

IDR 10/2019

May 9, 2019

Re: Management Discussion and Analysis (MD&A) for the First Quarter of 2019

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 2019 which the Company and its subsidiaries reported net profit of Baht 5,769 million.

The main reasons are as follows:

Total Revenue

In 1Q19, the Company and its subsidiaries' total revenue were Baht 138,896 million. An increase of 8.6 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 2019 was Baht 30,074 million, increased by 9.2 percent from the same period last year largely thanks to 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 22.4 percent in 1Q19, increased from 22.3% in the same period last year thanks to higher sales mix of higher-margin products.

Distribution costs and Administrative Expenses

In 1Q19, the Company and its subsidiaries' distribution costs and administrative expenses breakdown is as follows:

Expense	1Q19
Personnel	27.3%
Store management fees	19.9%
Rental and depreciation and amortisation	17.6%
Advertising and sale promotion	12.3%
Utilities and others	22.9%
Total distribution costs and administrative expenses	100%

The Company and its subsidiaries' distribution costs and administrative expenses rose to Baht 25,822 million, increased by 10.3 percent from 1Q18. Distribution costs were Baht 21,835 million, increased by 10.1% from the same period last year. Higher expenses were mainly related to store expansions, as well as expenses that rose in relative to higher sales revenue such as store management fees and advertising & sale promotion expenses, including higher utilities expenses. Meanwhile, administrative expense rose to Baht 3,985 million, or 11.8% from the same period last year mainly due to Siam Makro's international expansion.

Profit Before Interest and Tax Expenses, and Net Profit

In 1Q19, profit before interest and tax expenses was Baht 8,830 million, up 4.9 percent YoY mainly from higher revenue from business operation. Net profit was Baht 5,769 million in 1Q19, increased by 6.5 percent from the same period last year. Earnings per share reported in the consolidated financial statements in 1Q19 was Baht 0.61. The improvement in net profit was mainly driven by decent business operations as well as lower finance costs from the repayment maturity debenture last year.

Business Segment Performance

In 1Q19, total revenue before elimination contributed from major businesses were, (1) convenience store business and other businesses accounted for 65 percent and (2) Cash & Carry business accounted for 35 percent. Portion of revenue contribution from the businesses was similar to last year.

Profit before tax before elimination contributed from major businesses in 1Q19 were, (1) convenience store business and other businesses accounted for 76 percent and (2) Cash & Carry business accounted for 24 percent. Portion of profit before tax contribution from (1) CVS business and other businesses rose YoY on the back of higher profit before tax growth than (2) Cash & Carry business's.

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 1Q19, the Company has successfully opened 311 new stores in all types including corporate, store business partner (SBP) and sub-area. At the end of 1Q19, CPALL operated 11,299 stores nationwide, which can be broken down into:

- (1) 5,095 corporate stores (45 percent of total stores), or a net new store of 201 stores,
- (2) 6,204 SBP and sub-area stores (55 percent of total stores), or a net new store of 110 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 1Q19 the convenience store business reported revenue from sales and services of Baht 80,885 million, increased by

Baht 7,100 million or 9.6 percent YoY. In 1Q19, convenience store business has retained its positive SSSG at 3.1 percent and posted average sales of Baht 82,380 per store on a daily basis. In 1Q19, average spending per ticket was approximately at Baht 69 and there were 1,199 customer visits per store per day.

In 1Q19, sales of both food and non-food categories (excluding phone cards) grew at a decent level YoY. In 1Q19, sales of food products grew stronger than sales of non-food products (excluding phone cards) due to good sale in beverage and ready to eat products. As a result, food products sales mix accounted for 70.4 percent of total sales, while non-food products (excluding phone cards) accounted for 29.6 percent.

In 1Q19 gross profit amounted to Baht 22,668 million, increased by Baht 2,309 million or 11.3 percent YoY. Gross profit margin enhanced to 28.0 percent in 1Q19 from 27.6 percent in 1Q18 mainly owing to higher sales mix of higher-margin products.

Meantime, other income rose to Baht 4,512 million in 1Q19, increased by Baht 403 million or 9.8 percent YoY largely from higher sales promotion income from co-promotion campaigns with suppliers to boost sales.

In 1Q19, distribution costs and administrative expenses were Baht 21,080 million, increased by Baht 1,993 million or 10.4 percent YoY. Higher expenses were mainly related to store expansions, as well as expenses that rose in relative to higher sales revenue such as store management fees and advertising & sale promotion expenses, including higher utilities expenses.

In 1Q19, profit before interest and taxes of the convenience store business was Baht 6,361 million, decreased by 0.1 percent YoY. In 1Q18, the Company realised net gain on sale of investment in subsidiaries of Baht 801 million.

In 1Q19, net profit was Baht 4,026 million, increased by 1.1 percent YoY. In 1Q18, the Company realised profit from sale of investment in subsidiaries of Baht 641 million.

Management Outlook for Convenience Store Business in 2019

Store expansion	<p>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 2019.</p>
Sales and services revenue growth	<p>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.</p>
Gross profit margin	<p>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.</p>
CAPEX	<p>CAPEX is projected to be approximately Baht 11,500-12,000 million with details as follows (unit: million Baht)</p> <ul style="list-style-type: none"> ● Stores expansion 3,800 - 4,000 ● Stores renovation 2,400 - 2,500 ● Investment in new project, subsidiaries and DC 4,000 - 4,100 ● Fixed assets and IT system 1,300 – 1,400

Please be informed accordingly.

Sincerely yours,

Mr. Kriengchai Boonpoapichart

Chief Financial Officer

Authorized to sign on behalf of the Company