending the lifestyle and relaxation experience. Positioned as the Magnitude of Luxury & Leisure Resort Shopping Destination not only for local communities but also foreign tourists, Central Phuket comprises 2 shopping malls, namely:

- **Central Phuket Floresta**, opened on September 10, 2018 as the 33th shopping center of CPN, is the latest luxury and lifestyle destination that features famous global brands, as well as a variety of shops and restaurants. It also features the world's first and only global attractions, namely 1.) Tribhum, the virtual 3D interactive walkthrough experience 2.) Aquaria, which features over 25,000 marine species and 3.) Tales of Thailand, the center of cultural stories from all parts of Thailand.
- **Central Phuket Festival**, the lifestyle shopping center catered towards family-oriented customers that look for relaxation. It features a wide selection of shops, restaurants and entertainment complex to accommodate various family activities. Connection to the Floresta building is made through an automated traveller, bringing forth a seamless transaction between luxury and leisure ambiances.

The major renovation at CentralWorld is progressing as planned and will gradually commence full operation by 4Q18.

Asset Enhancement Initiatives to increase the value of existing shopping malls, customers, tenants and societies, and create long-term returns. In 2018, CPN progressed with the following asset enhancement initiatives.

- **Major renovation at CentralWorld**, which has been ongoing in phases since 4Q16, is progressing as planned and on-track for full re-launch in 4Q18. In 3Q18, the occupancy rate of CentralWorld stood at 86%, a slight increase from 3Q17 at 83%.
- **Major renovations at 2 shopping malls** namely 1.) CentralPlaza Chiangrai and 2.) CentralPlaza Chonburi. Consistently posting strong performances, the two malls will undergo leasable area expansion for new tenants and expansion of existing shops, as well as incorporating various destination concepts, such as Food Destination and Co-working space, to name a few. Preparations for the renovations are underway and will be progressively completed in 2019.
- **Minor renovation at 3 shopping malls** namely 1.) CentralFestival Pattaya Beach 2.) CentralPlaza Lardprao and 3.) Central Phuket Festival. They will undergo zoning revisions, refreshing tenant mix and new interior and exterior decorations in some areas, as well as introducing successful destination concepts, such as Food Destination and Fashion Destination, to enhance the convenience of and services towards the customers.

Diversification into Mixed-use Development Projects

CPN sees the potential in mixed-use development projects, which consist of residential projects, office buildings and hotels, in the same complex as the shopping malls to support and maximize the benefits of the latter's business. In 3Q18, CPN have made notable progresses in the following mixed-use development projects.

Condominiums launched in 2016 are in the midst of ownership transfer, which will be completed within 2018.

In 3Q18, CPN launched "Phyll Pahol 34", the first residential project in Bangkok.

- **Residential projects that are completed and in the process of transfer to customers** at 3 locations, namely ESCENT Rayong, ESCENT Chiangmai and ESCENT Khonkaen, which are condominium projects launched in 2016 and have been sold out. The transfer of these projects is expected to complete within 2018.
- **Residential projects that are open for pre-sale and in the process of construction** at 4 locations, namely ESCENT Nakhon Ratchasima, ESCENTVILLE Chiangrai and ESCENTVILLE Chiangmai, which are condominium projects launched in 2017 and have been sold out. The other project, Phyll Pahol 34, a condominium project in Bangkok located next to the Senanikom BTS station and also in close proximity to CentralPlaza Lardprao, was launched for pre-sale in September 2018.



Phyll Pahol 34

Financial and Operating Performance in 3Q18

Table 1: Summary of net leasable area and occupancy rate

	Number of projects and net leasable/salable area under CPN management as of 3Q18								Occ. Rate / Sales Rate (%)
	Total		CPN		CPNREIT ⁽¹⁾		CPNCG ⁽²⁾		3Q
	No.	sq.m.	No.	sq.m.	No.	sq.m.	No.	sq.m.	2018
<i>Retail properties</i>									
Shopping malls - BMA	14	915,520	14	769,231	3	146,288			93
Shopping malls - Provinces	19	784,291	19	717,383	2	66,908			91
Total retail properties	33	1,699,811	33	1,486,615	5	213,196			92
<i>Non-core businesses</i>									
Office buildings	7	171,992	5	56,182	2	34,320	1	81,490	95
Hotels	2	561 rooms	1	259 rooms	1	302 rooms			83
Residential (for sale)	3	1,227 units	3	1,227 units					87

	Number of projects and net leasable/salable area under GLAND						Occ. Rate / Sales Rate (%)
	Total		GLAND		GLANDRT		3Q
	No.	sq.m.	No.	sq.m.	No.	sq.m.	2018
<i>Non-core businesses</i>							
Office buildings	3	148,666	1	67,440	2	81,226	97
Residential (for sale)	1	1,991 units	1	1,991 units			98
Retail space in buildings		26,163		26,163			74

- (1) Assets under CPNREIT and CPN comprises 5 shopping malls, namely CentralPlaza Rama 2, CentralPlaza Rama 3, CentralPlaza Pinklao, CentralPlaza Chiangmai Airport and CentralFestival Pattaya Beach
- (2) Assets under CPNCG and CPN comprises 1 office building, namely The Offices at CentralWorld
- (3) Occupancy rate of Hotel Business was an average of occupancy rate in each quarter

Overview

As of September 30, 2018, CPN managed 33 shopping centers (14 projects in Bangkok Metropolitan Area (BMA) and 19 projects in the provinces), 29 food courts, 7 office towers, 2 hotel properties, 1 residential property (totaling 11 units), and 3 real estate properties for sale (totaling 1,227 units), which includes the properties transferred to CPN Retail Growth Leasehold REIT ("CPNREIT") and CPN Commercial Growth Leasehold Property Fund ("CPNCG").

At the end of 3Q18, the average occupancy rate of CPN's shopping malls stood at 92%, a slight increase over that of the previous year. This was largely attributed to the increase in occupancies by new and existing tenants at many locations in Bangkok Metropolitan Area (BMA) and provincial areas.

In 3Q18, the average rental rate of all shopping malls stood at THB 1,682 per sqm/month. Same store rental rate growth is at 3.9% from THB 1,600 per sqm/month in the previous year to THB 1,662 per sqm/month as a result of rate escalations, contract renewals and lower discounts given to tenants at most shopping malls.

In 3Q18, same store rental revenue growth stood at 3.6% YoY. The same store rental revenue excludes that of 1.) the new malls in 2017, namely CentralPlaza Nakhon Ratchasima and CentralPlaza Mahachai; 2.) the new mall in 2018, namely Central Phuket Floresta 3.) malls under renovation during 2017 and 2018, namely CentralWorld, CentralPlaza Rama 3, CentralPlaza Chonburi and CentralPlaza Chiangrai, and 4.) CentralFestival Pattaya Beach, part of which was transferred to CPNREIT in 2017.

The financial performance of GLAND in 3Q18, which comes from 3 office buildings and 1 real estate property for sale (totaling 1,991 units), which includes the properties transferred to GLAND Office Leasehold Real Estate Investment Trust ("GLANDRT"), is considered to have immaterial impact to CPN's consolidated financial performance as CPN acquired 50.43% of GLAND's total shares in September 2018. Hence, CPN recognizes only one month of GLAND's financial performance in its consolidated financial result.

Non-recurring items

The following non-recurring items are excluded from the analysis of the financial results in 3Q18 compared to the same period in the previous year.

- In 3Q18, CPN made an accounting adjustment related to the original land lease contract at CentralPlaza Rama 2 for THB 308 mn. The amount, recorded as other income for the period, came about following the extension of the land lease agreement on June 28, 2018, which will be in effect until years 2055 and 2060 (some parts).
- In 3Q17, CPN received an insurance claim of THB 3,500 mn under the terrorism coverage, which was recorded as other income for the period.

Total Revenue

In 3Q18, total revenue stood at THB 9,191 mn, a 19.4% increase YoY.

In 3Q18, CPN reported total revenue of THB 9,191 mn, an increase of 19.4% YoY (for the first nine months of 2018, total revenue stood at THB 26,818 mn, an increase of 16.4% YoY). Main components of revenue are as follows.

Revenue from rent and services

In 2Q18, CPN recorded revenue from rent and services at THB 7,104 mn, an increase of 10.6% YoY (for the first nine months of 2018, the figure stood at THB 20,638 mn, an increase of 6.3% YoY). Despite the impact from the transfer of CentralFestival Pattaya Beach to CPNREIT, performances at shopping malls showed solid growth as summarized below.

- Contributions from new malls opened in 2017, namely CentralPlaza Nakhon Ratchasima and CentralPlaza Mahachai, both of which were opened since November 2017, and in 2018, namely Central Phuket Floresta, which was opened since September 2018.
- Performance improvement from malls under major renovation in 2017 and gradually open in 2018, namely CentralWorld and CentralPlaza Rama 3.

- Strong performances of existing shopping malls, such as CentralPlaza WestGate, CentralPlaza Grand Rama 9, CentralPlaza Pinklao, CentralFestival Chiangmai and CentralFestival EastVille.

Revenue from food and beverages

In 3Q18, the in-mall food court business recorded revenue of THB 459 mn, an increase of 12.9% YoY (for the first nine months of 2018, the figure stood at THB 1,334 mn, an increase of 11.4% YoY) due to the following factors.

- Contributions from newly opened food courts in 2017, namely at CentralPlaza Nakhon Ratchasima and CentralPlaza Mahachai, and in 2018, namely at Central Phuket Floresta, as well as renovated food court opened in 2018 at CentralPlaza Rama 3
- Strong performances of existing food courts both in BMA and provinces, such as CentralPlaza Salaya, CentralPlaza Suratthani, CentralPlaza Ubonratchathani, CentralFestival Chiangmai and Central Marina.

Revenue from hotel operations

Hotel operations are considered CPN's non-core businesses. In 3Q18, revenue from hotel operations was THB 265 mn, a decrease of 3.3% YoY (for the first nine months of 2018, the figure stood at THB 838 mn, an increase of 3.8% YoY). Average occupancy rate at Hilton Pattaya stood at 92%, a decrease from 97% in the previous year, and that of Centara Hotel and Convention Center Udonthani stood at 72%, a decrease from 78% in the previous year. Although occupancy rates at both hotels were impacted by the lower number of tourist bookings, average room rates at both hotels increased YoY.

On December 1, 2017, the CPN Group entered a sublet agreement of Hilton Pattaya Hotel with CPNREIT after the transfer of the asset into CPNREIT was completed.

Revenue from sales

Revenue from sales of real estate comprises the transfer of ownership in residential units to customers, which CPN began to record the sales from 2018 onwards. In 3Q18, revenue from sales stood at THB 818 mn (for the first nine months of 2018, the figure stood at THB 2,384 mn), which primarily represents a partial transfer of unit ownership to customers at 3 condominium projects, namely ESCENT Rayong, ESCENT Chiangmai and ESCENT Khonkaen.

Other revenue

In 3Q18, CPN reported other revenue of THB 545 mn (for the first nine months of 2018, the figure stood at THB 1,564 mn). The majority of the amount relates to the management fee received from CPNREIT and CPNCG, which stood at THB 193 mn, an increase of 53.6% YoY (for the first nine months of 2018, the figure stood at THB 544 mn, an increase of 45.2% YoY) and in line with the increase in total asset value of CPNREIT.

In 3Q18, total costs stood at THB 4,539 mn, a 24.0% increase YoY.

Total Costs

In 3Q18, CPN reported total costs of THB 4,539 mn, an increase of 24.0% YoY (for the first nine months of 2018, the figure stood at THB 13,009 mn, an increase of 21.6% YoY). Main components of the costs are as follows.

Cost of rent and services

Costs of rent and services constituted utilities, security & cleaning services, on-site personnel, land rental, depreciation & amortization, repair & maintenance costs and insurance premium and property tax of properties owned for rental.

In 3Q18, CPN reported cost of rent and services at THB 3,628 mn, an increase of 11.7% YoY (for the first nine months of 2018, the figure stood at THB 10,345 mn, an increase of 8.8% YoY). The rise in cost is higher than the increase in revenue and comes from the following factors.

- Higher cost of land lease and amortization at CentralPlaza Rama 2 as a result of the extension agreement on June 28, 2018, which is effective until 2055 and 2060 (some parts). Hence, a straight-line amortization method is applied until the expiry of the aforementioned land lease agreement. Meanwhile, CPN is currently preparing the proposal of terms and conditions for the land and property sublet rights to CPNREIT on the extension of the leasehold of CentralPlaza Rama 2.
- Higher operating and depreciation costs of newly opened malls and renovated projects in 2017, namely CentralPlaza Nakhon Ratchasima, CentralPlaza Mahachai and CentralPlaza Rama 3, and of the newly opened mall in 2018, namely Central Phuket Floresta.
- Utility costs, a major component (accounts for approximately 30% of cost of rent and services) for shopping mall operations, increased from the same period a year earlier amidst the continuous rise in electricity Ft rate since May 2017. CPN, meanwhile, achieved efficiency gains with the reduction in electricity unit consumption compared to last year. As a result, same-store utility cost decreased 1.3% YoY, thanks to CPN's continuous effort to conserve energy usage. Hence, the cost-to-revenue ratio is expected to be similar to the magnitude of last year amidst the increasing trend of electricity Ft rate.
- Higher maintenance, repair and personnel expenses to support the expansion of new shopping malls.

Cost of food and beverages

Costs of food and beverage constituted costs of operating in-mall food centers, as well as depreciation and repair & maintenance costs of food center equipment and furniture, and decoration costs.

In 3Q18, CPN reported costs of food and beverages at THB 362 mn, an increase of 11.9% YoY (for the first nine months of 2018, the figure stood at THB 1,039 mn, an increase of 10.6% YoY). The rise in cost is slightly lower than the growth in food and beverages revenue despite higher cost base from the new food courts opened at new malls in 2017 and 2018, namely CentralPlaza Nakhon Ratchasima,

CentralPlaza Mahachai and Central Phuket Floresta. Due to better cost management of the existing food courts in the Food Destination zones, CPN can attain an optimum level of operating cost for its food and beverages business.

Cost of hotel operations

In 3Q18, CPN reported costs of hotel operations at THB 83 mn, a decrease of 6.9% YoY (for the first nine months of 2018, the figure stood at THB 250 mn, a decrease of 1.1% YoY) in line with the decrease in revenue. Both hotels showed effective cost control in both room and food and beverage management.

Cost of sales

In 3Q18, CPN reported cost of sales at THB 466 mn (for the first nine months of 2018, the figure stood at THB 1,375 mn), in line with the growth in sales of real estate due to the transfers at ESCENT Rayong, ESCENT Chiangmai and ESCENT Khonkaen condominium projects.

Administrative Expenses

Total admin. expenses stood at THB 1,598 mn, a 37.8% increase YoY.

Total administrative expenses constituted expenses on personnel, marketing & promotion, office supplies, professional fees, and depreciation and amortization of office equipment and hotel properties.

In 3Q18, CPN reported total administrative expenses at THB 1,598 mn, an increase of 37.8% YoY (for the first nine months of 2018, the figure stood at THB 4,239 mn, an increase of 24.3% YoY). The increase is mainly attributed to higher personnel expenses to support business expansion, higher marketing expenses from more frequent events and activities at malls, including the opening of Central Phuket Floresta. Other cost drivers include administrative costs associated with transfers of condominium units, rental expense of Hilton Pattaya Hotel based on the sublet agreement with CPNREIT, and the professional fees associated with shares acquisition in GLAND. Hence, the administrative expenses to total revenue ratio stood at 17.4%, which is higher than the previous year's at 15.1% (for the first nine months of 2018, the ratio stood at 15.8% compared to the previous year at 14.8%) but is in-line with the business plan.

Gross Profit Ratio & Operating Profit Ratio

Gross profit ratio stood at 47.5% whilst operating profit ratio stood at 32.3%.

In 3Q18, CPN's gross profit ratio, excluding other income, dropped to 47.5% from 48.5% in the previous year (the first nine months of 2018 at 48.5% compared to the previous year at 50.2%), whilst operating profit ratio dropped proportionately to 32.3% from 37.4% in the previous year (the first six months of 2018 at 35.8% compared to the previous year at 38.8%).

Excluding the sales of real estate, gross profit ratio in 3Q18 would be 48.0% (for the first six months of 2018, the ratio stood at 49.1%) as CPN achieved a gross profit ratio for the sale of condominium projects at 43.0% (the first nine months of 2018 at 42.3%). The drop in gross profit and operating profit ratios mainly comes from 1.) higher cost of rental and services at CentralPlaza Rama 2 following the land lease extension; 2.) higher utility cost driven by higher electricity rate and

3.) higher administrative expense upon business expansion. Hence, CPN is determined to exercise effective cost management and prudent cost control measures to maintain its profitability.

Net Profit

In 3Q18, net profit stood at THB 2,620 mn, a 5.5% increase YoY.

In 3Q18, CPN reported a net profit of THB 2,620 mn, an increase of 5.5% YoY (for the first nine months of 2018, the figure stood at THB 8,378 mn, an increase of 8.2% YoY) due the growth in revenues of all businesses, effective cost management and accordingly with the business environment, increases in management fees and share of profit from investment in CPNREIT.

Unit: million THB	3Q 2017	2Q 2018	3Q 2018	YoY	QoQ	9M 2017	9M 2018	YoY (%)
Revenue from rent and services	6,422	6,819	7,104	11%	4%	19,470	20,698	6%
Retail	6,249	6,645	6,928	11%	4%	18,954	20,176	6%
Office	173	174	175	1%	1%	516	522	1%
Revenue from hotel operations	274	263	265	(3%)	1%	807	838	4%
Revenue from food and beverages	407	446	459	13%	3%	1,198	1,334	11%
Revenue from real estate sales	0	1,351	818	100%	(39%)	0	2,385	100%
Other income	4,096	527	853	(79%)	62%	5,063	1,872	(63%)
Total revenues	11,199	9,405	9,499	(15%)	1%	26,538	27,126	2%
<i>Excluding non-recurring items</i>	<i>7,698</i>	<i>9,405</i>	<i>9,191</i>	<i>19%</i>	<i>(2%)</i>	<i>23,037</i>	<i>26,818</i>	<i>16%</i>
Cost of rent and services	3,249	3,418	3,628	12%	6%	9,507	10,346	9%
Retail	3,181	3,352	3,561	12%	6%	9,307	10,147	9%
Office	68	66	67	(1%)	2%	200	198	(1%)
Cost of hotel operations	89	80	83	(7%)	3%	252	250	(1%)
Cost of food and beverages	323	346	362	12%	5%	940	1,039	11%
Cost of real estate sales	0	774	466	100%	(40%)	0	1,375	100%
Total cost of operations	3,661	4,618	4,539	24%	(2%)	10,699	13,009	22%
Selling, general and admin expense	1,152	1,438	1,598	39%	11%	3,390	4,239	25%
Operating profits	6,386	3,349	3,362	(47%)	0%	12,449	9,878	(21%)
<i>Excluding non-recurring items</i>	<i>2,886</i>	<i>3,349</i>	<i>3,054</i>	<i>6%</i>	<i>(9%)</i>	<i>8,949</i>	<i>9,570</i>	<i>7%</i>
Net finance cost/income tax/others	403	413	434	8%	5%	1,207	1,192	(1%)
Net profit	5,983	2,935	2,928	(51%)	(0%)	11,242	8,686	(23%)
<i>Excluding non-recurring items</i>	<i>2,483</i>	<i>2,935</i>	<i>2,620</i>	<i>6%</i>	<i>(11%)</i>	<i>7,742</i>	<i>8,378</i>	<i>8%</i>
Earnings per basic share (THB)	1.33	0.65	0.65	(51%)	(0%)	2.50	1.94	(23%)
<i>Excluding non-recurring items</i>	<i>0.55</i>	<i>0.65</i>	<i>0.58</i>	<i>6%</i>	<i>(11%)</i>	<i>1.73</i>	<i>1.87</i>	<i>8%</i>

Capital Structure

In 3Q18, weighted average financing cost stood at 3.27%

As of September 30, 2018, CPN reported total interest-bearing debt of THB 28,834 mn, an increase from the balance as of December 31, 2017 of THB 9,529 mn, mainly due to the increase in short-term borrowings to fund the 50.43% shares acquisition of GLAND on September 12, 2018, and the consolidation of GLAND's interest-bearing debt. As a result, the weighted average financing cost in 3Q18 rose to 3.27% compared to the level at the end of the previous year at 2.81%. Fixed interest rates debt comprises 78% of total interest-bearing debt whilst floating interest rates make up the remaining 22%.

Net debt to equity ratio stood at 0.35x

Net interest-bearing debt to equity ratio stood at 0.35 times, an increase from 0.07 times from the end of last year, on higher net debt as mentioned above and on lower cash and short-term investments.

CPN emphasizes on the importance of effective management of its capital structure to be resilient towards the volatile money market and capital market, as well as maintain its financing cost at an optimum level for its businesses going forward.

Table 3: Summary of Financial Position

Unit: million THB	End of 3Q 2017	End of FY 2017	End of 3Q 2018	YoY	YTD
<i>Current assets</i>					
Cash and current investments	2,013	5,361	2,682	33%	(50%)
Other current assets	5,266	7,753	11,600	120%	50%
Total current assets	7,279	13,114	14,283	96%	9%
<i>Non-current assets</i>					
Investment properties ⁽¹⁾	81,111	84,972	107,889	33%	27%
Leasehold rights	11,240	11,207	13,960	24%	25%
Property & equipment (PP&E)	1,698	1,676	1,629	(4%)	(3%)
Other non-current assets	11,026	9,605	22,676	106%	136%
Total non-current assets	105,075	107,460	146,154	39%	36%
Total assets	112,354	120,574	160,437	43%	33%
<i>Current liabilities</i>					
Interest-bearing debt - 1 year	8,138	2,274	12,009	48%	428%
Other current liabilities	9,612	12,080	12,732	32%	5%
Total current liabilities	17,750	14,354	24,741	39%	72%
<i>Non-current liabilities</i>					
Interest-bearing debt	9,829	7,255	16,826	71%	132%
Other non-current liabilities	24,034	35,085	43,396	81%	24%
Total non-current liabilities	33,863	42,340	60,222	78%	42%
Total liabilities	51,613	56,694	84,962	65%	50%
<i>Shareholders' equity</i>					
Retained earnings - unappropriated	48,566	50,890	52,853	9%	4%
Other shareholders' equity	12,175	12,990	22,621	86%	74%
Total shareholders' equity	60,741	63,880	75,474	24%	18%

⁽¹⁾ Investment Properties are booked at cost and depreciated with the straight-line basis over the life of the assets. The estimated fair value is THB 180,409 mn as of December 31, 2017 (stated in the disclosure notes to the audited 2017 financial statements no. 13 under "Investment Properties").

Table 4: Key Financial Ratios

	3Q 2017	2Q 2018	3Q 2018	YoY	QoQ	9M 2017	9M 2018	YoY (Unit)
Profitability Ratio								
Gross profit margin (%)	48%	48%	48%	(1%)	(0%)	50%	48%	(2%)
<i>Rent and services</i>	49%	50%	49%	(0%)	(1%)	51%	50%	(1%)
<i>Hotel operations</i>	68%	69%	69%	1%	(1%)	69%	70%	1%
<i>Food and beverages</i>	21%	22%	21%	1%	(1%)	22%	22%	1%
<i>Real estate sales</i>	0%	43%	43%	43%	0%	0%	42%	42%
Operating profit margin (%)	57%	36%	35%	(22%)	(0%)	47%	36%	(10%)
<i>Excluding non-recurring items</i>	37%	36%	33%	(4%)	(2%)	39%	36%	(3%)
Net profit margin (%)	53%	31%	31%	(22%)	0%	42%	32%	(10%)
<i>Excluding non-recurring items</i>	32%	31%	29%	(4%)	(3%)	34%	31%	(2%)
Return on equity ⁽¹⁾ (%)	24%	24%	16%	(8%)	(8%)	24%	16%	(8%)
<i>Excluding non-recurring items</i>	18%	18%	15%	(2%)	(2%)	18%	15%	(2%)
Efficiency Ratio								
Return on assets ⁽¹⁾ (%)	13%	12%	8%	(4%)	(4%)	13%	8%	(4%)

	3Q 2017	2Q 2018	3Q 2018	YoY	QoQ
Liquidity Ratio					
Current ratio (times)	0.41	0.91	0.58	0.17	(0.33)
Quick ratio (times)	0.11	0.37	0.11	0.00	(0.26)
Financial Policy Ratio					
Liabilities to equity ratio (times)	0.85	0.89	1.13	0.28	0.24
Net interest-bearing debt to equity ratio ⁽²⁾ (times)	0.26	0.07	0.35	0.09	0.28

(1) Return on assets and return on equity are calculated based on net profit in the last twelve months

(2) Interest bearing debt to equity net of cash and cash equivalent and short-term investments

Business Plan

CPN has set a 5-year (2018-2022) growth strategy that aims to achieve a compounded annual growth rate (CAGR) in revenue of at least 13% per year. The strategic direction to expand the business through mixed-use development, such as new shopping malls, enhancement of existing shopping malls, rental rate escalations, incremental gains from operations management, and residential project development, are key drivers to realize the target.

As the economy begins to flourish across various areas around Bangkok and provinces, CPN has studied the prospects of new retail formats and innovative concepts and designs of shopping malls to elevate the standard of its shopping malls that offer dynamic experiences towards customers with different lifestyles, both local and foreign tourists.

Furthermore, CPN studied the opportunities to expand its business into the Southeast Asian countries, especially those with high growth potential, such as Malaysia, Vietnam and Indonesia, to accommodate its sustainable growth aspiration.

Retail Property Development



Central Village

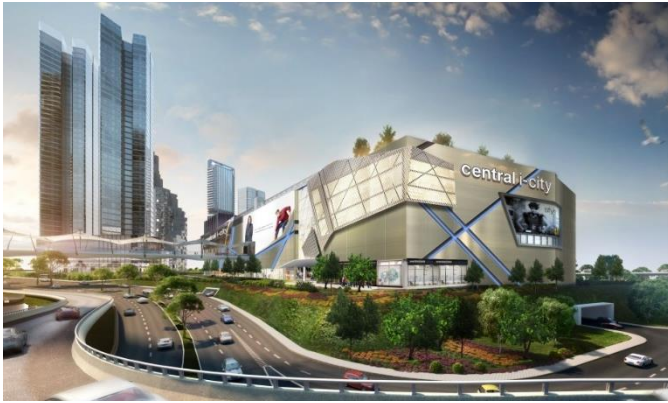


CentralPlaza Ayutthaya

Domestic Expansion

CPN opened a new mall, Central Phuket Floresta, in September 2018, which went accordingly with its business plan. In 2019, CPN plans to open 2 new malls, namely 1.) Central Village, the first international luxury outlet in Thailand, in 3Q19 and 2.) CentralPlaza Ayutthaya by the end of 2019.

CPN also made continuous progress with the asset enhancement initiatives, particularly with CentralWorld, which is on track for completion in 4Q18. Furthermore, major renovations at CentralPlaza Chiangrai and CentralPlaza Chonburi, as well as minor renovations at CentralFestival Pattaya Beach, Central Phuket Festival and CentralPlaza Lardprao, have already commenced and will gradually be completed in 2019.



Central i-City (Malaysia)



CentralWorld (ongoing renovation)

Furthermore, CPN sees the opportunity to develop more mixed-use projects in the domestic market to capitalize the long-term growth prospect of its businesses, as well as creating sound returns in the future. In 2017, CPN announced a joint investment plan with Dusit Thani Public Company Limited (“DTC”) on a mixed-use development project comprising hotel, residential, retail and office properties at the corner of Silom Road and Rama 4 Road. In 2018, CPN acquired the business of GLAND, the assets of which are in high potential locations, and is in the process of reviewing the investment plan of those assets.

International Expansion

CPN currently engages in joint development of Central i-City in Malaysia on the grounds of the country’s growth potential and diversification of investment risk. Central i-City, with its strategic location and promising potential in area, is a joint venture investment between CPN, with 60% ownership, and I-R&D Sdn. Bhd (“IRD”), a subsidiary of I-Berhad, the other 40% ownership. Total project value amounts to 830 million Malaysian Ringgit, or approximately THB 8,300 mn. The project is currently under construction with the expected opening date in 1Q19, having secured key anchors, such as the department store, supermarket and cinema. It is also progressing its lease agreements with various retail tenants.

Residential Property Development

CPN recognized the potential of our mixed-use development of shopping mall complex projects. The company plans to utilize our existing vacant plots of land adjacent to existing shopping malls to add value to our core business. To date, CPN launched 7 condominium projects under the brands in both Bangkok and the provinces and continues to study new areas for possible development as a pipeline for future project announcements.

Table 5: Progress of Future Projects

Project	Area	Complete by	2018				2019					
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
			Now >>									
<u>Retail Properties</u>	<u>sq.m. NLA</u>	<u>Qtr/Year</u>										
<i>Domestic - BMA</i>												
Central Village	40,000	3/2019		○ Announce			Construction, furnishing and leasing				★ Open	
<i>Domestic - Provinces</i>												
CentralPhuket	33,000	3/2018			★ Open on 10 Sep 2018							
CentralPlaza Ayutthaya	TBC	4/2019		○ Announce			Construction, furnishing and leasing				Open	★
<i>International</i>												
Central i-City (Malaysia)	89,700	1/2019			Construction, furnishing and leasing			★ Open				
<u>Residential - Condominium</u>	<u>Units</u>	<u>Qtr/Year</u>										
<i>Domestic - BMA</i>												
Phyll Pahol 34	358	4/2019			Pre-sales Launch ○						Transfer	★
<i>Domestic - Provinces</i>												
Escent Rayong	419	1/2018		★ Transfer								
Escent Chiangmai	400	1/2018		★ Transfer								
Escent Khonkaen	408	2/2018		★ Transfer								
Escent Nakhon Ratchasima	380	3/2019			Pre-sales = 100%						★ Transfer	
Escent Ville Chiangrai	312	2/2019			Pre-sales = 100%					★ Transfer		
Escent Ville Chiangmai	450	2/2019			Pre-sales = 100%					★ Transfer		