

Translation

Date: 7 August 2023

Subject: Management Discussion and Analysis for the Second Quarter of 2023

To: President of the Stock Exchange of Thailand

CP Axtra Public Company Limited (“the Company”) would like to announce the financial performance of the Company and its subsidiaries for the three-month and six-month period ended 30 June 2023, which has been reviewed by its Certified Public Accountant as follows:

1. Operating results: the Company and its subsidiaries

Consolidated Financial Performance (unit: million Baht)	Q2/23	Q2/22	YoY	1H/23	1H/22	YoY
Sales	115,980	113,363	2.3%	230,024	219,631	4.7%
<i>Wholesale business</i> ⁽¹⁾	63,795	59,409	7.4%	127,788	116,031	10.1%
<i>Retail business</i> ⁽²⁾	52,185	53,954	(3.3%)	102,236	103,600	(1.3%)
Revenue from rental and rendering retail services	3,485	3,295	5.7%	7,043	6,505	8.3%
Total revenues	121,612	118,670	2.5%	241,834	230,088	5.1%
Gross profit from sales	15,629	15,582	0.3%	31,646	30,703	3.1%
<i>Gross profit margin from sales (%)</i>	13.5	13.7	(0.2)	13.8	14.0	(0.2)
EBITDA ⁽³⁾	8,003	8,099	(1.2%)	17,041	16,736	1.8%
Finance costs	1,570	1,598	(1.7%)	3,465	3,092	12.1%
Net profit (Equity holders of the Company) ⁽⁵⁾	1,516	1,573	(3.6%)	3,682	3,623	1.6%
<i>Wholesale business</i> ^(1,4)	1,089	1,356	(19.6%)	2,986	3,097	(3.6%)
<i>Retail business</i> ⁽²⁾	427	217	96.1%	696	526	32.2%
Earnings per share (Baht per share)	0.14	0.15	(3.6%)	0.35	0.34	1.6%

(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

(4) The net profit included interest from investment restructuring of the retail business.

(5) The net profit excluded one time amortization of upfront fee and exchange rate gain/loss of Baht 185 million (net income tax) for 2Q23 and Baht 99 million (net income tax) for 1H23, grew by 8.1% and 4.2%, respectively.

1.1. Performance of the Company and its subsidiaries in 2Q/2023

Revenue

In the second quarter of 2023 ("2Q/2023"), the Company and its subsidiaries reported total revenues of Baht 121,612 million, an increase of Baht 2,942 million or 2.5% year-on-year ("YoY"). While revenue from sales of goods was Baht 115,980 million, which increased by Baht 2,617 million or 2.3% from the same quarter last year. Supportively, the revenue from wholesale business increased of 7.4% from the same quarter last year, owing to an increase in stores, Online, and Omni Channel sales of Makro-Thailand, along with an expansion of Makro-International across all countries. However, the revenue from the retail business slightly decreased 3.3% YoY, owing to a strategic shift in our operational strategy, as well as a reduction in operating hours across certain locations. Meanwhile, the proportion of Online and Omni Channel sales of the Company and its subsidiaries accounted for 12.4% of total sales.

In addition, the Company and its subsidiaries had revenues from rendering of services and other income of Baht 2,147 million, an increase of Baht 135 million or 6.8% compared to the same quarter last year, primarily from an increase in service income for promotional activities.

Revenue from rental and rendering retail services

In 2Q/2023, the Company and its subsidiaries had revenue from rental and rendering retail services of Baht 3,485 million, an increase of Baht 190 million or 5.7% from the same quarter last year. This was mainly attributable to the retail business, which increased revenue of Baht 163 million or 5.1% from the same quarter last year.

Therefore, the Company and its subsidiaries achieved a gross profit from rental and rendering retail services of Baht 1,929 million, an increase of Baht 135 million or 7.4% from the same quarter last year. Therefore, the gross profit margin increased to 55.3%, from 54.5% in the second quarter of 2022 ("2Q/2022").

Gross profit from sales revenue

In 2Q/2023, the Company and its subsidiaries had a gross profit margin of 13.5% of the total sales revenue, which decreased from 13.7% in 2Q/2022, primarily due to a slight decrease in the wholesale gross profit margin to 9.8% from 9.9% in 2Q/2022. While the retail gross profit margin remained flat at 18.0%.

Distribution costs and administrative expenses

The Company and its subsidiaries recorded distribution costs and administrative expenses of Baht 16,307 million in 2Q/2023, representing 13.4% of total revenues, which increased by Baht 436 million, or 2.7% YoY. This was primarily due to an increase in distribution costs and administrative expenses from the wholesale

business of Baht 628 million, as a result of higher electricity expenses from FT adjustments, and higher operating expenses from opening new stores, as well as the expense associated with a growth in Online and Omni Channel sales from the shifting consumer behavior.

In addition, the distribution costs and administrative expenses compared to total revenues of wholesale and retail businesses were 9.1% and 18.4%, respectively.

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

In 2Q/2023, the Company and its subsidiaries posted an EBITDA of Baht 8,003 million, a decrease of Baht 96 million or 1.2% compared to the same period last year. This represented 6.6% of total revenues.

Net profit

In 2Q/2023, the Company and its subsidiaries had a net profit of Baht 1,516 million, a decrease of Baht 57 million or 3.6% YoY. With the exception of an early amortization of the upfront fee and operating loss from forward exchange contracts related to loan prepayments in an amount of Baht 185 million (net income tax), the core profit in 2Q/2023 will be reported at Baht 1,701 million or an increase of 8.1%.

1.2 Performance of the Company and its subsidiaries in 1H/2023

For the first half of 2023 (“1H/2023”), the Company and its subsidiaries had total revenues of Baht 241,834 million, increased by Baht 11,746 million or 5.1% YoY. While revenue from sales of goods was Baht 230,024 million, which increased by Baht 10,393 million or 4.7% from the same period last year. This was mainly due to an increase in revenue from the wholesale business of 10.1%.

Meanwhile, the Company and its subsidiaries had revenue from rental and rendering retail services of Baht 4,767 million, an increase of Baht 815 million or 20.6% over the same period last year. This was mainly due to the wholesale business, which had an increase in revenue of Baht 402 million or 16.6% YoY, from sales promotion activities, as well as other income of Baht 318 million from an accounting gain from foreign exchange forward contracts related to loan prepayment from financial institutions of the retail business.

In 1H/2023, the Company and its subsidiaries had revenue from rental and rendering retail services of Baht 7,043 million, an increase of Baht 538 million or 8.3% over the same period last year. This was mainly due to the retail business, which increased revenues by Baht 482 million or 7.6% YoY. The rental and rendering retail services gross profit was reported at Baht 3,898 million. Therefore, the gross profit margin was at 55.3%, up from 54.5% in the same period last year.

The Company and its subsidiaries had a net profit of Baht 3,682 million, an increase of Baht 59 million or 1.6% YoY. With the exception of an early amortization of the upfront fee and operating loss from forward exchange contracts related to loan prepayments in an amount of Baht 99 million (net income tax), the core profit for 1H/2023 will be reported at Baht 3,781 million, or an increase of 4.2% YoY, aligned with sales growth.

2. Operating results by business division

2.1. The wholesale business performance

Wholesale Business (unit: million Baht)	Q2/23	Q2/22	YoY	1H/23	1H/22	YoY
Sales	63,795	59,409	7.4%	127,788	116,031	10.1%
Other revenues ⁽¹⁾	1,485	1,303	13.9%	3,087	2,629	17.4%
Total revenues	65,280	60,712	7.5%	130,875	118,660	10.3%
Gross profit from sales	6,231	5,877	6.0%	13,217	11,739	12.6%
<i>Gross profit margin from sales (%)</i>	9.8	9.9	(0.1)	10.3	10.1	0.2
EBITDA ⁽²⁾	2,812	2,825	(0.5%)	6,411	6,107	5.0%
Net profit ⁽³⁾	1,089	1,356	(19.6%)	2,986	3,097	(3.6%)
Number of Stores (stores)	163	154	9	163	154	9
<i>Thailand ⁽⁴⁾</i>	<i>153</i>	<i>147</i>	<i>6</i>	<i>153</i>	<i>147</i>	<i>6</i>
<i>Overseas</i>	<i>10</i>	<i>7</i>	<i>3</i>	<i>10</i>	<i>7</i>	<i>3</i>
Sales Space (sq.m.)	861,006	830,191	30,815	861,006	830,191	30,815
<i>Thailand ⁽⁴⁾</i>	<i>817,737</i>	<i>796,245</i>	<i>21,492</i>	<i>817,737</i>	<i>796,245</i>	<i>21,492</i>
<i>Overseas</i>	<i>43,269</i>	<i>33,946</i>	<i>9,323</i>	<i>43,269</i>	<i>33,946</i>	<i>9,323</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) The net profit included interest from investment restructuring of the retail business.

(4) During the end of the second quarter of 2022 and the end of the second quarter of 2023, 7 new stores were opened and 1 store was closed.

Revenue

In 2Q/2023, the wholesale business reported total revenues of Baht 65,280 million, which increased by Baht 4,568 million, or 7.5% YoY. Supportively, the revenue from sales of goods was Baht 63,795 million, rose by Baht 4,386 million or 7.4% YoY, as a result of an in-stores sales growth, new store opening, and Online and Omni Channel sales, particularly from Makro Thailand, as well as an expansion of Makro-International across all countries. Additionally, Makro-Thailand's same store sales growth (SSSG) was at 6.0%.

In this quarter, the wholesale business registered revenue from the rendering of services of Baht 1,132 million and other income of Baht 223 million, totaling Baht 1,355 million, which increased by Baht 155 million, or 12.9% YoY, mainly due to an increase in revenue from promotion activities of Makro-Thailand.

Revenue from rental and rendering retail services

The wholesale business had revenue from rental and rendering retail services of Baht 130 million, an increase of Baht 27 million or 25.7% YoY, primarily from Makro-Thailand. Therefore, the gross profit was Baht 98 million, with a gross profit margin of 75.5%.

Gross profit from sales revenue

In 2Q/2023, the wholesale business had a gross profit of 9.8%, an edge down from the same quarter last year, when the margin was 9.9%. This was primarily from a decrease in Foodservice APME gross profit, as a result of the market price competition to boost sales. However, the gross profit margin of Makro-Thailand increased owing to the efficiency improvement in fresh food.

Distribution costs and administrative expenses

In 2Q/2023, the wholesale business had distribution costs and administrative expenses totaling Baht 5,932 million, an increase of Baht 628 million or 11.8% YoY, principally because:

- Distribution costs increased by Baht 720 million, or 19.4% YoY, because of higher electricity expenses from FT adjustments, higher costs associated with a growth in Online and Omni channel sales, and costs related to new store expansions during Y2022 till 2Q/2023.
- Administrative expenses decreased by Baht 92 million or 5.8% from the same period last year.

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

In 2Q/2023, the wholesale business posted EBITDA of Baht 2,812 million, a decrease of Baht 13 million or 0.5% compared to the same quarter last year. This represented 4.3% of total revenues.

Net profit

In 2Q/2023, the wholesale business had the total net profit of Baht 1,089 million, down by 19.6% over the same quarter last year, mainly due to a decline profit of Makro-Thailand. This was mainly due to the expenses related to an investment in system to support Online and Omni Channel, a hike in electricity costs, as well as an increase in the interest from investment restructuring of the retail business. Additionally, Makro-International experienced a loss this quarter due to the store expansion in the late last year, and experience a decline profit in Foodservice APME.

For 1H/2023, the wholesale business had total revenues of Baht 130,875 million, increased by Baht 12,215 million or 10.3% YoY. While revenue from sales of goods was Baht 127,788 million, which increased by Baht 11,757 million or 10.1% YoY, mainly from Makro-Thailand, which represented 93.8% of the total sales.

The wholesale business had a net profit of Baht 2,986 million, a decrease of Baht 111 million or 3.6% YoY, primarily due to the interest from investment restructuring of the retail business, as well as a higher loss in Makro-International resulting from the store expansion in the late 2022 and a decline profit from Foodservice APME.

2.2. The retail business performance

Retail Business (unit: million Baht)	Q2/23	Q2/22	YoY	1H/23	1H/22	YoY
Sales	52,185	53,954	(3.3%)	102,236	103,600	(1.3%)
Revenue from rental and rendering retail services	3,355	3,192	5.1%	6,787	6,305	7.6%
Total revenues	56,332	57,958	(2.8%)	110,959	111,428	(0.4%)
Gross profit from sales	9,398	9,705	(3.2%)	18,429	18,964	(2.8%)
<i>Gross profit margin from sales (%)</i>	18.0	18.0	-	18.0	18.3	(0.3)
EBITDA ⁽¹⁾	5,191	5,274	(1.6%)	10,630	10,629	0.0%
Net profit	427	217	96.1%	696	526	32.2%
Number of Stores ⁽²⁾ (stores)	2,565	2,661	(96)	2,565	2,661	(96)
<i>Lotus's Thailand</i>	2,499	2,597	(98)	2,499	2,597	(98)
<i>Lotus's Malaysia</i>	66	64	2	66	64	2
Sales Space (sq.m.)	1,811,760	1,829,330	(17,570)	1,811,760	1,829,330	(17,570)
<i>Lotus's Thailand</i>	1,517,543	1,530,279	(12,736)	1,517,543	1,530,279	(12,736)
<i>Lotus's Malaysia</i>	294,217	299,051	(4,834)	294,217	299,051	(4,834)
Permanent Net Leasable Area (sq.m.)	1,070,495	1,032,871	37,624	1,070,495	1,032,871	37,624
<i>Lotus's Thailand</i>	747,552	724,906	22,646	747,552	724,906	22,646
<i>Occupancy rate (%)</i>	92.1	89.3	2.8	92.1	89.3	2.8
<i>Lotus's Malaysia</i>	322,943	307,965	14,978	322,943	307,965	14,978
<i>Occupancy rate (%)</i>	93.0	92.2	0.8	93.0	92.2	0.8

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

(2) During the end of the second quarter of 2022 and the end of the second quarter of 2023, 92 new stores were opened, and 188 stores were closed.

Revenue

In 2Q/2023, the retail business had total revenues of Baht 56,332 million, dropped 2.8% YoY. While the revenue from sales of goods was Baht 52,185 million, which decreased by 3.3% YoY. Similarly, the retail

business's same store sales growth (SSSG) shrank by 2.9%, owing to the decline in Lotus's Thailand sales after discontinuing the operation in some small stores in the location that are inconsistent with the strategic plan, as well as reducing the operating hours. Meanwhile, Lotus's Malaysia's sales declined, mainly due to the absence of government stimulus packages compared to the same quarter last year, and the shift in consumer behaviors that prefer to shop closer to their neighborhoods.

Revenue from rental and rendering retail services

The retail business had revenue from rental and rendering retail services in 2Q/2023 of Baht 3,355 million, an increase of 5.1% YoY, primarily from an increase in rental rates and spaces as a result of the strategic shift in sales space to mall areas (Mall extension). Additionally, the occupancy rates of Lotus's Malaysia and Lotus's Thailand stood at 93.0% and 92.1%, respectively, which improved from the same quarter last year.

The retail business had a gross profit from rental and rendering retail services of Baht 1,831 million, an increase of Baht 117 million, or 6.8% YoY. This represented a gross profit margin of 54.6%, increased from 53.7% in 2Q/2022.

Gross profit from sales revenue

In 2Q/2023, the retail business had a gross profit of 18.0%, maintained from the same quarter last year.

Distribution costs and administrative expenses

In 2Q/2023, the retail business had distribution costs and administrative expenses totaling Baht 10,375 million, a decrease of Baht 192 million or 1.8% YoY, owing to the administrative expenses related to development of IT system. While the distribution costs were similar to the same quarter last year, despite a significantly higher electricity costs from FT adjustments in both Thailand and Malaysia. Hence, this represented 18.4% of total revenues.

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

In 2Q/2023, the retail business posted EBITDA of Baht 5,191 million, a decrease of Baht 83 million, or 1.6% compared to the same quarter last year, due mainly to a decrease in sales. This represented 9.2% of total revenues.

Net Profit

In 2Q/2023, the retail business reported a net profit of Baht 427 million, an increase of Baht 210 million, or 96.1% YoY, attributable from lower borrowing costs as a result of debt restructuring. However, the cost of electricity has significantly risen. In this quarter, the retail business had an early amortization of the upfront fee and operating loss from forward exchange contracts related to loan prepayments in an amount of Baht 185 million (net income tax).

For 1H/2023, the retail business had total revenues of Baht 110,959 million, which decreased by Baht 469 million, or 0.4% YoY. Besides, the revenue from sales of goods was Baht 102,236 million, which decreased by Baht 1,364 million, or 1.3% YoY. This decline is primarily attributed to a decrease of 8.4% from Lotus's Malaysia sales, while there has been a decline of 5.8% YoY in sales denominated in Malaysian Ringgit, owing to the lack of government stimulus packages compared to the same period last year as well as a shift in consumer behavior that prefers to shop closer to their neighborhoods. Meanwhile, Lotus's Thailand sales marginally increased by 0.3% YoY.

Additionally, the retail business had revenue from rental and rendering retail services of Baht 6,787 million, an increase of 7.6% YoY, primarily from an increase in rental rates and spaces as a result of the strategic shift in sales space to mall areas (Mall extension).

Henceforth, the retail business had a net profit in 1H/2023 of Baht 696 million, an increase of Baht 170 million or 32.2% YoY, primarily from our successful debt restructuring initiatives resulting in a decrease in borrowing costs. Despite considerable increases in electricity costs. In 1H/2023, the retail business had an early amortization of the upfront fee and operating loss from forward exchange contracts related to loan prepayments in an amount of Baht 99 million (net income tax).

3. Statement of financial position of the Company and its subsidiaries

The financial position of the Company and its subsidiaries as of 30 June 2023, compared to 31 December 2022 are as follows:

Consolidated financial statements (unit: million Baht)	30 June 2023	31 December 2022	Change	percent
Assets				
Cash and cash equivalents	13,053	40,103	(27,050)	(67.5%)
Other current assets	44,577	47,252	(2,675)	(5.7%)
Non-current assets	461,947	461,288	659	0.1%
Total assets	519,577	548,643	(29,066)	(5.3%)
Liabilities				
Current liabilities	70,289	89,125	(18,836)	(21.1%)
Interest-bearing debts ⁽¹⁾	99,392	111,662	(12,270)	(11.0%)
Non-current liabilities	58,985	56,925	2,060	3.6%
Total liabilities	228,666	257,712	(29,046)	(11.3%)
Total equity	290,911	290,931	(20)	(0.0%)
Total liabilities and equity	519,577	548,643	(29,066)	(5.3%)

(1) Interest-bearing debts excluding lease liabilities.

Total assets

As of 30 June 2023, the Company and its subsidiaries had total assets of Baht 519,577 million, which included the goodwill of Baht 234,735 million, decreased by Baht 29,066 million, or 5.3% compared to as of 31 December 2022, owing to a decline of Baht 27,050 million in cash and cash equivalents disbursed in a subsidiary's loan prepayment and interests to financial institutions of the retail business, repayment liabilities for the goods at the end of the year, store expansion, and investments related to the IT system to support online business.

Total liabilities

As of 30 June 2023, the Company and its subsidiaries registered total liabilities of Baht 228,666 million, a drop of Baht 29,046 million, or 11.3% compared to as of 31 December 2022, owing primarily to the repayments of borrowing from financial institutions of the retail business and a decrease in trade account payable from the payment at the end of the year.

Equity

As of 30 June 2023, the Company and its subsidiaries reported Baht 290,911 million in equity, a decrease of Baht 20 million compared to as of 31 December 2022.

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

(unit: million Baht)	Consolidated For the six-month period ended 30 June	
	2023	2022
Net cash generated from (used in) operating activities	1,560	8,053
Net cash generated from (used in) investing activities	(6,953)	(9,705)
Net cash generated from (used in) financing activities	(21,136)	(23,747)
Exchange differences on translating financial statements	(521)	9
Net increase (decrease) in cash and cash equivalents	(27,050)	(25,390)
Cash and cash equivalents at the beginning of the period	<u>40,103</u>	<u>68,529</u>
Cash and cash equivalents at the end of the period	<u>13,053</u>	<u>43,139</u>

For the six-month period ended 30 June 2023, the Company and its subsidiaries had net cash generated from operating activities in an amount of Baht 1,560 million, mainly due to the operating during the period. Net cash used in investing activities was Baht 6,953 million, primarily from investment in new store expansions and IT systems to support the online business. Additionally, net cash used in financing activities was Baht 21,136 million, mainly from repayments of borrowings from financial institutions. From the aforesaid use of funds, the net decrease in cash and cash equivalents was Baht 27,050 million, which resulted in cash and cash equivalents of Baht 13,053 million at the end of the period.

5. Business outlook on the second half of 2023

The Company and its subsidiaries have strategically set goals for robust growth across multiple channels, including in-store, Online, and Omni Channel. Our ambitious plans for the second half of 2023 entail expanding our store footprint in various formats, both domestically and internationally. This expansion will encompass 8-10 large-scale stores alongside 70-80 mid- to small-sized stores. Furthermore, we are delighted to introduce our innovative “Hybrid Model”, which will undoubtedly revolutionize the industry. This model shall leverage the synergistic prowess of both wholesale and retail businesses seamlessly, amalgamating their formidable capabilities in shopping center management services and offering fresh food, along with excellent consumer product procurement at an appealing price that impeccably caters to the discerning demands of our customers. Furthermore, our esteemed establishment will encompass a Wholesale Hypermarket that prides itself on its expertise in offering everyday low prices, ensuring utmost convenience, and maintaining impeccable cleanliness, as well as a Smart Store that gives smart purchasing experiences in the digital realm.

Nevertheless, the Company and its subsidiaries are committed to growing the business by investing in the development of the online system and infrastructure to support the growth of the Omni Channel, as well as expanding in many dimensions, such as Hyper-Personalization, which provides a more tailored and personalized range of products and promotions. Additionally, we are bolstering our salesforce team to enhance the growth of our food retailer and restaurant businesses. By the year 2024, we anticipate that the Omni Channel will account for a substantial 15-20% portion of our total sales.

In addition, the Company and its subsidiaries intend to transform shopping centers in some existing stores across the nation into “Smart Community Centers”. These centers shall be adorned with exquisite designs, offering an array of products, services, and rental shops that cater to the diverse lifestyles of individuals in specific locales. In conjunction with our robust marketing strategy aimed at promoting the Smart Community Center, we anticipate a substantial increase in customer acquisition, resulting in heightened engagement. As previously mentioned, this will have a positive impact on revenue from rental and rendering retail services. Henceforth, the Company and its subsidiaries will grow sustainably. During the first half of the year, the Company and its subsidiaries were able to successfully execute repayment debt and borrowing Thai baht debts to prepayment the US Dollar interest bearing debt. As a result, it is anticipated that the overall finance costs for the second half of the year will be significantly lower.

Please be informed accordingly.

Yours faithfully,

CP Aextra Public Company Limited

(Saowaluck Thithapant)

Group Chief Executive Officer - Makro Business and

Group Chief Financial Officer

SET & Investor Relations

Tel. 02 067 8999 Ext. 8285 and 9341 Email: ir@siammakro.co.th