

IDR 09/2018

May 11, 2018

Re: Management Discussion and Analysis (MD&A) for the First Quarter of 2018

To: The President
The Stock Exchange of Thailand

CP All Public Company Limited (the Company or CPALL) would like to clarify operating results for the first quarter of 2018 which the Company and its subsidiaries reported net profit of Baht 5,417 million. The main reasons are as follows:

Total Revenue

In 1Q18, the Company and its subsidiaries' total revenue were Baht 128,046 million. An increase of 9.0 percent from the same period last year was mainly driven by higher sales revenue and service income of convenience store business and cash & carry business under the name "Siam Makro". Resilient revenue growth was a result of the Company's strategy to remain vigorous in store expansion to correspond to the change in consumer lifestyle, to serve convenience to all communities and to offer products and services that accommodate to customer demand.

Gross Profit

The Company and its subsidiaries' gross profit in the first quarter of 2018 was Baht 27,438 million, increased by 10.2 percent from the same period last year largely from higher sales revenue and service income of the convenience store business and Siam Makro. Thus, gross margin to sales and service income in the consolidated financial statement was 22.2 percent in 1Q18.

Selling and Administrative Expenses

In 1Q18, the Company and its subsidiaries' selling and administrative expenses rose to Baht 23,411 million, increased by 10.0 percent from 1Q17. Higher expenses were mainly related to store expansions including rental, utilities, and depreciation and amortisation expenses, as well as expenses that rose in relative to higher sales revenue such as store management fees and advertising and sale promotion expenses. Nevertheless, selling and administrative expenses breakdown is as follows:

Expense	1Q18
Personnel	27.2%
Store management fees	19.6%
Rental and depreciation and amortisation	17.9%
Advertising and sale promotion	12.0%
Utilities and others	23.3%
Total selling and administrative expenses	100%

Profit Before Interest and Tax Expenses, and Net Profit

In 1Q18, profit before interest and tax expenses was Baht 8,412 million, up 8.0 percent YoY mainly from higher revenue and efficient cost control. Net profit was Baht 5,417 million in 1Q18, increased by 13.7 percent from the same period last year. Earnings per share reported in the consolidated financial statements in 1Q18 was Baht 0.58. The improvement in net profit was mainly driven by decent business operations as well as no record of interest expenses on perpetual debentures in statement of income.

Business Segment Performance

In 1Q18, total revenue before elimination contributed from major businesses were, (1) convenience store business and other businesses accounted for 65 percent and (2) Siam Makro cash & carry business accounted for 35 percent. Revenue contribution from (1) CVS business and other businesses increased YoY due to higher revenue growth than (2) Siam Makro during the period.

Profit before tax before elimination contributed from major businesses in 1Q18 were, (1) convenience store business and other businesses accounted for 74 percent and (2) Siam Makro cash & carry business accounted for 26 percent. Profit before tax contribution from (1) CVS business and other businesses rose YoY on the back of higher profit before tax growth than (2) Siam Makro from improving operation as well as gain on sale of investment in Siam Makro in 1Q18.

Operating Results of the Convenience Store Business

In order to move toward our long-term goal of having 13,000 stores by 2021, new stores expansion has progressed on track during the quarter. In 1Q18, the Company has successfully opened 265 new stores in all types including corporate, store business partner (SBP) and sub-area. At the end of 1Q18, CPALL operated 10,533 stores nationwide, which can be broken down into:

(1) 4,737 corporate stores (45 percent of total stores), or a net new store of 207 stores,

(2) 5,796 SBP and sub-area stores (55 percent of total stores), or a net new store of 58 stores

Majority of our stores were stand-alone, making 86 percent of total stores, while the others were in PTT gas stations.

As mainly driven by dynamic store expansion and successful product strategy, in 1Q18 the convenience store business reported revenue from sales and services of Baht 73,786 million, increased by Baht 8,241 million or 12.6 percent YoY. In 1Q18, convenience store business has retained its positive SSSG at 5.6 percent and posted average sales of Baht 81,226 per store on a daily basis. In 1Q18, average spending per ticket was approximately at Baht 69 and there were 1,183 customer visits per store per day.

In 1Q18, sales of both food and non-food categories (excluding phone cards) grew at a decent level YoY and retained growth momentum from 4Q17. In 1Q18, sales of non-food products (excluding phone cards) grew stronger than sales of food products due to price increase of cigarette. As a result, food products sales mix accounted for 69.8 percent of total sales, while non-food products (excluding phone cards) accounted for 30.2 percent in 1Q18.

In 1Q18 gross profit amounted to Baht 20,257 million, increased by Baht 1,884 million or 10.3 percent YoY. Gross profit margin declined to 27.5 percent in 1Q18 from 28.0 percent in 1Q17 mainly owing to higher sales mix of lower-margin products.

Meantime, other income rose by Baht 4,212 million in 1Q18, increased by Baht 177 million or 4.4 percent YoY largely from higher sales promotion income from co-promotion campaigns with suppliers to boost sales.

In 1Q18, SG&A expenses were Baht 19,087 million, increased by Baht 1,666 million or 9.6 percent YoY. Higher SG&A expenses in 1Q18 also included disposal cost of investment in Siam Makro of Baht 106 million, while other operating expenses increased mainly in related to new store expansions and higher sales revenue.

In 1Q18, profit before interest and taxes of the convenience store business was Baht 6,370 million, increased by 24.9 percent from 1Q17, while net profit was Baht 3,981 million, increased by 48.3 percent YoY.

Impact of Partial Disposal of Interest in Subsidiary to Financial Statements

On 28 March 2018, the Company sold 4.8 percent of its interest in Siam Makro Public Company Limited (MAKRO) for Baht 10,131 million in cash. Following the transaction, CPALL's

shareholding in MAKRO reduced to 93.1 percent of the total issued share capital without a change in control over the subsidiary.

Impact to Financial Statements for the three-month period ended 31 March 2018 is as follows:

In the separate financial statements, investment in subsidiaries in statement of financial position was lower by Baht 9,224 million; meanwhile gain on sale of investment in subsidiary of Baht 907 million and disposal cost of Baht 106 million are recognised in statement of income. Net gain arising from on sale of investment was also subject to income tax in 1Q18.

In the consolidated financial statement, the Group recognised an increase in non-controlling interest of Baht 9,897 million and surplus from changes in ownership interest in subsidiary of Baht 81 million in statement of financial position (Surplus from changes in ownership interest in subsidiary of Baht 81 million, net of disposal cost of Baht 106 million and partial income tax expense of Baht 47 million, and the remaining income tax expense was booked in statement of income)

Management Outlook for Convenience Store Business in 2018

Store expansion	Following our plan to reach 13,000 stores by 2021, the Company will remain active in our new store rollouts following the growth of communities, various infrastructures, tourist destinations and other high potential areas in order to serve convenience to all communities. Thus, the Company plans to open approximately 700 new stores in 2018.
Sales and services revenue growth	The Company expects to continue delivering sales and services revenue growth as driven from contribution from new store and positive SSSG, which we forecast to grow in line with the projected economic growth in Thailand (GDP growth). However, this is subjected to other factors including inflation rate and private consumption growth.
Gross profit margin	Gross profit margin advancement is expected to continue on the back of our product strategy in order to cater to consumer demand. We also continue to drive higher sales participation of the higher-margin products in both food and non-food categories.
CAPEX	<p>CAPEX is projected to be approximately Baht 9,500-10,000 million with details as follows (unit: million Baht)</p> <ul style="list-style-type: none"> • Stores expansion 3,600 - 3,800 • Stores renovation 2,000 - 2,100 • Investment in new project, subsidiaries and DC 3,100 - 3,200 • Fixed assets and IT system 800 - 900

Please be informed accordingly.

Sincerely yours,

Mr. Kriengchai Boonpoapichart
 Chief Financial Officer
 Authorized to sign on behalf of the Company