

August 9, 2019

Re: Management Discussion and Analysis (MD&A) for the Second 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 second quarter of 2019 which the Company and its subsidiaries reported net profit of Baht 4,795 million. The main reasons are as follows:

Total Revenue

In 2Q19, the Company and its subsidiaries' total revenue were Baht 143,326 million. An increase of 10.6 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 second quarter of 2019 was Baht 31,215 million, increased by 13.6 percent from the same period last year. Gross margin to sales and service income in the consolidated financial statement advanced from 22.0 percent in 2Q18 to 22.6 percent in 2Q19, mainly from higher sales mix of the high-margin products in convenience store business.

Distribution Costs and Administrative Expenses

In 2Q19, the Company and its subsidiaries' distribution costs and administrative expenses breakdown is as follows:

Costs and Expenses	2Q19
Personnel	29.1%
Store management fees	18.9%
Rental and depreciation and amortisation	16.1%
Advertising and sale promotion	12.6%
Utilities and others	23.4%
Total	100.0%

The Company and its subsidiaries' distribution costs and administrative expenses were Baht 28,849 million, increased by 17.2 percent from 2Q18. In 2Q19, distribution costs were Baht 23,870 million,

increased by 14.9 percent YoY mainly related to domestic store expansion, as well as expenses that rose in relative to higher sales revenue such as advertising and sale promotion expenses, store management fees of convenience store business and utilities expenses. Meanwhile, administrative expenses rose to Baht 4,979 million, or 29.9 percent from the same period of last year.

In the quarter, the Company and its subsidiaries have amended its retirement plan in compliance with the change of the Labor Protection Act in the second quarter of 2019. As a result of this change, the provision for retirement benefits as at 30 June 2019 as well as past service costs were recognized additionally amounting to Baht 809 million in the consolidated financial statement.

Profit Before Interest and Tax Expenses, and Net Profit

In 2Q19, profit before interest and tax expenses of the Company and its subsidiaries was Baht 7,296 million, decreased by 3.9 percent YoY. Net profit was Baht 4,795 million in 2Q19, increased by 0.3 percent from the same period last year mainly due to higher provision for retirement benefits. However, the profit from normal business operation of the Group was growing considerably along with lower finance costs compared to the same period of last year. Earnings per share reported in the consolidated financial statements in 2Q19 was Baht 0.51.

Operating Results for the First Half of 2019

In 1H19, the Company and its subsidiaries' total revenues amounted to Baht 282,134 million, increasing 9.6 percent from the same period of last year as mainly driven by higher sales revenue and services income. Net profit was Baht 10,564 million, up by 3.6 percent YoY. Earnings per share reported in the consolidated financial statements were Baht 1.12 in 1H19.

Business Segment Performance

In 1H19, total revenue composition, before elimination of related parties' transactions, was comprised of (1) convenience store business and other businesses accounted for 66 percent and (2) Cash & carry business accounted for 34 percent. The revenue composition of both businesses was at the similar level compared to the same period of last year.

The composition of profit before tax, before elimination of related parties' transactions, in 1H19 was comprised of (1) convenience store business and other businesses accounted for 81 percent and (2) Cash & Carry business accounted for 19 percent. In addition, the profit before tax proportion of (2) Cash & Carry business rose YoY due to higher growth of operating profit compared to (1) CVS business.

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 2Q19, the Company has successfully opened 229

new stores in all types including corporate, store business partner (SBP) and sub-area. At the end of 2Q19, CPALL operated 11,528 stores nationwide, which can be broken down into:

(1) 5,211 corporate stores (45 percent of total stores), or a net new store of 116 stores

(2) 6,317 SBP and sub-area stores (55 percent of total stores), or a net new store of 113 stores

Majority of our stores were stand-alone, making 85 percent of total stores, while the others were in PTT gas stations

As mainly driven by dynamic store expansion and successful product strategy, in 2Q19 the convenience store business reported revenue from sales and services of Baht 84,901 million, increased by Baht 7,828 million or 10.2 percent YoY. In 2Q19, convenience store business has retained its positive SSSG at 3.7 percent and posted average sales of Baht 83,725 per store on a daily basis in this quarter. In 2Q19, average spending per ticket was approximately at Baht 69 and there were 1,223 customer visits per store per day.

In 2Q19, sales of both food and non-food categories (excluding phone cards) grew at a decent level YoY. In 2Q19, sales growth of food products outpaced sales growth of non-food products (excluding phone cards) due to great potential for sales growth in ready-to-eat products and beverage. As a result, food products sales mix accounted for 71.8 percent of total sales, while non-food products (excluding phone cards) accounted for 28.2 percent.

In 2Q19 gross profit amounted to Baht 24,023 million, increased by Baht 2,628 million or 12.3 percent YoY. Gross margin increased to 28.3 percent in 2Q19 from 27.8 percent in 2Q18, mainly owing to higher sales mix of higher-margin products.

Meantime, other income rose to Baht 4,887 million in 2Q19, increased by Baht 345 million or 7.6 percent YoY largely from higher sales promotion income from co-promotion campaigns with suppliers to boost sales. Nevertheless, the Company recognized dividend income from subsidiaries in the amount of Baht 4,225 million, declined by Baht 282 million or 6.3 percent YoY.

In 2Q19, distribution costs and administrative expenses were Baht 23,837 million, increased by Baht 3,073 million or 14.8 percent YoY, mainly related to store expansions, as well as expenses that rose in relative to higher sales revenue such as advertising & sale promotion expenses, store management fees and, utilities expenses, including an increase of provision for retirement benefits of Baht 489 million.

In 2Q19, profit before interest and taxes of the convenience store business was Baht 9,298 million, decreased by 3.9 percent from 2Q18, while net profit was Baht 7,310 million, decreased by 2.2 percent YoY mainly resulted from an increase of provision for retirement benefits, higher operating expenses, and lower dividend income from subsidiaries.

For 1H19, convenience store business posted total revenues of Baht 179,671 million, increasing 8.8 percent from the same period of last year as mainly driven by higher sales revenue and services income. Meanwhile, net profit was Baht 11,337 million, decreased by 1.0 percent from the same period of last year.

As at June 30, 2019, the Company and its subsidiaries' net debt to adjusted equity according to definition of bond covenants was at 1.12 times, decreased from 1.28 times in the same period of last year. Lower net debt to equity was mainly driven by repayment of matured ordinary debentures and larger shareholders' equity base resulted from an increase in profit from business operation. The Company is obligated to comply with bond covenants with net debt to equity ratio calculated based on the consolidated financial statements for the period ended 31 December of each year, which covenants is not exceeding 2.0 times in 2018 onwards.

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 subsidaries 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