

## Executive Summary

In 2Q18, the Thai economy continues its growth momentum following the GDP expansion by 4.8% in 1Q18. The growth is attributed to a number of factors, namely 1.) exports growth in-line with the improving sentiment of the global economy 2.) tourism sector growth with an exceptional 12% YoY increase in tourist arrivals for the first six months of the year, especially Chinese, Russian and Indian tourists 3.) recovering private consumption in almost every product category, in-line with the improving consumer confidence indicator, with the exception of some agricultural products whose prices remained at low levels, and last but not least, 4.) other supporting factors, namely public and private investments, were given a brighter outlook as the direction on the Eastern Economic Corridor (EEC) becomes clearer, which will also stimulate government and state-owned enterprises' spending. Overall, the Thai economy is on course for a steady year of growth, according to the Bank of Thailand, with its GDP growth in 2018 revised up to 4.4% from the previous forecast of 4.1%. The Bank of Thailand also maintained the policy interest rate at 1.50% during the Monetary Policy Committee meeting in June.

*Revenue and net profit have growth according to the business plan*

The performance of Central Pattana Public Company Limited ("The Company" or "CPN") in 2Q18 shows total revenue of THB 9,405 mn, an increase of 23.4% from the same period in the previous year (YoY), and net profit of THB 2,935 mn, an increase of 18.2% YoY. For the first six months of 2018, CPN reported total revenue of THB 17,628 mn, an increase of 14.9% YoY, and net profit of THB 5,758 mn, an increase of 9.4% YoY. 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.

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 32 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. At the end of 2Q18, the average occupancy rate for CPN's retail properties stood at 92%, similar level YoY, despite the ongoing major renovation at CentralWorld.

## Major Events in 2Q18

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*Announced new malls in 2019: "Central Village", a new shopping platform, and "CentralPlaza Ayutthaya"*

**Announcement of new malls "Central Village" and "CentralPlaza Ayutthaya"** with details as follow.

- **Central Village** will be the first international luxury outlet in Thailand located on a 100-rai land close to Suvarnabhumi Airport. Capable of hosting more than 6 million local visitors and foreign tourists annually, the outlet mall will showcase more than 235 iconic brands, ranging from luxury to mass appeals, as well as fine dining area, children playground and a hotel. Decorated with a blend of outdoor nature and contemporary Thai designs, Central Village is expected to open in 3Q19.
- **CentralPlaza Ayutthaya**, located next to the Asia Highway, will be the new lifestyle center in the Ayutthaya province. Incorporated with destinations for fine dining, fashion, relaxation and activities, the mall is expected to open by the end of 2019 as a new stopover landmark for both local and tourists.

*The major renovation at CentralWorld is progressing as planned and will gradually complete by 3Q18.*

**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 gradual re-launch in 3Q18. In 2Q18, the occupancy rate of CentralWorld stood at 82%, similar level to previous quarter but dropped from 92% YoY.
- **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 2 shopping malls** namely 1.) CentralFestival Pattaya Beach and 2.) CentralPlaza Lardprao. Both malls 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.

*Land leases of CentralPlaza Rama 2 have been extended by another 30 years.*

**The extension of land leases of CentralPlaza Rama 2** has been finalized, as announced by the Company. The extension is made for an additional 30 years, expiring in 2055 and 2060 (some parts), hence presented the opportunity to further develop the shopping mall. CPN is currently preparing the proposal of

terms and conditions for the land and property sublet rights to CPNREIT to consider the extension of the leasehold of CentralPlaza Rama 2.

### 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 2Q18, 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.*

- **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.



**ESCENT Rayong**



**ESCENT Chiangmai**



**ESCENT Khonkaen**

*Condominiums launched in 2017 have all been sold out.*

- **Residential projects that are open for pre-sale and in the process of construction** at 3 locations, namely ESCENT Nakhon Ratchasima, ESCENTVILLE Chiangrai and ESCENTVILLE Chiangmai, which are condominium projects launched in 2017 and have been sold out.



**ESCENT Nakhon Ratchasima**



**ESCENTVILLE Chiangrai**



**ESCENTVILLE Chiangmai**

## Financial and Operating Performance in 2Q18

**Table 1: Summary of Net Leasable Area and Occupancy Rate**

	Net Leasable Area		Occupancy Rate by Quarter (%)		
	as of 2Q 2018		2Q	1Q	2Q
	# Projects	sq.m.	2017	2018	2018
<i>Retail properties</i>					
Shopping malls - BMA	14	912,962	92	91	92
Shopping malls - Provinces	18	753,184	93	92	92
<b>Total retail properties</b>	<b>32</b>	<b>1,666,146</b>	<b>92</b>	<b>91</b>	<b>92</b>
<i>Non-core properties</i>					
Office building	7	172,002	95	94	96
Residential	1	1,567	21	21	21
Hotel *	2	561 rooms	83	86	83

\* Occupancy rate of Hotel Business was an average of occupancy rate in each quarter

### Overview

As of June 30, 2018, CPN managed 32 shopping centers (14 projects in Bangkok Metropolitan Area (BMA) and 18 projects in the provinces), 28 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 which had been transferred to CPN Retail Growth Leasehold REIT ("CPNREIT") and CPN Commercial Growth Leasehold Property Fund ("CPNCG").

At the end of 2Q18, CPN has an average occupancy rate of its shopping malls at 92%, similar levels to 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, despite the impact from the ongoing major renovation at CentralWorld.

In 2Q18, the average rental rate of all shopping malls stood at THB 1,655 per sqm/month. Same store rental rate growth is at 3.0% from THB 1,611 per sqm/month in the previous year to THB 1,660 per sqm/month as a result of rate escalations, contract renewals and lower discounts given to tenants at most shopping malls.

In 2Q18, same store rental revenue growth, which excludes 1.) the performances of new malls in 2017, namely CentralPlaza Nakhon Ratchasima and CentralPlaza Mahachai; 2.) the performance of CentralWorld, which is undergoing major renovation, and 3.) the performance of CentralFestival Pattaya Beach, part of which was transferred to CPNREIT in 2017, grew by 3.0% YoY.

## **Total Revenue**

*In 2Q18, total revenue stood at THB 9,405 mn, a 23.4% increase YoY.*

In 2Q18, CPN reported total revenue of THB 9,405 mn, an increase of 23.4% YoY (for the first six months of 2018, total revenue stood at THB 17,628 mn, an increase of 14.9% YoY). Main components of revenue are as follows.

### *Revenue from rent and services*

In 2Q18, CPN recorded revenue from rent and services at THB 6,819 mn, an increase of 4.6% YoY (for the first six months of 2018, the figure stood at THB 13,594 mn, an increase of 4.2% YoY). Despite the impact of the major renovation at CentralWorld and 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.
- Strong post-renovation performance for malls renovated in 2017, namely CentralPlaza Rama 3.
- Strong performances of existing shopping malls, such as CentralPlaza Rama 2, CentralPlaza Pinklao, CentralPlaza WestGate, CentralPlaza Grand Rama 9, and CentralPlaza Chiangrai.

### *Revenue from food and beverages*

In 2Q18, the in-mall food court business recorded revenue of THB 446 mn, an increase of 8.9% YoY (for the first six months of 2018, the figure stood at THB 875 mn, an increase of 10.6% YoY) due to the following factors.

- Contributions from newly opened food courts in 2017, namely at CentralPlaza Nakhon Ratchasima and CentralPlaza Mahachai.
- Strong performances of existing food courts both in BMA and provinces with double digit growth, such as CentralPlaza Pinklao, CentralPlaza Rama 2, CentralFestival Samui, CentralMarina and CentralFestival Chiangmai

### *Revenue from hotel operations*

Hotel operations are considered CPN's non-core businesses. In 2Q18, revenue from hotel operations was THB 263 mn, an increase of 9.5% YoY (for the first six months of 2018, the figure stood at THB 573 mn, an increase of 7.4% YoY). The increase was driven mainly by strong performance of Hilton Pattaya, which boasted an increase in average occupancy rate to 92% from 89% in the previous year. Centara Udonthani Hotel, meanwhile, saw its average occupancy rate dropped to 73% from 76% in the previous year. Both hotels, however, also posted higher average room rates.

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 2Q18, revenue from sales stood at THB 1,351 mn (for the first six months of 2018, the figure stood at THB 1,567 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 2Q18, CPN reported other revenue of THB 527 mn (for the first six months of 2018, the figure stood at THB 1,019 mn). The majority of the amount relates to the management fee received from CPNREIT and CPNCG, which stood at THB 171 mn, an increase of 43.4% YoY (for the first six months of 2018, the figure stood at THB 351 mn, an increase of 41.0% YoY) and in line with the increase in total asset value of CPNREIT.

### **Total Costs**

*In 2Q18, total costs stood at THB 4,618 mn, a 29.1% increase YoY.*

In 2Q18, CPN reported total costs of THB 4,618 mn, an increase of 29.1% YoY (for the first six months of 2018, the figure stood at THB 8,470 mn, an increase of 20.3% 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 2Q18, CPN reported cost of rent and services at THB 3,418 mn, an increase of 7.3% YoY (for the first six months of 2018, the figure stood at THB 6,717 mn, an increase of 7.3% YoY). The rise in cost is higher than the increase in revenue and comes from the following factors.

- 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 due to 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 increased 3.2% YoY, which was lower than the increase in electricity Ft rate, and partly down 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 operating and depreciation costs of newly opened malls and renovated projects in 2017, namely CentralPlaza Nakhon Ratchasima, CentralPlaza Mahachai and CentralPlaza Rama 3.
- 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 2Q18, CPN reported costs of food and beverages at THB 346 mn, an increase of 9.8% YoY (for the first six months of 2018, the figure stood at THB 677 mn, an increase of 9.8% YoY). The rise in cost is higher than the growth in food and beverages revenue, partly down to the new food courts opened at new malls in 2017, namely CentralPlaza Nakhon Ratchasima and CentralPlaza Mahachai. 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 2Q18, CPN reported costs of hotel operations at THB 80 mn, an increase of 2.5% YoY (for the first six months of 2018, the figure stood at THB 167 mn, an increase of 2.0% YoY) in line with the growth of revenues. Both hotels showed effective cost control in both room and food and beverage management.

### *Cost of sales*

In 1Q18, CPN reported cost of sales at THB 774 mn (for the first six months of 2018, the figure stood at THB 909 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 administrative expenses stood at THB 1,438 mn, a 20.2% 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 2Q18, CPN reported total administrative expenses at THB 1,438 mn, an increase of 20.2% YoY (for the first six months of 2018, the figure stood at THB 2,641 mn, an increase of 17.4% 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, as well as administrative costs associated with transfers of condominium units and rental expense of Hilton Pattaya Hotel based on the sublet agreement with CPNREIT. Having considered the growth in revenue, administrative expenses to total revenue ratio stood at 15.3%, slightly lower than the previous year's at 15.7% (for the first six months of 2018, the ratio stood at 15.0% compared to the previous year at 14.7%), which is in-line with the business plan.

## Gross Profit Ratio & Operating Profit Ratio

Gross profit ratio stood at 48.0% whilst operating profit ratio stood at 35.7%.

In 2Q18, CPN's gross profit ratio, excluding other income, dropped to 48.0% from 50.1% in the previous year (the first six months of 2018 at 49.0% compared to the previous year at 51.0%), whilst operating profit ratio dropped proportionately to 35.7% from 37.4% in the previous year (the first six months of 2018 at 37.0% compared to the previous year at 39.5%).

Excluding the sales of real estate, gross profit ratio in 2Q18 would be 49.0% (for the first six months of 2018, the ratio stood at 49.8%) as CPN achieved a gross profit ratio for the sale of condominium projects at 42.7% (the first six months of 2018 at 42.0%). Hence, CPN is determined to exercise effective cost management and prudent cost control measures to maintain its profitability.

## Net Profit

In 2Q18, net profit for stood at THB 2,935 mn, a 18.2% increase YoY.

In 2Q18, CPN reported a net profit of THB 2,935 mn, an increase of 18.2% YoY (for the first six months of 2018, the figure stood at THB 5,758 mn, an increase of 9.4% YoY) due the growth in revenues of all businesses, effective cost management, increases in management fees and share of profit from investment in CPNREIT, and lower finance cost. Income tax expense, meanwhile, rose as a result of no tax waiver for dividends received from CPNREIT.

Table 2: Summary of Profit & Loss Statement

Unit: million THB	2Q 2017	1Q 2018	2Q 2018	YoY	QoQ	6M 2017	6M 2018	YoY (%)
Revenue from rent and services	6,518	6,776	6,819	5%	1%	13,048	13,594	4%
Retail	6,345	6,603	6,645	5%	1%	12,705	13,248	4%
Office	173	173	174	1%	1%	343	347	1%
Revenue from hotel operations	240	310	263	9%	(15%)	533	573	7%
Revenue from food and beverages	409	429	446	9%	4%	791	875	11%
Revenue from real estate sales	0	216	1,351	100%	526%	0	1,567	100%
Other income	453	492	527	16%	7%	967	1,019	5%
<b>Total revenues</b>	<b>7,620</b>	<b>8,223</b>	<b>9,405</b>	<b>23%</b>	<b>14%</b>	<b>15,339</b>	<b>17,628</b>	<b>15%</b>
<i>Excluding non-recurring items</i>	7,620	8,223	9,405	23%	14%	15,339	17,628	15%
Cost of rent and services	3,185	3,299	3,418	7%	4%	6,258	6,717	7%
Retail	3,118	3,234	3,352	8%	4%	6,126	6,586	8%
Office	67	65	66	(1%)	2%	132	131	(1%)
Cost of hotel operations	78	87	80	3%	(7%)	163	167	3%
Cost of food and beverages	315	332	346	10%	4%	617	677	10%
Cost of real estate sales	0	135	774	100%	474%	0	909	100%
<b>Total cost of operations</b>	<b>3,578</b>	<b>3,852</b>	<b>4,618</b>	<b>29%</b>	<b>20%</b>	<b>7,038</b>	<b>8,470</b>	<b>20%</b>
Selling, general and admin expense	1,195	1,203	1,438	20%	20%	2,238	2,641	18%
<b>Operating profits</b>	<b>2,847</b>	<b>3,168</b>	<b>3,349</b>	<b>18%</b>	<b>6%</b>	<b>6,063</b>	<b>6,516</b>	<b>7%</b>
<i>Excluding non-recurring items</i>	2,847	3,168	3,349	18%	6%	6,063	6,516	7%
Net finance cost/income tax/others	364	345	413	14%	20%	804	759	(6%)
<b>Net profit</b>	<b>2,483</b>	<b>2,822</b>	<b>2,935</b>	<b>18%</b>	<b>4%</b>	<b>5,259</b>	<b>5,758</b>	<b>9%</b>
<i>Excluding non-recurring items</i>	2,483	2,822	2,935	18%	4%	5,259	5,758	9%
<b>Earnings per basic share (THB)</b>	<b>0.55</b>	<b>0.63</b>	<b>0.65</b>	<b>18%</b>	<b>4%</b>	<b>1.17</b>	<b>1.28</b>	<b>9%</b>
<i>Excluding non-recurring items</i>	0.55	0.63	0.65	18%	4%	1.17	1.28	9%



## Capital Structure

In 2Q18, weighted average financing cost stood at 2.80%

Net debt to equity ratio stood at 0.16x

As of June 30, 2018, CPN reported total interest-bearing debt of THB 12,722 mn, an increase from the balance as of December 31, 2017 of THB 9,529 mn due to the increase in short-term borrowings in 2Q18. As a result, CPN's entire interest-bearing debt have fixed interest rates with an average cost of debt throughout the year at 2.80%.

Net interest-bearing debt to equity ratio stood at 0.16 times, an increase from 0.07 times from the end of last year, on higher net debt.

## Dividend

On April 27, 2018, the 2018 Annual General Meeting of Shareholders passed a resolution to approve the dividend payment of THB 1.40 per share from the 2017 net profit for 4,488 mn outstanding shares, or approximately THB 6,283 mn. This translates to approximately 46.3% payout ratio from the 2017 consolidated net profit and was paid on May 16, 2018.

**Table 3: Summary of Financial Position**

Unit: million THB	End of 2Q 2017	End of FY 2017	End of 2Q 2018	YoY	YTD
<b>Current assets</b>					
Cash and current investments	2,205	5,361	2,593	18%	(52%)
Other current assets	4,475	7,753	8,071	80%	4%
<b>Total current assets</b>	<b>6,680</b>	<b>13,114</b>	<b>10,664</b>	<b>60%</b>	<b>(19%)</b>
<b>Non-current assets</b>					
Investment properties <sup>(1)</sup>	79,073	84,972	84,343	7%	(1%)
Leasehold rights	10,268	11,207	13,881	35%	24%
Property & equipment (PP&E)	1,734	1,676	1,552	(11%)	(7%)
Other non-current assets	10,874	9,605	12,566	16%	31%
<b>Total non-current assets</b>	<b>101,949</b>	<b>107,460</b>	<b>112,342</b>	<b>10%</b>	<b>5%</b>
<b>Total assets</b>	<b>108,629</b>	<b>120,574</b>	<b>123,006</b>	<b>13%</b>	<b>2%</b>
<b>Current liabilities</b>					
Interest-bearing debt - 1 year	7,421	2,274	5,634	(24%)	148%
Other current liabilities	10,925	12,080	11,174	2%	(8%)
<b>Total current liabilities</b>	<b>18,346</b>	<b>14,354</b>	<b>16,807</b>	<b>(8%)</b>	<b>17%</b>
<b>Non-current liabilities</b>					
Interest-bearing debt	11,890	7,255	7,088	(40%)	(2%)
Other non-current liabilities	23,733	35,085	35,198	48%	0%
<b>Total non-current liabilities</b>	<b>35,623</b>	<b>42,340</b>	<b>42,286</b>	<b>19%</b>	<b>(0%)</b>
<b>Total liabilities</b>	<b>53,969</b>	<b>56,694</b>	<b>59,093</b>	<b>9%</b>	<b>4%</b>
<b>Shareholders' equity</b>					
Retained earnings - unappropriated	42,586	50,890	50,257	18%	(1%)
Other shareholders' equity	12,074	12,990	13,656	13%	5%
<b>Total shareholders' equity</b>	<b>54,660</b>	<b>63,880</b>	<b>63,912</b>	<b>17%</b>	<b>0%</b>

<sup>(1)</sup> 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**

	2Q 2017	1Q 2018	2Q 2018	YoY	QoQ	6M 2017	6M 2018	YoY
<b>Profitability Ratio</b>								
Gross profit margin (%)	50%	50%	48%	(2%)	(2%)	51%	49%	(2%)
<i>Rent and services</i>	51%	51%	50%	(1%)	(1%)	52%	51%	(1%)
<i>Hotel operations</i>	68%	72%	69%	2%	(3%)	69%	71%	1%
<i>Food and beverages</i>	23%	23%	22%	(1%)	(0%)	22%	23%	1%
<i>Real estate sales</i>	0%	38%	43%	43%	5%	0%	42%	42%
Operating profit margin (%)	37%	39%	36%	(2%)	(3%)	40%	37%	(3%)
<i>Excluding non-recurring items</i>	37%	39%	36%	(2%)	(3%)	40%	37%	(3%)
Net profit margin (%)	33%	34%	31%	(1%)	(3%)	34%	33%	(2%)
<i>Excluding non-recurring items</i>	33%	34%	31%	(1%)	(3%)	34%	33%	(2%)
Return on equity <sup>(1)</sup> (%)	19%	22%	24%	5%	2%	19%	24%	5%
<i>Excluding non-recurring items</i>	19%	16%	18%	(2%)	1%	19%	18%	(2%)
<b>Efficiency Ratio</b>								
Return on assets <sup>(1)</sup> (%)	9%	12%	12%	3%	0%	9%	12%	3%

	2Q 2017	1Q 2018	2Q 2018	YoY	QoQ
<b>Liquidity Ratio</b>					
Current ratio (times)	0.36	0.91	0.63	0.27	(0.28)
Quick ratio (times)	0.12	0.37	0.15	0.03	(0.22)
<b>Financial Policy Ratio</b>					
Liabilities to equity ratio (times)	0.99	0.89	0.92	(0.07)	0.03
Net interest-bearing debt to equity ratio <sup>(2)</sup> (times)	0.31	0.07	0.16	(0.15)	0.09

- (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

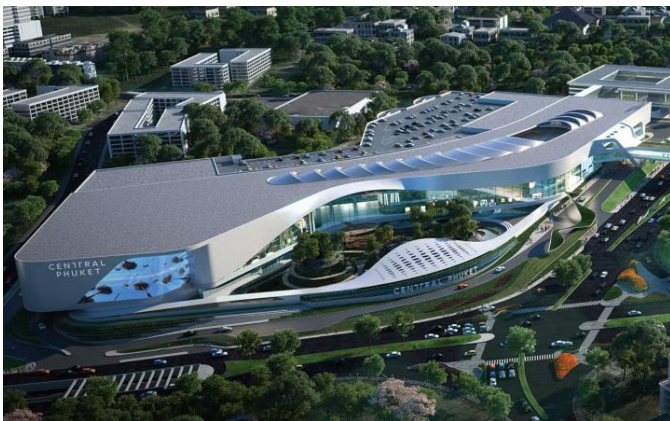
## Business Plan

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 begin to flourish across various areas around Bangkok and provinces, CPN have 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



**CentralPhuket (Floresta building)**



**CentralPlaza Ayutthaya**

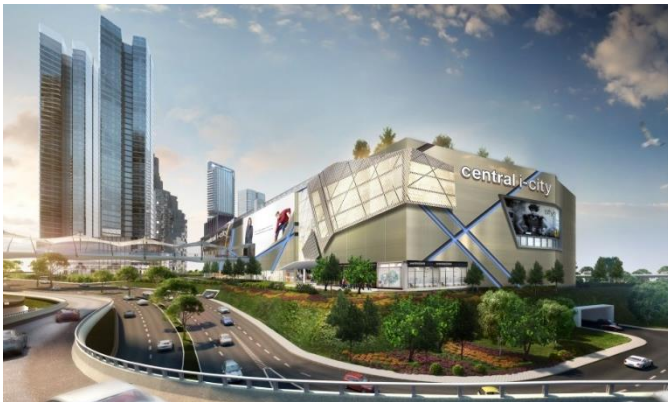


**Central Village – the first international luxury outlet in Thailand**

## **Domestic Expansion**

CPN plans to open a new mall, CentralPhuket, in 3Q18. In 2019, CPN plans to open 2 new malls, namely 1.) Central Village and 2.) CentralPlaza Ayutthaya, as described in the Major Events section earlier.

CPN also made continuous progress with the asset enhancement initiatives, particularly with CentralWorld, which is on track for completion in 3Q18. Preparations are also made with the major renovation programs at CentralPlaza Chiangrai and CentralPlaza Chonburi, as well as minor renovations at CentralFestival Pattaya Beach and CentralPlaza Lardprao. These programs will begin throughout the second half of 2018 and will gradually be completed in 2019.



**Central i-City (Malaysia)**



**CentralWorld (ongoing renovation)**

## **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 4Q18, 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 6 condominium projects under the brands ESCENT and ESCENTVILLE 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	Now >>										
			2018				2019						
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			
<u>Retail Properties</u>	<u>sq.m. NLA</u>	<u>Qtr/Year</u>											
<i>Domestic - BMA</i>													
Central Village	40,000	3/2019		○ Announce								★ Open	
<i>Domestic - Provinces</i>													
CentralPhuket	63,000	3/2018					★ Open						
CentralPlaza Ayutthaya	TBC	4/2019		○ Announce									★ Open
<i>International</i>													
Central i-City (Malaysia)	89,700	4/2018					★ Open						
<u>Residential - Condominium</u>	<u>Units</u>	<u>Qtr/Year</u>											
<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										★ Transfer	
Escent Ville Chiangrai	312	2/2019									★ Transfer		
Escent Ville Chiangmai	450	2/2019									★ Transfer		