

No. ACC/HO 009/65

Topic: Management Discussion and Analysis ending 30 June 2022

To: President

The Stock Exchange of Thailand

In the second quarter of 2022, Thailand faced economic pressure from surging price inflation, which at 7% reached the highest level for 14 years. This was the result of soaring energy bills and higher raw material prices, and especially the increase in the price of diesel oil, which is used mostly in transportation related businesses, and for which the price has been floating since May. This has affected the production and operational costs of both manufacturers and retailers, and has also resulted in increasing electricity costs. All these factors have directly impacted on consumers' spending and financial concerns, and have led the Consumer Confidence Index to fall to a nine-month low.

The second quarter is normally a summer season, but this year the rainy season has started earlier than usual, and this has adversely impacted traffic in stores as well as the volume of renovation activities. This early rain has also resulted in lower-than-expected sales of cooling items such as fans and air conditioners. Nevertheless, the Company continued driving its sales for the second quarter by organizing the Homepro Super Expo, during 2-6 April 2022, at all HomePro stores nationwide. This also included the online channel, which provides an additional channel for customers to purchase products and services more conveniently.

Even though the Company has faced higher sales costs as a result of sharply rising inflation during the second quarter, and in particular from the increase in fuel prices, the Company's selling, general and administrative expenses were all effectively managed through efficient internal cost control; this included the consolidation of MegaHome's and HomePro's administrative teams, and operational improvement programs both at stores and within the supply chain.

As at the second quarter 2022, The Company operated 87 Homepro stores, 6 Homepro S and 14 Mega Home stores, as well as 7 stores of Homepro Malaysia. There were no new stores opened during the first half of 2022 either in Thailand or abroad.

The financial results of the Company and its subsidiaries for the three-month and six-month periods ended 30 June 2022, which have been reviewed by an auditor, are as follows:

Table 1: Financial Summary for the second quarter of the year 2022 and 2021 (three-month period)

	Unit: Million Baht					
	Q2'2022	%	Q2'2021	%	Increase (Decrease)	% Change
Revenue from contracts with customers	16,318.60	100.00%	16,154.31	100.00%	164.30	1.02%
Rental income	404.72	2.48%	302.43	1.87%	102.29	33.82%
Other income	584.24	3.58%	497.56	3.08%	86.68	17.42%
Total revenues	17,307.56	106.06%	16,954.30	104.95%	353.26	2.08%
Cost of sales and service	12,123.16	74.29%	12,088.69	74.83%	34.47	0.29%
Gross profit	4,195.45	25.71%	4,065.62	25.17%	129.83	3.19%
Cost of rental	175.90	1.08%	156.30	0.97%	19.61	12.55%
Selling and administrative expenses	3,029.59	18.57%	2,866.18	17.74%	163.41	5.70%
Profit before finance cost and income tax expenses	1,978.90	12.13%	1,843.13	11.41%	135.77	7.37%
Finance Income	1.74	0.01%	1.80	0.01%	(0.06)	(3.39%)
Finance cost	98.53	0.60%	101.83	0.63%	(3.30)	(3.24%)
Income tax expenses	362.04	2.22%	310.51	1.92%	51.53	16.59%
Profit for the period	1,520.07	9.31%	1,432.59	8.87%	87.48	6.11%

The Company's net profit for the second quarter of 2022 was Baht 1,520.07 million, representing an increase of Baht 87.48 million or up 6.11% as compared to the previous year. The main reasons include:

1. Total revenues were Baht 17,307.56 million, an increase of Baht 353.26 million or up 2.08%, comprising of the following:
 - 1.1. Revenue from contracts with customers which comprised of product sales revenue and service income of Home Service was Baht 16,318.60 million, representing an increase of Baht 164.30 million

or up 1.02% year-over-year. The marginal increase of revenue was contributed by a new store, Homepro at Bangna Km.1, opened in the fourth quarter of 2021, including the recovery of consumption in tourist dominated regions, despite the rainy season has started earlier than usual in the second quarter of 2022 which caused declining customer traffic. However, the Company drove its sales by organizing the Homepro Super Expo at all HomePro stores nationwide as well as providing online channel for customer convenience to purchase products and services.

- 1.2. Rental and service income amounted to Baht 404.72 million, an increase of Baht 102.29 million or up 33.82% from previous year thanks to more rental income from leasable space of Homepro stores and Market Village particularly in tourism areas, compared to the same period last year that the Company has lowered or waived rental fees for tenants to mitigate impact from COVID-19 outbreak. Moreover, there was rental income realization of rental space in new store of Homepro at Bangna Km.1, which has been operated since the fourth quarter of 2021.
- 1.3. Other income was Baht 584.24 million, an increase of Baht 86.68 million or up 17.42%, as a result of the increased in promotional activities with vendors in both at stores and online channels.
2. Gross profit from product sales and service income of Home Service was Baht 4,195.45 million, an increase of Baht 129.83 million or up 3.19% as compared with the prior year. The percentage of gross profit increased from 25.17% to 25.71%, which was attributed to the change of product mix toward high-margin products and increasing service income despite higher logistic cost for distribution to stores resulting from oil price inflation.
3. Cost of rental and related services was Baht 175.90 million, an increase of Baht 19.61 million or up 12.55%, due to higher utilities cost from resumption to normal operation compared to temporary closure during the same period of last year.
4. Selling and administrative expenses (SG&A) amounted to Baht 3,029.59 million, an increase of Baht 163.41 million or up 5.70% year-over-year. The increase in SG&A as a percentage of Sales from 17.74% to 18.57% was attributable to the increase of marketing and promotion expenses, employee salary and welfare expenses, utilities expense, logistic cost for delivery to customers, maintenance expenses and property tax back to normal rate.
5. Finance income was Baht 1.74 million, a net decrease of Baht 0.06 million or reduced by 3.39%, due to lower interest income.
6. Finance cost was Baht 98.53 million, a net decrease of Baht 3.30 million or down 3.24% due to the issuance of corporate bonds with lower interest rates for debt refinancing in the first and fourth quarters of 2021.

7. Income tax expenses were Baht 362.04 million, an increase of Baht 51.53 million or up 16.59% when compared with the prior year. This was due to higher earnings before tax.

Table 2: Financial Summary for first half of the year 2022 and 2021 (six-month period)

	Unit: Million Baht					
	H1'2022	%	H1'2021	%	Increase (Decrease)	% Change
Revenue from contracts with customers	32,079.54	100.00%	31,206.71	100.00%	872.83	2.80%
Rental income	815.62	2.54%	626.98	2.01%	188.65	30.09%
Other income	1,084.91	3.38%	953.17	3.05%	131.74	13.82%
Total revenues	33,980.07	105.92%	32,786.86	105.06%	1,193.22	3.64%
Cost of sales and service	23,787.44	74.15%	23,267.87	74.56%	519.57	2.23%
Gross profit	8,292.10	25.85%	7,938.85	25.44%	353.25	4.45%
Cost of rental	331.17	1.03%	318.98	1.02%	12.19	3.82%
Selling and administrative expenses	5,899.42	18.39%	5,559.40	17.81%	340.02	6.12%
Profit before finance cost and income tax expenses	3,962.05	12.35%	3,640.61	11.67%	321.44	8.83%
Finance Income	3.68	0.01%	4.62	0.01%	(0.95)	(20.49%)
Finance cost	192.19	0.60%	208.58	0.67%	(16.40)	(7.86%)
Income tax expenses	742.52	2.31%	641.59	2.06%	100.93	15.73%
Profit for the period	3,031.02	9.45%	2,795.06	8.96%	235.96	8.44%

The Company's net profit for the first half of 2022 was Baht 3,031.02 million, representing an increase of Baht 235.96 million or up 8.44% as compared to the previous year. The main reasons include:

8. Total revenues were Baht 33,980.07 million, an increase of Baht 1,193.22 million or up 3.64%, comprising of the following:

- 8.1. Revenue from contracts with customers which comprised of product sales revenue and service income of Home Service was Baht 32,079.54 million, representing an increase of Baht 872.83 million or up 2.80% year-over-year. The revenue increase was contributed by moderate recovery of consumption in tourist dominated regions. This was partly also as a result of the government stimulus

measure “Shopping and Payback (Shop Dee Mee Kuen)”, which stimulated spending of customers in February. In addition, the company organized promotional activities in Homepro Electric Expo in the first quarter of 2022, and Homepro Super Expo in the second quarter of 2022.

8.2. Rental and service income amounted to Baht 815.62 million, an increase of Baht 188.65 million or up 30.09% from previous year, thanks to following factors:

- The promotional activities of Homepro Electric Expo in the first quarter of 2022, compared to the absence of this kind of event in the prior year, boosted the increase in rental income.
- More rental income from leasable space of Homepro stores and Market Village particularly in tourism areas, compared to the same period last year that the Company has lowered or waived rental fees for tenants to mitigate impact from COVID-19 outbreak. Moreover, there was rental income realization of rental space in new store of Homepro at Bangna Km.1, which has been operated since the fourth quarter of 2021.

8.3. Other income was Baht 1,084.91 million, an increase of Baht 131.74 million or up 13.82%, as a result of the increased in promotional activities with vendors in both at stores and online channels.

9. Gross profit from product sales and service income of Home Service was Baht 8,292.10 million, an increase of Baht 353.25 million or up 4.45% as compared with the prior year. The percentage of gross profit increased from 25.44% to 25.85%, which was attributed to the change of product mix toward the product that have higher margin and increasing service income despite higher logistic cost for distribution to stores owing to oil price inflation.

10. Cost of rental and related services was Baht 331.17 million, an increase of Baht 12.19 million or up 3.82%, due to higher utilities cost from resumption to normal operation compared to temporary closure during the same period of last year.

11. Selling and administrative expenses (SG&A) amounted to Baht 5,899.42 million, an increase of Baht 340.02 million or up 6.12% year-over-year. The increase in SG&A as a percentage of Sales from 17.81% to 18.39% was attributable to expenses associated with employee salary and welfare, as well as expenses related to taking care of associates for COVID-19 prevention such as in ATK test kits during the first quarter of 2022. Furthermore, there was an increase of utilities expense, logistic cost for delivery to customers, property tax back to normal rate, as well as marketing and promotion expenses etc.

12. Finance income was Baht 3.68 million, a net decrease of Baht 0.95 million or reduced by 20.49%, due to lower interest income.

13. Finance cost was Baht 192.19 million, a net decrease of Baht 16.40 million or down 7.86% due to the issuance of corporate bonds with lower interest rates for debt refinancing in the first and fourth quarters of 2021.
14. Income tax expenses were Baht 742.52 million, an increase of Baht 100.93 million or up 15.73% when compared with the prior year. This was due to higher earnings before tax.

Please be informed accordingly.

Sincerely yours,

(Ms.Wanee Juntamongkol)

Executive Vice President – Accounting and Finance