

## Management Discussion and Analysis

The Thai economy is expected to gradually recover in line with COVID-19 containment measures in Thailand. With regards to domestic demand, public expenditure would remain an important economic driver. Meanwhile, private consumption should gradually pick up compared to second quarter but may be restrained by vulnerable and highly uncertain household income as well as elevated household debt. These factors are causing customers to be cautious on spending. Moreover, the tourism sector contracted sharply due to international travel restrictions. Therefore, the Thai economic recovery would take time to return to pre-pandemic levels.

The first nine months was a challenging period for our operations due to the COVID-19 pandemic. We temporarily closed our stores in accordance to the government requirement in the second quarter. Going into this crisis, we had a well-developed Omnichannel platform which is thriving as we attract new customers and welcome back existing ones. After reopening stores, our sales and profit in the third quarter have steadily recovered compared to the last quarter (2Q2020), despite the COVID-19 pandemic and flashfloods in some area in Thailand and Vietnam.

**The major highlights of our business in the first nine months are as follows:**

- Fashion business: a strategic move by combining Central and Robinson department store. The business synergy will give the combined department stores a significant acceleration to become more customer-centric, as well as to strengthen the company's Omnichannel competencies in order to be Thailand's Omni Channel department store.
- Hardline business: DIY has grown and recovered relatively well thanks to work from home trend in line with the growth in the industry, coupled with, pent up demand during lock down period.
- Food business: new format and new store concepts have been implemented to serve the lifestyles of our customers. We have launched a mini supermarket in Vietnam called go! to serve rural customers and launched various new store concepts such as Healthiful, LOOKS, Petster, at Taste for Tops supermarket in Thailand.
- Omnichannel: new services such as Chat & Shop, Call & Shop, and various new digital channels via social media such as Facebook Live, Store and Brand Line Official accounts launched in Thailand, which sales reported growth approximately 250%. The Company also expanded Omnichannel model to Italy by launching an e-commerce website called [www.rinascente.it](http://www.rinascente.it) in June.
- Property and Store expansion: The Company continued to expand our key strategic formats of 1 Robinson Lifestyle Center, 3 Thai Watsadu and 3 GO! malls.

- Efficiently cost and expenses control measure such as managing staff productivity, marketing expenses control by shift to more social media and digital marketing and reducing the utilities consumption.

However, the Company has put significant focus on enhanced health and safety standards which have allowed our customers and employees to feel safe in our stores and facilities. Most importantly, we remain steadfast in our commitment to help communities, farmers, SME's, and the Thai people in order to allow Thailand to move forward stably and pass through the COVID-19 situation without anyone left behind.

#### **Overview of the operating result for the third quarter of 2020 (3Q2020)**

In the third quarter of 2020 (3Q2020), Central Retail Corporation Public Company Limited and its subsidiaries ("the Company" or "CRC") reported total revenue of THB 47,573 million, decreased by 11.1%. Net profit was THB 869 million, decreased by 47.6% from the same period last year which was mainly due to continual impact of COVID-19 pandemic. Despite the easing of COVID-19 lockdown measures of Thai government and the stores reopened in May, the domestic consumer spending was still not yet fully recovered due to the concern over 2<sup>nd</sup> wave of COVID-19 pandemic, international travel restriction in many countries and slowdown of economic recovery as well as business cutting down expenses and layoff. Therefore, our business has been affected in every segment, particularly fashion in Thailand and Italy. Promotional activities, new campaigns and discounts as well as co-promotions with the suppliers and credit card/E-wallet service providers such as "Dolfin" were launched in order to stimulate sales as well as special privilege for The1 card member. The Company had also implemented strictly cost control measures to stabilize the business and preserve profitability. In addition, the TFRS No. 9 Financial Instruments and TFRS No.16 Leases that have been adopted since 2020, further impacted our net profit leading to a decrease of THB 398 million.

## Financial summary for the three-month period ended September 2020 and 2019

	Three-month period ended		Three-month period ended		Increase (decrease)	
	30 September 2020		30 September 2019			
	THB millions	%	THB millions	%	THB millions	%
Revenue from sales	42,140	88.6%	47,780	89.3%	(5,640)	-11.8%
Revenue from sales from fashion segment	11,791	24.8%	14,845	27.7%	(3,054)	-20.6%
Revenue from sales from hardline segment	12,925	27.2%	13,294	24.8%	(369)	-2.8%
Revenue from sales from food segment	17,424	36.6%	19,641	36.7%	(2,217)	-11.3%
Revenue from rental services	1,477	3.1%	1,799	3.4%	(323)	-17.9%
Revenue from rendering of services	339	0.7%	403	0.8%	(65)	-16.0%
Interest income	67	0.1%	43	0.1%	24	57.0%
Other income	3,550	7.5%	3,496	6.5%	54	1.6%
<b>Total revenue</b>	<b>47,573</b>	<b>100.0%</b>	<b>53,522</b>	<b>100.0%</b>	<b>(5,949)</b>	<b>-11.1%</b>
Cost of sales of goods	32,091	67.5%	35,045	65.5%	(2,953)	-8.4%
Gross profit from sales <sup>(1)</sup>	10,049	23.8%	12,736	26.7%	(2,687)	-21.1%
Cost of rental and rendering of services	556	1.2%	679	1.3%	(123)	-18.1%
Gross profit from rental and rendering of services <sup>(2)</sup>	1,260	69.4%	1,524	69.2%	(264)	-17.3%
<b>Gross profit</b>	<b>11,309</b>	<b>25.7%</b>	<b>14,260</b>	<b>28.5%</b>	<b>(2,951)</b>	<b>-20.7%</b>
Selling expenses	10,244	21.5%	11,327	21.2%	(1,083)	-9.6%
Administrative expenses	3,001	6.3%	4,073	7.6%	(1,072)	-26.3%
<b>Profit from operating activities</b>	<b>1,681</b>	<b>3.5%</b>	<b>2,398</b>	<b>4.5%</b>	<b>(717)</b>	<b>-29.9%</b>
Finance costs	(771)	-1.6%	(284)	-0.5%	(487)	171.4%
Share of profit of associates and joint ventures	84	0.2%	78	0.1%	5	6.6%
<b>Profit (loss) before tax (expense) income</b>	<b>993</b>	<b>2.1%</b>	<b>2,193</b>	<b>4.1%</b>	<b>(1,199)</b>	<b>-54.7%</b>
Tax (expense) income	(125)	-0.3%	(535)	-1.0%	410	-76.7%
<b>Profit (loss) for the period</b>	<b>869</b>	<b>1.8%</b>	<b>1,658</b>	<b>3.1%</b>	<b>(789)</b>	<b>-47.6%</b>
<b>Profit (loss) for the period attributable to Owners</b>	<b>837</b>	<b>1.8%</b>	<b>1,385</b>	<b>2.6%</b>	<b>(548)</b>	<b>-39.5%</b>
<b>Operating information</b>						
EBITDA	6,145	12.9%	4,928	9.2%	1,217	24.7%
Normalized EBITDA Excl. TFRS 9&16	3,653	7.7%	5,028	9.4%	(1,375)	-27.3%
Normalized Profit (loss) Excl. TFRS 9&16	746	1.6%	1,738	3.2%	(992)	-57.1%

<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 third quarter of 2020 (3Q2020) was as follow:

1. **Revenue from sales of goods** was THB 42,140 million, decreased by 11.8% from the same period of the last year.

Revenue from sales of goods can be categorized as follows:

- I. **Revenue from sales from fashion segment** was THB 11,791 million, decreased by 20.6% from the same period of the last year, which was mainly due to COVID-19 pandemic. Therefore, the customer spending was still not fully recovered and declined shopping frequency. In addition, the international travel restriction also affected the declining of tourists. Despite, Omnichannel sales thru new service, such as Chat&Shop, Call&Shop, and e-commerce included the pro-active marketing via online channel, increased more than 300% compared to same period of last year, it could not compensate for the declining of sales.
  - II. **Revenue from sales from hardline segment** was THB 12,925 million, decreased by 2.8% from the same period of the last year, which was mainly due to Nguyen Kim sales dropped, resulted from the intense competition in Vietnam while, DIY business in Thailand (Thai Watsadu) had grown thanks to both existing stores and new stores. The Company had opened 1 new Thai Watsadu store at Amata Nakorn in Chonburi in this quarter.
  - III. **Revenue from sales from food segment** was THB 17,424 million, decreased by 11.3% from the same period of the last year, which was mainly due to declining of sales of food in Thailand. Despite, the easing of COVID-19 lockdown measures of Thai government, Thai customers spending still declined and were cautious to spend only on the necessity items. The declining in number of tourists in Phuket, Samui, Chiangmai and Pattaya also affected the sales performance. Omnichannel sales of food segment continued to grow at 200% compared to same period last year, however it could not compensate the decline of sales from economic slowdown. Sales from food segment in Vietnam grew thanks to the opening of new stores. The Company had opened 2 new stores of Boun Me Thuat (Hypermarket) and Tamky (Supermarket) in this quarter.
2. **Revenue from rental services** was THB 1,477 million, decreased by 17.9% from the same period of the last year, which was mainly due to the declining of tenant income from declining of traffic. In addition, the Company still provided discount to support some tenants case by case.
  3. **Revenue from rendering of services** was THB 339 million, decreased by 16.0% from the same period of the last year, which was mainly due to a decline of food center's income.
  4. **Gross profit** was THB 11,309 million, decreased by 20.7% from the same period of the last year. Main components of the gross profit were as follows:
    - **Gross profit from sales** was THB 10,049 million, decreased by 21.1% and gross profit margin was 23.8%, compared to 26.7% from same period of last year, which was mainly due to changing of segment mix. In addition, the slowdown of economy and declining of tourists affected the slow growth of fashion which had

higher margin than Food and Hardline segment, including the increasing of online sales which had lower margin and also from discount given to customers to boost the sales.

- **Gross profit from rental and rendering of services** was THB 1,260 million, decreased by 17.3% and gross profit margin was 69.4% compared to 69.2% from the same period of last year,
- 5. **Selling expenses** was THB 10,244 million, decreased by 9.6% from the same period of the last. The decrease was primarily due to expenses related to sales such as personnel cost, rental and service expenses, utility expenses, credit card expenses, advertising and promotion expenses and COVID-19 wage subsidy from Italian government as well as the strictly cost control. In addition, some expenses were recorded as finance costs due to the adoption of TFRS No.9 Financial Instrument and TFRS No. 16 Leases since 2020.
- 6. **Administrative expense** was THB 3,001 million, decreased by 26.3% from the same period of the last year. The decrease was primarily due to the efficient cost control on the personnel cost, COVID-19 wage subsidy from Italian government and loss from shrinkage and obsolescence. In addition, land and building tax declined due to 90% tax subsidy from government's relief program as well as declining of loss from foreign exchange.
- 7. **Finance costs** was THB 771 million, increased by 171.4% from the same period of the last year. The increase was primarily due to the TFRS No. 16 Leases impact by recording some rental expenses to depreciation and finance cost.
- 8. **Share of profit of associates and joint ventures** was THB 84 million, increased by 6.6% from the same period of the last year, which was primarily due to an increase in profits from Joint ventures Gucci and Bottega and a decrease in loss of other joint venture, offset with the decrease in profit from associated company of Central Marketing Group and Central Watson.
- 9. **Tax expense (income)** was THB 125 million, decreased by 76.7 % from the same period of the last year.

**Overview of the operating result for the nine-month period ended September 2020 and 2019**

For the nine-month period ended of September of 2020, Central Retail Corporation Public Company Limited and its subsidiaries (“the Company” or “CRC”) reported total revenue of THB 143,234 million, decreased by 10.4%, net loss was THB 760 million, decreased THB 6,620 million from the same period last year. This result from the government measures to control the COVID-19 pandemic, by temporary store closure in nonfood (Fashion and Hardline segments) in Thailand, Vietnam, and Italy. Food segment was impacted by limited operating hours, since March 2020. Despite the easing of COVID-19 lockdown measures of Thai government in May, the consumer spending was still not yet fully recovered due to the concern over 2<sup>nd</sup> wave of COVID-19 pandemic and slowdown of economic recovery and international travel restriction. Therefore, our business has been affected in every segments, particularly fashion in Thailand and Italy. In addition, the Company has brought forward its Omnichannel strategy by accelerating the roll out of new sales channels and services such as online, Chat&Shop and Call&Shop, etc. The Company had also implemented strictly cost control measures to stabilize the business and preserve profitability. In addition, the TFRS No. 9 Financial Instruments and TFRS No.16 Leases that have been adopted since 2020, further impacted our net profit leading to a decrease of THB 756 million

## Financial summary for the nine-month period ended September 2020 and 2019

	Nine-month period ended		Nine-month period ended		Increase (decrease)	
	30 September 2020		30 September 2019			
	THB millions	%	THB millions	%	THB millions	%
Revenue from sales of goods	127,723	89.2%	142,369	89.1%	(14,646)	-10.3%
Revenue from sales from fashion segment	32,254	22.5%	46,188	28.9%	(13,934)	-30.2%
Revenue from sales from hardline segment	38,421	26.8%	35,866	22.4%	2,555	7.1%
Revenue from sales from food segment	57,048	39.8%	60,315	37.7%	(3,267)	-5.4%
Revenue from rental services	3,962	2.8%	5,212	3.3%	(1,250)	-24.0%
Revenue from rendering of services	876	0.6%	1,200	0.8%	(324)	-27.0%
Interest Income	224	0.2%	209	0.1%	15	7.2%
Dividend Income	0	0.0%	4	0.0%	(4)	-100.0%
Other income	10,449	7.3%	10,800	6.8%	(351)	-3.2%
<b>Total revenue</b>	<b>143,234</b>	<b>100.0%</b>	<b>159,793</b>	<b>100.0%</b>	<b>(16,559)</b>	<b>-10.4%</b>
Cost of sales of goods (1)	98,694	68.9%	103,946	65.1%	(5,252)	-5.1%
Gross profit from sales	29,029	22.7%	38,423	27.0%	(9,394)	-24.4%
Cost of rental and rendering of services (2)	1,480	1.0%	1,646	1.0%	(166)	-10.1%
Gross profit from rental and rendering of services	3,358	69.4%	4,765	74.3%	(1,408)	-29.5%
Gross profit	32,387	24.4%	43,188	29.0%	(10,802)	-25.0%
Selling expense	29,983	20.9%	34,054	21.3%	(4,071)	-12.0%
Administrative expense	12,217	8.5%	12,117	7.6%	100	0.8%
Profit from operating activities	860	0.6%	8,030	5.0%	(7,170)	-89.3%
Finance costs	(2,175)	-1.5%	(793)	-0.5%	(1,382)	174.2%
Share of profit of associates and joint ventures	143	0.1%	312	0.2%	(169)	-54.2%
Profit (loss) before tax (expense) income	(1,173)	-0.8%	7,549	4.7%	(8,721)	-115.5%
Tax (expense) income	412	0.3%	(1,689)	-1.1%	2,101	-124.4%
Profit (loss) for the period	(760)	-0.5%	5,860	3.7%	(6,620)	-113.0%
Profit (loss) for the period attributable to Owners	(1,010)	-0.7%	4,653	2.9%	(5,663)	-121.7%
<b>Operating information</b>						
EBITDA	13,309	9.3%	15,580	9.8%	(2,271)	-14.6%
Normalized EBITDA Excl. TFRS 9&16	6,827	4.8%	15,472	9.7%	(8,645)	-55.9%
Normalized Profit (loss) Excl. TFRS 9 & 16	(759)	-0.5%	5,773	3.6%	(6,532)	-113.1%
<b>Financial position</b>						
Total assets	250,326		186,945		63,380	33.9%
Total liabilities	189,609		145,986		43,623	29.9%
Total equity	60,716		40,959		19,757	48.2%

(1) Percentage margin is calculated by dividing gross profit from sales by revenue from sales.

(2) 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 nine-month period ended September 2020 and 2019 was as follows:

- 1) **Revenue from sales of goods** was THB 127,723 million, decreased by 10.3% from the same period of the last year. Revenue from sales can be categorized as follows:
  - i) **Revenue from sales from fashion segment** was 32,253 THB million, decreased by 30.2% from the same period of the last year, which was mainly due to COVID-19 pandemic, have an impact to overall economic sentiment. Therefore, the customer spending was still not fully recovered and declined shopping frequency. In addition, the international traveler restriction also affected the declining of tourists. Despite, Omni Channel sales thru new service, such as Chat&Shop, Call&Shop, and e-commerce included the pro-active marketing via online channel, increased more than 300% compared to same period of last year.
  - ii) **Revenue from sales from hardline segment** was THB 38,421 million, increased by 7.1% from the same period of the last year, which was mainly due to the consolidation of our Nguyen Kim business in June 2019.
  - iii) **Revenue from sales from food segment** was THB 57,049 million, decreased by 5.4% from the same period of the last year, which was mainly due to COVID-19 pandemic. Despite, the government imposed the lockdown policy, food business opened. However, the declining of customers compared to last year due to COVID-19 measure such as curfew and international travel restriction. Moreover, the Company closed some convenience stores. However, sales from Food segment in Vietnam grew thanks to existing stores and new stores. The Company had opened 4 new stores, Travinh (Hypermarket), Quangnai (Hypermarket), Boun Me Thuat (Hypermarket) and Tamky (supermarket).
- 2) **Revenue from rental services** was THB 3,962 million, decreased by 24.0% from the same period of the last year, which due to the closure of department store, retail and plaza from COVID-19 pandemic, therefore, the Company provided discount to support some tenants. In addition, the Company postponed event activities in Robinson lifestyle. Despite relief of government measure in May, tenant business was not resumed to normal. The Company has still provided discount to support tenants.
- 3) **Revenue from rendering of services** was THB 876 million, decreased by 27.0% from the same period of the last year, primarily due to the closure of department stores, retail and plaza from COVID-19 pandemic.
- 4) **Gross profit** was THB 32,387 million, decreased by 25.0% from the same period of the last year. Main components of the gross profit were as follows:
  - i) **Gross profit from sales** was THB 29,029 million, decreased by 24.4% and gross profit margin was 22.7%, compared to 27.0%, from same period of last year, which was mainly due to changing of segment mix from store closure. After reopened, the slow growth of fashion segment which had higher margin than

- Food and Hardline segment, including the increasing of online sales which had lower margin and also discount given to customers to boost the sales.
- ii) **Gross profit from rental service and rendering of service** was THB 3,358 million, decreased by 29.5% and gross profit margin was 69.4% compared to 74.3% 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 29,983 million, decreased by 12.0% from the same period of the last year (excluded Nguyen Kim decreased by 13.7%). The decrease was primarily due to expenses related to sales such as personnel cost, rental and service expenses, utility expenses, credit card expenses, advertising and promotion expenses and COVID-19 wage subsidy from Italian government as well as the strictly cost control. In addition, some expenses were recorded as finance costs due to the adoption of TFRS No.9 Financial Instrument and No.16 Leases since 2020.
- 6) **Administrative expenses** was THB 12,217 million, increased by 0.8% from the same period of the last year (excluded Nguyen Kim decreased by 2.7%). The increase was primarily due to Loss from shrinkage and obsolescence, impairment cost for business at Malaysia and computer expenses to develop Omnichannel platform, offset with the decrease of personnel cost, management fee and maintenance expense from the cost control measure, including the decrease of loss of foreign exchange.
- 7) **Finance costs** was THB 2,175 million, increased by 174.2% from the same period of the last year. The increase was primarily due to TFRS No.16 impact by recording some rental expenses to depreciation and finance 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 143 million, decreased by 54.2% from the same period of the last year. The decrease was primarily due to a decrease in profits from Joint ventures and associates of Central Marketing Group and Central Watson, including the change status of Nguyen Kim from associate to subsidiary company in June 2019.
- 9) **Tax expense (income)** was THB (412) million, decreased by 124.4% from the same period of the last year due to net loss.

#### Financial Position

1. **Total assets** as of September 30, 2020 and December 31, 2019 were THB 250,326 million and THB 186,945 million, respectively, which is an increase THB 63,380 million or equivalent by 33.9%, The increase was primarily due to impact of TFRS No.16 Lease, which were Right-of-use assets increased THB 70,397 million offset with the decrease of Leasehold right THB 21,042 million, Cash and cash equivalent increase THB

12,159 million, Investment properties increase THB 2,289 million while Inventories decreased THB 3,286 million.

2. **Total liabilities** as of September 30, 2020 and December 31, 2019 were THB 189,609 million and THB 145,986 million, respectively, which is an increase THB 43,623 million or equivalent by 29.9%, due to TFRS No.16 impact, by Lease liabilities increased THB 58,521 million, Bank overdrafts and short-term borrowings from financial institution increased and Current portion of long-term borrowings increase THB 9,763 million while Trade payables and Other current payables decreased THB 20,275 million.
3. **Total equity** as of September 30, 2020 and December 31, 2019 were THB 60,716 million and THB 40,959 million, respectively, which is an increase THB 19,757 million, equivalent by 48.2%. 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 Department store THB 23,264 million, Non-controlling interests decreased 10,381 million and Unappropriated retained earnings decreased THB 3,381 million.

#### Capital structure

As of September 30, 2020, the Company's capital structure comprised of total liabilities of THB 189,609 million, which included interest-bearing debt THB 69,738 million (excluded lease liabilities, TFRS No. 16 impact), and total shareholders' equity totaled THB 60,716 million. Net interest-bearing debt to equity ratio was at 0.8 times.

#### Statement of cash flows

For the nine-month period ended September 30, 2020, the Company have reported the cash flows as follows:

- Cash flows from operating activities THB 7,238 million, increased THB 467 million or 6.9% compared to same period of last year, mainly due to the decrease of tax paid.
- Cash flows from investing activities THB 6,472 million, decreased THB 8,210 million or 55.9% from the same period of last year, mainly due to decrease of acquisition of subsidiaries and interest in associated and joint ventures THB 6,679 million and leasehold right THB 1,599 million.
- Cash flows from financing activities THB 11,027 million, increased THB 7,111 million or 181.6% from the same period of last year, mainly due to the increase of proceed of initial public offering THB 22,457 million offset with the increase of payment of lease liabilities THB 5,748 million and dividend paid THB 7,501 million

#### Business outlook

The Company aspires to grow revenue and profit sustainably in the long-term with leading Multi-Format, Multi-Category Customer-Centric Omnichannel Platform. To achieve the target, the Company has set strategic directions

to further develops complete Omnichannel 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 and GO! Mall.