

IDR03/2017

February 23, 2017

Re: Notification on the Incremental of Net Profit FY2016 by More Than 20 Percent from the Same Period of the Previous Year of CP All Public Company Limited

To: The President
The Stock Exchange of Thailand

CP All Public Company Limited (the Company or CPALL) would like to explain the incremental of net profit exceeding 20% from the same period of last year for the year ended December 31, 2016 as follows;

Total Revenues

In 2016, the Company and its subsidiaries' total revenues were Baht 451,939 million. An increase of 11.3 percent from that of 2015 was mainly driven by higher sales revenue and services income of convenience store business, other supporting businesses and the cash & carries 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 customers demand.

Total revenues before elimination contributed from major businesses were, (1) convenience store business and other businesses in Thailand accounted for 64 percent (2) membership based Cash & Carry trade centers accounted for 36 percent. The revenue contribution from these businesses were at the same level in 2015

Gross Profit

In 2016, the Company and its subsidiaries' gross profit was Baht 95,024 million, increased by 11.4 percent from last year, which was mainly due to improved performance of the convenience store business, Siam Makro's business, and other supporting businesses. In addition, the Company has developed product strategy to customise and develop products that respond to customer's needs, which has resulted in higher sales participation of higher-margin products such as ready-to-eat food, fresh food, and health and beauty products. Thus, gross margin in the consolidated financial statement increased from 21.8 in 2015 to 21.9 percent in 2016.

Selling and Administrative Expenses

In 2016, the Company and its subsidiaries' selling and administrative expenses rose to Baht 83,666 million, increased by 13.2 percent from last year. Administrative expenses were Baht 12,475 million, which an increase by 4.9 percent YoY was largely owed to higher personnel expenses and depreciation and amortisation expenses. Selling expenses were Baht 71,191 million or up 14.8 percent YoY. Detail of selling expenses with significant changes as follows:

- 1) Advertising and sales promotion expenses were Baht 11,720 million, up 29.4 percent from last year, mainly due to marketing expenses and co-promotion campaign with suppliers to boost sales such as premiums redemption and stamp campaign where customers can collect stamps to redeem premiums or use as cash.
- 2) Store management fees increased 13.8 percent from last year to Baht 15,955 million, in line with higher revenue from sales and gross profit margin. In addition, franchise stores also increased according to the Company's store management strategy to expand more in franchise format
- 3) Sales personnel expenses were Baht 14,616 million, up 14.5 percent from last year, mainly due to an increase in numbers of personnel from store expansion of both convenience store business and Siam Makro business.
- 4) Rental and depreciation and amortization expenses were Baht 6,028 million and Baht 6,082 million, up 14.7 percent and 12.5 percent from last year respectively mainly due to expenses related to new store expansion, existing store renovation, as well as investment in other supporting businesses.

In addition, expenses such as utility expenses and other expenses including service fee and supplies costs also increased but at level lower than the revenue growth. These SG&A expenses vary according to sales growth and increase in number of stores.

Profit Before Tax and Net Profit

In 2016, profit before tax was Baht 20,142 million, up 19.3 percent from last year. Net profit was Baht 16,677 million, which was equivalent to earnings per share of Baht 1.85, up 21.9 percent from last year. The improvement in net profit was mainly due to revenue growth, improved margins as well as decrease of finance cost and lower income tax expenses, from the

windfall from government's temporary tax advantage on double deduction of depreciation expenses of the Company's certain capital expenditure incurred during the year.

Profit before tax before elimination be contributed from major businesses in 2016 were as follows:

- (1) Convenience store business and other businesses in Thailand accounted for 75 percent, increased from 70 percent last year as a result of better margins and lower financial expenses
- (2) Membership based Cash & Carry trade centers accounted for 25 percent, dropped from 30 percent in 2015. Although Siam Makro delivered sales revenue growth of more than 10 percent, but intense price war has curbed a decline in margin. Meanwhile, selling expenses increased from store expansion and high administrative expenses were due to pre-operating costs and feasibility study of the oversea expansion plan.

Operating Results of the Convenience Store Business

In 2016, the Company continued to expand "7-Eleven" stores to serve convenience to all communities in Bangkok and provincial areas. The new stores were in various store type including corporate, franchise and sub-area, where some were stand-alone stores and other were in gas stations. The Company has planned to open approximately 700 new stores in 2016 in order to achieve a total of 10,000 stores by 2018, which during 2016 the Company has successfully opened 710 new stores in various formats. At the end of 2016, CPALL operated 9,542 stores nationwide, which can be broken down into (1) 4,205 corporate stores (44 percent of total stores), an increase of 297 stores from last year, (2) 4,645 franchise stores (49 percent of total stores), an increase of 388 stores from last year, and (3) 692 sub-area stores (7 percent of total stores) an increase of 25 stores from last year.

Regarding products and services, the Company strived to become "the convenience food store of Thais" with the continuous improvement in food and beverages, ready-to-eat fruits and vegetables, and new products such as Japanese onigiri rice balls, egg menus, Thai desserts, fresh brewed coffee. These new products has received great feedback from customer as lifestyles get busier and looking for convenience. In 2016, food and beverage products accounted for 70.6 percent of sales mix, while non-food items (excluding phone cards) accounted for 29.4 percent. Key products in the non-food category were personal care and

household products. As sales of both food and non-food categories grew largely at the same pace, product mix remained relatively the same with last year.

On the back of the dynamic expansion and successful product strategy, in 2016 the convenience store business had revenue from sales and services of Baht 256,401 million, increased by Baht 25,252 million or 10.9 percent YoY. Convenience store business has retained its resilient SSSG at 2.4 percent in 2016 and posted average sales of Baht 78,706 per store on a daily basis. In 2016, average spending per ticket was at Baht 65 and there were 1,216 customers visits per store per day.

Gross profit margin advanced to 28.3 percent from 28.0 percent in 2015 and the gross profit amounted to Baht 72,551 million, an increase of 7,887 million or 12.2 percent YoY.

Meantime, other income increased to Baht 17,066 million in 2016, or an increase of Baht 3,079 million or 22 percent from last year as mainly from higher income on royalties and other fees relating to license income as well as higher sale promotion income from co-promotion campaigns with suppliers to boost sales such as premiums redemption and stamp collection campaign.

SG&A expenses were Baht 70,537 million in 2016, or an increase of Baht 8,278 million or 13.3 percent YoY. Higher expenses included personnel expenses, store management fee and depreciation, in related to store expansion and new distribution center opened in 2015.

Operating profit of the convenience store business was Baht 23,858 million, increased by 13.5 percent from last year, while net profit was Baht 14,099 million, increased by 23.9 percent YoY.

Management Outlook for Convenience Store Business in 2017

<p>Store expansion</p>	<p>The Company expects to achieve our first milestone of having 10,000 stores within 2017, earlier than what we have planned. Looking ahead, we 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. In the next milestone, CPALL plans to reach 13,000 stores in Thailand by 2021, thus we plan to open approximately 700 new stores in 2017.</p>
<p>Sales and services revenue growth</p>	<p>The Company expects to continue delivering sales and service 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>
<p>Gross profit margin</p>	<p>Gross profit margin advancement is expected to continue on the back of our product strategy to in order to cater to consumer demand. We also continue to drive higher sales proportion of the higher-margin products in both food and non-food categories.</p>
<p>CAPEX</p>	<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 3,400 - 3,600 ● Stores renovation 2,300 - 2,400 ● Investment in new project, subsidiaries and DC 3,000 - 3,100 ● Fixed assets and IT system 800 - 900

Please be informed accordingly.

Sincerely yours,

(Mr. Kriengchai Boonpoapichart)

Vice President

Authorized to sign on behalf of the Company