

# CENTRALRETAIL

CRC IR 020/2022

**Re: Management Discussion and Analysis (MD&A) for the three-month and six-month period ended 30 June 2022**

**To: President**

**The Stock Exchange of Thailand**

Date 15 August 2022

Central Retail Corporation Public Company Limited (“the Company” or “CRC”) would like to clarify Management Discussion and Analysis for the operating results for three-month and six-month period ended 30 June 2022

Please be informed accordingly.

Yours Sincerely,

*-Signature-*

(Mr. Ty Chirathivat)

Chief Financial Officer

Central Retail Corporation Public Company Limited

## Performance Overview

Overall, the Thai economy is likely to progressively recover thanks to the export that grows in line with the economic expansion of Thailand's trading partners, as well as the recovery of the tourism sector after the easing of epidemic control measures and restrictions on international travel executed by Thailand and other countries. Private consumption becomes higher due to reduce concern over the Omicron coronavirus variant, resulting in improved economic activities. Nonetheless, the overall economy still encounters challenges caused by certain factors; for instance, rising cost of living and production costs due to conflicts between Russia and Ukraine; fluctuating financial market from the uncertainty of policy rate hikes in major economies; headline inflation accelerated mainly from energy and food inflation, the hike in electricity and retail fuel prices in the country; uncertainty of the current and potential outbreaks of COVID-19, etc. These all are risk factors that may affect the Company's operations and need to be closely monitored.

## Current Business Environment in the Second Quarter of 2022

In the second quarter of 2022, concerns over the omicron variant have eased compared to the previous quarter. In addition, tourism begins to reboot in several countries after reopening, leading to the Company's operation improvement in all segments even though the rising inflation rate in many countries have brought about consumer concerns towards the rising cost of living and the tendency of rising interest rates, which affect the operating costs of the business sector. In this regard, the Company has a policy to ensure that its cost and expense management is effective. For example, product assortment and promotional programs that are suitable and resonate with the needs of customers; freeze prices of several consumer goods under "Tops Locked Price" campaign to help reduce impacts on consumers; management of financial cost in appropriate level, as well as operation improvement and leveraging of innovations, e.g., solar panel installation, or electric powered (EV) trucks for goods transport in multiple business units to minimize the Company's operating costs.

- **Thailand:** The business situation in Thailand continues to recover. In addition, tourism begins to revive thanks to the easing of international travel restrictions. In respect of the Company's business operations, in this quarter, has actively launched new stores and new store formats, as well as renovated the existing stores. With that reason, the sales of all segments continue to grow compared to those of the previous quarter and of the same period last year, especially the sales generated by tourism provinces, which have achieved a satisfying growth thanks to the less strict COVID-19 measures. The Company continues to drive sales by leveraging an omnichannel strategy that has developed and provided new services to resonate with the needs of consumers, thus the omnichannel sales during the first half of the year grew by 25% compared to the previous year, or accounted for 23% of the total Thailand's sales.

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- **Vietnam:** Overall, the Vietnamese economy witnesses a strong growth thanks to the support from the manufacturing and export sectors, and the reopening of the country for investors and foreign tourists. In this quarter, the Company is able to reopen malls and all stores of food and hardline business as usual, and also launched new stores and new store formats, as well as continuously improving the existing ones. As a result, the Company's sales volume is growing steadily. It also drives sales through omnichannel platforms, resulting in omnichannel sales in the first half of the year reaching 74% compared to the previous year, or accounted for 8% of the total Vietnam's sales.
- **Italy:** The business situation in Italy tends to recover continuously due to the reopening of the country, after which tourists continue to grow steadily. During this quarter, the sales generated by Italy rises exponentially, compared to the previous quarter and to the same period last year thanks to the rebranding of flagship department stores, renovation, and addition of brands to its portfolio to fulfill the preferences of consumers. Moreover, the distribution of products through omnichannel platforms has fueled the growth of the Company's total sales. Therefore, the omnichannel sales during the first half of the year grew by 48% compared to the previous year, or accounted for 5% of the total Italy's sales.

The Company continues to propel its business to achieve sustainable growth in terms of environment, society, and economy, along with management under good governance. In the second quarter of 2022, the Company was certified as a member of the Thai Private Sector Collective Action Against Corruption (CAC) on June 30, 2022, as it has demonstrated its commitment in not tolerating anti-corruption of all forms. It has also prepared and published a good corporate governance manual and corporate ethics to shape employees' understanding and practice. The Company has implemented projects to promote economic growth along with the quality of life of the community and society by launching new store TOPS GREEN, the first sustainable store, at Jing Jai Market, Chiang Mai, to serve consumers who live a green lifestyle, and additionally organizes Jing Jai Farmers' Market to sell agricultural and local products to unlock career opportunities and sustainable income for the community; for example, in Lopburi and Chanthaburi. Tops also freeze the prices of over 190 consumer goods to help Thai people overcome economic crises. Furthermore, the Company has placed focus on SME businesses, OfficeMate Plus is open for franchise applications to expand the office supplies store in all regions across the country with an omnichannel sale strategy. It allows both offline and online franchises so that local entrepreneurs can stably continue their business. In terms of the environment, the Company focuses on using clean energy to reduce greenhouse gas emissions. In this quarter, it launched EV Truck, a clean energy-based electric truck, to pilot the transport of construction materials and home decoration products under the brand Thai Watsadu, BnB Home, Auto One, go!Wow and Vfix. The Company also employs and engages in green logistic system and supply chain, and installation of solar panels at Robinson Shopping Center, Central Department Store, Thai Watsadu and GO! mall in Vietnam. In addition, Tops Market, together with Movemee, a startup, provides a clean energy tricycle service via an on-demand ride application, to encourage traveling by one vehicle if the destinations are located on the same route, in order to cope

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with the oil price crisis. The Company also attaches great importance to increasing green areas by organizing campaign Central/Robinson Love the Earth, joining hands with the Royal Forest Department to celebrate the world environment day through an activity to give out 75,000 free seedlings, encouraging Thai people to join the mission to expand green areas across the country.

Importantly, the Company has received prestigious awards from various institutions and organizations both national and international, such as an award from Retail Asia, a leading business magazine in Singapore. It recognized Central Retail as a smart retailer that integrates the Digital First concept in its business operations, awarding Omni-Channel Awards; and the O2O. Central App received Retail App of the Year while, Tops market and Central Food Retail received Supermarket of the Year and Omnichannel Strategy of the Year respectively. SuperSport shopping experience is recognized for Sporting Goods Retailer of the Year, reinforcing its leadership as a sporting goods retailer that has been trusted by leading sports brands. The Company also receives the Digital Initiative of the Year award for its C-Coin project, a digital currency of blockchain technology that was invented to enable employees to test and learn about the new technology.

In addition, International Finance, the UK's leading business and finance magazine has recognized the success of the organization and executives, awarding the Luxury Retail CEO category to Mr. Yol Phokasub, Chief Executive Officer. The Company also received the Best CEO and Best CFO awards from the Investment Analysts Association (IAA), the Stock Exchange of Thailand, which are awards given to company's executives for their outstanding management, knowledge of business management, transparent, equal, complete, and timely disclosure of information, as well as adherence to ethics and corporate governance in operating the business to lead the Company successful and achieve sustainable growth.

### **Major developments of the Company in the Second Quarter of 2022**

#### **1) New Store Expansion and Store Renovation and Rebranding**

The Company has expanded and upgraded the offline platform in 3 countries into Next Gen Omni Retail Store in response to changes and created a good shopping experience, as well as providing services that touch the needs of all groups of customers. In the second quarter of 2022, the Company expanded its stores in strategic formats, both in Thailand and Vietnam, including BnB home (Chanthaburi branch) in Thailand and GO! mall in Lao Cai, Vietnam. In addition, two standalone stores of Tops Market, for example, are introduced in Bangkok to accommodate the purchasing power of consumers in Bangkok and eastern zones, in which people are focusing on the convenience of shopping close to home. The Company consistently launches other new stores, focusing on penetrating new markets, and specialty stores, as well as brand shops in Thailand and Vietnam.

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Regarding the renovation & rebranding, for Thailand, the Company actively worked towards renovating several branches of Robinson Lifestyle Shopping Center and Central Department Store, as well as other compact stores. For Vietnam, it continues to rebrand and upgrade Big C to GO! mall, GO! hypermarket or Tops market. For Italy, flagship department stores have been constantly renovated such as Milan, and Florence.

As of 30 June 2022, the Company has 3.2 million square meters of net sales area and 0.7 square meters of net leasable area, which increase by 1.0% and 13.0% from last year, respectively.

### **2) Omnichannel**

The Company has actively developed a sales and service model in a form of customer-centric omnichannel platform. In addition, it has worked with business partners to develop and complement the Company's ecosystem to provide integrated omnichannel services and enhance the omnichannel platform with new technologies while also utilizing the Company's database to create seamless and convenient shopping experience for all customers.

In the first half of the year, omnichannel sales grew by 29% compared to the same period last year and accounts for 18 percent of total sales of the Company. The Company thus has continuously strengthens omnichannel in all segments. During the last quarter, it launched new platforms and services in both food and non-food segments for example Thai Watsadu launched new mobile App, Central department store launched "Central Luxe Chat & Shop" which offered luxury products while Tops launched "Tops Prime" (monthly subscription program for unlimited deliveries) and Professional picker" (to assist online shoppers in choosing products as if in the store themselves)

### **3) The Progress of Synergy Plan**

The Company has implemented a synergy plan to cultivate benefits in terms of both revenues and efficient management of expenses. The projects have progressed as planned, as follows:

Generating incremental sales through product cross listings that to serve the needs of customers in each business on each platform.

Long-term profit margin increase was done by increasing gross margins and managing expenses more efficiently in all departments of the Company. The cost of purchasing products has been managed, pool purchasing to achieve reasonable costs, which increases the gross profit margin. In part of expenses, the Company focuses on cost reduction and management efficiency, such as reducing personnel costs due to redundant work, installing solar rooftops and EV truck to save energy and be environmentally friendly, adjusting advertising through online channels or social commerce to reduce marketing costs, and managing obsolete goods to be more efficient.

## 4) New format and New Growth pillar

The Company has developed a new store model and expanded stores continuously to meet the lifestyle of customers as well as stretching the customer base to cover all groups while also accelerating the expansion of the new business group Health & Wellness to meet the trend of demand for health products and services of consumers today; for example, Tops Vita (selling health products with emphasis on vitamins and dietary supplements) and Tops Care (pharmacy, pharmaceutical and health care products with consulting services –omni-pharmacist). Moreover, it actively expands go!WOW (miscellaneous goods) stores with the first two standalone stores located in Samut Prakan and Nakhon Ratchasima to support customer purchasing power, and reach customers in the community area and go!Power (electronic appliances). At the end of first half, the Company operated go!WOW 23 stores, go!Power 8 stores, Tops Vita 12 stores and Tops Care 4 stores.

## 5) Partnership and acquisition

The Company continues to accomplish new milestones under the concept Inclusive Growth, attaining success together with partners through driving the business by leveraging CRC Retail Intelligence strategy under the new business expansion strategy (Build New Growth Pillars) to strengthen the Company's ecosystem and ensure its capacity to meet the needs of customers regardless of their lifestyles. This quarter, the Company continues to expand its business portfolio in the Health and Wellness segment by engaging in a joint venture with MP Synergy Company Limited, a leader in ergonomics furniture, which has a tendency to grow greatly due to the Work from Anywhere trend and as consumers become more health conscious. This also enables Officemate to expand its hardline business to B2C customers and enter the health and wellness furniture market. In addition, the Company has cooperated with Gulf Energy Development Public Company Limited or GULF, to establish Greengem Energy Company Limited (GGE) to produce and distribute electricity generated by solar rooftop installed at Thai Watsadu for customers that are affiliated to the Central Group or other groups. The Company is determined to operate an environmentally friendly business in pursuit of its commitment to becoming a model organization that adheres to sustainable management.

## Overview of the Operating Results for the Second Quarter of 2022

Central Retail Corporation Public Company Limited and its subsidiaries (the “Company”) reported its operating results of the second quarter of 2022 that total revenue was THB 56,826 million, increased by 22.5% and net profit was THB 1,605 million, increased by 476.8% from the same period of last year. The Company achieved an increase in sales of all segments due to normal business operation, tourism recovery from easing international travel restrictions, back-to-school season, and people returning to work on-site while, during the same period last year, the Company had been affected by a new surge of COVID-19 outbreaks since April. In addition, total revenues also increased thanks to renovations of existing stores, expansion of new stores, active launches of new stores, and the rebranding of fashion and food segments. For selling and administrative expenses increased in line with the sales and revenue increased; however, at a lower percentage than the increase in sales. Nonetheless, selling and administrative expenses to the total revenue decreased year-on-year.

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## Financial Summary for the Second Quarter of 2022

	Three-month period ended	Three-month period ended	Three-month period ended	Increase (decrease)	Increase (decrease)
	30 June 2021	31 March 2022	30 June 2022	from last year	from last quarter
	THB millions	THB millions	THB millions	%	%
Revenue from sales	41,844	50,694	<b>51,202</b>	22.4%	1.0%
Fashion segment	9,275	11,496	<b>12,820</b>	38.2%	11.5%
Hardline segment	16,285	18,192	<b>18,356</b>	12.7%	0.9%
Food segment	16,285	21,006	<b>20,025</b>	23.0%	(4.7%)
Revenue from rental services	1,248	1,512	<b>1,610</b>	29.0%	6.5%
Revenue from services	240	251	<b>355</b>	47.5%	41.4%
Investment Income	68	49	<b>54</b>	(21.0%)	10.4%
Other income	2,976	3,769	<b>3,606</b>	21.2%	(4.3%)
<b>Total revenue</b>	<b>46,376</b>	<b>56,274</b>	<b>56,826</b>	<b>22.5%</b>	<b>1.0%</b>
Cost of sales of goods	32,085	38,772	<b>38,160</b>	18.9%	(1.6%)
Gross profit from sales	9,759	11,923	<b>13,042</b>	33.6%	9.4%
Cost of rental and rendering of ser	423	494	<b>538</b>	27.4%	8.9%
Gross profit from rental&services	1,066	1,268	<b>1,426</b>	33.8%	12.4%
Gross profit	10,825	13,191	<b>14,468</b>	33.7%	9.7%
Selling expenses	9,961	10,549	<b>11,030</b>	10.7%	4.6%
Administrative expenses	3,879	4,140	<b>4,553</b>	17.4%	10.0%
<b>Profit from operating activities</b>	<b>29</b>	<b>2,320</b>	<b>2,545</b>	<b>8,797.3%</b>	<b>9.7%</b>
Finance costs	779	775	<b>828</b>	6.4%	6.9%
Share of profit of Asso and JV	33	135	<b>144</b>	339.1%	6.6%
Profit (loss) before tax expense	(717)	1,680	<b>1,861</b>	359.4%	10.8%
Tax expense (income)	(291)	355	<b>256</b>	(187.9%)	(28.0%)
<b>Profit for the year</b>	<b>(426)</b>	<b>1,324</b>	<b>1,605</b>	<b>476.8%</b>	<b>21.2%</b>
Profit (loss) to owners	(471)	1,204	<b>1,486</b>	415.3%	23.5%
<b>Operation information</b>					
EBITDA	4,088	6,622	<b>6,912</b>	69.1%	4.4%
Normalized EBITDA	4,152	6,498	<b>7,365</b>	77.4%	13.4%
Normalized Profit (loss)	(356)	1,225	<b>1,967</b>	652.8%	60.6%
Normalized Profit (loss) to owner	(402)	1,104	<b>1,849</b>	560.5%	67.5%
<b>Financial position</b>					
		31 December 2021	30 June 2022		
Total assets		263,228	<b>260,079</b>	(1.2%)	
Total liabilities		204,147	<b>197,622</b>	(3.2%)	
Total equity		59,081	<b>62,457</b>	5.7%	

## The Analysis of Operating Results for the Second Quarter of 2022

1. **Revenue from sales of goods** was THB 51,202 million, increased by 22.4% from the same period of last year and increased by 1.0% from the previous quarter. Revenue from sales were categorized as follows:

I. **Revenue from sales of fashion segment** was THB 12,820 million, increased by 38.2% from the same period of last year (and increased by 11.5% from the previous quarter). This was due to the increase in sales generated by the Thai segment, as the Company could operate as usual while tourism has recovered due to the relaxation of international travel restrictions while, during the same period last year, it had been affected by a new surge of COVID-19 outbreaks since April. As for Italy segment, the sales continued to increase, thanks to store renovations of 2 flagship stores that were Milan and Florence. The omnichannel sales such as Central App and new O2O



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channel (e.g., Personal Shopper, Social Commerce, Chat & Shop, and e-Ordering) have continued to increase and grew by 4% from the same period of last year.

- II. Revenue from sales from hardline segment** was THB 18,356 million, increased by 12.7% from the same period of last year (increased by 0.9% from the previous quarter). This was mainly due to the Company could operate as usual while there were launches of new stores such as BnB home (Chanthaburi branch), go!WOW stores with the first two standalone stores located in Samut Prakan and Nakhon Ratchasima and continued to expand go!Power stores, as well as the increase in sales generated by the COL group, including B2S and OfficeMate, as demands for school accessories increased during the back-to-school season and people return to work on-site. Furthermore, there was a continued growth of MEB due to the increasing demand for electronic books (E-Books). Sales through omnichannel reached a higher level, especially those of Thai Watsadu, as it has introduced more products, activated the Click & Collect channel, and launched promotional campaigns to boost sales. The omnichannel grew by 10% from the same period of last year.
  - III. Revenue from sales from food segment** was THB 20,025 million, increased by 23.0% from the same period of last year (decreased by 4.7% from the previous quarter). This was mainly due to the increase in sales generated by the segment in Vietnam, as it has launched new stores of GO! Mall in Lao Cai and actively rebranded Big C to GO! hypermarket or Tops Market. For food segment in Thailand, the sales increased due to normal operations and, new stores expansion, including 2 standalone stores of Tops Market in Bangkok, and expediting of new store expansion for the Health & Wellness business group, namely Tops Care and Tops Vita. In addition, stores in major tourist provinces have recovered owing to easing international travel restrictions. With respect to sales generated through omnichannel platforms, it has continued to increase by 70% from the same period of last year.
- 2. Revenue from rental services** was THB 1,610 million, increased by 29.0% from the same period of last year, as a result of the increase in numbers of foot traffic, as well as the reduction of rental discounts.
  - 3. Revenue from rendering of services** was THB 355 million, increased by 47.5% from the same period of last year, as a result of an increase in numbers of customers using food courts, especially at stores located in the proximity of office buildings.
  - 4. Gross profit** was THB 14,468 million, increased by 33.7% from the same period of last year. Main components of the gross profit were as follows:
    - **Gross profit from sales** was THB 13,042 million, increased by 33.6% and gross profit margin was 25.5%, compared to 23.3% from the same period of last year. It was mainly due to changes in sales proportions (sales mix) of each segment. For the fashion segment, which reached a higher profit margin compared to the others, it achieved a significant increase in sales, both in Thailand and Italy segments, while also selling more high-margin products. Partially, it was due to the reason that customers have returned to in-store shopping. As for Thailand segment, trade discounts have been appropriately adjusted. For the hardline segment, the gross profit

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margin was slightly lower as the sale of high-margin products decreased. Compared to last year, it had a high profit margin thanks to higher steel prices. For the food segment, the profit margin was slightly higher from selling more high-margin products. On the other hand, during last year, customers were more concerned about shopping during the COVID-19 outbreaks.

- **Gross profit from rental services and rendering of services** was THB 1,426 million, increased by 33.8% from the same period of last year. The gross profit was 72.6% compared to 71.6% of the same period last year. This was mainly due to the number of foot traffic increased, the Company generated more rental and service fees while offering reduced rental fee discounts.
5. **Other income** was THB 3,606 million, increased by 21.2% from the same period of last year. This was mainly due to an increase in promotional and advertising income and logistics and distribution income in line with the increase in sales.
  6. **Selling expenses** were THB 11,030 million, increased by 10.7% from the same period of last year. This corresponded to the increase in sales due to the normal operations of department stores and stores expansion, which caused expenses related to salespeople, promotion and advertisement, rental fees, utilities and credit card fees to increase. However, the Company has effectively managed the selling expenses. The selling expenses to total revenue declined to 19.4% in this quarter from 21.5% in the same period of last year.
  7. **Administrative expenses** were THB 4,553 million, increased by 17.4% from the same period of last year. This was mainly due to a loss from the exchange rate, technology expenditure for the purpose of developing the omnichannel system, an increase in land and building tax as the Thai government's land tax discount scheme was repealed, and increased employee costs. On the other hand, the provision for bad debts and the cost of obsolete goods decreased thanks to better management. The administrative expenses to total revenue declined to 8.0% in this quarter from 8.4% in the same period of last year.
  8. **Finance costs**, which were interest expenses from loans and lease agreement, was THB 828 million, increased by 6.4 % from the same period of last year. It is mainly due to an increase in the interest rates of loan.
  9. **Share of profit of associates and joint ventures** was THB 144 million, increased by 339.1% from the same period of last year due to increasing profits were contributed by associates and joint ventures.
  10. **Tax expense (income)** was THB 256 million, increased by 187.9%. This resulted from the Company's operating profit while, during the previous year, there was a loss incurred by the operations.

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## Financial Summary for the First Half of 2022

	Six-month period ended		Six-month period ended	
	30 June 2021		30 June 2022	
	THB millions	THB millions	THB millions	%
Revenue from sales	85,593	101,896		19.0%
Fashion segment	19,025	24,317		27.8%
Hardline segment	31,521	36,549		15.9%
Food segment	35,047	41,031		17.1%
Revenue from rental services	2,636	3,122		18.4%
Revenue from services	539	605		12.3%
Investment Income	111	103		(7.4%)
Other income	6,528	7,374		13.0%
<b>Total revenue</b>	<b>95,407</b>	<b>113,100</b>		<b>18.5%</b>
Cost of sales of goods	65,862	76,931		16.8%
Gross profit from sales	19,732	24,965		26.5%
Cost of rental and rendering of services	858	1,033		20.3%
Gross profit from rental & services	2,317	2,695		16.3%
Gross profit	22,048	27,659		25.4%
Selling expenses	19,913	21,579		8.4%
Administrative expenses	7,582	8,693		14.6%
<b>Profit from operating activities</b>	<b>1,192</b>	<b>4,865</b>		<b>308.3%</b>
Finance costs	1,518	1,603		5.6%
Share of profit of Asso and JV	113	279		146.5%
Profit (loss) before tax expense	(213)	3,541		1,763.4%
Tax expense (income)	(246)	611		(348.5%)
<b>Profit for the year</b>	<b>33</b>	<b>2,929</b>		<b>8,712.9%</b>
Profit (loss) to owners	(70)	2,690		3,939.1%
<b>Operation information</b>				
EBITDA	9,487	13,534		42.7%
Normalized EBITDA	9,566	13,863		44.9%
Normalized Profit (loss)	152	3,192		1,996.7%
Normalized Profit (loss) to owner	49	2,953		5,929.0%

## Operating results of the First Half of 2022 was as follows

- I. **Revenue from sales of goods** was THB 101,896 million, increased by 19.0% from the same period of last year. Revenue from sales were categorized as follows:
  - I. **Revenue from sales of fashion segment** was THB 24,317 million, increased by 27.8% from the same period of last year. This was due to an increase in sales in both Thailand and Italy markets after normal operations, reduced customer concerns thanks to thorough vaccine distribution, tourism recovery from the easing of international travel restrictions in the second quarter. During the same period last year, the segment continued to be impacted by the COVID-19 outbreaks, that is, for Thailand, in January and from April onwards, and for Italy, in January and March. Moreover, it gained benefit from the government's Shop Dee Mee Kuen scheme (Shop and Payback) at the beginning of the year. Another part comes from positive feedback after the rebranding of Robinson Department Store Khon Kaen into Central Department Store in December last year. The omnichannel sales such as Central App and new O2O channel (e.g., Personal Shopper, Social Commerce, Chat & Shop, and e-Ordering) have continued to increase and grew by 17% from the same period of last year.
  - II. **Revenue from sales from hardline segment** was THB 36,549 million, increased by 15.9% from the same period of last year. This was due to the growth of both existing and new stores, as all of which could operate as usual while the demands for home improvement and décor continued to increase. Moreover, students have returned to school from their semester break and employees no longer work from home in the second quarter. There were also launches of new stores namely Thai Watsadu (Chaiyapoom), BnB home (Chanthaburi) and specialty stores including, new format stores, namely go!WOW and go!Power. Moreover, there were sales generated by the COL, which was consolidated with the Company since February 2021. New stores expansion of its subsidiaries, namely B2S and OfficeMate as well as the growth of MEB due to the continuous increase in demand for electronic books (E-Books). The omnichannel grew by 30% from the same period of last year.
  - III. **Revenue from sales from food segment** was THB 41,031 million, increased by 17.1% from the same period of last year. This was mainly due to the Vietnam market, as the COVID-19 situation there has eased while there was an increase in sales generated by the launches of new stores of Mini go! (go!) and the rebranding of Big C to GO! hypermarket or Tops Market in the previous year. For the business in Thailand, food segment marked a steady increase in sales thanks to the Company's strict COVID-19 prevention measures and customers' reduced concerns as vaccinations were effortlessly accessible. Moreover, all stores have operated as usual, leading to a rise in customer traffic. Stores in major tourist provinces have recovered from the relaxation of international travel restrictions. The omnichannel grew by 82% from the same period of last year.

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2. **Revenue from rental service** was THB 3,122 million, increased by 18.4% from the same period of last year, as a result of an increase in numbers of foot traffic due to the better situation of COVID-19 outbreaks. The Company still aids some tenants, even though they could reopen their services, by offering discounts on rental fees, but at a reduced rate.
3. **Revenue from rendering of services** was THB 605 million, increased by 12.3% from the same period of last year. It was mainly due to an increase in numbers of service users in food courts, especially at the stores located in the proximity of office buildings.
4. **Gross profit** was THB 27,659 million, increased by 25.4% from the same period of last year. Main components of the gross profit were as follows:
  - **Gross profit from sales** was THB 24,965 million, increased by 26.5% and gross profit margin was 24.5%, compared to 23.1% from the same period of last year. It was mainly due to changes in sales proportions (sales mix) of each segment. For the fashion segment, which reached a higher profit margin compared to the others, it achieved a significant increase in sales. In addition, sales of high-margin products have increased as customers have returned to in-store shopping. As for Thailand segment, trade discounts have been appropriately adjusted. For the hardline segment, the gross profit margin was slightly lower as costs of imported goods rose due to higher oil prices and the decline in high-margin sales. For the food segment, the profit margin was slightly higher from the selling of more private label products and continually adjusted product assortments.
  - **Gross profit from rental services and rendering of services** was THB 2,695 million, increased by 16.3% from the same period of last year. This was mainly due to the number of foot traffic increased, the Company generated more rental and service fees. However, the gross profit was 72.3% which slightly declined from the same period of last year at 73.0%
5. **Other income** was THB 7,374 million, increased by 13.0% from the same period of last year. This was mainly due to an increase in promotional and advertising income and logistics and distribution income in line with the increase in sales.
6. **Selling expenses** were THB 21,579 million, increased by 8.4% from the same period of last year. This corresponded to the increase in sales due to the normal operations of department stores and stores expansion, which caused expenses related to salespeople, promotional and advertisement, rental fees, utilities and credit card fees to increase. However, the Company has effectively managed the selling expenses and selling expenses to total revenue declined to 19.1% in first half from 20.9% in the same period of last year.
7. **Administrative expenses** were THB 8,693 million, increased by 14.6% from the same period of last year. This was mainly due to expenses related to an increase of employees, technology expenditure for the purpose of developing the omnichannel system, an increase in land and building tax as the Thai government's land tax discount scheme was repealed, and a loss from foreign exchange. On

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the other hand, the provision for bad debts and the cost of obsolete goods decreased thanks to better management. The administrative expenses to total revenue declined to 7.7% in this quarter from 7.9 % in the same period of last year.

8. **Finance costs**, which were interest expenses from loans and lease agreement was THB 1,603 million, increased by 5.6 % from the same period of last year due to an increase in the interest rate of loan.
9. **Share of profit of associates and joint ventures** was THB 279 million, increased by 146.5% from the same period of last year due to increasing profits contributed by associates and joint ventures.
10. **Tax expense (income)** was THB 611 million, increased by 348.5% from the same period of last year.

### Financial Position

1. **Total assets** as of 30 June 2022 and 31 December 2021 were THB 260,079 million and THB 263,228 million, respectively, which decreased by THB 3,149 million or 1.2%. This was substantially due to the decrease in cash and cash equivalent of THB 5,244 million, right-of-use asset of THB 1,885 million, other current receivable of THB 1,137 million, current financial investment of THB 921 million. While there was an increase in property, plant, and equipment of THB 2,591 million, inventory of THB 879 million, goodwill of THB 870 million and investment in associates and joint ventures of THB 495 million.
2. **Total liabilities** as of 30 June 2022 and 31 December 2021 were THB 197,622 million and THB 204,147 million, respectively, which decreased by THB 6,525 million or 3.2%. This was substantially due to the decrease in trade payable of THB 2,920 million, lease liabilities of THB 2,342 million, other current payable of THB 731 million and short-term loans and long-term loans including current portion of long-term loans of THB 322 million.
3. **Total equity** as of 30 June 2022 and 31 December 2021 were THB 62,457 million and THB 59,081 million, respectively, which was an increase of THB 3,376 million or 5.7%. This was substantially due to the increase retained earnings of THB 881 million from net profit of THB 2,690 million in first half and dividend payment of THB 1,809 million and other components of equity-mainly from gain on remeasurements of defined benefit plans of THB 2,453 million.

### Capital Structure

As of 30 June 2022, the Company's capital structure comprised of total liabilities of THB 197,622 million, which included interest-bearing debts of THB 77,244 million (excluding lease liabilities), and total shareholders' equity totaled THB 62,457 million. Net interest-bearing debt to equity ratio was at 1.06 times

## Statement of Cash Flows

For the six months period ended 30 June 2022, the Company reported the cash flows as follows:

- 1) Cash flows from (used in) operating activities of THB 8,906 million, increased by THB 5,007 million from the same period of last year. This was substantially due to an increase of profit after adjusted to cash of THB 3,580 million and changes in operating assets and liabilities being a cause of cash increased of THB 1,722 million, while tax paid increased of THB 296 million.
- 2) Cash flows from (used in) investing activities was THB (6,381) million, decreased by THB 7,648 million from the same period of last year. This was substantially due to the acquisition of subsidiaries COL of THB 10,778 million last year. The increase of net disposal of other current financial assets of THB 616 million while the increase of net acquisition of property, plant, equipment and investment property and acquisition of other intangible assets were THB 3,310 million and THB 177 million respectively.
- 3) Cash flows from (used in) financing activities of THB (8,143) million, decreased by THB 17,915 million from the same period of last year. This was substantially due to loans (net) decreased of THB 16,552 million. The Lease liabilities increased by THB 1,606 million while decreased of dividend payment by THB 353 million.

## Business outlook

The Company is committed to creating sustainable growth for the business and to **becoming Asia's No. 1 Retailer of the Future** through its **CRC Retaillence Strategy** with 4 key strategies:

- 1) **Reinvent Next-Gen Omni Retail** – Elevate omnichannel platforms by merging physical and virtual worlds, and leveraging new digital technologies to deliver next-level shopping experiences across all business segments, including food, fashion, hardline, property and new businesses across Thailand, Vietnam, and Italy.
- 2) **Accelerate Core Leadership** – Accelerate growth across Central Retail's core businesses, both locally and globally, and capture new growth opportunities with world-class partners.
- 3) **Build New Growth Pillars** – Capture new business opportunities by starting with the health and wellness segment followed by other segments that tap into changing global trends and consumer needs.
- 4) **Drive Partnership, Acquisition and Spin-Off** – Expand the business under the concept of inclusive growth, inspiring collective success with partners and enabling value-led sustainability.

In addition, leveraging data in the CRC Data Ecosystem as a key driver and analyzed customer insights collected in the The 1 member database and other loyalty programs in order to cater products and services that truly meet each customer's needs in a hyper personalized manner. Moreover, it also developed and upgraded omnichannel platforms to cover all business groups in every country so as to

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strengthen the organization, making it resilient, stable, and sustainably grow. In this regard, the Company is determined to improve the operation process of all business units, execute financial management for liquidity, and emphasize the local and global expansion of strategic growth projects in pursuit of future gains. For example, the expansion of Thai Watsadu stores, Robinson Lifestyle, and GO! Vietnam, including development of new concept stores or brands to meet customers' individual demands. Importantly, the Company focus on inclusive growth with our partners and actively exploring new opportunities to acquire (M&A) high potential businesses for the new revenue to boost revenues and enhance business capabilities in line with its growth plan in a stable and sustainable manner.

Furthermore, the Company aimed at achieving a global goal in becoming a Net Zero through the management of climate change, efficient energy management, waste management, thus committed to reducing greenhouse gas emissions, cutting the use of plastics, and promoting environmental-friendly packaging while also lessening amount of food losses and waste constantly. In addition, the Company is also determined to promote corporate governance and business ethics, valuing all stakeholders and improving the quality of life for everyone. Emphasis is placed on the distribution of healthy & safe products for consumers, human capital development, the creation of economic value for the community and the development of local products (Community Contribution), as well as customer relationship and brand management. In this regard, the Company has already published information regarding the operations in its "Sustainability Report" at <https://www.centralretail.com/th/document/sustainability-reports>