

Translation

Date: November 10, 2022

Subject: Management Discussion and Analysis for the Third 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 three-month and nine-month periods ended 30 September 2022, which has been reviewed by its Certified Public Accountant as follows:

1. Operating Results: the Company and its Subsidiaries

(unit: million Baht)	Q3/22	Q3/21	YoY	9M/22	9M/21	YoY
Consolidated Financial Performance						
Sales	110,162	53,824	104.7%	329,793	162,505	102.9%
<i>Wholesale business</i> ⁽¹⁾	60,311	53,824	12.1%	176,342	162,505	8.5%
<i>Retail business</i> ⁽²⁾	49,851	n/a	n/a	153,451	n/a	n/a
Revenue from rental and rendering retail services	3,447	74	4,519.4%	9,952	253	3,831.3%
Total revenues	115,559	54,971	110.2%	345,444	166,024	108.1%
Gross profit from sales	15,951	5,642	182.7%	46,654	16,345	185.4%
<i>Gross profit margin from sales (%)</i>	14.5	10.5	4.0 ppts	14.1	10.1	4.0 ppts
EBITDA ⁽³⁾	8,411	2,796	200.8%	25,147	8,557	193.9%
Finance costs	1,826	137	1,230.1%	4,918	409	1,102.3%
Net profit	1,602	1,572	1.9%	5,225	4,593	13.8%
<i>Wholesale business</i> ⁽¹⁾	1,573	1,572	0.1%	4,670	4,593	1.7%
<i>Retail business</i> ⁽²⁾	29	n/a	n/a	555	n/a	n/a
Earnings per share (Baht per share)	0.15	0.33	(53.8%)	0.49	0.96	(48.4%)

(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

1.1. 3Q/2022 Performance of the Company and its Subsidiaries

Revenue

In the third quarter of 2022 ("3Q/2022"), the Company and its subsidiaries reported sales revenue of Baht 110,162 million, an increase of Baht 56,338 million or 104.7% year-on-year ("YoY"), due mainly to the business combination of the retail group since October 25, 2021, and the continued sales growth of Baht 6,487 million or 12.1% from Makro-Thailand, Makro-International as well as Food Service APME because of recovering from the reopening of international borders in core operating countries alongside less stringent travel restrictions in the Asia-Pacific market.

In addition, the Company and its subsidiaries' revenues from rental and rendering retail services of Baht 3,447 million, rendering of services of Baht 1,353 million, and other income of Baht 597 million totaled Baht 5,397 million, an impressively growth of Baht 4,250 million, or 370.8% compared to the same period last year, primarily due to a Baht 3,327 million improvement in revenue from rental and rendering retail services from the retail business. Therefore, the Company and its subsidiaries had total revenues of Baht 115,559 million in 3Q/2022, an increase of 110.2% compared to the same period last year.

Gross profit from sales revenue

The Company and its subsidiaries in 3Q/2022 had a gross profit margin of 14.5% of the total sales revenue, increased from 10.5% in the same period last year, primarily due to combination of the retail group. The gross profit margin of retail business stood at 19.1% higher than the previous quarter of 18.0%.

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

The Company and its subsidiaries recorded cost of rental and rendering of services of Baht 1,519 million in 3Q/2022, an increase of Baht 1,503 million from the same period last year, mainly attributable to the retail business. Meanwhile the distribution costs and administrative expenses were Baht 16,031 million, which represented 13.9% of total revenues and an increase of Baht 11,431 million or 248.5% YoY from the retail business expense of Baht 10,361 million. The wholesale business saw an increase of Baht 1,070 million, due to higher operational expenditure along with a greater number of stores, delivery costs from the sales growth of online channels, full-charge land and buildings taxes compared to the previous year rate of only 10.0%, and costs of the new investment under the Company's strategic plan. In addition, utility expenditures increased mostly due to a change in an energy adjustment charge ("FT") at the late of this quarter.

Earnings before interest, tax, depreciation, and amortization (“EBITDA”)

In 3Q/2022, the Company and its subsidiaries posted a positive EBITDA of Baht 8,411 million, an increase of Baht 5,615 million or 200.8%, compared to the same period last year. This represents 7.3% of total revenues, an increase from the previous quarter's EBITDA margin of 5.1% due mostly to the merger of the retail business.

Net Profit

In 3Q/2022, the Company and its subsidiaries had a net profit of Baht 1,602 million, or Baht 0.15 per share, an increase of Baht 30 million or 1.9% YoY, due to expenditures related to the online platform's development and higher finance costs in relation to an increase in the benchmark interest rate.

For the nine-month period of 2022 (“9M/2022”), the Company and its subsidiaries had the total revenue of Baht 345,444 million and rental and rendering of services costs, distribution costs, and administrative expenses were at Baht 50,903 million. After the deduction of finance costs of Baht 4,918 million and income tax expense of Baht 1,919 million, the Company and its subsidiaries had net profit of Baht 5,225 million, rose by 13.8% compared to the same period of the previous year.

2. Operating Results by Business Division

2.1. The Wholesale Business Performance

(unit: million Baht)	Q3/22	Q3/21	YoY	9M/22	9M/21	YoY
Wholesale Business						
Sales	60,311	53,824	12.1%	176,342	162,505	8.5%
Other revenues ⁽¹⁾	1,408	1,147	22.8%	4,037	3,519	14.7%
Total revenues	61,719	54,971	12.3%	180,379	166,024	8.6%
Gross profit from sales	6,420	5,642	13.8%	18,159	16,345	11.1%
<i>Gross profit margin from sales (%)</i>	<i>10.6</i>	<i>10.5</i>	<i>0.1 ppts</i>	<i>10.3</i>	<i>10.1</i>	<i>0.2 ppts</i>
EBITDA ⁽²⁾	3,096	2,796	10.7%	9,204	8,557	7.5%
Net profit	1,573	1,572	0.1%	4,670	4,593	1.7%
Number of Stores (stores)	154	145	9	154	145	9
<i>Thailand</i>	<i>147</i>	<i>138</i>	<i>9</i>	<i>147</i>	<i>138</i>	<i>9</i>
<i>Overseas</i> ⁽³⁾	<i>7</i>	<i>7</i>	<i>-</i>	<i>7</i>	<i>7</i>	<i>-</i>
Sales Space (sq.m.)	830,216	811,307	18,909	830,216	811,307	18,909
<i>Thailand</i>	<i>796,277</i>	<i>777,368</i>	<i>18,909</i>	<i>796,277</i>	<i>777,368</i>	<i>18,909</i>
<i>Overseas</i> ⁽³⁾	<i>33,939</i>	<i>33,939</i>	<i>-</i>	<i>33,939</i>	<i>33,939</i>	<i>-</i>

(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 3Q/2022, the wholesale business reported sales of Baht 60,311 million, which increased by Baht 6,487 million, or 12.1% YoY, primarily attributable to a 10.6% growth at Makro-Thailand, with 5.5% and 5.1% growth from in-store and online sales, respectively. Supportively, ten new stores have been operated since from the third quarter of 2021 ("3Q/2021"), coupled with the sales growth of Makro-International from Cambodia, Myanmar, and India. While Food Service APME's sales continue to grow and outpace the pre-COVID-19 pandemic level, this is due to the robust growth of the hotel, restaurant, and catering operator ("HoReCa").

When combined with revenue from rendering services of Baht 1,080 million, revenue from rental and retail services of Baht 120 million, and other income of Baht 208 million, totaling Baht 1,408 million increased by Baht 261 million, or 22.8% YoY, mainly owing to an increase in rental space from new stores. As a result, the

wholesale business group had total revenues of Baht 61,719 million, an increase of 12.3% compared to the same period last year.

Distribution Costs, and Administrative Expenses

In 3Q/2022, the wholesale business had distribution costs and administrative expenses totaling Baht 5,670 million, an increase of Baht 1,070 million or 23.2% YoY principally because:

- Distribution costs increased by Baht 684 million, or 21.0%, as a result of higher operational expenditure along with a larger number of stores, higher electricity expenses from the FT adjustment charge at the late of the quarter, a full-charge of land and buildings taxes compared to that of the previous year's rate of only 10.0%, higher delivery charges accompanied with a surge in sales growth through online distribution channels, and store area renovation costs to support the rapid expansion.
- Administrative expenses rose by Baht 386 million or 28.6%, mainly from costs related to the online business and the new investment as part of the strategic expansion plan.

Earnings before interest, tax, depreciation, and amortization ("EBITDA")

In 3Q/2022, the wholesale business posted a positive EBITDA of Baht 3,096 million, an increase of Baht 300 million or 10.7% compared to the same period last year. This represents 5.0% of total revenues, due mostly to the aforementioned expenses.

Net Profit

Considering a more impressive performance by the Food Service APME and a narrower loss in Makro-International compared to the same period last year, the wholesale business achieved a net profit of Baht 1,573 million in 3Q/2022 or an increase of 0.1%. Positively, Makro-Myanmar reported its first quarterly net profit since its inception. Nonetheless, there were expenses related to its strategic plan for the online business and the new investment, charges for store renovations to support sales growth with delivery services, taxes on land and buildings, and higher electricity costs due to the FT adjustment in late of this said quarter.

For 9M/2022, the wholesale business had the total revenue of Baht 180,379 million and distribution costs and administrative expenses were at Baht 15,768 million. After the deduction of finance costs of Baht 416 million and income tax of Baht 1,281 million, the wholesale business group had net profit of Baht 4,670 million, rose by Baht 77 million or 1.7 % compared to the same period of the previous year.

2.2. The Retail Business Performance

(unit: million Baht)	Q3/22	Q3/21	YoY	9M/22	9M/21	YoY
Retail Business ⁽¹⁾						
Sales	49,851	n/a	n/a	153,451	n/a	n/a
Revenue from rental and rendering retail services	3,327	n/a	n/a	9,632	n/a	n/a
Total revenues	53,889	n/a	n/a	165,114	n/a	n/a
Gross profit from sales	9,531	n/a	n/a	28,495	n/a	n/a
<i>Gross profit margin from sales (%)</i>	19.1	n/a	n/a	18.6	n/a	n/a
EBITDA ⁽²⁾	5,364	n/a	n/a	15,992	n/a	n/a
Net profit	29	n/a	n/a	555	n/a	n/a
Number of Stores (stores)	2,644	n/a	n/a	2,644	n/a	n/a
<i>Lotus's Thailand</i>	2,580	n/a	n/a	2,580	n/a	n/a
<i>Lotus's Malaysia</i>	64	n/a	n/a	64	n/a	n/a
Sales Space (sq.m.)	1,826,177	n/a	n/a	1,826,177	n/a	n/a
<i>Lotus's Thailand</i>	1,527,126	n/a	n/a	1,527,126	n/a	n/a
<i>Lotus's Malaysia</i>	299,051	n/a	n/a	299,051	n/a	n/a
Permanent Net Leasable Area (sq.m.)	1,039,871	n/a	n/a	1,039,871	n/a	n/a
<i>Lotus's Thailand</i>	729,905	n/a	n/a	729,905	n/a	n/a
<i>Occupancy rate (%)</i>	91.0	n/a	n/a	91.0	n/a	n/a
<i>Lotus's Malaysia</i>	309,966	n/a	n/a	309,966	n/a	n/a
<i>Occupancy rate (%)</i>	91.0	n/a	n/a	91.0	n/a	n/a

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

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

Revenue

In 3Q/2022, the retail business group had sales of Baht 49,851 million, rose by 5.8% YoY on the back of rising sales in all distribution channels. Furthermore, Lotus's Thailand online channels significantly grew by 60.0% compared to the same quarter of the previous year. Positively, its revenue from rental and rendering retail services continued to grow and marked at Baht 3,327 million, increased by 53.9% YoY, with a mall occupancy rate of 91.0% better than the previous quarter and the same period last year. However, a mall occupancy rate remains below the pre-COVID-19 pandemic normal rate of around 96.0%. As a result, the retail business recorded total revenues of Baht 53,889 million in 3Q/2022, elevated by 8.2% from the same period last year.

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

In 3Q/2022, the retail business incurred cost of rental and rendering of services of Baht 1,497 million. Meanwhile, distribution costs, and administrative expenses totaling Baht 10,361 million, comprising distribution costs of Baht 8,107 million, and administrative expenses of Baht 2,254 million, mainly from expenses associated with additional stores, amortization of new IT system and rebranding cost.

Earnings before interest, tax, depreciation, and amortization (“EBITDA”)

In 3Q/2022, the retail business posted a positive EBITDA of Baht 5,364 million, an increase of Baht 831 million or 18.3% compared to the same period last year. This represents 10.0% of total revenues increased from the previous quarter's EBITDA margin of 9.1%.

Net Profit

In 3Q/2022, the retail business reported a net profit of Baht 29 million, attributable from the finance cost incurred throughout the period has also increased mainly due to the significant increase in the benchmark interest rate for US dollar borrowings.

For 9M/2022, the retail business had the total revenue of Baht 165,114 million and rental and rendering of services costs, distribution costs, and administrative expenses were at Baht 35,070 million. After the deduction of finance costs of Baht 4,551 million and income tax of Baht 638 million, the group had net profit of Baht 555 million, rose by 160.5% 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 September 30, 2022, compared to December 31, 2021 are as follows:

	As of		Change	%
	30 September 2022	31 December 2021		
(unit: million Baht)				
Consolidated financial statements				
Assets				
Cash and cash equivalents, and Current investment	27,460	68,530	(41,070)	(59.9)
Other current assets	47,081	41,470	5,611	13.5
Non-current assets	461,230	459,490	1,740	0.4
Total assets	535,771	569,490	(33,719)	(5.9)
Liabilities				
Current liabilities	69,903	87,197	(17,294)	(19.8)
Borrowings from financial institutions	117,679	136,319	(18,640)	(13.7)
Non-current liabilities	59,339	57,476	1,863	3.2
Total liabilities	246,921	280,992	(34,071)	(12.1)
Total equity	288,850	288,498	352	0.1
Total liabilities and equity	535,771	569,490	(33,719)	(5.9)

Total Assets

As of September 30, 2022, the Company and its subsidiaries had total assets of Baht 535,771 million, decreased by Baht 33,719 million or 5.9% compared to as of December 31, 2021, owing to a decline of Baht 41,070 million in cash and cash equivalents, and current investment disbursed in a subsidiary's loan repayment to financial institutions, store expansion, new IT system, repayment liabilities for the goods at the ended year, and dividend payment.

Total Liabilities

As of September 30, 2022, the Company and its subsidiaries registered had total liabilities of Baht 246,921 million, a drop of Baht 34,071 million or 12.1% compared to as of December 31, 2021, owing primarily to a decline of Baht 18,640 million in borrowings from financial institutions as repayments during the period, a decrease of Baht 12,219 million in account payable from the payment due, and a reduction of Baht 4,467 million in other current payables from reimbursements of new store expansion and IT system.

Equity

As of September 30, 2022, the Company and its subsidiaries reported Baht 288,850 million in equity, an increase of Baht 352 million or 0.1% compared to as of December 31, 2021, owing primarily to its operating performance results for the period and interim dividend payment.

4. Statement of cash flows of the Company and its Subsidiaries

(unit: million Baht)	Consolidated	
	For the nine-month period ended 30 September	
	2022	2021
Net cash generated from (used in) operating activities	5,161	4,115
Net cash generated from (used in) investing activities	(12,610)	(1,796)
Net cash generated from (used in) financing activities	(33,129)	(7,607)
Exchange differences on translating financial statements	<u>86</u>	<u>65</u>
Net increase (decrease) in cash and cash equivalents	(40,492)	(5,223)
Cash and cash equivalents at the beginning of the period	64,555	10,484
Cash and cash equivalents at the end of the period	<u>24,063</u>	<u>5,261</u>

For the nine-month period ended 30 September 2022, the Company and its Subsidiaries had net cash generated from operating activities in the amount of Baht 5,161 million, mainly due to the operating results for the period. Net cash used in investing activities was Baht 12,610 million, primarily from acquisition of property, plant and equipment and other intangible assets other than goodwill. On the other hand, net cash used in financing activities was Baht 33,129 million, mainly from repayments of borrowings from financial institution due in the period, dividend paid, and repayment for liabilities under lease agreements. Therefore, the net decrease in cash and cash equivalents was Baht 40,492 million, with Baht 24,063 million of cash and cash equivalents at the end of the period.

5. Business Outlook

As part of the strategic expansion plan, the Company and its subsidiaries will enhance in-store and online sales in the fourth quarter of 2022 by opening new stores in a broad range of formats at high-traffic locations both in Thailand and overseas. Noticeably, the wholesale business group inaugurates new branches in Uttaradit (Thailand), India, and China, beginning in October onward. Supportively, the annual festival in the final three months of the year that takes place during the high season is drawing near, and it is expected to encourage people to spend money and reinvigorate the tourism industry. Furthermore, better consumer acclimatization to COVID-19, or even living with the virus, and the surge in travel demands have expedited to return to normalcy, which will improve the revenue from rental and rendering services of the group. However, the Company and its subsidiaries remain focused on expanding business internationally, notably in the Asia-Pacific region, to penetrate the clientele base and explore potential growth opportunities. Additionally, we continue to invest and enhance in an online platform to better accommodate ever-evolving demand of customers. Consequently, the Company and its subsidiaries strive to grow revenues and business operations sustainably.

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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