

## Management Discussion and Analysis

### Economic overview

The tightening of COVID-19 containment measures in both Thailand and abroad temporarily disrupted several economic activities. The tourism sector substantially declined due to Thailand's inbound travel restriction measures. Manufacturing productions were temporary suspended. Private consumption contracted as a result of weakening purchasing power and high household debt. Government have implemented financial relief measure to help those affected by the COVID-19 outbreak and to alleviate economic downturn. Although, many countries have gradually relaxed the lockdown measures, and businesses resumed their operations, consumer spending is still not yet fully recovered. Bank of Thailand has adjusted down Thailand economic outlook forecast to a contraction of 8.1% for 2020, instead of 5.3% contraction previously forecasted.

The crisis of the COVID-19 pandemic has wide-ranging impacts to all industries as well as our businesses. Fortunately, Central Retail has multi-category, multi-format, and multi-market businesses as well as is flexible and fast to execute various actions which help to mitigate potential effects. The Company has proactively implemented stronger preventive measures in all its business locations. Business models were adjusted to offer more sales channels and new services in parallel to the 'New Way of Life' or 'New and Now Normal'. To stabilize our businesses and retain financial flexibility, cost reduction was one of our measures. The Company is confident that our strategy and prompt action plans will enable us to navigate the shifting retail landscape in the future.

### The current business situation

First half of 2020 was a challenging period for our operations due to the COVID-19 pandemic. We temporarily closed non-food stores in accordance with the government requirement, while our food businesses still operated with reduced operating hours. In Thailand, 90% of our non-food stores were closed, starting from 22 March 2020 to 16 May 2020. In Vietnam, some of the non-food stores were closed, starting from the end of March 2020 to the beginning of May 2020. In Italy, 9 department stores were closed starting from 12 March 2020 to 17 May 2020. Currently, our stores have been re-opened with strong preventive health measures in all business locations to ensure maximum safety of all stakeholders – customers, employees, business partners and communities.

The most noticeable change since the COVID-19 pandemic is customer purchasing behavior, which leads to a significant increase in online shopping. The Company has implemented customer-centric omni-channel platform since many years ago through the 'Central at Your Home' campaign and our omni-channel sales has dramatically grown. During the COVID-19 pandemic, the Company has brought forward its omni-channel strategy by accelerating

the roll out of new sales channels and services in Thailand to facilitate the customers and continuously drive sales.

The initiatives are as follow:

- 24-Hours shopping on E-Commerce website of all business units
- Mobile application One-Stop application for all lifestyle needs from Central, Supersports, and Tops
- Personal shopping via Line application: 'Chat & Shop'
- New service: Call & Shop (shopping via telephone)
- New service: Drive Through
- Cooperate with Dolfín e-wallet application to encourage e-payment for convenience and safety

Furthermore, we have introduced “5 Prompt Strategies” under the “New Normal Now Normal” situation.



**Overview of the operating result for the second quarter of 2020 (2Q2020)**

In the second quarter of 2020 (2Q2020), Central Retail Corporation Public Company Limited and its subsidiaries (“the Company” or “CRC”) reported total revenue of THB 41,376 million, decreased by 21.3%. Net loss was THB 2,519 million, decreased THB 4,287 million from the same period last year. This resulted from the government measures to control the COVID-19 pandemic, by temporary closure of stores in Fashion and Hardline segments while Food segment were impacted by limited operating hours, since March 2020. Together with the government relief measures, stores have been re-opened in Thailand, Italy, and Vietnam since 17 May, 18 May, and the beginning of May, respectively. However, customers spending has not yet resumed to usual due to the concern about the continued pandemic in overseas, the low expectation of economic recovery, business cutting down expenses and layoff. The Company has been affected in every segment, particularly Fashion where sales decreased by THB 7,380 million or 47.6%. Omni-channel strategy, such as online, chat & shop and call & shop, etc. as well as strictly cost control measures were implemented to stabilize

the business. In addition, the TFRS #16 Leases and TFRS #9 financial instruments have been adopted since 2020, which impacted our net profit leading to a decrease of THB 250 million.

**Financial summary for 3 months period ended June 2020 and June 2019**

	Three-month period ended		Three-month period ended		Increase (decrease)	
	30 June 2020		30 June 2019			
	THB millions	%	THB millions	%	THB millions	%
Revenue from sale of goods	36,952	89.3%	46,692	88.8%	(9,740)	(20.9%)
Revenue from sales from fashion segment	8,121	19.6%	15,501	29.5%	(7,380)	(47.6%)
Revenue from sales from hardline segment	11,642	28.1%	12,038	22.9%	(396)	(3.3%)
Revenue from sales from food segment	17,189	41.5%	19,153	36.4%	(1,964)	(10.3%)
Revenue from rental services	880	2.1%	1,746	3.3%	(865)	(49.6%)
Revenue from rendering of services	197	0.5%	382	0.7%	(186)	(48.6%)
Interest income and dividend income	102	0.2%	98	0.2%	4	3.7%
Other income	3,245	7.8%	3,661	7.0%	(416)	(11.4%)
<b>Total revenue</b>	<b>41,376</b>	<b>100.0%</b>	<b>52,579</b>	<b>100.0%</b>	<b>(11,203)</b>	<b>(21.3%)</b>
Cost of sales of goods	29,320	70.9%	33,972	64.6%	(4,652)	(13.7%)
Gross profit from sales <sup>(1)</sup>	7,632	20.7%	12,720	27.2%	(5,088)	(40.0%)
Cost of rental and rendering of services	483	1.2%	450	0.9%	33	7.2%
Gross profit from rental and rendering of services <sup>(2)</sup>	594	55.2%	1,678	78.8%	(1,083)	(64.6%)
Gross profit	8,226	21.6%	14,397	29.5%	(6,172)	(42.9%)
Selling expenses	9,058	21.9%	11,624	22.1%	(2,566)	(22.1%)
Administrative expenses	5,077	12.3%	3,984	7.6%	1,094	27.5%
Share of profit of associates and joint ventures	(6)	0.0%	119	0.2%	(125)	(105.2%)
<b>Profit (loss) before finance cost and tax expense</b>	<b>(2,569)</b>	<b>-6.2%</b>	<b>2,668</b>	<b>5.1%</b>	<b>(5,236)</b>	<b>(196.3%)</b>
Finance costs	790	1.9%	292	0.6%	498	170.5%
<b>Profit (loss) before tax expense (income)</b>	<b>(3,358)</b>	<b>-8.1%</b>	<b>2,376</b>	<b>4.5%</b>	<b>(5,734)</b>	<b>(241.3%)</b>
Tax expense (income)	(839)	-2.0%	608	1.2%	(1,447)	(238.0%)
<b>Profit (loss) for the period</b>	<b>(2,519)</b>	<b>-6.1%</b>	<b>1,768</b>	<b>3.4%</b>	<b>(4,287)</b>	<b>(242.5%)</b>
<b>Profit (loss) for the period attributable to Owners</b>	<b>(2,590)</b>	<b>-6.3%</b>	<b>1,342</b>	<b>2.6%</b>	<b>(3,933)</b>	<b>(293.0%)</b>
<b>Operating information</b>						
EBITDA	1,284	3.1%	5,061	9.6%	(3,777)	(74.6%)
Normalized EBITDA excl. TFRS 9 and 16	(871)	-2.1%	4,817	9.2%	(5,688)	(118.1%)
Normalized Profit excl. TFRS 9 and 16	(2,608)	-6.3%	1,573	3.0%	(4,181)	(265.9%)

<sup>(1)</sup> Percentage margin is calculated by dividing Gross profit from sales by Revenue from sales

<sup>(2)</sup> Percentage margin is calculated by dividing Gross profit from rental and rendering of services by Revenue from rental and rendering of services

The analysis of operating result for the second quarter of 2020 (2Q2020) was as follow:

1. **Revenue from sale of goods** was THB 36,952 million, decreased by 20.9% from the same period of the last year.

Revenue from sales can be categorized as follows:

- I. **Revenue from sales from fashion segment** was THB 8,121 million, decreased by 47.6% from the same period of the last year which due to the government measures to close stores in Thailand and Italy since 22 and 11 March, respectively. Although the government relief measures to open stores in Thailand and Italy since 17 May and 18 May, the Company has to open under restriction on operating hours, social distancing and customers concern about COVID-19 and economic situation by selective spending the necessity goods. Omni-channel strategy by expanding channels thru Chat&Shop, Call&Shop, and e-commerce included the pro-active marketing via online channel led omni-channel sales increased more than 400% compared to same period of last year.
  - II. **Revenue from sales from hardline segment** was THB 11,642 million, decreased by 3.3% from the same period of the last year, which due to the temporary stores closure by government measures. After government relief measures, sales in June performed better compared to same period of last year, and the consolidation of our Nguyen Kim business in Vietnam make sales declined lower than other segments.
  - III. **Revenue from sales from food segment** was THB 17,189 million, decreased by 10.3% from the same period of the last year. Although food segment can operate as usual, supermarkets were under the restriction of operating hours while convenience stores was declined due to Thailand tourists inbound restriction and also curfew that declined local customers and tourists.
2. **Revenue from rental services** was THB 880 million, decreased by 49.6% from the same period of the last year, which due to the closure of department store, retail and plaza from COVID-19. The Company needed to waive or gave discount for the rental and services fee to support tenants.
  3. **Revenue from rendering of services** was THB 197 million, decreased by 48.6% from the same period of the last year. The decrease primarily due to the closure of department store, retail and plaza from COVID-19.
  4. **Gross profit** was THB 8,226 million, decreased by 42.9% from the same period of the last year. Main components of the gross profit were as follows:
    - **Gross profit from sales** was THB 7,632 million, decreased by 40.0% and gross profit margin was 20.7%, compared to 27.2% from same period of last year which was driven by the increase mix of Hardline and Food segment and online sales which have lower margin than Fashion segment as well as discount given to customers to boost the sales.

- **Gross profit from rental and rendering of services** was THB 594 million, decreased by 64.6% and gross profit margin was 55.2% compared to 78.8% from the same period of last year, mainly due to the closure department store, retail and plaza and discount to tenants.
- 5. **Selling expenses** was THB 9,058 million, decreased by 22.1% from the same period of the last year (excluded Nguyen Kim decreased by 24.6%). The decrease was primarily due to expenses related to sales such as employee benefit, rental and service expenses, utility expenses, credit card expenses and advertising and promotion expenses including the strictly cost control. In addition, the TFRS #16 impact, partial rental expenses are recorded in financial cost.
- 6. **Administrative expenses** was THB 5,077 million, increased by 27.5% from the same period of the last year (excluded Nguyen Kim increased by 17.6%). The increase was primarily due to loss from shrinkage and obsolescence, impairment cost for business at Malaysia (one-time transaction) and computer expenses to develop Omni-channel platform. While employee benefit, management fee and maintenance expenses decreased from cost control measures.
- 7. **Finance costs** was THB 790 million, increased by 170.5% from the same period of the last year. The increase was primarily due to the TFRS #16 impact by change recording rental expense to depreciation and financial cost and the increase of short-term loan from financial institution to reserve cash.
- 8. **Share of profit of associates and joint ventures** was THB (6) million, decreased by 105.2% from the same period of the last year. The decrease was primarily due to a decrease in profits from Joint ventures and associates from the store closure under government measures.
- 9. **Tax expense (income)** was THB (839) million, decreased by 238.0% from the same period of the last year due to net loss.

#### Overview of the operating result for the first half of 2020 (1H2020)

In the first half of 2020 (1H2020), Central Retail Corporation Public Company Limited and its subsidiaries (“the Company” or “CRC”) reported total revenue of THB 95,661 million, decreased by 10.0%, net loss was THB 1,629 million decreased THB 5,831 million from the same period last year. This resulted from the decline of tourists, the slowdown of purchasing power since February and the government measures to control the COVID-19 pandemic, by temporary closure of department store, retail and plaza which impacted us every segment. Although the Government relief measure since mid of May, the customers still delay spending due to concern of the pandemic and anticipation for economic recovery. Particularly, sales in fashion segment dropped THB 10,880 million or 34.7%. Omni-channel strategy, such as online, chat & shop and call & shop, etc. as well as strictly cost control measures are implemented to stabilize the business. In addition, the TFRS #16 Leases and TFRS #9 financial instruments have been adopted since 2020, which impacted to net profit (loss) total THB 358 million.

## Financial summary for the first half of 2020 (1H2020)

	Six-month period ended		Six-month period ended		Increase (decrease)	
	30 June 2020		30 June 2019			
	THB millions	%	THB millions	%	THB millions	%
Revenue from sale of goods	85,583	89.5%	94,589	89.0%	(9,006)	(9.5%)
Revenue from sales from fashion segment	20,463	21.4%	31,343	29.5%	(10,880)	(34.7%)
Revenue from sales from hardline segment	25,496	26.7%	22,571	21.2%	2,924	13.0%
Revenue from sales from food segment	39,624	41.4%	40,674	38.3%	(1,050)	(2.6%)
Revenue from rental services	2,485	2.6%	3,413	3.2%	(928)	(27.2%)
Revenue from rendering of services	537	0.6%	796	0.7%	(259)	(32.6%)
Interest income and dividend income	157	0.2%	172	0.2%	(15)	(8.7%)
Other income	6,899	7.2%	7,313	6.9%	(413)	(5.7%)
<b>Total revenue</b>	<b>95,661</b>	<b>100.0%</b>	<b>106,282</b>	<b>100.0%</b>	<b>(10,621)</b>	<b>(10.0%)</b>
Cost of sales of goods	66,496	69.5%	68,784	64.7%	(2,288)	(3.3%)
Gross profit from sales <sup>(1)</sup>	19,087	22.3%	25,805	27.3%	(6,718)	(26.0%)
Cost of rental and rendering of services	924	1.0%	968	0.9%	(43)	(4.5%)
Gross profit from rental and rendering of services <sup>(2)</sup>	2,098	69.4%	3,241	77.0%	(1,143)	(35.3%)
Gross profit	21,185	23.9%	29,046	29.4%	(7,861)	(27.1%)
Selling expenses	19,904	20.8%	22,890	21.5%	(2,986)	(13.0%)
Administrative expenses	9,158	9.6%	8,009	7.5%	1,149	14.3%
Share of profit of associates and joint ventures	59	0.1%	234	0.2%	(174)	(74.6%)
<b>Profit (loss) before finance cost and tax expense</b>	<b>(762)</b>	<b>-0.8%</b>	<b>5,865</b>	<b>5.5%</b>	<b>(6,627)</b>	<b>(113.0%)</b>
Finance costs	1,404	1.5%	509	0.5%	895	175.7%
<b>Profit (loss) before tax expense (income)</b>	<b>(2,166)</b>	<b>-2.3%</b>	<b>5,356</b>	<b>5.0%</b>	<b>(7,522)</b>	<b>(140.4%)</b>
Tax expense (income)	(537)	-0.6%	1,154	1.1%	(1,691)	(146.6%)
<b>Profit (loss) for the period</b>	<b>(1,629)</b>	<b>-1.7%</b>	<b>4,202</b>	<b>4.0%</b>	<b>(5,831)</b>	<b>(138.8%)</b>
<b>Profit (loss) for the period attributable to Owners</b>	<b>(1,848)</b>	<b>-1.9%</b>	<b>3,267</b>	<b>3.1%</b>	<b>(5,115)</b>	<b>(156.5%)</b>
<b>Operating information</b>						
EBITDA	7,163	7.5%	10,652	10.0%	(3,489)	(32.8%)
Normalized EBITDA excl. TFRS 9 and 16	3,174	3.3%	10,414	9.8%	(7,240)	(69.5%)
Normalized Profit excl. TFRS 9 and 16	(1,504)	-1.6%	4,012	3.8%	(5,516)	(137.5%)
<b>Financial Position</b>						
Total assets	245,279		186,945		58,333	31.2%
Total liabilities	185,282		145,986		39,295	26.9%
Total equity	59,997		40,959		19,038	46.5%

<sup>(1)</sup> Percentage margin is calculated by dividing gross profit from sales by revenue from sale of goods<sup>(2)</sup> Percentage margin is calculated by dividing gross profit from rental and rendering of services by revenue from rental and rendering of services

The analysis of operating result for the first half of 2020 (1H2020) was as follows:

1. **Revenue from sales of goods** was THB 85,583 million, decreased by 9.5% from the same period of the last year.

Revenue from sales can be categorized as follows:

- I. **Revenue from sales from fashion segment** was THB 20,463 million, decreased by 34.7% from the same period of the last year which due to the COVID-19 as the government has measures to close stores in Thailand and Italy since 22 and 11 March, respectively, and relief measures to open stores in Thailand and Italy since 17 May and 18 May under restriction on operating hours, social distancing, and customers concern about COVID-19 and economic situation by spending the necessity goods. Omni-channel strategy by expanding channel thru Chat&Shop, Call&Shop, and e-commerce included the pro-active marketing via online channel led the omni-channel sales increase more than 250% compared to same period of last year.
  - II. **Revenue from sales from hardline segment** was THB 25,496 million, increased by 13.0% from the same period of the last year, which mainly due to the consolidation of our Nguyen Kim business in Vietnam offset with sales declined by stores temporary closed from government measures.
  - III. **Revenue from sales from food segment** was THB 39,624 million, decreased by 2.6% from the same period of the last year. Although Food segment can operate as usual, supermarkets were under the restriction of operating hours while convenience stores was declined due to Thailand tourists inbound restriction and also curfew that declined local customers and tourists.
2. **Revenue from rental services** was THB 2,485 million, decreased by 27.2% from the same period of the last year which due to the closure of department store, retail and plaza from COVID-19. The Company needed to waive and gave discount the rental and services fee to support tenants.
  3. **Revenue from rendering of services** was THB 537 million, decreased by 32.6% from the same period of the last year, primarily due to the closure of department store, retail and plaza from COVID-19.
  4. **Gross profit** was THB 21,185 million, decreased by 27.1% from the same period of the last year. Main components of the gross profit were as follows:
    - I. **Gross profit from sales** was THB 19,087 million, decreased by 26.0% and gross profit margin was 22.3%, compared to 27.3% from same period of last year which was driven by the increase mix of Hardline and Food segment and online sales which have lower margin than Fashion segment as well as discount given to customers to boost the sales.
    - II. **Gross profit from rental and rendering of services** was THB 2,098 million, decreased by 35.3% and gross profit margin was 69.4% compared to 77.0% from the same period of last year, which was driven by closure department store, retail and plaza and discount to tenants.

5. **Selling expenses** was THB 19,904 million, decreased by 13.0% from the same period of the last year (excluded Nguyen Kim decreased by 16.0%). The decrease was primarily due to expenses related to sales such as employee benefit, rental and service expenses, utility expenses, credit card expenses and advertising and promotion expenses including the strictly cost control. In addition, under the TFRS #16 impact, partial rental expenses are recorded in financial cost.
10. **Administrative expenses** was THB 9,158 million, increased by 14.3% from the same period of the last year (excluded Nguyen Kim increased by 8.3%). The increase was primarily due to Loss from shrinkage and obsolescence, impairment cost for business at Malaysia and computer expenses to develop Omni-channel platform. While management fee and maintenance expenses decreased from cost control measures.
6. **Finance costs** was THB 1,404 million, increased by 175.7% from the same period of the last year. The increase was primarily due to the TFRS #16 impact by change recording rental exp to depreciation and financial cost and the increase of short-term loan from financial institution to reserve cash.
7. **Share of profit of associates and joint ventures** was THB 59 million, decreased by 74.6% from the same period of the last year. The decrease was primarily due to a decrease in profits from joint ventures and associates from the store closure under government measures.
8. **Tax expense (income)** was THB (537) million, decreased by 146.6% from the same period of the last year due to net loss.

#### Financial position

1. **Total assets** as of June 30, 2020 and December 31, 2019 were THB 245,279 million and THB 186,945 million, respectively, which is an increase of THB 58,333 million or equivalent by 31.2%. The increase was primarily due to impact of TFRS #16-Lease, which right-of-use assets increase THB 69,647 million and cash and cash equivalent increase THB 13,220 million offset with the decrease of leasehold right THB 21,042 million, trade receivables and other current receivables THB 3,862 million and inventories THB 5,971 million, respectively.
2. **Total liabilities** as of June 30, 2020 and December 31, 2019 were THB 185,282 million and THB 145,986 million, respectively, which is an increase of THB 39,295 million or equivalent by 26.9%, due to TFRS #16 impact, by lease liabilities increased THB 56,675 million, bank overdrafts and short-term borrowings from financial institution increased THB 8,437 million while trade payables and other current payables decreased THB 27,271 million
3. **Total equity** June 30, 2020 and December 31, 2019 were THB 59,997 million and THB 40,959 million, respectively, which is an increase of THB 19,029 million, equivalent by 46.5%. The increase was primarily



due to IPO, an increase of share capital THB 1,331 million, share premium THB 53,790 million, offset with the difference in value arising from acquiring of Robison Public Company Limited THB 23,271 million, Non-controlling interests decreased 10,330 million and unappropriated retained earnings decreased THB 4,218 million.

**Capital structure**

As of June 30, 2020, the Company's capital structure comprised of total liabilities of THB 185,282 million which included interest-bearing debt THB 73,824 million (excluded lease liabilities, TFRS 16 impact), and total shareholders' equity totaled THB 59,997 million. Total liabilities to equity ratio (excluded TFRS 16 impact) was 2.1 times, and net interest-bearing debt to equity ratio (excluded TFRS 16 impact) was at 0.8 times.

**Business outlook**

The Company aspires to grow revenue and profit sustainability in the long-term with leading Multi-Format, Multi-Category Customer-Centric Omni-Channel Platform. To achieve the target, the Company has set strategic directions to further develop complete Omni-channel services that deliver new and superior retail shopping experiences that fit changing lifestyles of consumers in the era of NOW NORMAL. The Company also emphasizes on efficient operation excellence in all business units and employs strict cash management to ensure short- and long-term liquidity. Furthermore, Company continues to invest in Strategic Growth Projects both in Thailand and overseas, mainly to expand new stores of Thai Watsadu, Robinson Lifestyle Centers, Tops Market and GO! Mall.