

## Executive Summary

In 3Q19, growth in the Thai economy decelerated primarily driven by a decline in export growth from world-trade sluggish effecting from Trade War. However, the Thai economy is attributed mainly by number of factors, namely 1.) Growth in Tourism sector from visa-on-arrival measure and Hong Kong disturbance which reflects an increasing in tourists 2.) Government spending for investment in infrastructure 3.) growth in private consumption continues despite a lower rate of growth however, government subsidy to the low-income citizens could help stimulate near-term consumption. Meanwhile, internal and external factors that affect the Thai economy are the slowing global economy growth due to the inconclusive trade war between the US and China. Having considered the above-mentioned circumstances, the Bank of Thailand lowered the Thai economy growth outlook in 2019, from 3.3% to 2.8%, the policy rate cut to 1.25% 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 3Q19 shows total revenue of THB 9,413 mn, an increase of 2.1% and net profit stood at THB 2,816 mn, a decrease of 3.8% from the same period in the previous year (YoY). For nine months of 2019, CPN reported total revenue of THB 27,330 mn, an increase of 3.8% YoY, and net profit of THB 8,068 mn, a decrease of 7.1% YoY from the same period in the previous year (YoY). Excluding the non-recurring items and the performance of residential business, **total revenue increased 8.9% YoY and net profit increased 12.3% YoY** (for nine months of 2019, total revenue increased 10.3% YoY and net profit increased 6.2% YoY). The shopping mall business, which is CPN's core business, continues to perform strongly, especially on a same-store basis that continues to grow in terms of revenue and operating profit, which is in-line with the business plan.

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, study into value-accretive merger and acquisition (M&A) opportunities, as well as apply efficient cost management to its businesses. Furthermore, CPN is currently preparing to lease assets to CPN Retail Growth Leasehold REIT (CPNREIT) with 4 additional assets, as well as the extension of lease at CentralPlaza Rama 2, with a total transaction value of no more than THB 48,560 mn as announced on the Stock Exchange of Thailand on October 17, 2019. CPN currently manages 34 shopping malls with the net leasable area (NLA) of approximately 1.8 mn sqm. At the end of 3Q19 the average occupancy rate for CPN's domestic retail properties stood at 92%.

*CPN's revenues continues to grow primarily from strong rental business performance and according to target.*

## Major Events in 3Q19

### New Retail Development to Become the “Center of Life”

*CPN celebrated an opening of the first luxury outlet format in Thailand, Central Village, on August 31, 2019.*

**The opening of Central Village (1 phase)** held on August 31, 2019, the first luxury outlet format in Thailand which is the 34<sup>th</sup> shopping mall of CPN. The design expressed on Thai identity architecture impeccably harmonized with the serene outdoor nature to create a shopping destination located close to Suvarnabhumi Airport offering more than 130 shops serving both local and tourist customers. After formal opening, Central Village has a good response from all shoppers which representing an average traffic more than 17,000 visitors per day. The first phase accounted for approximately 20,000 sqm. NLA with occupancy rate stood at 77% at the end of 3Q19.

*Celebrated an opening of “Aquaria Phuket” the largest aquarium in Thailand at Central Phuket Floresta*

Opened the largest aquarium in Thailand **“AQUARIA Phuket” at Central Phuket Floresta**, with NLA over 10,000 sqm. under the concept of “An Ocean of Myth and Legend” inspired from ‘The legend of Himmapan forest’ and Thai culture. The aquarium compile over 300 species with total of 51,000 aquatic animals where representing an ‘Andasi’, an exclusive largest Bar & Restaurant underwater world in ASEAN. The restaurant is under format of luxury Fine-Dining restaurant. Moreover, shoppers can enjoy 4D Trick Eye Museum, the first Augmented Reality Art Museum in the world, at B1 AQUARIA Phuket.

### Asset Enhancement Initiatives

*CPN continues the renovation of existing malls to enhance operational efficiency.*

**CPN focuses on asset enhancement initiatives** to increase the value of existing shopping malls, customers, tenants and societies, and to maintain normal revenue and generate a sustain long-term returns. In 2019, CPN progressed with the following asset enhancement initiatives.

**Renovation programs of existing malls are under way and expects to be completed in 2019** comprising a renovation at 1.) CentralPlaza Chiangrai, which has been completed the renovation by introducing Food Park and Kadluang Zone; 2.) CentralPlaza Chonburi, which has been completed the renovation by introducing ‘Destination Concept’ i.e. Food Destination and Co-working Space, to name a few; 3.) Central Phuket Festival, has partially completed the renovation of area previously occupied by Central Department Store, shops are under decorating and continue to open; 4.) CentralPlaza Lardprao, which has been renovated under the introduction of new destination concepts as well as integrate the mall entrance area with the future sky train station, currently under renovation of an area in the 4<sup>th</sup> floor introducing a new concept of Restaurant zone and 5.) Central Festival Pattaya Beach, is underway of the food zone re-development to include new vendors catered towards both locals and foreign tourists.

## Investment Diversification to Generate New Revenue Stream

CPN actively find opportunity for new potential investment driven its business growth compatible with strengthen the revenue structure and support sustainable growth strategy. In 2019, CPN progressed with the following new investments.

*"Common Ground" launched its first co-working space in Thailand at G Tower located at Rama9, the new CBD area in Bangkok.*

**CPN debut the first "Common Ground Co-working space" in Thailand** at the G Tower office building located in Rama 9 next to CentralPlaza Grand Rama 9. The 4,500-square meter co-working space is a joint venture between CPN and Common Ground Malaysia to create destination in the New CBD of Bangkok, serving new generation of workers and start-up entrepreneurs whose preferences are not limited to home and office and are immersed with work and living integration with the shopping center. Furthermore, CPN targets to open another new Common Ground Co-working space at The Offices at CentralWorld.

## An Excellence of Business Sustainability

*CPN is the only real estate development company in Thailand that has been selected to be a membership of DJSI World and DJSI Emerging Market for two consecutive years.*

CPN has been selected to be a membership of **Dow Jones Sustainability Indices (DJSI)**. **CPN is the only property developer company and be one of twelve company in Thailand** that has been selected to be a membership of DJSI World for two consecutive years (2018-2019) and DJSI Emerging Market for six consecutive years (2014-2019) reflecting the philosophy of sustain business sense which be aware of community, environment and all stakeholders to drive a sustain social and community.

# Financial and Operating Performance in 3Q19

**Table 1: Summary of net leasable area and occupancy rate**

	Number of projects and net leasable/salable area under CPN management as of 3Q 2019								Occ. Rate / Sales Rate (%) as of 3Q 2019
	Total		CPN		CPNREIT <sup>(1)</sup>		CPNCG <sup>(2)</sup>		
	No.	sq.m.	No.	sq.m.	No.	sq.m.	No.	sq.m.	
<i>Retail properties</i>									
Shopping malls - BMA	15	931,130	15	784,398	3	146,732			93
Shopping malls - Provinces <sup>(4)</sup>	18	790,235	18	723,056	2	67,179			91
<b>Total domestic retail properties</b>	<b>33</b>	<b>1,721,365</b>	<b>33</b>	<b>1,507,454</b>	<b>5</b>	<b>213,911</b>			<b>92</b>
Shopping malls - International	1	83,359	1	83,359					74
<b>Total retail properties</b>	<b>34</b>	<b>1,804,724</b>	<b>34</b>	<b>1,590,813</b>	<b>5</b>	<b>213,911</b>			<b>91</b>
<i>Non-core businesses</i>									
Office buildings	7	172,167	5	56,175	2	34,320	1	81,672	95
Hotels	2	561 rooms	1	259 rooms	1	302 rooms			81
Residential (high rise)	5	1570 units	5	1570 units					100
Residential (low rise)	1	71 units	1	71 units					7

	Number of projects and net leasable/salable area under GLAND as of 3Q 2019						Occ. Rate / Sales Rate (%) as of 3Q 2019
	Total		GLAND		GLANDRT		
	No.	sq.m.	No.	sq.m.	No.	sq.m.	
<i>Non-core businesses</i>							
Office buildings	3	148,772	1	67,440	2	81,332	97
Residential (high rise)	1	1991 units	1	1991 units			98
Retail space in buildings		25,944		25,944			66

- (1) Assets under CPNREIT comprises 5 shopping malls, namely CentralPlaza Rama 2, CentralPlaza Rama 3, CentralPlaza Pinklao (including Pinklao Tower A & B office buildings), 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 Central Phuket Floresta and Central Phuket Festival, is counted as a single project

## Overview

As of September 30, 2019, CPN managed 34 shopping centers (15 projects in Bangkok Metropolitan Area (BMA), 18 projects in the provinces, and 1 project overseas), 30 food centers, 7 office towers, 2 hotel properties, 9 high-rise residential projects, 3 of which fully transferred, 2 of which on process of transfer, 4 of which under development and 1 low-rise residential project for sale (totaling 71 units in all phase), which includes the properties transferred to CPN Retail Growth Leasehold REIT ("CPNREIT") and CPN Commercial Growth Leasehold Property Fund ("CPNCG").

At the end of 3Q19, the average occupancy rate of CPN's domestic shopping malls stood at 92%, equal to the same period of previous year. Most of CPN's shopping mall maintained high level of occupancy rate given the short-term effect from mall under renovation. Including Central i-City, which was fully opened in June 2019, an average overall occupancy rate of CPN's shopping malls stood at 91%, increased QoQ from 90% due mainly to occupancy rate of Central i-City ramp up however, shopping malls in BMA and the provinces under renovations will be gradually completed from 2019 to 2020, resulting in occupancy rate incremental.

*Same store rental revenue growth stood at 3.1% YoY*

In 3Q19, same store rental revenue growth stood at 3.1% YoY, despite intense competition in certain areas, such as Nakhon Ratchasima. Overall the Company continues to achieve the targeted rental rate growth for the rest of the shopping malls. The same store rental revenue excludes that of 1.) the new mall in 2018, namely Central Phuket Floresta; 2.) new malls in 2019, namely Central i-City and Central Village; 3.) malls under major renovation during 2018 and 2019, namely CentralWorld, CentralPlaza Lardprao, CentralPlaza Chonburi and CentralPlaza Chiangrai, Central Phuket Festival, and CentralFestival Pattaya Beach.

### **Summary of GLAND's results**

As of September 30, 2019, the operating assets under GLAND comprise of; 1.) 3 office buildings (aggregate occupancy rate at 97%), which includes 2 office buildings transferred to GLAND Office Leasehold Real Estate Investment Trust ("GLANDRT"); 2.) 1 residential project for sale (a total of 1,991 units with 30 units remaining to be sold and transferred); 3.) leasable retail area within office buildings and residential project at 25,944 sq.m. (aggregate occupancy rate at 66%), and 4.) 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 3Q19, CPN record revenue recognition from GLAND as followings;

- Total revenue of THB 387 mn and net profit stood at THB 67 mn (for nine months of 2019, total revenue of THB 1,193 mn and net profit of THB 128 mn; excluding the non-recurring items for nine months of 2019 net profit contributed by GLAND amounted to THB 143 mn). The difference versus GLAND's reported statement of comprehensive income comes from the investment properties that CPN recorded at the time of acquisition of GLAND, which reflected the fair value of GLAND's investment properties at that time. As a result, the depreciation and amortization expenses from those investment properties, which represents most of GLAND's operating cost, is higher under CPN's book compared to GLAND's book, which are based on its original cost.

### **Non-recurring item**

CPN has non-recurring items during 2019 compared to the previous year as follows:

- In 2Q19, CPN recognized a provision of employee benefit for retirement amount THB 116 mn including GLAND retroactive adjustment amount THB 15 mn which are classified under administrative expenses.
- In 1Q19, CPN sold a total of 42.5 million shares of its ownership in Dusit Thani Public Company Limited, or "DTC", or approximately 5% of the total issued and paid-up shares of DTC, at the price of 12 THB per share. As a result, CPN reported a decrease in ownership of DTC from 22.58% to 17.58% and recorded a one-time gain from the transaction for THB 44.8 mn under other income.

- In 3Q18, CPN had recognized a reversal of advanced leasehold right amounting of THB 308 mn under other income as a result of Rama 2 land lease extension according to new contract signed in June 2018.
- Since 3Q18, CPN has started cost of rent and services recognition following the land lease extension for CentralPlaza Rama 2, based on a straight-line depreciation method for the duration of the new lease agreement. The incremental cost of rent and service is approximately THB 100 mn per quarter. (for nine months of 2019, Rama 2 land lease cost of THB 300 mn comparing to THB 100 mn in the same period of the previous year)

*In 3Q19, total revenue stood at THB 9,413 mn, a 5.6% increase YoY.*

### **Total Revenue**

In 3Q19, CPN reported total revenue of THB 9,413 mn, an increase of 5.6% YoY. (for nine months of 2019, CPN reported total revenue of THB 27,285 mn, an increase of 4.9% YoY). Main components of revenue are as follows.

#### *Revenue from rent and services*

In 3Q19, CPN recorded revenue from rent and services at THB 7,726 mn, an increase of 8.8% YoY (for nine months of 2019, CPN reported total revenue of THB 22,878 mn, an increase of 10.5% YoY). Despite the impact from the ongoing renovations and intense competition in certain areas as mentioned earlier. Performances at shopping malls showed solid growth as summarized below.

- Contributions from new mall: 1.) Central Phuket Floresta which was opened in September 2018; 2.) Central i-City which was opened in March 2019 and 3.) Central Village which was opened in August 2019.
- Performance improvement from malls under major renovation gradually open in 2018 and 2019, namely CentralWorld, CentralPlaza Chiangrai and CentralPlaza Chonburi.
- Strong performances of existing shopping malls, such as CentralPlaza Nakhon Si Thammarat, CentralPlaza Salaya, CentralPlaza Nakhonratchasima, CentralFestival Chiangmai and CentralPlaza Rama9.

#### *Revenue from food center services*

Due to the adoption of Thai Financial Reporting Standard 15 (TFRS 15) on Revenue from Contracts with Customers, effective on January 1, 2019 onwards, CPN has amended the recognition of revenue from food and beverages in 2019 to accurately reflect the business nature of food center services. Hence, the information in the previous year have been adjusted for appropriate comparison.

In 3Q19, CPN recorded revenue from food center services at THB 209 mn, an increase of 15.3% YoY (for nine months of 2019, CPN reported total revenue of THB 633 mn, an increase of 20.0% YoY) due to the following factors.

- Contributions from newly opened food courts at Central Phuket Floresta and Central Village as well as renovated food court from 3Q18 to 3Q19 at CentralWorld, CentralPlaza Rama 3, CentralPlaza Chiangrai and CentralPlaza Chonburi.

- Strong performances of existing food courts both in BMA and provinces, such as CentralPlaza Chaengwattana, CentralPlaza Rayong, CentralPlaza Ubonratchathani, CentralPlaza Khonkaen, CentralPlaza Nakhon Si Thammarat and CentralPlaza Phitsanulok.

#### *Revenue from hotel operations*

CPN adopted a new hotel revenue and cost recognition from 2019 onwards in which net revenue from services was reported as gross revenue and cost on cash basis, resulting an increase both in revenue and cost items.

Hotel operations are considered CPN's non-core businesses. In 3Q19, revenue from hotel operations was THB 274 mn, an increase of 3.2% YoY (for nine months of 2019, total revenue of THB 846 mn, increased 1.0% comparing to the same period of last year). The average room occupancy at Hilton Pattaya Hotel stood at 89%, slightly lower than the previous year at 92%, due to higher competition in the market. While, The average room occupancy at Centara Hotel and Convention Center Udonthani stood at 72%, close to the previous year at 72.3%. Furthermore, the average room rate of both hotels is largely unchanged from the same period of last year.

#### *Revenue from sales*

In 3Q19, CPN recorded revenue from sales at THB 602 mn, a decrease of 26.4% YoY (for nine months of 2019, CPN reported total revenue of THB 1,229 mn, a decrease of 48.5% YoY) due to lower transfers of residential projects. Whilst CPN's first completed condominium projects, namely ESCENT Rayong, ESCENT Chiangmai and ESCENT Khonkaen, have been majorily transferred in 2018, ESCENT VILLE Chiangmai have only begun transferring since 2Q19 and ESCENT VILLE Chiangrai have recently started the transfers in 3Q19.

### **Total Costs**

*In 3Q19, total costs stood at THB 4,458 mn, a 7.2% increase YoY.*

In 3Q19, CPN reported total costs of THB 4,458 mn, an increase of 7.2% YoY (for nine months of 2019, total cost at THB 12,808 mn, an increase of 5.8% 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 3Q19, CPN reported cost of rent and services at THB 3,919 mn, an increase of 11.1% YoY (for nine months of 2019, total cost at THB 11,533 mn, an increase of 12.6% YoY). The rise in cost is similar to the increase in revenue and comes from the following factors.

- Higher operating and depreciation costs of newly opened malls and renovated projects from 3Q18 to 3Q19, namely Central Phuket Floresta, Central i-City, Central Village, CentralWorld, CentralPlaza Chiangrai, CentralPlaza Chonburi.
- 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 throughout 2019. CPN, meanwhile, utilized more electricity unit

consumption compared to last year mainly from newly open malls and completed renovation malls. However, same-store utility cost decreased 1.7% YoY, thanks to CPN's continuous effort to conserve energy and utilities in operations.

- Higher maintenance, repair and personnel expenses to support the expansion of new shopping malls.

#### *Cost of food center services*

CPN has amended the recognition of cost of food and beverages in 2019 in compliance with TFRS 15, consistent with the revenue from food center services.

In 3Q19, CPN reported costs of food center services at THB 100 mn, an increase of 20.0% YoY (for nine months of 2019, costs of food center services at THB 286 mn, an increase of 23.2% YoY). The rise in cost is in-line with the growth in revenue from food center services, which came from the new food courts opened at new malls in 2018 and 2019, namely Central Phuket Floresta and Central Village as well as renovated food court completion of CentralPlaza Rama3 and CentralPlaza Chiangrai and CentralPlaza Chonburi. Moreover, the 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 center services business.

#### *Cost of hotel operations*

CPN adopted a new hotel revenue and cost recognition from 2019 onwards in which net revenue from services was reported as gross revenue and cost on cash basis, resulting an increase both in revenue and cost items.

In 3Q19, CPN reported costs of hotel operations at THB 94 mn, an increase of 13.8% YoY. (for nine months of 2019, costs of food center services at THB 286 mn, an increase of 14.3% YoY) due mainly to the above-mentioned adjustment, as well as from higher selling and marketing expenses to generate revenue stream amidst softened tourism sentiment. However, both hotels showed effective cost control in both room and food and beverage management.

#### *Cost of sales*

In 3Q19, CPN reported costs of sales at THB 345 mn, a decrease of 25.9% YoY (for nine months of 2019, costs of sales at THB 704 mn, a decrease of 48.8% YoY). The decrease is in-line with the lower revenue from sales as described earlier.

### **Administrative Expenses**

*Total admin. expenses stood at THB 1,637 mn, a 2.4% increase YoY.*

Total administrative expenses constituted expenses on personnel, marketing & promotion, rental expense of Hilton Pattaya Hotel based on the sublet agreement with CPNREIT, office supplies, professional fees, and depreciation and amortization of office equipment and hotel properties.

In 3Q19, CPN reported total administrative expenses at THB 1,637 mn, an increase of 2.4% YoY (for nine months of 2019, administrative expenses at THB 4,763 mn, an increase of 12.4% YoY). The increase is mainly attributed to higher personnel due to the larger business size to support future business



expansion as well as an increase in rental expense incurred to CPNREIT for the sublet of Hilton Pattaya, which includes the effect from accounting adjustment from actual cash basis to straight line basis. The amount also includes administrative expenses associated with GLAND's operations since the acquisition in 3Q18 onwards. Nonetheless, CPN demonstrated prudent cost control measures and closely monitors the expenditure level to match revenue growth. Hence, the administrative expenses to total revenue ratio stood at 17.4%, which is lower than the previous year's at 17.9% (for nine months of 2019 stood at 17.5% higher than the previous year's at 16.3%).

### **Gross Profit Ratio & Operating Profit Ratio**

*Gross profit ratio stood at 49.4% whilst operating profit ratio stood at 35.5%.*

In 3Q19, CPN's gross profit ratio, excluding other income, dropped to 49.2% from 50.3% in the previous year (for nine months of 2019 at 49.9% compared to the previous year at 50.5%), whilst operating profit ratio dropped proportionately to 35.5% from 35.6% in the previous year (for nine months of 2019 at 35.9% compared to the previous year at 37.3%).

The gross profit ratio for the rent and services business, which is CPN's core business, stood at 49.3%, a drop from 50.3% in the previous year (for nine months of 2019 at 49.6% compared to the previous year at 50.5%) as new malls and malls under renovation performed a lower margin compare to existing malls. On a same-store basis, operating profit margin rose 1.2% YoY (for nine months of 2019 rose 1.5% YoY). Meanwhile, same-store operating profit margin ratio increased 0.7% from the same period in the previous year (for nine months of 2019 increased 1.4% compared to the previous year) CPN can maintain the gross profit ratio of rent and services business at similar level to the previous year. Hence, CPN continues to implement effective and cost management and prudent cost control measures to maintain its profitability.

### **Net Profit**

*In 3Q19, net profit stood at THB 2,916 mn, a 7.2% increased YoY.*

In 3Q19, CPN reported a net profit of THB 2,916 mn, an increase of 7.2% YoY (for nine months of 2019, the figure stood at THB 8,454 mn, a decrease of 0.3% YoY) mainly from solid revenue growth, well-controlled expenditures, and higher share of profit from joint ventures and associated companies, despite incurring higher financing cost from additional interest-bearing debt following the acquisition of GLAND in September 2018 and new loan for business expansion to generate new revenue stream. CPN continues to exercise effective cost management and according to the changing business environment.

Unit: million THB	3Q 2018	2Q 2019	3Q 2019	YoY (%)	QoQ (%)	9M 2018	9M 2019	YoY (%)
Revenue from rent and services	7,104	7,664	7,726	9%	1%	20,698	22,878	11%
Retail	6,869	7,319	7,384	7%	1%	20,117	21,838	9%
Office	235	345	342	46%	(1%)	582	1,041	79%
Revenue from hotel operations	265	264	274	3%	4%	838	847	1%
Revenue from food center services	181	224	209	15%	(7%)	528	633	20%
Revenue from real estate sales	818	485	602	(26%)	24%	2,385	1,229	(48%)
Other income	853	563	603	(29%)	7%	1,872	1,743	(7%)
<b>Total revenues</b>	<b>9,221</b>	<b>9,201</b>	<b>9,413</b>	<b>2%</b>	<b>2%</b>	<b>26,320</b>	<b>27,330</b>	<b>4%</b>
<i>Excluding non-recurring items</i>	8,913	9,201	9,413	6%	2%	26,012	27,285	5%
Cost of rent and services	3,628	4,045	4,019	11%	(1%)	10,346	11,833	14%
Retail	3,545	3,927	3,910	10%	(0%)	10,131	11,493	13%
Office	84	118	109	30%	(8%)	215	340	58%
Cost of hotel operations	83	92	94	14%	2%	250	286	14%
Cost of food center services	83	98	100	20%	2%	232	286	23%
Cost of real estate sales	466	284	345	(26%)	22%	1,375	704	(49%)
<b>Total cost of operations</b>	<b>4,261</b>	<b>4,519</b>	<b>4,558</b>	<b>7%</b>	<b>1%</b>	<b>12,203</b>	<b>13,108</b>	<b>7%</b>
<i>Excluding non-recurring items</i>	4,161	4,419	4,458	7%	1%	12,103	12,808	6%
Selling, general and admin expense	1,598	1,815	1,637	2%	(10%)	4,239	4,894	15%
<b>Operating profits</b>	<b>3,362</b>	<b>2,866</b>	<b>3,218</b>	<b>(4%)</b>	<b>12%</b>	<b>9,878</b>	<b>9,327</b>	<b>(6%)</b>
<i>Excluding non-recurring items</i>	3,154	3,098	3,318	5%	7%	9,670	9,713	0%
Net finance cost/income tax/others	434	429	402	(7%)	(6%)	1,192	1,260	6%
<b>Net profit</b>	<b>2,928</b>	<b>2,437</b>	<b>2,816</b>	<b>(4%)</b>	<b>16%</b>	<b>8,686</b>	<b>8,068</b>	<b>(7%)</b>
<i>Excluding non-recurring items</i>	2,720	2,669	2,916	7%	9%	8,478	8,454	(0%)
<b>Earnings per basic share (THB)</b>	<b>0.65</b>	<b>0.54</b>	<b>0.63</b>	<b>(4%)</b>	<b>16%</b>	<b>1.94</b>	<b>1.80</b>	<b>(7%)</b>
<i>Excluding non-recurring items</i>	0.61	0.59	0.65	7%	9%	1.89	1.88	(0%)

## Capital Structure

As of September 30, 2019, CPN reported total interest-bearing debt of THB 36,812 mn, an increase from the balance as of December 31, 2018 of THB 30,398 mn, mainly due to the higher long-term borrowings from financial institutions and new bond issued. The weighted average financing cost at the end of 3Q19 stood at 2.96%, lower than 3.20% in 2Q19. Fixed interest rates debt comprises 54% of total interest-bearing debt whilst floating interest rates make up the remaining 46%.

Net interest-bearing debt to equity ratio stood at 0.45 times, an increase from 0.37 times from the end of last year, on higher interest-bearing debt amount as mentioned above.

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.

*Weighted average financing cost at the end of 3Q19 stood at 2.96%*

*Net debt to equity ratio stood at 0.45x*

**Table 3: Summary of Financial Position**

<i>Unit: million THB</i>	End of 3Q 2018	End of FY 2018	End of 3Q 2019	YoY (%)	YTD (%)
<i>Current assets</i>					
Cash and current investments	2,682	3,067	2,262	(16%)	(26%)
Other current assets	11,600	12,235	14,056	21%	15%
<b>Total current assets</b>	<b>14,283</b>	<b>15,301</b>	<b>16,318</b>	<b>14%</b>	<b>7%</b>
<i>Non-current assets</i>					
Investment properties <sup>(1)</sup>	107,889	108,412	103,614	(4%)	(4%)
Leasehold rights	13,960	14,086	21,002	50%	49%
Property & equipment (PP&E)	1,629	1,646	1,593	(2%)	(3%)
Other non-current assets	22,676	22,262	26,891	19%	21%
<b>Total non-current assets</b>	<b>146,154</b>	<b>146,407</b>	<b>153,100</b>	<b>5%</b>	<b>5%</b>
<b>Total assets</b>	<b>160,437</b>	<b>161,708</b>	<b>169,418</b>	<b>6%</b>	<b>5%</b>
<i>Current liabilities</i>					
Interest-bearing debt - 1 year	12,009	10,876	9,651	(20%)	(11%)
Other current liabilities	12,732	13,737	12,289	(3%)	(11%)
<b>Total current liabilities</b>	<b>24,741</b>	<b>24,613</b>	<b>21,940</b>	<b>(11%)</b>	<b>(11%)</b>
<i>Non-current liabilities</i>					
Interest-bearing debt	16,826	19,522	27,161	61%	39%
Other non-current liabilities	43,396	43,397	43,575	0%	0%
<b>Total non-current liabilities</b>	<b>60,222</b>	<b>62,919</b>	<b>70,736</b>	<b>17%</b>	<b>12%</b>
<b>Total liabilities</b>	<b>84,962</b>	<b>87,532</b>	<b>92,676</b>	<b>9%</b>	<b>6%</b>
<i>Shareholders' equity</i>					
Retained earnings - unappropriated	52,913	55,094	57,847	9%	5%
Other shareholders' equity	22,561	19,082	18,894	(16%)	(1%)
<b>Total shareholders' equity</b>	<b>75,474</b>	<b>74,176</b>	<b>76,741</b>	<b>2%</b>	<b>3%</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 as of December 31, 2018 is THB 219,161 mn, as stated in the disclosure notes to the main financial statements no. 14 under "Investment Properties".

**Table 4: Key Financial Ratios**

	3Q 2018	2Q 2019	3Q 2019	YoY (%)	QoQ (%)	9M 2018	9M 2019	YoY (%)
<b>Profitability Ratio</b>								
Gross profit margin <sup>(1)</sup> (%)	49%	48%	48%	(1%)	1%	50%	49%	(1%)
<i>Rent and services</i> <sup>(1)</sup>	49%	47%	48%	(1%)	1%	50%	48%	(2%)
<i>Hotel operations</i>	69%	65%	65%	(3%)	0%	70%	66%	(4%)
<i>Food center services</i>	54%	56%	52%	(2%)	(4%)	56%	55%	(1%)
<i>Real estate sales</i>	43%	41%	43%	(0%)	1%	42%	43%	0%
Operating profit margin (%)	36%	31%	34%	(2%)	3%	38%	34%	(3%)
<i>Excluding non-recurring items</i>	35%	34%	35%	(0%)	2%	37%	36%	(2%)
Net profit margin (%)	32%	26%	30%	(2%)	3%	33%	30%	(3%)
<i>Excluding non-recurring items</i>	31%	29%	31%	0%	2%	33%	31%	(2%)
Return on equity <sup>(2)</sup> (%)	16%	16%	14%	(2%)	(2%)	16%	14%	(2%)
<i>Excluding non-recurring items</i>	16%	16%	15%	(1%)	(1%)	16%	15%	(1%)
<b>Efficiency Ratio</b>								
Return on assets <sup>(2)</sup> (%)	8%	7%	6%	(2%)	(1%)	8%	6%	(2%)

	3Q 2018	End of FY 2019	3Q 2019	YoY (Unit)	YTD (Unit)
<b>Liquidity Ratio</b>					
Current ratio (times)	0.58	0.62	0.74	0.16	0.12
Quick ratio (times)	0.11	0.12	0.10	(0.01)	(0.02)
<b>Financial Policy Ratio</b>					
Liabilities to equity ratio (times)	1.13	1.18	1.21	0.08	0.03
Net interest-bearing debt to equity ratio <sup>(3)</sup> (times)	0.35	0.37	0.45	0.10	0.08

- (1) Includes the impact of the land lease extension for CentralPlaza Rama 2, which is considered a non-recurring item
- (2) Return on assets and return on equity are calculated based on net profit in the last twelve months
- (3) 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 approximately 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, mixed-use project development, as well as M&A opportunities into high quality assets, 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 and Vietnam to access new revenue stream and accommodate its sustainable growth aspiration.

### **Domestic Expansion**

CPN has announced the plan to develop 3 new Mixed-used projects under the concept of 'Magnifying Local Essence' in pioneering new economic cities comprising Ayutthaya, Si Racha, and Chanthaburi compatible with the growth of infrastructure investment, domestic trade and tourism sector. The projects are as follows.

- 1.) **CentralPlaza Ayutthaya** mixed-use project comprises of Shopping Mall, Convention Hall, Hotel and Residence under the concept of 'The Prosperity of Ayutthaya' with targeted opening in 2021.
- 2.) **CentralPlaza Si Racha** mixed-use project comprises of Shopping Mall, Convention Hall, Hotel, Office, Residence and Education Center under the concept of 'Living Green in Smart City of EEC Center' with targeted in 2021.
- 3.) **CentralPlaza Chanthaburi** mixed-use project comprises of Shopping Mall and other mixed-use development under the concept of 'The Shining Gem of EEC Plus 2' with targeted opening in 2022.

Moreover, CPN seeks for long-term growth opportunities with plausible returns through new mixed-use development projects. On April 1, 2019, CPN and Dusit Thani Public Company Limited have jointly announced the inauguration of **Dusit Central Park**, the most prominent mixed-use development project at the heart of Bangkok central district located across a 23-rai land at the corner of Silom Road and Rama 4 Road and seamlessly connected with the mainstream mass transit systems, such as the BTS skytrain and the MRT subway. The project consists of the following elements:

- **Central Park shopping complex** with a total leasable area of 80,000 sq.m., in which CPN has 85% stake in the project. The project represents a distinguished experience and selecting an iconic global brand matching urban lifestyle with green area more than 1,000 sq.m.
- **Central Park Offices** with a commercially leasable area of 90,000 sq.m., in which CPN has 100% stake in the project under the concept "sharing economy" to create a customize area for the best utilization.

- **Dusit Thani Bangkok Hotel** with 250 rooms, in which CPN has 40% stake in the project. The hotel remains a unique design with the golden headdress which has inspiration from Wat Arun Ratchawararam Woramahawihan, the roof top will be designed for the lookout point, digital gallery, restaurant and roof top bar.

**Residential project** totaling 389 units under the brands “Dusit Residences”, comprising 159 units, and “Dusit Parkside”, comprising 230 units, in which CPN has 40% stake in the project. The project is proudly presented an outstanding location with perfect facilities.

The development of Dusit Central Park will commence after the decommission of the existing Dusit Thani Bangkok Hotel is complete. The construction of the project will be gradually completed by 2023, beginning with the all-new Dusit Thani Bangkok Hotel, followed by Central Park shopping complex and Central Park Offices. The residential projects will be opened for pre-sale in 2019 and will be completed and ready for transfer to customers from 2024 onwards.

Moreover, CPN announced re-development and renovation plan totaling 14 branches, 2 of which are re-development: 1.) **CentralPlaza Rama 2** to be The Largest Regional mall - Gateway of South Bangkok connecting all inner city border to transform those area to be the ‘New Urbanized Districts’ whilst allocate 37 rais to develop a huge green area, “Central Plearn Park” and 2.) **CentralPlaza Ramindra**, under the concept of ‘Living Lab of Ramindra’ to assist an incremental of population align with the growth of infrastructure i.e. Monorail-Pink Line. In addition, CPN also plans to renovate another 12 existing shopping malls nationwide including CentralPlaza Rama9 , CentralFestival EastVille, CentralPlaza Bangna, CentralPlaza Chaengwattana, CentralPlaza Khonkaen, CentralPlaza Udonthani, CentralFestival Chiangmai, CentralPlaza Chiangmai Airport, CentralFestival Pattaya Beach, Central Marina Pattaya, CentralFestival Samui and CentralFestival Hatyai.

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 envisions growth opportunities beyond domestic sources as an integral element to achieve its long-term growth target and serves the diversification of investment risks by identifying high potential areas in prospective overseas markets. On March 23, 2019, **Central i-City** was opened for soft launched and celebrated a grand opening on June 15, 2019, representing Thai identity in prime location which has a good responsive.

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 Development near existing Retail Properties**

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 9 condominium projects in Bangkok and in the provinces. Among these projects, 5 projects are completed and in the process of transfers whilst the other 4 projects are in the process of construction. CPN has developed 1 project of single-detached housing in Bangkok. Moreover, CPN continues to study new areas for possible development as a pipeline for future project announcements.

### **The Lease of Assets to CPNREIT**

On October 17, 2019, CPN agrees to lease out new assets to CPNREIT comprising four shopping centers, namely 1.) CentralMarina with a lease tenure of 15 years ending 2035 ; 2.) CentralPlaza Lampang with a lease tenure of 22 years ending 2041 ; 3.) CentralPlaza Suratthani with a lease tenure of 30 years and 4.) CentralPlaza Ubonratchathani with a lease tenure of 30 years, with expected completion of the four transactions within 2Q20. Further, CPN is preparing to extend the lease of CentralPlaza Rama 2 project to CPNREIT for an additional 30 years ending 2055, with the new lease term to be registered after the extension is completed. The total value of all the transactions combined is no more than THB 48,560 mn.

**Table 5: Progress of Future Projects**

Project	Area	Complete by	2019				2020			
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<u>Retail Properties</u>	<u>sq.m. NLA</u>	<u>Qtr/Year</u>	Now >>							
<i>Domestic - BMA</i>			<b>Opening of Initial Phase</b>							
<b>Central Village</b>	<b>40,000</b>	<b>3/2019</b>	★							
<i>Domestic - Provinces</i>			★ <b>Announced investment plan</b>							
<b>Central Plaza Ayutthaya</b>	<b>TBC</b>	<b>2021</b>	★ <b>Announced investment plan</b>							
<b>Central Plaza Si Racha</b>	<b>TBC</b>	<b>2021</b>	★ <b>Announced investment plan</b>							
<b>Central Plaza Chanthaburi</b>	<b>TBC</b>	<b>2022</b>	★ <b>Announced investment plan</b>							
<i>International</i>			<b>Soft Opening</b>							
<b>Central i-City (Malaysia)</b>	<b>83,000</b>	<b>1/2019</b>	★ <b>Grand Opening</b>							
<u>Residential - Condominium</u>	<u>Units</u>	<u>Qtr/Year</u>	Pre-sales > 30%							
<i>Domestic - BMA</i>			★ <b>Ready for transfer</b>							
<b>Phyll Pahol 34</b>	<b>358</b>	<b>4/2019</b>	Pre-sales 100%							
<i>Domestic - Provinces</i>			★ <b>Ready for transfer</b>							
<b>Escent Nakhon Ratchasima</b>	<b>380</b>	<b>3/2019</b>	Pre-sales 100%							
<b>Escent Ville Chiangrai</b>	<b>312</b>	<b>2/2019</b>	★ <b>Ready for transfer</b>							
<b>Escent Ville Chiangmai</b>	<b>450</b>	<b>2/2019</b>	Pre-sales 100%							
<b>Escent Ubonratchathani</b>	<b>395</b>	<b>2020</b>	★ <b>Ready for transfer</b>							
<b>Escent Park Ville</b>	<b>450</b>	<b>2020</b>	Pre-sales > 75%							
<b>Escent Park Ville</b>	<b>450</b>	<b>2020</b>	★ <b>Ready for transfer</b>							
<u>Residential - Single House</u>	<u>Units</u>	<u>Qtr/Year</u>	Project Launch ○							
<i>Domestic - BMA</i>			Pre-sales > 40%							
<b>Niyham Boromratchachonnan</b>	<b>71</b>	<b>4/2018</b>	★ <b>Ready for transfer</b>							
<b>Niyham Boromratchachonnan</b>	<b>71</b>	<b>4/2018</b>	★ <b>Sold and transferred 5 units</b>							
<u>Joint Mixed-use Development</u>		<u>Qtr/Year</u>	○ <b>Announce</b>							
<i>Domestic - BMA</i>			○ <b>Decommission existing project</b>							
<b>Dusit Central Park *</b>		<b>2023-24</b>	Construction, furnishing and leasing							

\* Joint venture project with Dusit Thani Public Company Limited on a 23-rai land at the corner of Silom Road - Rama 4 Road and comprises:

- 1.) Central Park : a retail property with a total of 80,000 sq.m. leasable area in which the Company has 85% stake in the project.
- 2.) Central Park Offices : an office building with a total of 90,000 sq.m. leasable area in which the Company has 100% stake in the project.
- 3.) Dusit Thani Hotel Bangkok : a 250-room hotel in which the Company has 40% stake in the project.
- 4.) Residential project under the names "Dusit Residences" and "Dusit Parkside" : a combined total of 389 units in which the Company has 40% stake in the project.