

Executive Summary

In 2018, the Thai economy has grown at a continuously solid level with a GDP expansion of approximately 4.1% YoY. The growth is attributed to a number of factors, namely 1.) strong export growth despite a slowdown in the last few months of 2018; 2.) growth in private consumption supported by higher household income in both agriculture and non-agriculture sectors along with recovering consumer confidence; 3.) strong tourism growth mainly from higher international tourist arrivals, especially from the ASEAN region, despite a slight decline in Chinese tourist arrivals during the second half of 2018 and 4.) other supporting factors, namely government spending to support the low-income citizens and other short-term stimulus packages, as well as private investments to support the increase in manufacturing capacities of various industries. Heading into 2019, the Thai economy is expected to grow at a similarly solid pace with key supporting factors, such as continued public and private investment schemes, growing domestic consumption and tourism. Factors that may affect the Thai economy in 2019, to name a few, are the slowing global economic growth, the inconclusive trade war between the US and China, and the strengthening Thai Baht currency as inflation remains low, which altogether may cause export growth to slow down compared to the prior year. Having considered the above-mentioned circumstances, the Bank of Thailand increased the policy rate from 1.50% to 1.75% in December 2018 to balance the economic growth momentum and the stability of the financial system.

The performance of Central Pattana Public Company Limited ("The Company" or "CPN") in 3Q18 shows total revenue of THB 36,458 mn, a decrease of 5.4% from the same period in the previous year (YoY), and net profit of THB 11,216 mn, a decrease of 17.3% YoY, mainly due to the recognition of non-recurring income from the insurance claim under terrorism coverage of THB 3,500 mn in the prior year.

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

Excluding the non-recurring items CPN reported total revenue of THB 36,065 mn, a 16.8% increase YoY, and net profit of THB 10,823 mn, a 9.4% increase 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, new mixed-use development projects, such as residential development, as well as efficient cost management. CPN currently manages 32 shopping malls with the net leasable area (NLA) of approximately 1.7 mn sqm. At the end of 3Q18, the average occupancy rate for CPN's retail properties stood at 93%.

Major Events in 2018

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

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

- 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 group of major shareholders in GLAND.
- Subsequently, 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. 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 at the end of 2018, CPN recorded an increase in total assets at THB 36,938 mn, mostly from investment properties at THB 23,254 mn, and an increase in total liabilities at THB 17,796 mn, mainly from interest-bearing debt of THB 7,695 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. The new section, **Central Phuket Floresta Building**, was opened on September 10, 2018, as the 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 to open in 1Q19 ; 2.) Aquaria, which features over 25,000 marine species to open in 2Q19 and 3.) Tales of Thailand, the center of cultural heritage, from past to contemporary, from all parts of Thailand.

Central Phuket Floresta Building, CPN’s latest retail development, was opened on September 10, 2018

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.

The major renovation at CentralWorld has been significantly completed as of 4Q18

- **Major renovations** comprises 1.) CentralWorld, which has been ongoing in phases since 4Q16, has been significantly re-developed as of 4Q18. At the end of 2018, the occupancy rate of CentralWorld stood at 91%, an increase from the end of 2017 at 84% and 2.) CentralPlaza Rama 3, which completed a major renovation with a grand re-opening in August 2018, showed occupancy rate at 92% by the end of 2018, an increase from that of the same period last year at 82%.
- **Renovation programs commenced in 2018 and to be completed in 2019** comprises major renovations at 1.) CentralPlaza Chiangrai and 2.) CentralPlaza Chonburi, with both locations to undergo leasable area expansion of around 2,000 sq.m. per location 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. Similarly, minor renovations are underway at 1.) Central Phuket Festival, which will see the area previously occupied by Central Department Store, now re-opened in the Floresta section, re-developed into leasable area ; 2.) CentralPlaza Lardprao, which will see the introduction of new destination concepts as well as integrate the mall entrance area with the future sky train station and 3.) Central Festival Pattaya Beach, which will see the food zone re-development to include new vendors catered towards both locals and foreign tourists.

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 2018, CPN have made notable progresses in the following mixed-use development projects.

Condominiums launched in 2016 are in the middle of ownership transfers, which is ongoing as planned.

In 2018, CPN launched a condominium project, Phyll Pahol 34, and a single-detached housing project, Niyham Boromratchachonani, in Bangkok Metropolitan Area.

- **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. As of 2018, 97% of all units have been transferred to customers with the remaining unit transfers to continue.
- **Residential projects that are open for pre-sale and in the process of construction** at 5 locations, 3 of which are in the provincial area, namely ESCENT Nakhon Ratchasima, ESCENTVILLE Chiangrai and ESCENTVILLE Chiangmai, which are condominium projects launched in 2017 and have been sold out. The other 2 projects are located in Bangkok, namely Phyll Pahol 34, a condominium project located next to the Senanikom BTS station and also in close proximity to CentralPlaza Lardprao, and Niyham Boromratchachonnani, a single-detached housing project located on Boromratchachonnani Road and in between CentralPlaza Pinklao and CentralPlaza Salaya.

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

Other Events

- **The opening of "IKEA Bangyai" at CentralPlaza WestGate** in March 2018 signifies the largest IKEA store in Southeast Asia, with an area of more than 50,000 sq.m. with multiple entries and exits at all floors seamlessly integrated with CentralPlaza WestGate. The partnership with IKEA, the world's leading furniture brand, reinforces CentralPlaza WestGate's vision as the super-regional mall in western Bangkok and support the urbanization in the Bangyai area. Hence, CentralPlaza WestGate has seen more than 12% increase YoY in foot traffic and more than 30% increase YoY in car traffic after the opening of IKEA Bangyai.
- **The extension of land leases of CentralPlaza Rama 2** was made on June 28, 2018. 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.
- **The joint-venture agreement to run a co-working space business in Thailand** with a total of 3 joint venture parties, namely 1.) CPN ; 2.) Common Ground Work Sdn. Bhd. from Malaysia and 3.) MSB Asia Ltd. from Malaysia, with investment proportions at 51%, 29% and 20% respectively in a new joint venture company.

Financial and Operating Performance in 2018

Table 1: Summary of net leasable area and occupancy rate

	Number of projects and net leasable/salable area under CPN management as of YE 2018								Occ. Rate / Sales Rate (%)
	Total		CPN		CPNREIT ⁽¹⁾		CPNCG ⁽²⁾		YE
	No.	sq.m.	No.	sq.m.	No.	sq.m.	No.	sq.m.	2018
<i>Retail properties</i>									
Shopping malls - BMA	14	916,214	14	768,917	3	147,297			94
Shopping malls - Provinces	18 ⁽⁴⁾	784,095	18 ⁽⁴⁾	716,888	2	67,207			91
Total retail properties	32	1,700,309	32	1,485,805	5	214,503			93
<i>Non-core businesses</i>									
Office buildings	7	171,985	5	56,174	2	34,320	1	81,490	96
Hotels	2	561 rooms	1	259 rooms	1	302 rooms			86
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		YE
	No.	sq.m.	No.	sq.m.	No.	sq.m.	2018
<i>Non-core businesses</i>							
Office buildings	3	148,917	1	67,440	2	81,477	96
Residential (for sale)	1	1,991 units	1	1,991 units			98
Retail space in buildings		26,163		26,163			71

- (1) Assets under CPNREIT comprises 5 shopping malls, namely CentralPlaza Rama 2, CentralPlaza Rama 3, CentralPlaza Pinklao, CentralPlaza Chiangmai Airport and CentralFestival Pattaya Beach
- (2) Assets under CPNCG 1 office building, namely The Offices at CentralWorld
- (3) Occupancy rate of Hotel Business was an average of occupancy rate in each quarter
- (4) Central Phuket, which consists of the Floresta and Festival buildings, is counted as a single project

Overview

As of December 31, 2018, CPN managed 32 shopping centers (14 projects in Bangkok Metropolitan Area (BMA) and 18 projects in the provinces), 30 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 2018, the average occupancy rate of CPN's shopping malls stood at 93%, a slight increase over that of the previous year at 92%. This was largely attributed to the increase in occupancies at the recently renovated shopping malls, namely CentralWorld and CentralPlaza Rama 3.

In 2018, same store rental revenue growth stood at 3.1% 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.

In 2018, the average rental rate of all shopping malls stood at THB 1,669 per sqm/month. Same store rental rate growth is at 2.5% from THB 1,634 per sqm/month in the previous year to THB 1,674 per sqm/month, which was slightly below the level in the prior year due to lower-than-expected rental rate increases at some shopping malls, as well as additional discounts given towards the end of the year. Despite the minor setback, the rental rate growth in CPN's total portfolio continues at a healthy trajectory as rate escalations from contract renewals and lower discounts given to tenants at most shopping malls were solid.

Summary of GLAND's results

As of December 31, 2018, the operating assets under GLAND comprise 3 office buildings (aggregate occupancy rate at 96%), which includes 2 office buildings transferred to GLAND Office Leasehold Real Estate Investment Trust ("GLANDRT"), as well as 1 real estate project for sale (a total of 1,991 units with currently 41 units remaining), leasable retail area within office buildings and residential project at 26,163 sq.m. (aggregate occupancy rate at 71%), and 4 undeveloped land plots, 2 of which are planned for mixed-use development projects and the other 2 planned for residential development. Hence, CPN consolidates GLAND's financial performance from September 13, 2018 onwards.

In 2018, total revenue contributed by GLAND amounted to THB 498 mn with immaterial impact to CPN's consolidated net profit. The difference versus GLAND's reported statement of comprehensive income is down to the difference in accounting treatment of investment properties: GLAND adopted the fair value model, thus records the gain on fair value adjustment of investment properties, whereas CPN adopted the cost model. As both models are accepted in the Thai Financial Reporting Standards (TFRSs), the cost model was adopted for the consolidated financial statements and the gain on fair value adjustment of investment properties was consequently removed.

Non-recurring items

The following non-recurring items are excluded from the analysis of the financial results in 2018 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). Hence, the adjustments are made under Other Income at THB 308 mn in 3Q18 and at THB 85 mn in 4Q18.
- 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.
- In 4Q17, CPN recorded a net income of THB 175 mn, which primarily represented the asset acquisition fee, as a result of the transfer of

CentralFestival Pattaya Beach (certain parts) and Hilton Pattaya Hotel following the conversion of CPNRF to CPNREIT.

Total Revenue

In 2018, total revenue derived from operations increased 18% YoY, which went according to plan.

In 2018, CPN reported total revenue of THB 36,065 mn, an increase of 16.8% YoY (for 4Q18, total revenue stood at THB 9,247 mn, an increase of 18.0% YoY). Excluding other income, total revenue derived from operations increased approximately 18.0% YoY, which went according to plan. Main components of revenue are as follows.

Revenue from rent and services

In 2018, CPN recorded revenue from rent and services at THB 28,068 mn, an increase of 7.7% YoY (for 4Q18, the figure stood at THB 7,370 mn, an increase of 11.9% YoY). Despite the impact from 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, 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 Rama 2, CentralFestival Chiangmai, CentralPlaza WestGate, CentralPlaza Nakhon Si Thammarat and CentralPlaza Pinklao.

Revenue from food and beverages

In 2018, the in-mall food court business recorded revenue of THB 1,849 mn, an increase of 13.4% YoY (for 4Q18, the figure stood at THB 515 mn, an increase of 19.0% 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 CentralWorld and CentralPlaza Rama 3
- Strong performances of existing food courts both in BMA and provinces, such as CentralPlaza Rama 2, CentralFestival Chiangmai, Central Marina and CentralFestival Samui.

Revenue from hotel operations

Hotel operations are considered CPN's non-core businesses. In 2018, revenue from hotel operations was THB 1,208 mn, an increase of 10.1% YoY (for 4Q18, the figure stood at THB 370 mn, an increase of 27.6% YoY). The increase is largely attributed to the change in service charge recognition for the entire year of 2018, previously recorded as net revenue, to report gross revenue and costs.

Meanwhile, revenue from hotel operations increased slightly despite a drop in average occupancy rate at Hilton Pattaya stood, from 94% in the previous year to 93%, and at Centara Hotel and Convention Center Udonthani, from 80% in the previous year to 75%. Although occupancy rates at both hotels were impacted by the lower number of tourist bookings, average room rates at both hotels increased YoY.

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 2018, revenue from sales stood at THB 2,762 mn (for 4Q18, the figure stood at THB 377 mn), which primarily represents 97% of total units transferred to customers at 3 condominium projects, namely ESCENT Rayong, ESCENT Chiangmai and ESCENT Khonkaen.

Other revenue

In 2018, CPN reported other revenue of THB 2,178 mn (for 4Q18, the figure stood at THB 614 mn). The majority of the amount relates to the management fee received from CPNREIT and CPNCG, which stood at THB 767 mn, an increase of 56.0% YoY (for 4Q18, the figure stood at THB 223 mn, an increase of 90.5% YoY) and in line with the increase in total asset value of CPNREIT following the asset transfer in late 2017.

Total Costs

In 2018, total costs stood at THB 17,579 mn, a 21.1% increase YoY.

In 2018, CPN reported total costs of THB 17,579 mn, an increase of 21.1% YoY (for 4Q18, the figure stood at THB 4,570 mn, an increase of 19.7% 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 2018, CPN reported cost of rent and services at THB 14,142 mn, an increase of 9.7% YoY (for 4Q18, the figure stood at THB 3,797 mn, an increase of 12.1% 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.
- 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 the middle of 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 only 0.9% 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 2018, CPN reported costs of food and beverages at THB 1,448 mn, an increase of 13.0% YoY (for 4Q18, the figure stood at THB 409 mn, an increase of 19.9% YoY). The rise in cost is in-line with the growth in food and beverages revenue from the 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 2018, CPN reported costs of hotel operations at THB 423 mn, an increase of 23.1% YoY (for 4Q18, the figure stood at THB 173 mn, an increase of 90.9% YoY). The increase is largely attributed to the change in service charge recognition for the entire year of 2018, previously recorded as net revenue, to report gross revenue and costs. That aside, the cost of hotel operation is generally in-line with the increase in revenue with both hotels showed effective cost control in both room and food and beverage management.

Cost of sales

In 2018, CPN reported cost of sales at THB 1,565 mn (for 4Q18 the figure stood at THB 191 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 constituted expenses on personnel, marketing & promotion, office supplies, professional fees, and depreciation and amortization of office equipment and hotel properties.

Total admin. expenses stood at THB 6,114 mn, a 20.7% increase YoY.

In 2018, CPN reported total administrative expenses at THB 6,114 mn, an increase of 20.7% YoY (for 4Q18, the figure stood at THB 1,875 mn, an increase of 13.3% YoY). The increase is mainly attributed to higher personnel expenses to support business expansion and higher marketing expenses from more frequent events and activities at malls. Additional administrative expenses in 2018 include costs associated with transfers of condominium units, rental expense of Hilton Pattaya Hotel based on the sublet agreement with CPNREIT, and expenditures associated with shares acquisition in GLAND. Hence, the administrative expenses to total revenue ratio stood at 17.0%, which is higher than the previous year's at 16.4% (for 4Q18, the ratio stood at 20.3% compared to the previous year at 21.1%).

Gross Profit Ratio & Operating Profit Ratio

Gross profit ratio stood at 48.1% whilst operating profit ratio stood at 34.5%.

In 2018, CPN's gross profit ratio, excluding other income, dropped to 48.1% from 49.6% in the previous year (for 4Q18, the figure stood at 47.1% compared to the previous year at 47.7%), whilst operating profit ratio dropped proportionately to 34.5% from 36.6% in the previous year (for 4Q18, the figure at 30.8% compared to the previous year at 30.2%).

Excluding the sales of real estate, gross profit ratio in 2018 would be 49.8% as CPN achieved a gross profit ratio for the sale of residential projects at 43.3%. The gross profit and operating profit margins remain at levels similar to the previous year despite incurring higher cost of rental and services at CentralPlaza Rama 2 following the land lease extension. Hence, CPN is determined to exercise effective cost management and prudent cost control measures to maintain its profitability.

Net Profit

In 2018, net profit stood at THB 10,823 mn, a 9.4% increase YoY.

In 2018, CPN reported a net profit of THB 10,823 mn, an increase of 9.4% YoY (for 4Q18, the figure stood at THB 2,445 mn, an increase of 13.7% 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. Meanwhile, CPN incurred higher financing cost from additional interest-bearing debt following the acquisition of GLAND.

Table 2: Summary of Profit & Loss Statement

<i>Unit: million THB</i>	4Q 2017	3Q 2018	4Q 2018	YoY (%)	QoQ (%)	FY 2017	FY 2018	YoY (%)
Revenue from rent and services	6,587	7,104	7,370	12%	4%	26,057	28,068	8%
Retail	6,415	6,930	7,193	12%	4%	25,369	27,371	8%
Office	172	174	177	3%	2%	688	698	1%
Revenue from hotel operations	290	265	370	28%	40%	1,097	1,208	10%
Revenue from food and beverages	433	459	515	19%	12%	1,631	1,849	13%
Revenue from real estate sales	0	818	377	100%	(54%)	0	2,762	100%
Other income	743	853	699	(6%)	(18%)	5,810	2,571	(56%)
Total revenues	8,053	9,499	9,332	16%	(2%)	34,595	36,458	5%
<i>Excluding non-recurring items</i>	7,834	9,191	9,247	18%	1%	30,875	36,065	17%
Cost of rent and services	3,387	3,628	3,797	12%	5%	12,894	14,142	10%
Retail	3,319	3,562	3,729	12%	5%	12,626	13,877	10%
Office	68	66	68	0%	3%	268	265	(1%)
Cost of hotel operations	91	83	173	90%	108%	343	423	23%
Cost of food and beverages	341	362	409	20%	13%	1,281	1,448	13%
Cost of real estate sales	0	466	191	100%	(59%)	0	1,566	100%
Total cost of operations	3,819	4,539	4,570	20%	1%	14,518	17,579	21%
Selling, general and admin expense	1,694	1,598	1,875	11%	17%	5,094	6,114	20%
Operating profits	2,540	3,362	2,886	14%	(14%)	14,983	12,764	(15%)
<i>Excluding non-recurring items</i>	2,365	3,054	2,801	18%	(8%)	11,314	12,371	9%
Net finance cost/income tax/others	214	434	356	66%	(18%)	1,415	1,549	9%
Net profit	2,326	2,928	2,530	9%	(14%)	13,568	11,216	(17%)
<i>Excluding non-recurring items</i>	2,151	2,620	2,445	14%	(7%)	9,893	10,823	9%
Earnings per basic share (THB)	0.52	0.65	0.56	9%	(14%)	3.02	2.50	(17%)
<i>Excluding non-recurring items</i>	0.48	0.58	0.54	14%	(7%)	2.20	2.41	9%

Weighted average financing cost at the end of 2018 stood at 3.31%

Net debt to equity ratio stood at 0.37x

Capital Structure

As of December 31, 2018, CPN reported total interest-bearing debt of THB 30,398 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 shares acquisition of GLAND and the consolidation of GLAND's interest-bearing debt, which has a higher average cost of debt than CPN's interest-bearing debt. As a result, the weighted average financing cost at the end of 2018 rose to 3.31% compared to the level at the end of the previous year at 3.17%. Fixed interest rates debt comprises 46% of total interest-bearing debt whilst floating interest rates make up the remaining 54%.

Net interest-bearing debt to equity ratio stood at 0.37 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.

Dividend

CPN has a dividend policy of no less than 40% of annual net profit. On February 21, 2019, the Board of Directors passed a resolution to propose to the Annual General Meeting of Shareholders, to be held on April 26, 2019, to approve the dividend payment of THB 1.10 per share paid from the 2018 net profit. Hence, the proposed dividend payout ratio from the 2018 consolidated net profit is at 44.0%.

Table 3: Summary of Financial Position

<i>Unit: million THB</i>	End of 4Q 2017	End of 4Q 2018	YoY (%)
<i>Current assets</i>			
Cash and current investments	5,361	3,067	(43%)
Other current assets	7,753	12,235	58%
Total current assets	13,114	15,301	17%
<i>Non-current assets</i>			
Investment properties ⁽¹⁾	84,972	108,412	28%
Leasehold rights	11,207	14,086	26%
Property & equipment (PP&E)	1,676	1,646	(2%)
Other non-current assets	9,605	22,262	132%
Total non-current assets	107,460	146,407	36%
Total assets	120,574	161,708	34%
<i>Current liabilities</i>			
Interest-bearing debt - 1 year	2,274	10,876	378%
Other current liabilities	12,080	13,737	14%
Total current liabilities	14,354	24,613	71%
<i>Non-current liabilities</i>			
Interest-bearing debt	7,255	19,522	169%
Other non-current liabilities	35,085	43,397	24%
Total non-current liabilities	42,340	62,919	49%
Total liabilities	56,694	87,532	54%
<i>Shareholders' equity</i>			
Retained earnings - unappropriated	50,890	55,094	8%
Other shareholders' equity	12,990	19,082	47%
Total shareholders' equity	63,880	74,176	16%

⁽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 219,161 mn (THB 180,409 mn as of December 31, 2017), stated in the disclosure notes to the main financial statements no. 14 under "Investment Properties".

Table 4: Key Financial Ratios

	4Q 2017	3Q 2018	4Q 2018	YoY (%)	QoQ (%)	FY 2017	FY 2018	YoY (%)
Profitability Ratio								
Gross profit margin (%)	48%	48%	47%	(1%)	(0%)	50%	48%	(1%)
<i>Rent and services</i>	49%	49%	48%	(0%)	(0%)	51%	50%	(1%)
<i>Hotel operations</i>	69%	69%	53%	(15%)	(15%)	69%	65%	(4%)
<i>Food and beverages</i>	21%	21%	21%	(1%)	(1%)	21%	22%	0%
<i>Real estate sales</i>	0%	43%	49%	49%	6%	0%	43%	43%
Operating profit margin (%)	32%	35%	31%	(1%)	(4%)	43%	35%	(8%)
<i>Excluding non-recurring items</i>	30%	33%	30%	0%	(3%)	37%	34%	(2%)
Net profit margin (%)	29%	31%	27%	(2%)	(4%)	39%	31%	(8%)
<i>Excluding non-recurring items</i>	27%	29%	26%	(1%)	(2%)	32%	30%	(2%)
Return on equity ⁽¹⁾ (%)	23%	16%	16%	(7%)	0%	23%	16%	(7%)
<i>Excluding non-recurring items</i>	17%	15%	16%	(1%)	0%	17%	16%	(1%)
Efficiency Ratio								
Return on assets ⁽¹⁾ (%)	12%	8%	8%	(4%)	(0%)	12%	8%	(4%)

	End of 4Q 2017	End of FY 2018	End of FY 2018	YoY (Unit)	QoQ (Unit)
Liquidity Ratio					
Current ratio (times)	0.91	0.91	0.62	(0.29)	(0.29)
Quick ratio (times)	0.37	0.37	0.12	(0.25)	(0.25)
Financial Policy Ratio					
Liabilities to equity ratio (times)	0.89	0.89	1.18	0.29	0.29
Net interest-bearing debt to equity ratio ⁽²⁾ (times)	0.07	0.07	0.37	0.30	0.30

(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

CPN has set a 5-year (2019-2023) 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

Domestic Expansion

CPN has announced the plan to launch 2 new malls to open in 2019 and early 2020, namely 1.) Central Village, the first international luxury outlet in Thailand, in 3Q19 and 2.) CentralPlaza Ayutthaya by early 2020.

CPN also made continuous progress with the asset enhancement initiatives, particularly with CentralWorld, which is on track for completion in 1Q19. 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.

Furthermore, CPN sees the opportunity to develop mixed-use projects as an integral part of long-term growth. In 2017, CPN announced the plan to undergo a joint venture investment project with Dusit Thani PCL ("DTC") to develop a mixed-use project comprising a hotel, a residential project, a retail space and an office building at the corner of Silom Road and Rama 4 Road.

Projects under GLAND CPN continues to study and review the development plan of undeveloped land under GLAND, which are in high potential areas of Bangkok, and expects to finalize the plan within 2019. At the same time, CPN plans to enhance the performances of GLAND's existing assets to maximize the benefits and growth potential of GLAND going forward.

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. The project is currently undergoing exterior and interior furnishing processes and on course for opening in March 2019. Moreover, CPN is currently preparing an investment plan in Vietnam, a market with exceptional growth potential in the region that will be an important driving force in the company's long-term growth.

Mixed-Use Project Development

CPN recognizes the potential to develop mixed-use projects in the shopping mall area by utilizing the existing vacant plots of land adjacent to the shopping malls, thus enhancing the value of investments in the form of residential development, office buildings and hotels, to name a few.

Residential development To-date, CPN has launched a total of 7 condominium projects in Bangkok and in the provinces, as well as 1 single-detached housing in Bangkok. Moreover, CPN 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				Construction, furnishing and leasing		★ Open	
<i>Domestic - Provinces</i>										
CentralPhuket	33,000	3/2018	Open on 10 Sep 2018 ★							
CentralPlaza Ayutthaya	TBC	1/2020	○ Announce				Construction, furnishing and leasing			
<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			
<u>Residential - Single House</u>	<u>ยูนิต</u>	<u>ไตรมาส/ปี</u>								
<i>Domestic - BMA</i>										
Niyham Boromratchachonnani	71	4/2018	Launch Phase 1 (9 units) ★							