

Translation

Date: August 8, 2022

Subject: Management Discussion and Analysis for the second quarter of 2022

To: President of the Stock Exchange of Thailand

Siam Makro Public Company Limited (“the Company”) would like to announce the financial performance of the Company and its subsidiaries for the second quarter ended June 30, 2022, which has been reviewed by its Certified Public Accountant as follows:

1. Operating Results: Company and its Subsidiaries

(unit: million Baht)	Q2/22	Q2/21	YoY (%)	1H/22	1H/21	YoY (%)
Consolidated Financial Performance						
Sales	113,363	53,813	110.7	219,631	108,681	102.1
<i>Wholesale business</i> ⁽¹⁾	59,409	53,813	10.4	116,031	108,681	6.8
<i>Retail business</i> ⁽²⁾	53,954	n/a	n/a	103,600	n/a	n/a
Revenue from rental and rendering retail services	3,118	88	3,433.2	6,175	178	3,358.9
Total revenues	118,463	54,956	115.6	229,680	111,053	106.8
Gross profit from sales	15,694	5,169	203.7	30,908	10,703	188.8
<i>Gross profit margin from sales (%)</i>	13.8	9.6	4.2	14.1	9.8	4.3
EBITDA ⁽³⁾	8,099	2,518	221.6	16,736	5,761	190.5
Finance costs	1,598	143	1,021.5	3,092	272	1,037.7
Net profit	1,573	1,287	22.2	3,623	3,021	19.9
<i>Wholesale business</i> ⁽¹⁾	1,356	1,287	5.3	3,097	3,021	2.5
<i>Retail business</i> ⁽²⁾	217	n/a	n/a	526	n/a	n/a
Earnings per share (Baht per share)	0.15	0.27	(44.6)	0.34	0.63	(45.6)

(1) Consisting of Makro-Thailand, Makro-International, and Food Service APME

(2) Consisting of retail businesses under “Lotus’s” and mall business in Thailand and Malaysia (Lotus’s Thailand and Lotus’s Malaysia)

(3) Earnings before interest, tax, depreciation and amortization

2Q/2022 Performance of the Company and its Subsidiaries

Revenue

In the second quarter of 2022, the Company and its subsidiaries registered Baht 113,363 million in sales revenue, an increase of Baht 59,550 million or 110.7% YoY, due mainly to the business combination of the retail group since October 25, 2021, and the continued sales growth of Baht 5,596 million or 10.4% from Makro-Thailand, Makro-International as well as Food Service APME as a result of recovering from the COVID-19 epidemic.

In addition, the Company and its subsidiaries generated Baht 1,451 million from revenue from rendering of services, Baht 3,118 million in revenue from rental and rendering retail services, and Baht 531 million from other income, totaling Baht 5,100 million, an increase of Baht 3,957 million, representing 346.3% YoY, primarily owing to revenue from rental and rendering retail services from the retail business of Baht 3,015 million. Therefore, in the second quarter of 2022, the Company and its subsidiaries had total revenues of Baht 118,463 million surged by Baht 63,507 million or 115.6% compared to the same quarter of the previous year.

Cost of rental and rendering of services, Distribution Costs, and Administrative Expenses

In the second quarter of 2022, the Company and its subsidiaries incurred Baht 1,501 million in cost of rental and rendering of services, an increase of Baht 1,485 million, mainly from the retail business.

Distribution costs and administrative expenses totaled Baht 15,776 million, which accounted for 13.3% of total revenues, and a growth of Baht 11,231 million or 247.2% YoY from the retail business outlays amounting to Baht 10,472 million. The wholesale business saw an increase of Baht 759 million, due to a surge in employee expenses by the number of stores, delivery costs from the sales growth of online channels, increased full-charge land and buildings taxes compared to the previous year rate of only 10.0%, costs of the new B2B Marketplace business (the Maknet project) under the Company's strategic plan and promotion expenses incurred from Makro Retailer Expo.

Net Profit

In the second quarter of 2022, the Company and its subsidiaries had a net profit of Baht 1,573 million, or Baht 0.15 per share, an increase of Baht 286 million or 22.2% year-on-year, resulting from the wholesale business's net profit of Baht 1,356 million, grew 5.3% compared to the same period of last year, and the retail business's net profit that amounted to Baht 217 million.

For the first half of 2022, the Company and its subsidiaries had the total revenue of Baht 229,680 million, mounted by Baht 118,627 million or 106.8% from the same period of last year, mainly from a consolidation of the retail business's sales and a sales growth of the wholesale business. Both business units had a growth in sales by approximately 6.8% YoY. The distribution costs and administrative expenses were at Baht 30,392 million. After the deduction of finance costs of Baht 3,092 million and income tax expense of Baht 1,316 million, the Company and its subsidiaries had net profit of Baht 3,623 million, soared by 19.9% compared to the same period of the previous year.

2. Operating Results by Business Division

2.1. The Wholesale Business

(unit: million Baht)	Q2/22	Q2/21	YoY (%)
Wholesale Business Performance			
Sales	59,409	53,813	10.4
Other revenues ⁽¹⁾	1,303	1,143	14.0
Total revenues	60,712	54,956	10.5
Gross profit from sales	5,877	5,169	13.7
<i>Gross profit margin from sales (%)</i>	9.9	9.6	0.3
EBITDA ⁽²⁾	2,825	2,518	12.2
Net profit	1,356	1,287	5.3
Number of Stores (stores)	154	145	9
<i>Thailand</i>	147	138	9
<i>Overseas</i> ⁽³⁾	7	7	-
Sales Space (sq.m.)	830,216	811,307	18,909
<i>Thailand</i>	796,277	777,368	18,909
<i>Overseas</i> ⁽³⁾	33,939	33,939	-

(1) Comprises of revenue from rendering of services, revenue from rental and rendering retail services, and other income

(2) Earnings before interest, tax, depreciation and amortization

(3) Excluding a restaurant/food shop under Food Service APME.

Revenue

In the second quarter of 2022, the wholesale business reported Baht 59,409 million in sales, increased by Baht 5,596 million or 10.4% YoY, due mainly to the sales increase from Makro-Thailand' s same-store sales growth and 10 new stores which have been operated since 2Q/2021, coupled with the sale growth of Makro-International from Cambodia, Myanmar, and India. While Food Service APME's sales continued improving from the ease of COVID-19 crisis.

When combined with revenue from rendering services of Baht 949 million, revenue from rental and retail services of Baht 103 million, and other income of Baht 251 million, totaling Baht 1,303 million, an increase of Baht 160 million or 14.0% YoY, mainly owing to an other income of Makro Retailer Expo in this year while

there was no such expo in last year and an increase of rental space from new stores. As a result, the group had total revenues of Baht 60,712 million, an increase of 10.5% YoY.

Distribution Costs, and Administrative Expenses

In the second quarter of 2022, the wholesale business had distribution costs and administrative expenses totaling Baht 5,304 million, an increase of Baht 759 million YoY or increased by 16.7% principally because:

- Distribution costs increased by Baht 437 million or 13.4% owing to higher staff expenses with a greater number of stores, higher delivery charges accompanied with sales growth through online distribution channels, a full-charge of land and buildings taxes compared to that of the previous year rate of only 10.0%, and expenses related to Makro Retailer Expo.
- Administrative expenses rose by Baht 322 million or 25.3% mainly from costs related to the new B2B Marketplace business (the Maknet project).

Net Profit

In the second quarter of 2022, the wholesale business registered a net profit of Baht 1,356 million, grew by Baht 69 million or 5.3% YoY, due mainly to a significant improvement in the performance of the Food Service APME and the loss reduction of Makro-International in comparison with that of the same period of last year. Makro Cambodia continued reporting its profitable performance in this quarter.

For the first half of 2022, the wholesale business had the total revenue of Baht 118,660 million and distribution costs and administrative expenses were at Baht 10,098 million. After the deduction of finance costs of Baht 288 million and income tax of Baht 843 million, the group had net profit of Baht 3,097 million, rose by Baht 76 million or 2.5% compared to the same period of the previous year.

2.2. The Retail Business

(unit: million Baht)	Q2/22	Q2/21	YoY (%)
Retail Business Performance ⁽¹⁾			
Sales	53,954	n/a	n/a
Revenue from rental and rendering retail services	3,015	n/a	n/a
Total revenues	57,751	n/a	n/a
Gross profit from sales	9,817	n/a	n/a
<i>Gross profit margin from sales (%)</i>	18.2	n/a	n/a
EBITDA ⁽²⁾	5,274	n/a	n/a
Net profit	217	n/a	n/a
Number of Stores (stores)	2,661	n/a	n/a
<i>Lotus's Thailand</i>	2,597	n/a	n/a
<i>Lotus's Malaysia</i>	64	n/a	n/a
Sales Space (sq.m.)	1,829,330	n/a	n/a
<i>Lotus's Thailand</i>	1,530,279	n/a	n/a
<i>Lotus's Malaysia</i>	299,051	n/a	n/a
Permanent Net Leasable Area (sq.m.)	1,028,485	n/a	n/a
<i>Lotus's Thailand</i>	724,906	n/a	n/a
<i>Occupancy rate</i>	89.3	n/a	n/a
<i>Lotus's Malaysia</i>	303,579	n/a	n/a
<i>Occupancy rate</i>	91.0	n/a	n/a

(1) Retail business's operating results start from October 25, 2021

(2) Earnings before interest expenses, taxes, depreciation and amortization

Revenue

In the second quarter of 2022, the retail business group managed to recommence business as usual in every store, small store including mall area, and continue the rebranding campaign after the government relaxed COVID-19 restriction measures. Since the subsequent launch of new online distribution platform called Lotus's SMART application in March of the same year, sales have risen by 141.9% YoY through Lotus's Thailand online channels, suggesting continuous retail business growth from rising sales in all distribution channels

Hence, the retail business registered Baht 53,954 million in sales, surged by 7.2% from the same period of last year mainly due to an increase in fresh-food product sales of 14.0% YoY.

Moreover, its revenue from rental and rendering retail services continued to grow and is marked at Baht 3,015 million, a 13.6% increase compared to the same quarter of the previous year. However, a shopping mall occupancy rate remains below the pre-COVID-19 pandemic normal rate of around 96.0%.

As a result, in the second quarter of 2022, the retail business recorded total revenues of Baht 57,751 million, elevated by 7.9% YoY and 8.4% QoQ.

Cost of rental and rendering of services, Distribution Costs, and Administrative Expenses

In the second quarter of 2022, the retail business incurred cost of rental and rendering of services of Baht 1,478 million.

Distribution costs, and administrative expenses totaling Baht 10,472 million, comprising distribution costs of Baht 8,303 million, and administrative expenses of Baht 2,169 million mainly from expenses associated with store operation, amortization of new IT system and rebranding cost.

Net Profit

In the second quarter of 2022, the retail business recorded its earnings before interest expenses, taxes, depreciation and amortization (EBITDA) at Baht 5,274 million, surged by 14.7% YoY. However, the group had a necessary spending of new IT system and rebranding occurred since last year, as a result, in the second quarter of 2022, the retail business declared a net profit of Baht 217 million mainly from the additional amortization cost of the mentioned expenses.

For the first half of 2022, the retail business had the total revenue of Baht 111,020 million and distribution costs and administrative expenses were at Baht 20,294 million. After the deduction of finance costs of Baht 2,804 million and income tax of Baht 473 million, the group had net profit of Baht 526 million, rose by 244.6% compared to the same period of the previous year.

3. Statement of Financial Position of the Company and its Subsidiaries

The financial position of the Company and its subsidiaries as of June 30, 2022 compared to December 31, 2021 are as follows:

	As of		Change	Change %
	30 June 2022	31 December 2021		
(unit: million Baht)				
Consolidated financial statements				
Assets				
Cash and cash equivalents, and Current investment	43,160	68,530	(25,370)	(37.0)
Other current assets	44,822	41,470	3,352	8.1
Non-current assets	459,791	459,490	301	0.1
Total assets	547,773	569,490	(21,717)	(3.8)
Liabilities				
Current liabilities	90,236	116,395	(26,159)	(22.5)
Long-term loans from financial institutions (including Current portion)	110,197	107,121	3,076	2.9
Non-current liabilities	58,554	57,476	1,078	1.9
Total liabilities	258,987	280,992	(22,005)	(7.8)
Total equity	288,786	288,498	288	0.1
Total liabilities and equity	547,773	569,490	(21,717)	(3.8)

Total Assets

As of June 30, 2022, the Company and its subsidiaries had total assets of Baht 547,773 million, plummeted by Baht 21,717 million or 3.8% compared to as of December 31, 2021, owing to a decline of Baht 25,370 million in cash and cash equivalents, and current investment disbursed in a subsidiary's loan repayment to financial institutions, store expansion, new IT system, and dividend payment.

Total Liabilities

As of June 30, 2022, the Company and its subsidiaries registered total liabilities of Baht 258,987 million, a drop of Baht 22,005 million or 7.8% compared to as of December 31, 2021, due mainly to a decline of Baht 14,392 million in borrowings from financial institutions, a contraction of Baht 2,838 million in account payable which was in line with a lower stock available for sale during New Year and Chinese New Year, and a decrease of Baht 4,463 million in other current payables from a reimbursement of new store expansion.

Equity

As of June 30, 2022, the Company and its subsidiaries reported Baht 288,786 million in equity, an increase of Baht 288 million or 0.1% compared to as of December 31, 2021.

Please be informed accordingly.

Yours faithfully,

Siam Makro Public Company Limited

(Saowaluck Thithapant)

Group Chief Executive Officer-Makro Business and

Group Chief Financial Officer

SET & Investor Relations

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