

20 February 2020

Re: Management Discussion and Analysis
Operating results for the year ended December 31, 2018

To: President
The Stock Exchange of Thailand

Central Retail Corporation Public Company Limited (“the Company” or “CRC”) would like to provide Management Discussion and Analysis for the year ended December 31, 2018 as follows:

Overview of the operating result for the year ended December 31, 2018

The company's total revenue for the year ended December 31, 2018 was THB 206,575 million, increased by THB 18,577 million from the same period last year. The company's profit from continuing operations was THB 11,105 million, increased by THB 3,571 million from the same period last year, and the profit margin for the year ended December 31, 2018 was 5.4% which increased from 4.0% for the same period last year. The main reasons for the increase in profit from continuing operations were mainly due to profit from sales of land under the restructuring, and increase in revenue from rental service due to the opening of three new retail plaza locations under our Thailand department stores segment and the first full year contributions from two locations which opened in 2017, partially offset with the decrease of share of profit of associates and joint ventures.

Financial Summary for the year ended December 31, 2017 and December 31, 2018

| | Year Ended December 31, 2018 | | Year Ended December 31 2017 | | Increase (Decrease) | |
|---|---------------------------------|---------------|--------------------------------|---------------|---------------------|-------------|
| | THB millions | % | THB millions | % | THB millions | % |
| Revenue from sales | 180,614 | 87.4% | 168,043 | 89.4% | 12,571 | 7.5% |
| - Revenue from sales from fashion segment | 62,766 | 30.4% | 60,511 | 32.2% | 2,255 | 3.7% |
| - Revenue from sales from hardline segment | 39,550 | 19.1% | 35,414 | 18.8% | 4,136 | 11.7% |
| - Revenue from sales from food segment | 78,299 | 37.9% | 72,119 | 38.4% | 6,180 | 8.6% |
| Revenue from rental services | 6,842 | 3.3% | 6,189 | 3.3% | 653 | 10.6% |
| Revenue from rendering of services | 1,574 | 0.8% | 1,512 | 0.8% | 62 | 4.1% |
| Investment income | 739 | 0.4% | 448 | 0.2% | 291 | 65.0% |
| Gain on disposal of assets | 1,915 | 0.9% | 36 | 0.0% | 1,879 | 5,286.4% |
| Gain on disposal of entities under common control | 496 | 0.2% | - | 0.0% | 496 | n.a. |
| Other income ⁽¹⁾ | 14,394 | 7.0% | 11,770 | 6.3% | 2,624 | 22.3% |
| Total revenue | 206,575 | 100.0% | 187,998 | 100.0% | 18,577 | 9.9% |
| Cost of sales of goods | 129,526 | 62.7% | 120,447 | 64.1% | 9,079 | 7.5% |
| Gross profit from sales ⁽²⁾ | 51,088 | 28.3% | 47,597 | 28.3% | 3,492 | 7.3% |
| Cost of rental and rendering of services | 3,161 | 1.5% | 2,663 | 1.4% | 498 | 18.7% |
| Gross profit from rental and rendering of services ⁽³⁾ | 5,255 | 62.4% | 5,039 | 65.4% | 216 | 4.3% |
| Gross profit ⁽⁴⁾ | 56,343 | 29.8% | 52,635 | 29.9% | 3,708 | 7.0% |

| | Year Ended | | Year Ended | | Increase (Decrease) | |
|---|-------------------|-------------|------------------|-------------|---------------------|---------------|
| | December 31, 2018 | | December 31 2017 | | | |
| | THB millions | % | THB millions | % | THB millions | % |
| Selling expense | 43,747 | 21.2% | 40,299 | 21.4% | 3,448 | 8.6% |
| Administrative expense | 15,549 | 7.5% | 15,459 | 8.2% | 89 | 0.6% |
| Loss on disposal of entities under common control | - | 0.0% | 36 | 0.0% | (36) | - |
| Share of profit of associates and joint ventures | 287 | 0.1% | 461 | 0.2% | (173) | (37.6%) |
| Profit from continuing operations before finance and tax expense | 14,879 | 7.2% | 9,555 | 5.1% | 5,324 | 55.7% |
| Finance costs | 1,186 | 0.6% | 1,187 | 0.6% | (0) | (0.0%) |
| Profit from continuing operations before tax expense | 13,693 | 6.6% | 8,369 | 4.5% | 5,324 | 63.6% |
| Tax expense | 2,588 | 1.3% | 835 | 0.4% | 1,753 | 210.0% |
| Profit from continuing operations | 11,105 | 5.4% | 7,534 | 4.0% | 3,571 | 47.4% |
| Loss for the period from discontinued operations, net of tax ⁽⁵⁾ | (1,073) | (0.5%) | (2,546) | (1.4%) | 1,474 | (57.9%) |
| Profit for the period | 10,033 | 4.9% | 4,988 | 2.7% | 5,045 | 101.1% |
| Operating information | | | | | | |
| EBITDA | 25,123 | 12.2% | 19,363 | 10.3% | 5,760 | 29.7% |
| Normalized EBITDA ⁽⁶⁾ | 22,050 | 10.7% | 20,630 | 11.0% | 1,420 | 6.9% |
| Normalized Net Income ⁽⁶⁾⁽⁷⁾ | 8,647 | 4.2% | 8,548 | 4.5% | 99 | 1.2% |
| SSSG of Fashion segment | | 1.1% | | -2.0% | | |
| SSSG of Hardline segment | | -0.2% | | -3.5% | | |
| SSSG Food segment | | 2.2% | | 2.2% | | |

⁽¹⁾ Other income comprises revenue earned primarily from promotional, advertising income and logistics and distribution income, income earned from one-off events, etc.

⁽²⁾ Percentage margin is calculated by dividing Gross profit from sales by Revenue from sales

⁽³⁾ Percentage margin is calculated by dividing Gross profit from rental and rendering of services by Revenue from rental and rendering of services

⁽⁴⁾ Percentage margin is calculated by dividing Gross profit from sales and rental and rendering of services by Revenue from sales and rental and rendering of services

⁽⁵⁾ We sold certain of our subsidiaries in 2017 and 2018 in connection with the Restructuring, including subsidiaries in five foreign countries and subsidiaries engaged in businesses such as hotels and property management. We present the result of operation for such subsidiaries as discontinued operations for the years prior to the year in which these subsidiaries were sold.

⁽⁶⁾ Adjustment to earnings are Net gain(loss) on foreign exchange, Impairment gain(loss), Gain(loss) on disposal of assets, Gain(loss) on disposal of entities under common control, Gain on disposal of investment, and Employee benefits

⁽⁷⁾ Adjustments to earnings, net of tax

The operating result for the year ended December 31, 2018

The company's profit from continuing operations for the year ended December 31, 2018 was THB 11,105 million, or equivalent to a net profit margin of 5.4%, increased by THB 3,571 million from the same period last year profit from continuing operations of THB 7,534 million, or equivalent to a net profit margin of 4.0%. The main reasons for the increase are as follows:

1. **Revenue from sales** was THB 180,614 million, increased by THB 12,571 million, or 7.5% over the same period last year. Revenue from sales can be categorized as follows:

- I. **Revenue from sales from fashion segment** was THB 62,766 million, increased by THB 2,255 million or 3.7% over the same period last year, which was driven by store expansions in our Thailand department stores category and SSSG of 5.1% in our Italian department stores category.
 - II. **Revenue from sales from hardline segment** was THB 39,550 million, increased by THB 4,136 million or 11.7% over the same period last year, which was driven by SSSG of 6.8% in our hardline retailing in Thailand category, and the introduction of new merchandise and the installation of in-store amenities such as air conditioning.
 - III. **Revenue from sales from food segment** was THB 78,299 million, increased by THB 6,180 million or 8.6% over the same period last year, which was driven by SSSG of 6.1% in our food retailing in Vietnam category to our ongoing turnaround efforts with respect to Big C and increases in total net selling space of Thailand's food segment.
2. **Revenue from rental services** was THB 6,842 million, increased by THB 653 million or 10.6% over the same period last year. Revenue from rental services increased in all segments, led by our fashion segment, and followed by our food segment and our hardline segment respectively. The increase is primarily due to the opening of three new retail plaza locations under our Thailand department stores segment, the first full year contributions from two locations which opened in the year ended December 31, 2017, and the higher average rental rates in the year ended December 31, 2018 as compared to 2017.
 3. **Revenue from rendering of services** was THB 1,574 million, increased by THB 62 million or 4.1% over the same period last year, in line with our growth in revenue from sale of goods, which was driven by the revenue earned from food court services. We also generate additional revenue from services such as home and installation services and watch repair services.
 4. **Gross profit** was THB 56,343 million, increased by THB 3,708 million over the same period last year or a gross profit margin of 29.8% which slightly decreased from the gross profit of THB 52,635 million or a gross profit margin of 29.9% in the year ended December 31, 2017, which was driven by the increase in revenue from sales from hardline segment.
 5. **Selling expense** was THB 43,747 million, increased by THB 3,448 million or 8.6% over the same period last year, which was driven by increases in rental and service expense, employee benefit expense and marketing and promotion expenses.
 6. **Administrative expense** was THB 15,549 million, increased by THB 89 million or 0.6%, which was driven by a 20.6% increase in headcount in connection with the restructuring, and a 29.5% increase in losses from shrinkage and obsolescence attributable to our hardline retailing in Thailand category, primarily due to clearance sales undertaken in the 2017, which resulted in a decrease in provisions in 2017.
 7. **Finance costs** were THB 1,186 million for the year ended December 31, 2018, attributable primarily to bank loans and overdrafts. Finance costs did not significantly change from 2017 to 2018.
 8. **Share of profit of associates and joint ventures** was THB 287 million, a decrease of THB 173 million or down by 37.6% over the same period last year which was due primarily to a tax provision amounting to THB 69.5 million we took in connection with a tax proceedings involving our Nguyen Kim joint venture in the year ended December 31, 2018.
 9. **Tax expense** was THB 2,588 million, a significant increase by THB 1,753 million or 210.0% over the same period last year, which was driven by increased by profit from continuing operations and the one-time tax loss carry forward incurred under our hardline segment in the year ended December 31, 2017.
 10. **Total adjustment to earnings, pre-tax** was THB 3,072 million for the year ended December 31, 2018, attributable to total adjustment to income of THB 3,237 million which was due to net gain on foreign exchange, gain on disposal of assets, gain on disposal of entities under common control, and gain on sale of available-for-sale investments, and attributable to total adjustment to expense of THB 165 million which was due to impairment loss.

Financial Position

1. **Total assets** as of December 31, 2018 and December 31, 2017 were THB 177,560 million and THB 260,989 million, respectively, which is equivalent to a decrease by 32.0%, primarily due to repayments of short-term loans from related parties and decreases in property, plant and equipment primarily due to disposals made in connection with the Restructuring.
2. **Total liabilities** as of December 31, 2018 and December 31, 2017 were THB 110,233 million and THB 194,350 million , respectively, which is equivalent to a decrease by 43.3%, primarily due to repayment of short-term loans from related parties, bank overdrafts and short-term loans from financial institutions and long-term loans from financial institutions.
3. **Total equity** as of December 31, 2018 and December 31, 2017 was THB 67,327 million and THB 66,638 million, respectively, which is equivalent to an increase by 1.0%.

Yours Sincerely,

-Piya Nguiakaramahawongse-

(Piya Nguiakaramahawongse)

Chief Financial Officer

Central Retail Corporation Public Company Limited