

1. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis should be read in conjunction with Makro's Financial Statements and Makro's Pro Forma Financial Information, the notes thereto and related reports thereon, and Lotus's Financial Statements and Lotus's Unaudited Pro Forma Consolidated Financial Information, the notes thereto and related reports thereon included elsewhere in this Offering Memorandum. Makro's and Lotus's financial information set forth herein has been presented in conformity with TFRS, which differs in certain material respects from IFRS. ~~For a description of certain differences between TFRS and IFRS, see "Summary of Certain Significant Differences between TFRS and IFRS." For a description of the basis on which this financial information was prepared and compiled, see "Presentation of Financial, Operational and Statistical Information and Use of Non-GAAP Financial Information."~~

The following discussion and analysis contains forward-looking statements, including statements relating to the Group's plans, strategies, objectives, expectations, intentions and resources. For example, information regarding the Group's expectations of future results, performance, achievements, prospects or opportunities or the markets in which the Group operates and the impact of the COVID-19 pandemic is forward-looking information. Although based on assumptions the Group considers reasonable, the Group's actual results could differ materially from those expressed or implied in such forward-looking statements.

1.1 Overview

Our vision is to bring about change for how life could be better fulfilled with good health, love, joy and wellbeing. We recently completed the Lotus's Acquisition on 25 October 2021. Lotus's is a leading grocery and consumer goods retailer and mall operator in Thailand and Malaysia. Lotus's Ltd is a parent holding company which in turn holds Lotus's Thailand, Ek-Chai and Lotus's Malaysia, which Lotus's acquired from the Tesco Group in December 2020 in the Tesco Acquisition. The objective of the Lotus's Acquisition was to leverage the increased strengths of Makro's wholesale business and Lotus's retail and mall businesses in Thailand and Malaysia. We plan to become a leader in retail and wholesale fresh foods and grocery and consumer products and expand the scope of our business operations to be competitive at a regional level in Southeast Asia, both offline and online. After the Lotus's Acquisition, our full spectrum of businesses comprise three segments: wholesale, retail and malls.

In our Makro wholesale business, we are committed to being a trusted partner to our professional customers. For over 30 years, Makro has been committed to developing its business, products and services to be in line with the needs of its customers, together with expanding the business in its home market of Thailand as well as abroad through various formats and sales channels to create and maintain its competitive advantage. We believe Makro's competitive advantage in wholesale includes, among others, its status as a leading grocery and consumer goods modern wholesaler in South and Southeast Asia, the strengths of its online sales platform and its robust customer development programme where it maintains direct contact with its professional customers and provide consulting and advisory services.

Our Makro wholesale business comprises two sub-segments:

- A "cash and carry" business under the brand name "Makro", which we license from CPALL, our major shareholder. Cash and carry is the core part of our Makro wholesale business. Under Makro, as of 30 September 2021, we operated 138 cash and carry stores in Thailand, two stores in Cambodia, three stores in India under the name "LOTS Wholesale Solutions", one store in China and one store in Myanmar. Our cash and carry business focuses on selling grocery and general consumer goods, comprising fresh food, dry food and non-food products both under third party brands and our private label brands, to primarily three types of customers: food retailers, HoReCa and service businesses.

- A food service distribution business which focuses on import, export and distribution of frozen and chilled food products, with storage and delivery services in Thailand and overseas. Our food service distribution business focuses on 4- and 5-star hotels, high-end restaurants, hospitals and airlines.

For the year 2020 and the first ~~six~~nine months of 2021, Makro's revenue from sale of goods and rendering of services from its cash and carry business contributed THB 213,682 million and THB ~~408,333~~161,929 million, representing 97.7% and 97.5% of Makro's total revenue of THB 218,760 million and THB ~~411,053~~166,024 million, respectively, during those periods, with the remaining revenue derived from Makro's food service distribution business and other income. We are constantly adapting our core Makro cash and carry business to meet the changing needs of our different professional customers. Through its online sales and services platform, Makro has integrated its offline-and-online channels to provide convenience to its customers. Makro sells its cash and carry products through its brick-and-mortar "Makro Stores", which is an offline channel, as well as via online platforms including its website "Makroclick.com", mobile application "Makro Application" and "Makro Line Official Account". Makro also has sales representatives present to support customers both offline and online. As of 31 December 2020, our Makro cash and carry sub-segment had a total of 144 stores, including 137 stores in Thailand and seven overseas, across a total of six different store formats differentiated on the basis of customer focus, sales space and product assortment. As of 30 September 2021, our Makro wholesale segment had grown to a total of 145 stores, including 138 stores in Thailand and seven overseas.

As of 31 December 2018, 2019 and 2020 and as of 30 ~~June~~September 2021, Makro had total assets of THB 62,065 million, THB 62,641 million, THB 74,034 million and THB ~~70,134~~68,669 million, respectively.

The following table sets forth Makro's revenue, profit for the year/period and EBITDA for the periods indicated.

Years Ended 31 December							Six <u>Nine</u> Months Ended 30 June <u>September</u>	
2018	%	2019	%	2020	%	2021	%	
(audited)						(unaudited)		
(THB millions, except percentages)								
Wholesale Segment								
Cash and carry business								
Cash and carry sales.....	182,903	94.8	200,372	95.1	209,926	96.0	406,413 <u>59,095</u>	95.8
Cash and carry services	3,413	1.8	3,591	1.7	3,756	1.7	1,920 <u>2,834</u>	1.7
Food service distribution business								
Food service distribution sales.....	5,680	2.9	5,808	2.8	4,214	1.9	2,268 <u>3,410</u>	2.1
Food service distribution services.....	1	0.0	1	0.0	1	0.0	-1 <u>452</u>	0.0
Other income.....	933	0.5	855	0.4	863	0.4	684 <u>111,053</u>	0.4
Total revenue	192,930	100.0	210,627	100.0	218,760	100.0	166,024	100.0

	Years Ended 31 December						Six Months Ended 30 June September
	2018	%	2019	%	2020	%	2021
			(audited)				(unaudited)
Profit for the year/period	5,873		6,185		6,524		3,008 4,570
EBITDA	10,361		10,928		12,534		5,855 8,933
EBITDA Margin.....	5.4%		5.2%		5.7%		5.3 5.4%

Through the Lotus's Acquisition on 25 October 2021, we acquired 99.9% of the shares of Lotus's Ltd, a holding company which owns:

- 99.9% of the shares in Lotus's Thailand, which in turn owns 99.9% of the shares of Ek-Chai, through which Lotus's operates its businesses under the name "Lotus's" in Thailand; and
- 100.0% of the shares of Lotus's Malaysia, through which Lotus's operates its businesses under the name "Lotus's" in Malaysia.

Lotus's is a leading retailer of grocery and consumer goods through a variety of store formats as well as a leading mall operator in Thailand and Malaysia. In Thailand, through its subsidiary Ek-Chai, Lotus's is a leading multichannel retailer in terms of both physical store space and market share. As of ~~28 February~~30 September 2021, it had ~~2,0942,164~~ stores across Thailand, including ~~219222~~ hypermarkets, ~~196192~~ supermarkets and ~~1,6791,750~~ mini-supermarkets. Lotus's retail business in Thailand is supported by strong local supply chains and efficient distribution and logistics networks, as well as Lotus's strong brand equity and significant investments in the various strategic initiatives discussed elsewhere in this Offering Memorandum.

In addition, through its subsidiary Ek-Chai, Lotus's is a leading operator of malls in Thailand in terms of number of malls. As of 30 September 2021, in Thailand it had:

- 199 malls (excluding the 23 LPF listed property fund malls described below) representing permanent NLA of approximately 720,000 m² in aggregate, occupied by Lotus's hypermarkets as anchor stores. 61 of these malls were owned by Lotus's under freehold over land and building;
- a gross ROS of approximately THB 541/m²/month, based on permanent rental income divided by occupied permanent NLA from malls in hypermarkets;
- an occupancy rate of approximately 83% at its malls, based on permanent NLA; and
- a 25% interest through its subsidiary Ek-Chai in LPF, a listed property fund that holds 23 malls across Thailand with permanent NLA, as of 31 August 2021, of approximately 337,000 m².

As of 28 February 2021, in Thailand it had:

- 196 malls (excluding the 23 LPF listed property fund malls described below) representing permanent NLA of approximately 715,000 m² in aggregate, occupied by Lotus's hypermarkets as anchor stores. 61 of these malls were owned by Lotus's under freehold over land and building;
- a gross ROS of approximately THB 689/m²/month, based on permanent rental income divided by occupied permanent NLA from malls in hypermarkets;
- an occupancy rate of approximately 90% at its malls, based on permanent NLA; and
- a 25% interest through its subsidiary Ek-Chai in LPF, a listed property fund that holds 23 malls across Thailand with permanent NLA of approximately 337,000 m².

As of 29 February 2020, in Thailand it had:

- 192 malls (excluding the 23 LPF listed property fund malls described below) representing permanent NLA of approximately 689,000 m² in aggregate, occupied by Lotus's hypermarkets as anchor stores. 61 of these malls were owned by Lotus's under freehold over land and building;
- a gross ROS of approximately THB 818/m²/month, based on permanent rental income divided by occupied permanent NLA from malls in hypermarkets;
- an occupancy rate of approximately 96% at its malls, based on permanent NLA; and
- a 25% interest through its subsidiary Ek-Chai in LPF, a listed property fund that holds 23 malls across Thailand with permanent NLA of approximately 337,000 m².

Lotus's also operates a leading retail store business and malls business in Malaysia through its subsidiary Lotus's Malaysia. As of ~~28 February~~ 30 September 2021, Lotus's operated 46 hypermarkets and 16 supermarkets across Peninsular Malaysia. Similar to Lotus's retail business in Thailand, Lotus's Malaysia retail business is supported by reliable supply chains and robust distribution and logistics networks, as well as Lotus's strong brand equity and significant investments in the various strategic initiatives discussed elsewhere in this Offering Memorandum.

As of 30 September 2021, Lotus's malls business in Malaysia had:

- 57 malls representing permanent NLA of approximately 296,000 m² in aggregate, of which 40 malls were owned by Lotus's under freehold or leasehold over title;
- a gross ROS of approximately MYR 43/m²/month (THB 328/m²/month, based on the exchange rate of THB 7.6317 to MYR 1, the average exchange rate issued by the Bank of Thailand for the nine month period from January 2021 to September 2021), based on permanent rental income divided by occupied permanent NLA from malls in hypermarkets; and
- an occupancy rate of approximately 92% at its malls based on permanent NLA.

As of 28 February 2021, Lotus's malls business in Malaysia had:

- 57 malls representing permanent NLA of approximately 296,000 m² in aggregate, of which 40 malls were owned by Lotus's under freehold or leasehold over title;
- a gross ROS of approximately MYR 45/m²/month (THB 331/m²/month), based on permanent rental income divided by occupied permanent NLA from malls in hypermarkets; and
- an occupancy rate of approximately 92% at its malls based on permanent NLA.

As of 29 February 2020, Lotus's malls business in Malaysia had:

- 56 malls representing permanent NLA of approximately 275,000 m² in aggregate, of which 40 malls were owned by Lotus's under freehold or leasehold over title;
- a gross ROS of approximately MYR 60/m²/month (THB 447/m²/month), based on permanent rental income divided by occupied permanent NLA from malls in hypermarkets; and
- an occupancy rate of approximately 94% at its malls based on permanent NLA.

As of 31 December 2019 and 2020, based on unaudited pro forma financial information, and as of 30 September 2021, on a consolidated basis, Lotus's had total assets of THB 408,374,410,743 million, THB 408,313 million and THB 406,640,421,237 million, respectively.

The following table sets forth Lotus's revenue, profit for the year/period and EBITDA, based on unaudited pro forma consolidated financial information for the periods indicated.

	Year Ended 31 December				Nine Months Ended 30 September	
	2019 ⁽¹⁾	%	2020 ⁽¹⁾	%	2021 ⁽²⁾	%
	<u>(unaudited, pro forma)(Pro Forma)</u>					
	(THB millions, except percentages)					
Lotus's Sub-segments						
Revenue from sale of goods from retail sub-segment	205,227	92.0	197,460	93.5	144,276	94.3
Rental income and revenue from rendering of services from malls sub-segment.....	14,805	6.6	11,188	5.3	7,872	5.2
Others ⁽⁴³⁾	3,092	1.4	2,459	1.2	777	0.5
Total Lotus's revenue	223,124	100.0	211,107	100.0	152,925	100.0
	8,333		4,778			
Profit (loss) for the year/period.....	8,069		1,514		(918)	
EBITDA	29,895		22,287		14,127	
EBITDA Margin.....	13.4%		10.6%		9.2%	

Notes:

(1) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the years ended 31 December 2019 and 2020.

(2) Based on the Lotus's Interim Financial Information for the nine months ended 30 September 2021.

(3) Others include gain (loss) on foreign exchange rate, other income and net derivative gain.

(4)

We believe that our acquisition of Lotus's will be a transformative and complementary restructuring that will form a leading fresh grocery and consumer goods online and offline platforms in South and Southeast Asia, with diversified and complementary formats to cater to a full spectrum of fresh grocery and consumer goods customers.

Our Group had pro forma total revenues of THB 429,788,319,563 million, pro forma profit for the yearperiod of THB 8,070-5,344 million and pro forma total assets of THB 493,647,517,070 million as of and for the yearnine months ended 31 December 202030 September 2021.

1.2 Factors affecting the Group's results of operations

1.2.1 COVID-19 impact

The COVID-19 pandemic has caused significant disruptions to the global and regional economies, including the economies of Thailand, Malaysia and other countries in which we operate. Countries around the world have been affected, and continue to be affected by, new waves of COVID-19 infections as new variants of the virus are discovered. In Thailand, the impact of COVID-19 was initially less severe than in other countries. However, the most recent waves of COVID-19 infections have severely impacted Thailand since December 2020 and April 2021, and since August 2021, Thailand has been experiencing its highest infection rates and mortality rates of the pandemic. The current wave has resulted in the implementation of full or partial lockdowns in several regions where our stores and malls are located and the imposition of curfews in others. These measures have disrupted normal business operations both in and outside of affected areas, and the resulting economic effects have had a particularly negative impact on Thailand's travel and tourism industry, with large-scale closures of hotels, restaurants and airlines throughout the country. Moreover, starting from August 2021, many provinces in Thailand have implemented new compulsory measures for businesses who have greater than 50 employees to implement "bubble and seal" arrangements, establish field hospitals on their premises and accommodate quarantine arrangements for their employees. These measures apply to both Makro's and Lotus's operations in Thailand and will increase costs associated with running our businesses in the near term. Our management is closely monitoring the situation and cooperating with local governments to ensure food security and to minimise the impact on our businesses to the extent possible.

In other countries where we operate, the COVID-19 pandemic has had an impact to differing extents. However, due to the relatively smaller size of our operations outside Thailand and Malaysia, we believe that such impact will not have a material effect on our overall business or financial results or position. The impact of COVID-19 on our businesses within Thailand and Malaysia includes the following:

- For Makro's wholesale and Lotus's retail businesses, government-mandated lockdowns and restrictions have affected our stores' operating hours, affected our customer traffic, and required us to adopt safety measures. Our wholesale and retail stores and DCs stayed open during lockdown periods as the Government permitted businesses selling food products to remain open. However, in Thailand, the Government prohibited the sale or display of "non-essential" goods, such as clothing, alcohol and electrical appliances, during the lockdown periods, which has negatively affected our sales of such products. The Government also implemented a stimulus campaign which provided financial stimulus aimed mainly at supporting traditional stores such as local "mom-and-pop" stores, rather than large-scale modern stores like ours. This has had the effect of increasing competition on both our wholesale and retail businesses from such locally-owned modern stores in the Thai countryside that could benefit from Government programmes, which has prompted us to invest more heavily in our online sales channels. The Government did implement other initiatives which provided some relief for our businesses in the form of reduced social security expenses and property taxes. Our wholesale and retail businesses experienced panic buying following the announcement of lockdowns, which led to shortages of some products, exacerbated by the eventual closures of international borders which caused logistical problems for imported goods. Overall, Makro's wholesale segment saw a decrease in sales to HoReCa customers, though this was largely offset by increased sales to mom-~~&~~-and-pop customers who benefitted from Government stimulus programmes. Another effect of the COVID-19 pandemic has been to accelerate the shift in customers' shopping behaviour to online purchases due to the difficulties of physically accessing our stores during periods of lockdown or due to fears of disease. As a result, Makro's revenue levels remained relatively unchanged during the COVID-19 pandemic compared to the year prior to COVID-19. Lotus's retail business in Thailand saw a decrease in revenue from sale of goods of THB ~~8,364,246~~ million, or ~~4.97.3~~%, from THB ~~471,326,127.456~~ million for the ~~year~~nine months ended ~~29 February~~30 September 2020 to THB ~~462,962,118.210~~ million for the ~~year~~nine months ended ~~28 February~~30 September 2021, in part as a result of this combination of factors. The government of

Malaysia implemented similar prohibitions on “non-essential” goods and, depending on the severity of the outbreak in the relevant district, imposed travel distance restrictions and restrictions on inter-district or inter-state travel and trading hours. ~~Nevertheless,~~ Lotus’s retail business in Malaysia saw ~~an increase~~ decrease in revenue from sale of goods of MYR 98,155 million ~~(THB 597 million)~~, or 2.24.3%, from MYR 4,5423,576 million ~~(THB 33,901 million)~~ for the yearnine months ended 29 February30 September 2020 to MYR 4,6403,421 million ~~(THB 34,498 million)~~ for the yearnine months ended 28 February30 September 2021 due to the opening of new stores and increases in demand for online shopping. We believe that our Lotus’s retail business’s compliance with safety protocols in Malaysia and its hygiene practices in its stores have helped to make customers feel confident to continue shopping at its stores during the pandemic.

- For Lotus’s malls business, government-mandated lockdowns resulted in closures or significantly reduced operating hours for most malls in Thailand and Malaysia at various times during the COVID-19 pandemic. This development led to a downturn in earnings for the tenants of Lotus’s malls in Thailand, which then led to increased vacancies in Lotus’s malls and stores. As of 28 February 2021, Lotus’s permanent occupancy rate in its malls in Thailand had fallen to approximately 90% from an average of approximately 95% in periods before the COVID-19 pandemic. Although certain Government stimulus programmes aimed at consumers and business owners have helped improve the prospects of Lotus’s tenants, due to the new waves of COVID-19 since April 2021, as of 30 September 2021, the permanent occupancy rate in Lotus’s malls in Thailand had detail decreased to approximately 83%. Lotus’s rental income was materially and adversely affected not just due to lower occupancy rates, but also due to the increased cost of Lotus’s providing financial support to the tenants of its malls in Thailand through rent reductions in order to help mitigate the impact of the pandemic on its tenants.

As a result, Lotus’s malls business in Thailand saw a 24.19.9% decrease in rental income and revenue from rendering of services, from THB 12,7397,558 million for the yearnine months ended 29 February30 September 2020 to THB 9,6706,809 million for the yearnine months ended 28 February30 September 2021. In Malaysia, Lotus’s malls business was able to maintain a relatively steady fixed tenant occupancy rate of approximately 9092% throughout the pandemic. However, Lotus’s offered significant rental waivers and discounts to its mall tenants in Malaysia. As a result, Lotus’s malls business in Malaysia saw a 26.415.7% decrease in rental income and revenue from rendering of services from MYR 277166 million ~~(THB 2,066 million)~~ for the yearnine months ended 29 February30 September 2020 to MYR 204140 million ~~(THB 1,518 million)~~ for the yearnine months ended 28 February30 September 2021.

- For Lotus’s retail business, there was a shift in the buying habits of its customers during the COVID-19 pandemic. In addition to being more careful with their expenses in general, its retail customers began to spend more on fresh food products and other grocery products, and less on non-food products, and began to prefer shopping in their neighbourhoods, avoiding big retail stores, preferring instead to shop in smaller-format stores such as supermarkets, mini-supermarkets and local “mom-and-pop” stores, and shopping online. This was magnified by Government stimulus measures in Thailand which encouraged shopping at traditional stores such as local “mom-and-pop” stores, rather than large-scale modern stores, as well as, in certain cases, government restrictions on travel and movement. ~~While this shift in retail consumer spending patterns had a negative effect on Lotus’s larger format stores, it had a positive effect on its small format stores.~~ The aggregate contribution from supermarkets and mini-supermarkets to Lotus’s aggregate revenue from sale of goods and other income relating to retail business (consisting of consignment income, delivery income and staff discounts) in Thailand ~~increased~~ decreased by 13.6% from THB 62,57149,590 million for the yearnine months ended 29 February30 September 2020 to THB 63,55647,799 million for the yearnine months ended 28 February30 September 2021. ~~In response to~~

~~these changes, Lotus's improved its fresh food offerings particularly in its mini supermarkets to meet this increased local demand.~~

- For Lotus's retail business, there was also increased interest from its customers for shopping online, especially during the early stages of Government-mandated lockdowns. In response to this increased interest, Lotus's accelerated its online channel activity across Thailand and Malaysia to capitalise on the fast-emerging online trend during COVID-19. Revenue from sale of goods from its online segment in Thailand grew by 63.4% from THB 744 million for the year ended 29 February 2020 to THB 1,216 million for the year ended 28 February 2021. Similarly, retail revenue from sale of goods from its online segment in Malaysia grew by 37.7% from MYR 122 million ~~(THB 909 million)~~ for the year ended 29 February 2020 to MYR 168 million ~~(THB 1,246 million)~~ for the year ended 28 February 2021. Since ~~28 February 2021~~ 31 December 2020, Lotus's online segment has continued to demonstrate substantial growth, with revenue from sale of goods from its online segment for the ~~threenine~~ months ended ~~31 May~~ 30 September 2021 ~~more than twice the level seen in~~ having grown by 141.7% compared to the corresponding period of 2020.

As the COVID-19 pandemic is unprecedented and continuously evolving, the long-term impacts on our financial condition and results of operations are still uncertain.

1.2.2 Overall economic trends

The overall economic environment and related changes in consumer behaviour have a significant impact on our business. In general, positive conditions in the broader economy promote customer spending in our stores and other sales channels, while economic weakness, which generally results in a reduction of customer spending, may have a different or more extreme effect on spending at our stores and other sales channels. For instance, according to the World Bank, Thailand's gross domestic product per capita has steadily increased in the past several years, from USD 5,993 (THB 211,542) to USD 6,594 (THB 223,793), USD 7,297 (THB 235,764) and USD 7,817 (THB 242,699) for the years ended 31 December 2016, 2017, 2018 and 2019, respectively, before it dipped to USD 7,189 (THB 224,972) for the year ended 31 December 2020 due to COVID-19. In line with such general upward trend of the Thailand's economy, Makro's total revenues increased at a compound annual growth rate of 6.07% from the year ended 31 December 2016 to the year ended 31 December 2020. Other macroeconomic factors that can affect customer spending patterns, and thereby our results of operations, include employment rates, consumer price index, business conditions, changes in the housing market, the availability of credit, interest rates, tax rates and fuel and energy costs. In addition, during periods of low unemployment, we may experience higher labour costs.

1.2.3 Consumer preferences and demand

Our ability to maintain its appeal to existing customers and to attract new customers primarily depends on our ability to originate, develop and offer a compelling product assortment responsive to customer preferences. If we misjudge the market for our products, fail to adjust to changes in consumer needs, or there is otherwise a decrease in consumer spending and confidence, including in response to the COVID-19 pandemic, we may be faced with excess inventories for some products and may be required to become more promotional in its selling activities, which would impact our revenue and gross profit. For instance, there has been a declining trend for shopping at hypermarkets among Thai retail consumers for purchasing food, as they continue to move into cities and increasingly value the convenience and the experience of eating out. There has also been an increase in consumer preference for online shopping, which has recently been fuelled further by the COVID-19 pandemic. In order to get a firm understanding of the changing trends of the consumer preferences, we employ various measures that can track consumer data, such as operating the loyalty programmes and setting up a customer allotment team to solicit feedback from the customers as well as a specialised team for providing seminars to the customers and interacting with them.

1.2.4 Capital expenditure

Makro and Lotus's have made significant investments in their businesses that we believe have laid the foundation for continued profitable growth. We believe that strengthening its store network by opening new stores and renovating existing stores, enhancing information systems, improving DC management and investing in digitally enabled shopping capabilities will positively impact our profitability across our sales channels. For Makro, capital expenditures consist of additions to property, plant and equipment and other ~~tangible~~ intangible assets other than goodwill. For Lotus's, capital expenditure includes additions to property, plant and equipment, other intangible assets other than goodwill and investment properties. Makro and Lotus's had capital expenditures of THB 2,051 million and THB 8,007 million, respectively, for the year ended 31 December 2020, and THB ~~885~~1,483 million and THB 10,629 million, respectively, for the ~~six~~nine months ended 30 ~~June~~September 2021.

1.2.5 Product mix

Changes in our product mix can affect our performance. For example, both Makro's and Lotus's product offerings include private label products as alternative product choices for customers. Makro generally prices its private label products lower than other brands' products of comparable quality but generally earns a higher margin on these products. Accordingly, a shift in Makro's sales mix in which it sells more units of its private

label products and fewer units of its manufacturer branded products would generally have a positive impact on its profit margins. While Lotus's private label products do not generally provide higher margins, they are an important differentiator for Lotus's stores and help drive customer loyalty. For the year ended 31 December 2020 and the nine months ended 30 September 2021, private label products accounted for 14% and 14%, respectively, of Makro's total cash and carry sales in Thailand and 21% and 20%, respectively, of Lotus's retail business in Thailand. We are aiming to increase the private label share of Lotus's retail business and Makro's total cash and carry revenues to 25% and 16%, respectively, by 2022.

Another way in which our product mix can affect our performance is when increasing a specific product category offering can affect the sales of other product categories. For instance, we intend to increase the proportion of fresh food in our retail product mix, as focusing on fresh food products may increase customer traffic to ~~the hypermarkets~~ all our retail store formats, which in turn may lead to an increase in sales of other product categories. As such, even if the fresh food products generally have lower margins than general merchandise and other non-food products, increasing fresh foods in product mix may have a positive impact on our overall sales revenue and profit in our retail business.

The following table sets forth a breakdown of Makro's total cash and carry sales by product category for the periods indicated.

Year Ended 31 December							Six <u>Nine</u> Months Ended 30 June <u>September</u>			
2018	%	2019	%	2020	%	2020	%	2021	%	
(unaudited)										
(THB millions, except percentages)										
Cash and Carry Products										
Fresh foods	64,854	35.5	73,539	36.7	79,373	37.8	38,772 <u>58,925</u>	37.49	40,097 <u>60,621</u>	37.7 <u>38.1</u>
Dry foods and essentials.....	99,465	54.4	107,473	53.6	112,784	53.7	56,348 <u>83,493</u>	54.4 <u>53.7</u>	57,285 <u>85,553</u>	53.8
Non-food items	18,584	10.1	19,360	9.7	17,769	8.5	8,494 <u>13,061</u>	8.2 <u>8.4</u>	9,031 <u>12,921</u>	8.5 <u>8.1</u>
Total cash and carry sales.....	182,903	100.0	200,372	100.0	209,926	100.0	103,614 <u>155,479</u>	100.0	106,413 <u>159,095</u>	100.0

The following table sets forth sales revenues, by product type, of Lotus's retail business in Thailand during the periods indicated.

Year Ended				<u>Nine Months Ended</u> <u>30 September</u>			
29		28					
February		February					
2020	%	2021	%	<u>2020</u>	<u>%</u>	<u>2021</u>	<u>%</u>
(unaudited)							
(THB millions, except percentages)							

	Year Ended				Nine Months Ended 30 September			
	29 February 2020	%	28 February 2021	%	2020	%	2021	%
					(unaudited)			
					(THB millions, except percentages)			
Dry grocery.....	98,565	57.3	92,985	56.9	73,676	57.6	65,815	55.5
Fresh food.....	31,757	18.4	33,425	20.4	25,842	20.2	26,597	22.4
General merchandise	18,383	10.7	16,035	9.8	12,440	9.7	11,219	9.5
Liquor and tobacco	15,669	9.1	15,251	9.3	11,203	8.8	11,709	9.9
Apparel	7,767	4.5	5,881	3.6	4,786	3.7	3,254	2.7
Delivery income and others ⁽¹⁾	22	0.0	6	0.0	21	0.0	15	0.0
Total	172,163	100.0	163,583	100.0	127,968	100.0	118,609	100.0
(Less) Other income relating to retail business ⁽²⁾	(837)		(621)		(512)		(399)	
Revenue from sale of goods	171,326		162,962		127,456		118,210	

Notes:

(±)(1) Primarily represents delivery income.

(±)(2) Other income relating to retail business comprises consignment income, delivery income and staff discounts arising from Lotus's retail business.

The following table sets forth sales revenue, by product type, in Lotus's retail business in Malaysia for the periods indicated.

	Year Ended				Nine Months Ended 30 September			
	29 February 2020	%	28 February 2021	%	2020	%	2021	%
					(unaudited)			
					(MYR millions, except percentages)			
Retail sales								
Grocery	3,219	70.1	3,246	69.3	2,533	70.1	2,400	69.6
Fresh food.....	777	16.9	882	18.8	650	18.0	666	19.3
General products.....	446	9.7	431	9.2	333	9.2	291	8.4
Apparel	151	3.3	128	2.7	97	2.7	93	2.7
Total	4,593	100.0	4,687	100.0	3,613	100.0	3,450	100.0

Note:

(1) Other income relating to retail business comprises consignment income arising from Lotus's retail business.

Our revenue from sale of goods and gross profit are affected by its ability to purchase its products in sufficient quantities at competitive prices. We developed and maintains strong relationships with local suppliers, farmers and fishermen as well as direct buying relationships with many producers of popular brand-name products. Our supply strategy, particularly for fresh foods, seeks to buy directly from farmers and producers and other local suppliers and SMEs. We do not obtain a significant portion of products from any one supplier, nor do we rely on a single supplier for any of our products. For the year ended 31 December 2020, we purchased less than 30% of our total wholesale purchases in Thailand from our top ten suppliers, and purchased less than 30% and 35% of our retail products in Thailand and Malaysia, respectively, from our top ten suppliers, with no one supplier accounting for more than 10% of our total purchases during those periods.

While we believe our vendors have adequate capacity to meet our current and anticipated demand, our revenue from sale of goods could be adversely affected in the event of constraints in our supply chain, including our inability to procure and stock sufficient quantities of some merchandise in a manner that is able to match market demand or to negotiate with the suppliers on mutually agreeable quantities and prices. In addition, the COVID-19 pandemic created unprecedented supply constraints including disruptions and delays that have impacted and could continue to impact the flow and availability of certain products.

Our results throughout a fiscal year have historically varied depending upon a variety of factors, mainly holidays and other important shopping periods in the countries in which we operate. For instance, our retail business records its highest revenues in April and December of each year, during which the retail customers in Thailand shop for Songkran and January 1st New Year. Similarly, Malaysia sees much higher retail sales during Chinese New Year and the Eid al-fitr festival. On the other hand, our wholesale business has the lowest sales during the second quarter of each year, when many of Makro’s food retail customers experience less demand from their end-customers as they divert spending to investing in new crops and preparing their children for a new school year, before recovering in the second half of each year. Furthermore, due to COVID-19, sales of our non-food products and “non-essential” goods such as clothing, alcohol and electrical appliances have decreased and our stocks for Makro’s food service distribution business has increased. As a result of such fluctuations, our working capital requirements and demands on our product distribution and delivery network may fluctuate during the year from quarter to quarter.

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Our financial results can be expected to be directly impacted by substantial increases in product costs due to commodity cost increases or general inflation, which could lead to a reduction in our sales, as well as greater gross margin pressure, as costs may not be able to be entirely passed on to consumers. Although the World Bank's data shows that Thailand's inflation rate has been decreasing in recent years from 1.06% to 0.71% and (0.85)% for the years ended 31 December 2018, 2019 and 2020, respectively, in cases of increasing commodity prices or general inflation, we seek to minimize the impact of such events through prudent cost optimisation policies, such as sourcing its merchandise from different vendors, changing its product mix or increasing its pricing when necessary. However, in Thailand, the prices for many daily necessities are closely controlled by Government policies, limiting Makro's ability to pass price increases on to its customers.

1.2.9 Competition

We face increasing competition from the online channels of our existing wholesale and retail competitors in the countries in which we operate. Our customers are increasingly using mobile phones, tablets, computers and other devices to shop and to interact with us through social media, particularly in the wake of the COVID-19 pandemic. These evolving consumer preferences include not just how customers shop for goods, but their expectation for timely delivery of goods. We have made and will continue to make significant investments in our technology infrastructure, particularly our website and mobile application, with a focus on improving our online and offline distribution strategies. These online and mobile channels allow customers to comparison shop with digital devices before purchasing, which has further increased competition with a wide range of existing and new entrants. If we do not keep pace with changing customer expectations and new developments by our competitors, our results of operations may be negatively impacted.

Teseo Acquisition

~~Effective 25 October 2021, Makro completed its acquisition of Lotus's (the "Lotus's Acquisition"). Prior to that, Lotus's had acquired Lotus's Thailand and Lotus's Malaysia on 18 December 2020 (the "Teseo Acquisition"). The Teseo Acquisition had a significant financial impact on Lotus's, which began consolidating Lotus's Thailand and Lotus's Malaysia with effect from 18 December 2020. In addition to consolidation, the Teseo Acquisition required Lotus's to allocate the purchase price paid for the underlying tangible and intangible assets and liabilities acquired from Lotus's Thailand and Lotus's Malaysia based on their respective fair market values, with any excess purchase price allocated to goodwill. Under applicable accounting rules under TFRS, Lotus's had up to one year from the date of acquisition (i.e. 18 December 2020) to complete this purchase price allocation. Lotus's has engaged an independent appraiser to assess the appropriateness of the fair value of such assets and liabilities. This exercise has required significant time and resources and the independent appraiser has not been able to complete its work on this purchase price allocation (the "PPA") as of the date of this Working Draft. We expect Lotus's to complete the PPA only in time to be reflected in Lotus's Interim Financial Information, which will be completed and approved by the board of directors of Lotus's on 8 November 2021, after which it will be included in the revised prospectus. Although Lotus's has not finalized the impact of the PPA on the Lotus's Interim Financial Information, we expect that based on its preliminary analysis, compared to such line items for the same period without the effect of the PPA, the Lotus's Interim Financial Information will reflect, among other effects:~~

- ~~• a decrease in its goodwill and reallocation of such decrease amounts to increases in other line items on its balance sheet, such as investment in joint venture, investment in an associate, property, plant and equipment, investment properties, right of use assets, other intangible assets other than goodwill, lease liabilities and deferred tax liabilities;~~
- ~~• an increase in depreciation and amortization expense and a corresponding decrease in gross profit;~~
- ~~• a decrease in finance cost from lease liabilities;~~

- a decrease in income tax expense; and
- a decrease in net profit resulting from the combined effects of such adjustments.

Furthermore, under the relevant accounting rules under TFRS, Lotus's is required to retrospectively adjust provisional amounts that Lotus's recognized at the original Tesco Acquisition date of 18 December 2020 to reflect the PPA. Therefore, Lotus's expects to issue a restatement of its Original Lotus's Audited Financial Statements as the Restated Lotus's Audited Financial Statements, which will be included in the revised prospectus. We expect that the impact of the PPA on the Restated Lotus's Audited Financial Statements will be similar to the impact on the Lotus's Interim Financial Information.

Furthermore, Lotus's has determined that in order to maintain consistency and comparability between the Lotus's Interim Financial Information and the Restated Lotus's Audited Financial Statements on the one hand and the Original Lotus's Unaudited Pro Forma Consolidated Financial Information on the other hand, and to ensure you receive a set of financial information for Lotus's that is most up to date, Lotus's will issue the Revised Lotus's Pro Forma Financial Information as of and for the years ended 31 December 2019 and 2020, which include unaudited pro forma financial information for the nine months ended 30 September 2020, which will include retroactive adjustments for the PPA. The Revised Lotus's Pro Forma Financial Information will be in the revised prospectus, and will replace the Original Lotus's Pro Forma Financial Information in this Working Draft in their entirety. The PPA adjustments in the Revised Lotus's Pro Forma Financial Information would assume that the consideration of THB 322 billion for the Tesco Acquisition was paid on 1 January 2019, and that adjustments necessary for the PPA would also have been made as of 1 January 2019. Consequently, Lotus's expects that the Revised Lotus's Pro Forma Financial Information would reflect the following adjustments, among others, as of and for the years ended 31 December 2019 and 2020 compared to the same periods in the Original Lotus's Pro Forma Financial Information included in this Working Draft:

- a decrease in its goodwill and reallocation of such decrease amounts to increases in other line items on its balance sheet, such as difference from pro forma adjustment, property, plant and equipment, investment properties, right-of-use assets, other intangible assets other than goodwill, lease liabilities and deferred tax liabilities;
- an increase in depreciation and amortization expense and a corresponding decrease in gross profit;
- a decrease in finance cost from lease liabilities;
- a decrease in income tax expense; and
- a decrease in net profit resulting from the combined effects of such adjustments.

The restatements and revisions to Lotus's financial information to reflect the PPA are also expected to impact the Original Makro Pro Forma Financial Information, which give effect to the pro forma events directly attributable to the Lotus's Acquisition. As a consequence, Makro expects to issue the Updated Makro Pro Forma Financial Information which will include revised pro forma financial information for the year ended 31 December 2020. The Updated Makro Pro Forma Financial Information will include data from the Restated Lotus's Audited Financial Statements and Lotus's Interim Financial Information, which in turn reflect the PPA impact at the level of Lotus's. As a result, the Updated Makro Pro Forma Financial Information which will be included in the revised prospectus would reflect the following adjustments for the pro forma information for the year ended 31 December 2020 compared to same period in the Original Makro Pro Forma Financial Information included in this Working Draft:

- an increase in depreciation and amortization expense; and
- decreases in gross profit and net profit.

The foregoing decrease to gross profit and net profit would result from the PPA adjustments. However, the Updated Makro Pro Forma Financial Information will also reflect the retroactive effects of the Refinancing Transaction which would have the effect of decreasing Makro's finance cost for the year ended 31 December 2020 on a pro forma basis, which when combined with effect of the PPA adjustments are likely to result in a slight increase in net profit overall, on a pro forma basis.

Furthermore, the Company is not required to reflect the PPA adjustments reflected in Lotus's Interim Financial Information as of and for the nine months ended 30 September 2021 in the Makro Audited Financial Statements or the Makro Interim Financial Information. However, going forward the Company will be required to reflect the effects of the PPA in its financial statements beginning with the audited financial statements for the year ended 31 December 2021, which the Company will publish after completion of the Offering. The Company expects to recognize a significant increase in its goodwill in its future financial statements, as well as an increase in depreciation and amortization expense related to such goodwill. Such increase in depreciation and amortization expense will have a negative effect on our future results of operations and profitability.

1.2.10 Goodwill

Based on the Makro Unaudited Pro Forma Consolidated Financial Information, as of 31 December 2020, our goodwill represented 50.1% of our total assets. Furthermore, Lotus's carries a significant amount of goodwill on its consolidated balance sheet related to its acquisition of Lotus's Thailand and Lotus's Malaysia in December 2020. Based on the Makro Unaudited Pro Forma Consolidated Financial Information, as of 31 December 2020, our consolidated goodwill, on a pro forma basis, was THB 247,071 million, including Lotus's goodwill of THB 226,228 million. We also expect that the Makro Unaudited Pro Forma Consolidated Financial Information, as of 31 December 2020, will be subject to updates resulting from Lotus's PPA adjustments to its own financial statements for the nine months ended 30 September 2021, which will only be finalized and approved in November 2021. This will result in changes to the amount of goodwill that will be reflected in our balance sheet, on a pro forma basis, as of 31 December 2020, as well as in our future financial statements.

TheBased on the Makro Unaudited Pro Forma Consolidated Financial Information, as of 30 September 2021, the carrying value of goodwill on Makro's balance sheet on a pro forma basis was THB 233,486 million. However, the pro forma amounts for goodwill reflected in the pro forma consolidated financial information included elsewhere in this Offering Memorandum are only estimates, and actual amounts following the acquisitionLotus's Acquisition may be significantly different. Under TFRS 3, we are permitted up to one year from 25 October 2021, our effective date for the Lotus's Acquisition, to allocate the purchase price paid for the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair market values with any excess purchase price allocated to goodwill. This purchase price allocation by our Company is dependent upon certain valuations and other studies that have not commenced or progressed to a stage where sufficient information is available to make a preliminary or definitive allocation. Once we complete our purchase price allocation for the Lotus's Acquisition, we may be required to recognize a significant change in the amount of goodwill on our balance sheet at such time, compared to the amount of goodwill in the Updated Makro Unaudited Pro Forma Consolidated Financial Information. We may also need to recognize resulting effects on other line items in our balance sheet or income statement at such time, such as reallocation of goodwill amounts to other assets, or increased depreciation and amortisation cost, which could have a material adverse effect on our results of operations or financial position. Furthermore, we may be required to restate our financial statements for financial periods prior to the completion of the purchase price allocation for the Lotus's Acquisition.

Principally, a decrease in expected operating cash flows, changes in market conditions and a change in our imputed cost of capital may indicate potential impairment of recorded goodwill, which would adversely impact our results for the period in which the impairment is made, and our financial condition.

1.3 Critical accounting policies

1.3.1 Makro's critical accounting policies

Makro's critical accounting policies are those it believes are important to the portrayal of its financial condition and results of operations, or are policies that require Makro to exercise its judgment in considering the relevant transaction. In many cases, the accounting treatment of a particular transaction is specifically dictated by TFRS with no need for the application of Makro's judgment. In certain circumstances, however, the preparation of consolidated financial statements in conformity with TFRS requires Makro to use its judgment to make certain estimates, assumptions and decisions regarding accounting treatment. Makro believes that the policies described below are its critical accounting policies.

(1) Inventories

Makro exercises discretion in estimating the net realisable value of inventories and the percentage of deteriorated, damaged, obsolete and slow-moving inventories based on analysis of aging inventory and estimation of shrinkage inventories.

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average cost principle and comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, less purchase discounts as specified in the contractual agreements. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to make the sale. An allowance for losses is made for deteriorated, damaged, obsolete and slow-moving inventories and is assessed on analysis of aging of inventory and estimation of shrinkage inventories.

(2) Impairment of goodwill and other intangible assets

Makro normally assesses the impairment of goodwill and other intangible assets from the estimated recoverable amount at the end of a period. The recoverable amount is based on its value in use, determined by discounting future cash flows to be generated from the continuing use of assets and related assumptions. The judgments of management are applied over such assumptions and there is inherent uncertainty involved in forecasting and discounting future cash flows.

(3) Provisions

A provision is recognised if, as a result of a past event, Makro has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(4) Defined employee benefits

Makro's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in other comprehensive income. Makro determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of

contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. Makro recognises gains and losses on the settlement of a defined benefit plan when the settlement immediately occurs.

(5) Leases

Commencing 1 January 2020, Makro adopted TFRS 16 for contracts previously identified as leases according to TAS 17 Leases and TFRIC 4 Determining whether an arrangement contains a lease using the modified retrospective approach.

Previously, Makro, as lessee, recognised payments made under operating leases in profit or loss on a straight-line basis over the term of the lease. Under TFRS 16, Makro assesses whether a contract is, or contains, a lease. If a contract contains a lease and non-lease components, Makro has elected not to separate non-lease components and account for the transaction as a single lease component. As ~~at~~of 1 January 2020, Makro recognised right-of-use assets and lease liabilities. As a result, the nature of expenses related to those leases was changed because Makro recognised depreciation of right-of-use asset and interest expense on lease liabilities.

In connection with the transition to TFRS 16, Makro also made the following judgments in choosing how to implement the standard: (i) it does not recognise right-of-use assets and lease liabilities for leases with less than 12 months of lease term; (ii) it does not recognise right-of-use assets and lease liabilities for leases of low-value assets; and (iii) it applies a single discount rate to a portfolio of leases with similar characteristics. With effect from 1 January 2020, the first year of implementation for TFRS 16, Makro recognised an increase in right-of-use assets of THB 10,193 million, a decrease in leasehold rights of THB 2,245 million and an increase in lease liabilities of THB 7,988 million, among other impacts.

As a result of the adoption of TFRS 16 and the measures described above, it may be more difficult to directly compare Makro's financial statements as of and for the year ended 31 December 2020 and as of and for the nine months ended 30 September 2021 with Makro's financial statements for prior periods.

1.3.2 Lotus's critical accounting policies

Lotus's critical accounting policies are those it believes are important to the portrayal of its financial condition and results of operations, or are policies that require Lotus's to exercise its judgment in considering the relevant transaction. In many cases, the accounting treatment of a particular transaction is specifically dictated by TFRS with no need for the application of Lotus's judgment. In certain circumstances, however, the preparation of consolidated financial statements in conformity with TFRS requires Lotus's to use its judgment to make certain estimates, assumptions and decisions regarding accounting treatment. Lotus's believes that the policies described below are its critical accounting policies.

(1) Inventories

Inventories are measured at the lower of cost or net ~~realizable~~realisable value. Cost is determined by the weighted-average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates.

Net ~~realizable~~realisable value is the estimated selling price in the ordinary course of business less the estimated costs to make the sale. Lotus's records the allowance for loss on inventories and for diminishing in value of obsolete, slow-moving and damaged inventories.

(2) Impairment

The carrying amounts of the Lotus's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment loss is recognized as an expense in the Unaudited Pro Forma Consolidated Statement of profit or loss unless it reverses a previous revaluation credited to equity and it subsequently impairs in which case it is charged to other comprehensive income.

The recoverable amount of a non-financial asset is the higher of the asset's value in use or fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed.

Impairment losses recognized in prior periods in respect of other non-financial assets are assessed at each reporting date for any indications of impairment. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or ~~amortization~~amortisation, as if no impairment loss had been recognized.

(3) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Lotus's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value calculated by an independent actuary based on salary, mortality rate, service period and other factors. The discount rate used in determining post-employment benefit obligation is the yield of the government bond.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the statement of profit or loss on a straight-line basis until the benefits become vested. To the extent that the benefits is vested, the expense is recognized immediately in the statements of profit or loss.

Lotus's recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income and all expenses related to defined benefit plans in the statements of profit or loss.

(4) Leases

In the preparation of the Lotus's pro forma consolidated financial information, Lotus's applied TFRS 16 in preparing its pro forma consolidated financial statements for the years ended 31 December 2019 and 2020, on a consistent basis with Lotus's application of TFRS 16 in the preparation of Lotus's ~~unaudited~~-reviewed ~~consolidated interim~~ financial ~~statements~~information as of and for the nine months ended 30 September 2021.

As a lessee, at commencement or on modification of a contract that contains a lease component, Lotus's allocates the consideration in the contract to each lease component on the basis of its relative stand-alone selling price. However, for the leases of property, Lotus's has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Lotus's recognizes a right-of-use asset and a lease liability at the lease commencement date, except for leases of low-value assets and short-term leases which is recognized as an expense on a straight-line basis over the lease term.

Right-of-use asset is measured at cost, less any accumulated depreciation and accumulated impairment loss, and adjusted for any remeasurements of lease liability.

The cost of right-of-use asset includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Depreciation is charged to profit or loss on a straight-line basis from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to Lotus's by the end of the lease term or the cost of the right-of-use asset reflects that Lotus's will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Lotus's incremental borrowing rate. The lease payments included fixed payments less any lease incentive receivable, variable lease payments that depend on an index or a rate and amounts expected to be payable under a residual value guarantee. The lease payments also include amount under purchase, extension or termination option if Lotus's is reasonably certain to exercise option. Variable lease payments that do not depend on index or a rate are recognized as expenses in the accounting period in which they are incurred.

Lotus's determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

The lease liability is measured at ~~amortized~~ **amortised** cost using the effective interest method. It is remeasured when there is a change in lease term, change in lease payments, change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of purchase, extension or termination options. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1.4 Descriptions of key line items

1.4.1 Descriptions of key line items of Makro

The following is a summary description of key elements of the line items of Makro's statement of income and other comprehensive income.

- Revenue from sale of goods is the income generated from sale of Makro's products for its cash and carry and food services businesses. The following table sets forth the breakdown of Makro's revenues from the cash and carry sub-segment by customer types for the periods indicated:

Year Ended 31 December						Six Nine Months Ended 30 June September			
2018	%	2019	%	2020	%	2020	%	2021	%
(unaudited)									

(THB millions, except percentages)

Cash and Carry
 Customers

Year Ended 31 December							Six Nine Months Ended			
							30 JuneSeptember			
	2018	%	2019	%	2020	%	2020	%	2021	%
	(unaudited)									
	(THB millions, except percentages)									
							25,126	24.2	29,640	27.9
Food Retailers.....	47,162	25.8	50,408	25.2	51,912	24.7	<u>37,939</u>	<u>24.4</u>	<u>3,574</u>	<u>27.4</u>
							24,735	23.9	25,772	24.2
HoReCa	51,507	28.2	56,745	28.3	53,031	25.3	<u>38,688</u>	<u>24.9</u>	<u>37,455</u>	<u>23.5</u>
							7,248		6,840	
Service.....	13,623	7.4	14,892	7.4	14,853	7.1	<u>10,943</u>	7.0	<u>10,347</u>	6.45
							7,633		7,707	7.2
Distributors.....	13,936	7.6	14,362	7.2	13,884	6.6	<u>10,976</u>	7.41	<u>11,307</u>	<u>7.1</u>
							38,872	37.5	36,454	34.3
Others	56,675	31.0	63,965	31.9	76,246	36.3	<u>56,933</u>	<u>36.6</u>	<u>56,412</u>	<u>35.5</u>
Total cash and carry sales.....	182,903	100.0	200,372	100.0	209,926	100.0	103,614 <u>155,479</u>	100.0 100.0	106,413 <u>159,095</u>	100.0 100.0

- Revenue from rendering of services is the income generated from sale of Makro's services for its cash and carry and food services businesses, and mainly consists of income received from the "Makro Mail" promotional flyers and income received from suppliers for promotional services, among others.
- Other income mainly consists of rental income from Makro's cash and carry business, such as rental income from space within Makro's cash and carry stores, as well as income from the resale of cardboard and other packing materials accumulated by Makro in its operations, among others.
- Cost of sale of goods is primarily the cost of acquiring the products that Makro sells during the period, and consists of warehouse, logistics and transportation costs for fresh food products and shrinkage cost.
- Distribution costs are mainly the costs arising from Makro's stores. The following table sets forth the breakdown of Makro's distribution cost for the periods indicated:

	Year ended 31 December			Six <u>Nine</u> months ended 30 June <u>September</u>	
	2018	2019	2020	2020	2021
			(unaudited)		
			(THB millions)		
				2,077	2,269
Employee benefit expenses.....	3,694	4,016	4,253	<u>3,159</u>	<u>3,382</u>
				1,313	1,226
Utilities expenses.....	2,362	2,576	2,534	<u>1,921</u>	<u>1,848</u>
				338	382
Advertising and sales promotion expenses	961	990	761	<u>579</u>	<u>574</u>
				84	117
Lease-related expenses	656	764	234	<u>180</u>	<u>170</u>

	Year ended 31 December			SixNine months ended 30 JuneSeptember	
	2018	2019	2020	2020	2021
			(unaudited)		
			(THB millions)		
Computer expenses.....	104	120	113	68 91	89 130
Trademark fees	162	170	176	87 130	90 135
Maintenance and repair expenses	282	290	319	153 221	148 222
Depreciation and amortisation	2,014	2,123	2,861	1,449 2,140	1,407 2,121
Other general expenses	1,532	1,620	1,507	625 1,091	743 1,153
Total distribution costs.....	11,767	12,669	12,758	6,194 9,512	6,471 9,735

- Administrative expenses are the expense for administrative activities unrelated to sales, and consist primarily of expenses related to Makro's head office. The following table sets forth the breakdown of Makro's administrative expense for the periods indicated:

	Year ended 31 December			SixNine months ended 30 JuneSeptember	
	2018	2019	2020	2020	2021
			(unaudited)		
			(THB millions)		
Employee benefit expenses.....	2,191	2,836	2,878	1,282 2,064	1,331 1,956
Utilities expenses.....	68	69	63	33 47	30 45
Lease-related expenses	119	140	87	46 76	42 63
Computer expenses.....	263	393	460	244 361	252 383
Maintenance and repair expenses	13	18	13	9 13	6 10
Depreciation and amortisation	539	600	716	319 523	368 555
Other general expenses	521	685	813	437 658	503 872
Total administrative expenses.....	3,714	4,741	5,030	2,370 3,742	2,532 3,884

- Finance costs consist primarily of finance costs paid to financial institutions in respect of Makro's borrowings and finance costs recognised under lease agreements pursuant to TFRS 16.
- Income tax expense is the amount of tax Makro determines is owed, and consists of income tax expense for the current year, income tax expense from prior years, movements in temporary differences for deferred income tax.

1.4.2 Descriptions of key line items of Lotus's

The following is a summary description of key elements of the line items of Lotus's statement of profit or loss and other comprehensive income.

- Revenue from sale of goods is the income generated from sale of Lotus's products for its retail business. The following table sets forth the breakdown of Lotus's revenue from sale of goods for the periods indicated:

Year Ended				<u>Nine Months Ended</u>			
				<u>30 September</u>			
29 February 2020	%	28 February 2021	%	<u>2020</u>	<u>%</u>	<u>2021</u>	<u>%</u>
(unaudited)							

(THB millions, except percentages)

Retail Sales in Thailand

Retail stores in Thailand

Hypermarkets	108,848	63.2	98,811	60.4	<u>77,696</u>	<u>60.7</u>	<u>68,309</u>	<u>57.6</u>
Supermarkets	20,191	11.7	21,146	12.9	<u>16,644</u>	<u>13.0</u>	<u>14,979</u>	<u>12.6</u>
Mini-supermarkets.....	42,380	24.6	42,410	25.9	<u>32,946</u>	<u>25.7</u>	<u>32,820</u>	<u>27.7</u>
Online channel.....	744	0.5	1,216	0.8	<u>682</u>	<u>0.6</u>	<u>2,501</u>	<u>2.1</u>
Total retail sales in Thailand	172,163	100.0	163,583	100.0	<u>127,968</u>	<u>100.0</u>	<u>118,609</u>	<u>100.0</u>
(Less) Other income relating to retail business ⁽¹⁾	(837)		(621)		<u>(512)</u>		<u>(399)</u>	
Revenue from sale of goods in Thailand.....	171,326		162,962		<u>127,456</u>		<u>118,210</u>	

Retail Sales in Malaysia

(MYR millions, except percentages)

Retail stores in Malaysia

Hypermarkets	3,767	82.0	3,720	79.4	<u>2,900</u>	<u>80.3</u>	<u>2,672</u>	<u>77.4</u>
Supermarkets	678	14.8	767	16.3	<u>567</u>	<u>15.7</u>	<u>589</u>	<u>17.1</u>
Express stores	18	0.4	10	0.2	<u>13</u>	<u>0.3</u>	<u>—</u>	<u>0.0</u>

	Year Ended				Nine Months Ended 30 September			
	29 February 2020	%	28 February 2021	%	2020	%	2021	%
<i>(unaudited)</i>								
<i>(THB millions, except percentages)</i>								
Online channel.....	122	2.6	168	3.6	116	3.2	161	4.7
B2B channel	8	0.2	22	0.5	17	0.5	28	0.8
Total retail sales in Malaysia	4,593	100.0	4,687	100.0	3,613	100.0	3,450	100.0
(Less) Other income relating to retail business ⁽²⁾	(51)		(47)		(37)		(29)	
Revenue from sale of goods in Malaysia.....	4,542		4,640		3,576		3,421	

Notes:

- (1) Other income relating to Lotus's Thailand comprises consignment income, delivery income and staff discounts arising from Lotus's retail business in Thailand.
- (2) Other income relating to Lotus's Malaysia comprises consignment income arising from Lotus's retail business in Malaysia.

- Rental income and revenue from rendering of services is the income generated from Lotus's malls business, and consists of rental income from permanent and temporary tenants, service charges to tenants, food court income and other income including income from serving as a property manager for malls owned by LPF.
- Cost of sales is the cost of acquiring or manufacturing the products that Lotus's sells for its retail business. The following table sets forth the breakdown of Lotus's cost of sales for the periods indicated:

	Year ended 31 December		Nine months ended 30 September	
	2019 ⁽¹⁾	2020 ⁽¹⁾	2020 ⁽²⁾	2021 ⁽³⁾
<i>(Pro Forma)</i>				
<i>(unaudited)</i>				
<i>(THB millions)</i>				
Purchase of finished goods	160,390	154,687	119,620	112,314
Transportation expenses	1,690	1,716	1,705	1,849
Employee expenses.....	1,462	1,528	1,205	1,306
Others	2,695	2,739	1,845	2,062
Total cost of sales	166,237	160,670	124,375	117,531

Notes:

- (1) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the years ended 31 December 2019 and 2020.
- (2) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the nine months ended 30 September 2020.

Year ended 31 December		Nine months ended 30 September	
2019 ⁽¹⁾	2020 ⁽¹⁾	2020 ⁽²⁾	2021 ⁽³⁾
(Pro Forma)	(Pro Forma)	(Pro Forma)	

(unaudited)

(THB millions)

(3) Based on the Lotus's Interim Financial Information for the nine months ended 30 September 2021.

- Cost of rental and cost of rendering of services is the cost of operating Lotus's malls business. The following table sets forth the breakdown of Lotus's cost of rental and cost of rendering services for the periods indicated:

Year ended 31 December		Nine months ended 30 September	
2019 ⁽¹⁾	2020 ⁽¹⁾	2020 ⁽²⁾	2021 ⁽³⁾
(Pro Forma)	(Pro Forma)	(Pro Forma)	

(unaudited)

(THB millions)

	4,992	2,099		
Depreciation and amortization expenses.....	2,109	2,216	1,687	1,648
Utility expenses	1,762	1,564	1,227	1,172
Repair and maintenance expenses	562	535	422	398
Others	1,038	1,328	754	982
Total cost of rental and cost of rendering of services	5,354	5,526	4,090	4,200

Notes:

(1) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the years ended 31 December 2019 and 2020.

(2) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the nine months ended 30 September 2020.

(3) Based on the Lotus's Interim Financial Information for the nine months ended 30 September 2021.

- Gain (loss) on foreign exchange rate arose in the period under review from unrealised foreign exchange gain arising from a U.S. dollar-denominated intercompany loan in Malaysia.
- Other income consists of income from suppliers, consignment income and advertising income collected from our suppliers to feature their products in our promotional mailers.
- Net derivative gain reflects mark-to-market adjustments to the carrying value of Lotus's derivatives.
- Distribution cost encompasses various costs related to the operation of Lotus's stores. The following table sets forth the breakdown of Lotus's distribution cost for the periods indicated:

	Year ended 31 December		Nine months ended 30 September	
	2019 ⁽¹⁾	2020 ⁽¹⁾	2020 ⁽²⁾	2021 ⁽³⁾
	(Pro Forma)	(Pro Forma)	(Pro Forma)	
	(unaudited)			
	(THB millions)			
	10,338			
Employee expense expenses	<u>10,337</u>	10,058	<u>7,786</u>	<u>7,988</u>
	3,964			
Utility expense expenses	<u>3,965</u>	3,387	<u>2,751</u>	<u>2,521</u>
Depreciation and amortization	8,136	8,106		
expense expenses	<u>8,715</u>	<u>8,686</u>	<u>6,432</u>	<u>6,277</u>
		7,165		
Others	6,119	<u>7,164</u>	<u>4,641</u>	<u>4,995</u>
	28,557	28,716		
Total distribution cost	<u>29,136</u>	<u>29,295</u>	<u>21,610</u>	<u>21,781</u>

Notes:

(1) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the years ended 31 December 2019 and 2020.

(2) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the nine months ended 30 September 2020.

(3) Based on the Lotus's Interim Financial Information for the nine months ended 30 September 2021.

- Administrative expense is the expense associated with administrative activities unrelated to sales. The following table sets forth the breakdown of Lotus's administrative expense for the periods indicated:

	Year ended 31 December		Nine months ended 30 September	
	2019 ⁽¹⁾	2020 ⁽¹⁾	2020 ⁽²⁾	2021 ⁽³⁾
	(Pro Forma)	(Pro Forma)	(Pro Forma)	
	(unaudited)			
	(THB millions)			
Employee expense	2,945	3,098	<u>2,079</u>	<u>2,255</u>
Depreciation and amortization expense	487	531	<u>373</u>	<u>671</u>
Repair and maintenance expenses	496	472	<u>369</u>	<u>333</u>
Others	1,667	2,333	<u>990</u>	<u>1,877</u>
Total administrative expense	5,595	6,434	<u>3,811</u>	<u>5,136</u>

Notes:

(1) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the years ended 31 December 2019 and 2020.

(2) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the nine months ended 30 September 2020.

(3) Based on the Lotus's Interim Financial Information for the nine months ended 30 September 2021.

- As of 31 December 2019 and 2020, interest-bearing liabilities reflected in Lotus's pro forma consolidated balance sheets were limited to short-term borrowings from financial institutions in the amount of THB 120,823 million. This amount reflects the assumption underlying the pro forma financial statements that the indebtedness incurred under the short-term facilities drawn by Lotus's to finance the acquisition of Lotus's Thailand and Lotus's Malaysia (in the amounts of U.S.\$3,310 million (recorded at THB 98,685 million) and THB 22,138 million) were incurred on 1 January 2019 and remained outstanding throughout the period covered by the pro forma financial information. Finance costs arise from the assumption of these outstanding balances and an average interest rate assumed to have been 1.91% for the years ended 31 December 2019 and 2020.
- Share of profit from investment in joint ventures and an associate is the profit (loss) and dividend Lotus's receives from its investment in Retail Properties Co., Ltd., Lotus's Money Services Co., Ltd., Synergistic Property Development Co., Ltd. and LPF.
- Income tax expense is the amount of tax Lotus's determines is owed, and mainly consists of estimated income tax expense for the current year and movements in temporary differences for deferred tax for the year. The pro forma income tax expense for the two years ended 31 December 2020 simply represent the aggregation of the income tax expenses recognised by each of Lotus's Thailand and Lotus's Malaysia. It is, therefore, not tied directly to the pro forma income figure, which was affected by certain assumptions underlying the pro forma financial information.

1.5 Result of operations

1.5.1 Results of operations of Makro

The following table sets forth a summary of Makro's results of operations for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2021	
	(THB)			(THB)	
Revenues					
Revenue from sale of goods	188,583	206,180	214,140	105,450	108,681
Revenue from rendering of services	3,414	3,592	3,757	1,777	1,920
Other income	933	855	863	311	452
Total revenues	192,930	210,627	218,760	107,538	111,053
Expenses					
Cost of sale of goods	169,639	185,012	192,015	95,063	97,978
Distribution costs	11,767	12,669	12,758	6,194	6,471
Administrative expenses	3,714	4,741	5,030	2,370	2,532
Total expenses	185,120	202,422	209,803	103,627	106,981
Profit from operating activities	7,810	8,205	8,957	3,911	4,072
Finance costs	336	310	620	320	272

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2021	
	(THB)			(THB)	
Profit before income tax expense	7,474	7,895	8,337	3,591	3,800
Income tax expense	1,601	1,710	1,813	760	792
Profit for the year/period	5,873	6,185	6,524	2,831	3,008
Profit (loss) attributable to:					
Equity holders of the Company	5,942	6,245	6,563	2,860	3,021
Non-controlling interests	(69)	(60)	(39)	(29)	(13)
Profit for the year/period	5,873	6,185	6,524	2,831	3,008
Basic earnings per share of equity holders of the Company	1.24	1.30	1.37	0.60	0.63
Other comprehensive income					
Item that will be reclassified subsequently to profit or loss					
Exchange differences on translating financial statements	(153)	(78)	73	79	18
	(153)	(78)	73	79	18
Items that will not be reclassified subsequently to profit or loss					
Losses on remeasurements of defined benefit plans	(14)	(86)	(54)	—	—
Income tax income relating to components of other comprehensive income on losses on remeasurements of defined benefit plans	3	17	11	—	—
	(11)	(69)	(43)	—	—
Other comprehensive income for the year/period, net of income tax	(164)	(147)	30	79	18
Total comprehensive income for the year/period	5,709	6,038	6,554	2,910	3,026

	Year ended 31 December			Six months ended 30 June	
	2018	2019	2020	2021	
		(THB)		(THB)	
Total comprehensive income (loss) attributable to:					
Equity holders of the Company	5,784	6,122	6,594	2,933	3,015
Non-controlling interests	(75)	(84)	(40)	(23)	11
Total comprehensive income for the year/period	5,709	6,038	6,554	2,910	3,026

	Year ended 31 December				Nine months ended 30 September		
	2018	2019	2020		2020	2021	
	(THB)	(THB)	(THB)	(U.S.\$)	(THB)	(THB)	(U.S.\$)
	(in millions)						
Revenues							
Revenue from sale of goods	188,583	206,180	214,140	6,317	158,375	162,505	4,794
Revenue from rendering of services	3,414	3,592	3,757	111	2,723	2,835	84
Other income	933	855	863	25	588	684	20
Total revenues	192,930	210,627	218,760	6,454	161,686	166,024	4,898
Expenses							
Cost of sale of goods	169,639	185,012	192,015	5,665	142,344	146,160	4,312
Distribution costs	11,767	12,669	12,758	376	9,512	9,735	287
Administrative expenses	3,714	4,741	5,030	148	3,742	3,884	115
Total expenses	185,120	202,422	209,803	6,189	155,598	159,779	4,714
Profit from operating activities	7,810	8,205	8,957	264	6,088	6,245	184
Finance costs	336	310	620	18	473	409	12
Profit before income tax expense	7,474	7,895	8,337	246	5,615	5,836	172
Income tax expense	1,601	1,710	1,813	53	1,222	1,266	37
Profit for the year/period	5,873	6,185	6,524	192	4,393	4,570	135
Profit (loss) attributable to:							

	<u>Year ended</u> <u>31 December</u>				<u>Nine months ended</u> <u>30 September</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>		<u>2020</u>	<u>2021</u>	
	<u>(THB)</u>	<u>(THB)</u>	<u>(THB)</u>	<u>(U.S.\$)</u>	<u>(THB)</u>	<u>(THB)</u>	<u>(U.S.\$)</u>
	<i>(in millions)</i>						
Equity holders of the Company	5,942	6,245	6,563	194	4,433	4,593	135
Non-controlling interests.....	(69)	(60)	(39)	(1)	(40)	(23)	(1)
Profit for the year/period	5,873	6,185	6,524	192	4,393	4,570	135
Basic earnings per share of equity holders of the Company.....	1.24	1.30	1.37	0.04	0.92	0.96	0.03
Other comprehensive income							
Item that will be reclassified subsequently to profit or loss							
Exchange differences on translating financial statements	(153)	(78)	73	2	230	95	3
	(153)	(78)	73	2	230	95	3
Items that will not be reclassified subsequently to profit or loss							
Losses on remeasurements of defined benefit plans.....	(14)	(86)	(54)	(2)	=	=	=
Income tax income relating to components of other comprehensive income on losses on remeasurements of defined benefit plans.....	3	17	11	0	=	=	=
	(11)	(69)	(43)	(1)	=	=	=
Other comprehensive income for the year/period, net of income tax	(164)	(147)	30	1	230	95	3
Total comprehensive income for the year/period	5,709	6,038	6,554	193	4,623	4,665	138
Total comprehensive income (loss) attributable to:							

	<u>Year ended</u> <u>31 December</u>				<u>Nine months ended</u> <u>30 September</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>		<u>2020</u>	<u>2021</u>	
	<u>(THB)</u>	<u>(THB)</u>	<u>(THB)</u>	<u>(U.S.\$)</u>	<u>(THB)</u>	<u>(THB)</u>	<u>(U.S.\$)</u>
	<i>(in millions)</i>						
Equity holders of the Company	5,784	6,122	6,594	195	4,652	4,642	137
Non-controlling interests.....	(75)	(84)	(40)	(1)	(29)	23	1
Total comprehensive income for the year/period	5,709	6,038	6,554	193	4,623	4,665	138

Six/Nine months ended 30 June/September 2021 compared to ~~six/nine~~ months ended 30 June/September 2020

1.5.1.1.1 Revenue from sale of goods

Revenue from sales of goods increased THB ~~3,231~~4,130 million, or ~~3.12~~6%, from THB ~~105,450~~158,375 million for the ~~six/nine~~ months ended 30 ~~June/September~~ 2020 to THB ~~108,681~~162,505 million for the ~~six/nine~~ months ended 30 ~~June/September~~ 2021. The increase was mainly attributable to an increase in revenue from the cash and carry ~~business~~segment from THB ~~103,614~~155,479 million for the ~~six/nine~~ months ended 30 ~~June/September~~ 2020 to THB ~~106,413~~159,095 million for the ~~six/nine~~ months ended 30 ~~June/September~~ 2021, which was due primarily to an increase in sales to food retailer customers who benefited from the Thai ~~Government~~government's stimulus package ~~as well as the lockdown imposed by the Thai Government~~ during the ~~six/nine~~ months ended 30 ~~June~~ 2020 which did not recur in the six months ended 30 ~~June/September~~ 2021.

1.5.1.1.2 Revenue from rendering of services

Revenue from rendering of services increased THB ~~143~~112 million, or ~~8.04~~1%, from THB ~~1,777~~2,723 million for the ~~six/nine~~ months ended 30 ~~June/September~~ 2020 to THB ~~1,920~~2,835 million for the ~~six/nine~~ months ended 30 ~~June/September~~ 2021. The increase was attributable to an increase in revenue from the cash and carry ~~business~~segment from THB ~~1,776~~2,722 million for the ~~six/nine~~ months ended 30 ~~June/September~~ 2020 to THB ~~1,920~~2,834 million for the ~~six/nine~~ months ended 30 ~~June/September~~ 2021, which was due primarily to increased revenue from the "Makro Mail" promotional flyers: due to an increase in promotional activity.

1.5.1.1.3 Other income

Other income increased THB ~~141~~96 million, or ~~45.4~~16.3%, from THB ~~311~~588 million for the ~~six/nine~~ months ended 30 ~~June/September~~ 2020 to THB ~~452~~684 million for the ~~six/nine~~ months ended 30 ~~June/September~~ 2021. The increase was primarily attributable to increased rental income, compared to the lower amount an increase in revenue from sales of such income for the six months ended 30 June cardboard packaging and cardboard boxes 2020 due to the COVID-19 lockdown higher market price.

1.5.1.1.4 Cost of sale of goods

Cost of sale of goods increased THB ~~2,915~~3,816 million, or ~~3.12~~7%, from THB ~~95,063~~142,344 million for the ~~six/nine~~ months ended 30 ~~June/September~~ 2020 to THB ~~97,978~~146,160 million for the ~~six/nine~~ months ended 30 ~~June/September~~ 2021. The increase was in line with theprimarily attributable to an increase in sales of goods.

1.5.1.1.5 Distribution costs

Distribution costs increased only THB 277,223 million, or 4.5only 2.3%, from THB 6,194,512 million for the sixnine months ended 30 JuneSeptember 2020 to THB 6,471,735 million for the sixnine months ended 30 JuneSeptember 2021. The increase was primarily attributable to additional distribution costs needed for new stores as well as increased delivery expenses due to a higher rate of growth in our delivery sales.

1.5.1.1.6 Administrative expenses

Administrative expenses increased THB 162,142 million, or 6.93.8%, from THB 2,370,742 million for the sixnine months ended 30 JuneSeptember 2020 to THB 2,532,884 million for the sixnine months ended 30 JuneSeptember 2021. The increase was primarily attributable to an increase in expenses for business continuity management resulting from COVID-19, such as masks, fumigation, deep cleaning and protective equipment, as well as an increase implementing Makro's COVID safety protocol "Bubble & Seal" at DCs and implementing Factory Accommodation Isolation measures, which was partially offset by a decrease in employee-related expenses.

1.5.1.1.7 Finance costs

Finance costs decreased THB 48,64 million, or 15.013.5%, from THB 320,473 million for the sixnine months ended 30 JuneSeptember 2020 to THB 272,409 million for the sixnine months ended 30 JuneSeptember 2021. The decrease was primarily attributable to a decrease in the amount of borrowings and a decrease in interest rates.

1.5.1.1.8 Income tax expense

Income tax expense increased THB 32,44 million, or 4.23.6%, from THB 760,222 million for the sixnine months ended 30 JuneSeptember 2020 to THB 792,266 million for the sixnine months ended 30 JuneSeptember 2021. This increase was in line with an increase in profit before income tax expense from THB 3,591,5,615 million for the sixnine months ended 30 JuneSeptember 2020 to THB 3,800,5,836 million for the sixnine months ended 30 JuneSeptember 2021.

1.5.1.1.9 Profit for ~~the~~ period

As a result of the foregoing, Makro's profit for the period increased THB 177 million, or 6.24.0%, from THB 2,831,4,393 million for the sixnine months ended 30 JuneSeptember 2020 to THB 3,008,4,570 million for the sixnine months ended 30 JuneSeptember 2021.

1.5.1.1.10 Other comprehensive income for the period, net of income tax

Makro's other comprehensive income for the yearperiod, net of income tax, decreased THB 61,135 million, or 76.558.7%, from THB 79,230 million for the sixnine months ended 30 JuneSeptember 2020 to THB 18,95 million for the sixnine months ended 30 JuneSeptember 2021, due to a THB 61,135 million decrease in exchange differences on translating financial statements. Such decrease in exchange differences on translating financial statements was primarily due to a decrease in the exchange differences withbetween Myanmar Kyat against Thai Baht.

1.5.1.1.11 Total comprehensive income for the period

As a result of the foregoing, Makro's total comprehensive income for the period increased THB 11,642 million, or 4.00.9%, from THB 2,910,4,623 million for the sixnine months ended 30 JuneSeptember 2020 to THB 3,026,4,665 million for the sixnine months ended 30 JuneSeptember 2021.

Year ended 31 December 2020 compared to year ended 31 December 2019

1.5.1.1.12 Revenue from sale of goods

Revenue from sales of goods increased THB 7,960 million, or 3.9%, from THB 206,180 million for the year ended 31 December 2019 to THB 214,140 million for the year ended 31 December 2020. The increase was attributable to an increase in such revenue from Makro's cash and carry business from THB 200,372 million for the year ended 31 December 2019 to THB 209,926 million for the year ended 31 December 2020, which was due primarily to increased revenue from cash and carry stores in Thailand arising from Makro's efforts to develop products and services to cater to the changing behaviours and needs of its customers. These included the "community kitchen" initiative for small retailers where we provide them with access to freezers, chilled refrigerators and various types of frozen and chilled products, the expansion of sales channels in the offline and online platforms and the enhancement of services for increased convenience such as cashless payments, curbside pick-up and last mile delivery. Such increase was further enhanced by additional revenues from eight new stores opened in Thailand and four new stores opened overseas in 2019 and 2020.

1.5.1.1.13 Revenue from rendering of services

Revenue from rendering of services increased THB 165 million, or 4.6%, from THB 3,592 million for the year ended 31 December 2019 to THB 3,757 million for the year ended 31 December 2020. The increase was attributable to an increase in such revenue from Makro's cash and carry business from THB 3,591 million for the year ended 31 December 2019 to THB 3,756 million for the year ended 31 December 2020, which was due to increased revenue from the "Makro Mail" promotional flyers and income received from suppliers for promotional services.

1.5.1.1.14 Other income

Other income did not change significantly at THB 863 million for the year ended 31 December 2020 compared to THB 855 million for the year ended 31 December 2019.

1.5.1.1.15 Cost of sale of goods

Cost of sale of goods increased THB 7,003 million, or 3.8%, from THB 185,012 million for the year ended 31 December 2019 to THB 192,015 million for the year ended 31 December 2020. The increase was attributable to an increase in sales of goods.

1.5.1.1.16 Distribution costs

Distribution costs slightly increased by THB 89 million, or 0.7%, from THB 12,669 million for the year ended 31 December 2019 to THB 12,758 million for the year ended 31 December 2020. Although this increase was primarily attributable to an increase in Makro's revenue, the distribution cost accounted for 6.0% of the sales for the year ended 31 December 2020 compared to 6.1% for the year ended 31 December 2019, primarily due to lower pre-operating costs arising from postponement of overseas expansion and lower tax expense in relation to land and buildings.

1.5.1.1.17 Administrative expenses

Administrative expenses increased THB 289 million, or 6.1%, from THB 4,741 million for the year ended 31 December 2019 to THB 5,030 million for the year ended 31 December 2020. The increase was primarily attributable to expenses incurred for business continuity management in response to COVID-19 as well as consulting fees and associated expenses in relation to improvement of business and IT infrastructure for enhancing overall business operation efficiencies and for supporting future business expansions.

1.5.1.1.18 Finance costs

Finance costs increased THB 310 million, or 100.0%, from THB 310 million for the year ended 31 December 2019 to THB 620 million for the year ended 31 December 2020. The increase was primarily attributable to an increase in finance costs recognised under lease agreements from THB 53 million as of 31 December 2019 to

THB 385 million as of 31 December 2020, arising from Makro's adoption of TFRS 16 "Leases" which became effective for annual accounting periods beginning 1 January 2020.

1.5.1.1.19 Income tax expense

Income tax expense increased THB 103 million, or 6.0%, from THB 1,710 million for the year ended 31 December 2019 to THB 1,813 million for the year ended 31 December 2020. This increase was in line with an increase in profit before income tax expense from THB 7,895 million for the year ended 31 December 2019 to THB 8,337 million for the year ended 31 December 2020.

1.5.1.1.20 Profit for the year

As a result of the foregoing, Makro's profit for the year increased THB 339 million, or 5.5%, from THB 6,185 million for the year ended 31 December 2019 to THB 6,524 million for the year ended 31 December 2020.

1.5.1.1.21 Other comprehensive income (loss) for the year, net of income tax

Makro's other comprehensive income (loss) for the year, net of income tax, increased THB 177 million from other comprehensive loss of THB (147) million for the year ended 31 December 2019 to THB 30 million for the year ended 31 December 2020. Such increase was primary due to an increase in exchange rate on translating financial statements and a decrease in losses on remeasurements of defined benefit plans, which were partially offset by a decrease in income tax income relating to components of other comprehensive income on losses on remeasurements of defined benefit plans.

1.5.1.1.22 Total comprehensive income for the year

As a result of the foregoing, Makro's total comprehensive income for the year increased THB 516 million, or 8.6%, from THB 6,038 million for the year ended 31 December 2019 to THB 6,554 million for the year ended 31 December 2020.

Year ended 31 December 2019 compared to year ended 31 December 2018

1.5.1.1.23 Revenue from sale of goods

Revenue from sales of goods increased THB 17,597 million, or 9.3%, from THB 188,583 million for the year ended 31 December 2018 to THB 206,180 million for the year ended 31 December 2019. The increase was attributable to an increase in such revenue from Makro's cash and carry business from THB 182,903 million for the year ended 31 December 2018 to THB 200,372 million for the year ended 31 December 2019, which was due primarily to increased revenue from growth in tourism in Thailand, as well as new products and food services Makro introduced for HoReCa customers, including the development of offline and online programmes to supplement existing distribution channels, online delivery platforms such as the website "Makroclick.com", the mobile application "Makro Application", credit lines and delivery services. Such increase was further enhanced by additional revenues from 5 new stores opened overseas in 2018 and 2019.

1.5.1.1.24 Revenue from rendering of services

Revenue from rendering of services increased THB 178 million, or 5.2%, from THB 3,414 million for the year ended 31 December 2018 to THB 3,592 million for the year ended 31 December 2019. The increase was attributable to an increase in such revenue from Makro's cash and carry business from THB 3,413 million for the year ended 31 December 2018 to THB 3,591 million for the year ended 31 December 2019, which was due primarily to increased revenue from the "Makro Mail" promotional flyers and income received from suppliers for promotional services.

1.5.1.1.25 Other income

Other income decreased THB 78 million, or 8.4%, from THB 933 million for the year ended 31 December 2018 to THB 855 million for the year ended 31 December 2019. The decrease was primarily attributable to a decrease in revenue from sales of cardboard packaging and cardboard boxes due to lower market price.

1.5.1.1.26 Cost of sale of goods

Cost of sale of goods increased THB 15,373 million, or 9.1%, from THB 169,639 million for the year ended 31 December 2018 to THB 185,012 million for the year ended 31 December 2019. The increase was in line with the increase in Makro's revenue from sale of goods.

1.5.1.1.27 Distribution costs

Distribution costs increased THB 902 million, or 7.7%, from THB 11,767 million for the year ended 31 December 2018 to THB 12,669 million for the year ended 31 December 2019. The increase was primarily attributable to costs related to operation of new stores that opened in 2018 and 2019.

1.5.1.1.28 Administrative expenses

Administrative expenses increased THB 1,027 million, or 27.7%, from THB 3,714 million for the year ended 31 December 2018 to THB 4,741 million for the year ended 31 December 2019. The increase was primarily attributable to an increase of employee related expenses, expenses incurred for development of computer software such as a platform for online sales expansion and expenses associated with starting business operations in China and Myanmar.

1.5.1.1.29 Finance costs

Finance costs decreased THB 26 million, or 7.7%, from THB 336 million for the year ended 31 December 2018 to THB 310 million for the year ended 31 December 2019. The decrease was primarily attributable to a decrease in finance costs paid to financial institutions from THB 273 million for the year ended 31 December 2018 to THB 257 million for the year ended 31 December 2019.

1.5.1.1.30 Income tax expense

Income tax expense increased THB 109 million, or 6.8%, from THB 1,601 million for the year ended 31 December 2018 to THB 1,710 million for the year ended 31 December 2019. This increase was in line with an increase in profit before income tax expense from THB 7,474 million for the year ended 31 December 2018 to THB 7,895 million for the year ended 31 December 2019.

1.5.1.1.31 Profit for the year

As a result of the foregoing, Makro's profit for the year increased THB 312 million, or 5.3%, from THB 5,873 million for the year ended 31 December 2018 to THB 6,185 million for the year ended 31 December 2019.

1.5.1.1.32 Other comprehensive income (loss) for the year, net of income tax

Makro's other comprehensive income (loss) for the year, net of income tax, decreased THB 17 million, or 10.8%, from THB (164) million for the year ended 31 December 2018 to THB (147) million for the year ended 31 December 2019. Such decrease in expense was primarily due to an increase in the exchange rate on translating financial statements and an increase in income tax income relating to components of other comprehensive income on losses on remeasurements of defined benefit plans, which were partially offset by an increase in losses on remeasurements of defined benefit plans.

1.5.1.1.33 Total comprehensive income for the year

As a result of the foregoing, Makro's total comprehensive income for the year increased THB 329 million, or 5.8%, from THB 5,709 million for the year ended 31 December 2018 to THB 6,038 million for the year ended 31 December 2019.

1.5.2 Results of operations of Lotus's

The following table sets forth a summary of Lotus's unaudited pro forma results of operations for the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2020 and Lotus's results of operations for the nine months ended 30 September 2021:

	Year ended 31 December			Nine months ended 30 September		
	2019 ⁽¹⁾	2020 ⁽¹⁾		2020 ⁽²⁾	2021 ⁽³⁾	
	(Pro Forma)	(Pro Forma)		(Pro Forma)		
	(THB)	(THB)	(U.S.\$)	(THB)	(THB)	(U.S.\$)
	(in millions)					
Revenue from sale of goods	205,227	197,460	5,825	154,084	144,276	4,256
Rental income and revenue from rendering of services	14,805	11,188	330	8,793	7,872	232
Costs of sales.....	(166,237)	(160,670)	(4,740)	(124,375)	(117,531)	(3,467)
Cost of rental and cost of rendering of services.....	(5,354)	(5,526)	(166)	(4,090)	(4,200)	(124)
	(5,471)	(5,643)				
Gross profit	48,441	42,452	1,249	34,412	30,417	897
	48,324	42,335				
Gain (loss) on foreign exchange rate	(2)	87	3	(3)	(654)	(19)
Other income	3,093	2,370	70	1,935	1,431	42
Net derivative gain	1	2	0	=	=	=
	(28,557)	(28,716)				
Distribution costs.....	(29,136)	(29,295)	(864)	(21,610)	(21,781)	(643)
Administrative expenses.....	(5,595)	(6,434)	(190)	(3,811)	(5,136)	(152)
	17,381	9,761				
Profit from operating activities	16,685	9,065	267	10,923	4,277	126
	(6,736)	(6,772)				
Finance costs	(6,363)	(6,399)	(189)	(4,878)	(4,909)	(145)
Share of profit from investment in joint ventures and an associate	815	782	23	563	592	17
Profit (loss) before income tax expense	11,460	3,771				
	11,137	3,448	102	6,608	(40)	(1)
	(3,127)	(1,993)				
Income tax expense	(3,068)	(1,934)	(57)	(2,187)	(878)	(26)
	8,333	1,778				
Profit (loss) for the year/period	8,069	1,514	45	4,421	(918)	(27)

	Year ended 31 December			Nine months ended 30 September		
	2019 ⁽¹⁾	2020 ⁽¹⁾		2020 ⁽²⁾	2021 ⁽³⁾	
	(Pro Forma)	(Pro Forma)		(Pro Forma)		
	(THB)	(THB)	(U.S.\$)	(THB)	(THB)	(U.S.\$)
Profit (loss) attributable to:						
	8,333	1,778				
Owners of the parent	8,069	1,514	45	4,421	(918)	(27)
Non-controlling interests	—	—	—	—	—	—
	8,333	1,778				
Profit (loss) for the year/period	8,069	1,514	45	4,421	(918)	(27)
Other comprehensive income (loss):						
Exchange differences on translating financial statements	80	(19)	(1)	—	895	26
Losses on re-measurements of defined benefit plans	(88)	(149)	(4)	(88)	—	—
<u>Loss on cash flow hedges</u>	—	—	—	—	(54)	(2)
Total components of other comprehensive income (loss) that will be reclassified to profit or loss, net of tax	(8)	(168)	(5)	(88)	841	25
Other comprehensive income (loss) for the year/period, net of tax	(8)	(168)	(5)	(88)	841	25
Total comprehensive income (loss) for the year/period	8,325	1,640				
	8,061	1,346	40	4,333	(77)	(2)

Notes:

(1) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the years ended 31 December 2019 and 2020.

(2) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the nine months ended 30 September 2020.

(3) Based on the Lotus's Interim Financial Information for the nine months ended 30 September 2021.

1.5.2.1 Nine months ended 30 September 2021 compared to nine months ended 30 September 2020

1.5.2.1.1 Revenue from sale of goods

Revenue from sales of goods decreased THB 9,808 million, or 6.4%, from THB 154,084 million for the nine months ended 30 September 2020 to THB 144,276 million for the nine months ended 30 September 2021. The decrease was attributable to decreases in sales of goods of dry grocery, general merchandise and apparel mainly due to the COVID-19 pandemic.

1.5.2.1.2 Rental income and revenue from rendering of services

Rental income and revenue from rendering of services decreased THB 921 million, or 10.5%, from THB 8,793 million for the nine months ended 30 September 2020 to THB 7,872 million for the nine months ended 30

September 2021. The decrease was primarily attributable to rent reductions offered to mall tenants to help mitigate the impact of the COVID-19 pandemic on their businesses, as well as a decrease in tenancy occupancy rates arising from various periods of government-imposed mall lockdowns.

1.5.2.1.3 Cost of sales

Cost of sale decreased THB 6,844 million, or 5.5%, from THB 124,375 million for the nine months ended 30 September 2020 to THB 117,531 million for the nine months ended 30 September 2021. The decrease was primarily attributable to decreases in sales volumes for general merchandise, apparel and dry grocery.

1.5.2.1.4 Cost of rental and cost of rendering of services

Cost of rental and cost of rendering of services increased THB 110 million, or 2.7%, from THB 4,090 million for the nine months ended 30 September 2020 to THB 4,200 million for the nine months ended 30 September 2021. The increase was primarily attributable to an increase in property tax for Lotus's operations in Thailand due to changes in the property tax law which affected Lotus's accounting records.

1.5.2.1.5 Other income

Other income decreased THB 504 million, or 26.0%, from THB 1,935 million for the nine months ended 30 September 2020 to THB 1,431 million for the nine months ended 30 September 2021. The decrease was primarily attributable to decreases in advertisement income from suppliers and consignment income in Thailand due to the COVID-19 pandemic.

1.5.2.1.6 Distribution costs

Distribution costs did not change significantly at THB 21,781 million for the nine months ended 30 September 2021 compared to THB 21,610 million for the nine months ended 30 September 2020.

1.5.2.1.7 Administrative expenses

Administrative expenses increased THB 1,325 million, or 34.8%, from THB 3,811 million for the nine months ended 30 September 2020 to THB 5,136 million for the nine months ended 30 September 2021. The increase was primarily attributable to an increase in IT-related expenses for transitioning into a new IT system, necessitated by the separation of business from Tesco and the new IT system needed for future business expansions.

1.5.2.1.8 Gain (loss) on foreign exchange rate

Gain (loss) on foreign exchange rate changed from a loss of THB 3 million for the nine months ended 30 September 2020 to a loss of THB 654 million for the nine months ended 30 September 2021. The change was primarily attributable to a USD denominated loan for Lotus's operations in Malaysia, where the depreciation of the Malaysian Ringgit compared to the beginning of the period resulted in Lotus's having a higher amount of loan in Malaysian Ringgit compared to the beginning of the period.

1.5.2.1.9 Finance costs

Finance costs did not change significantly at THB 4,909 million for the nine months ended 30 September 2021 compared to THB 4,878 million for the nine months ended 30 September 2020.

1.5.2.1.10 Share of profit from investment in joint ventures and an associate

Share of profits from investment in joint ventures and an associate increased THB 29 million, or 5.2%, from THB 563 million for the nine months ended 30 September 2020, to THB 592 million for the nine months ended 30 September 2021. The increase was primarily attributable to an increase in share of profit from Lotus's Money Services Limited, which was partially offset by a decrease in share of profit from LPF.

1.5.2.1.11 Income tax expense

Income tax expense decreased THB 1,309 million, or 59.9%, from THB 2,187 million for the nine months ended 30 September 2020 to THB 878 million for the nine months ended 30 September 2021. This decrease was in line with a decrease in profit before income tax expense at each of Lotus's Thailand and Lotus's Malaysia.

1.5.2.1.12 Profit (loss) for the period

As a result of the foregoing, Lotus's profit (loss) for the period changed from a profit of THB 4,421 million for the nine months ended 30 September 2020 to a loss of THB 918 million for the nine months ended 30 September 2021, in line with the decrease in Lotus's revenue accompanied by a comparatively smaller decrease in Lotus's costs compared to the same period in the previous year. The smaller decrease in Lotus's costs for the nine months ended 30 September 2021 resulted from the fact that the decrease in cost of sales (in line with the decrease of revenue from sale of goods) was partially offset by an increase in administrative expenses in connection with IT-related expenses for transitioning into a new IT system, which was necessitated by the separation of business from Tesco and the new IT system needed for future business expansions, in addition to increases in cost of rental and cost of rendering of services and distribution costs.

1.5.2.1.13 Other comprehensive income (loss) for the period, net of income tax

Lotus's other comprehensive income (loss) for the period, net of income tax, changed from a loss of THB 88 million for the nine months ended 30 September 2020 to an income of THB 841 million for the nine months ended 30 September 2021. Such increase was due to exchange differences for translating financial statements.

1.5.2.1.14 Total comprehensive income (loss) for the period

As a result of the foregoing, Lotus's total comprehensive income (loss) for the period changed from an income of THB 4,333 million for the nine months ended 30 September 2020 to a loss of THB 77 million for the nine months ended 30 September 2021.

1.5.2.2 Year ended 31 December 2020 compared to year ended 31 December 2019

1.5.2.2.1 Revenue from sale of goods

Revenue from sales of goods decreased THB 7,767 million, or 3.8%, from THB 205,227 million for the year ended 31 December 2019 to THB 197,460 million for the year ended 31 December 2020. The decrease was attributable to a decrease in Lotus's revenue from sale of goods from its businesses in Thailand, which was partially offset by an increase in revenue from sale of goods from its businesses in Malaysia. The decrease in revenue from sale of goods in Thailand was primarily attributable to decreases in sales of dry grocery, general merchandise and apparel, resulting mainly from the COVID-19 pandemic.

1.5.2.2.2 Rental income and revenue from rendering of services

Rental income and revenue from rendering of services decreased THB 3,617 million, or 24.4%, from THB 14,805 million for the year ended 31 December 2019 to THB 11,188 million for the year ended 31 December 2020. The decrease was primarily attributable to a decrease in revenue from rendering of services from Lotus's operations in Thailand and Malaysia, which was primarily driven by rent reductions offered to Lotus's mall tenants to help mitigate the impact on them from the COVID-19 pandemic and decreases in tenant occupancy rates as a result of decreased customer traffic to Lotus's mall tenants.

1.5.2.2.3 Cost of sales

Cost of sale decreased THB 5,567 million, or 3.3%, from THB 166,237 million for the year ended 31 December 2019 to THB 160,670 million for the year ended 31 December 2020. The decrease was primarily attributable to a decrease in cost of sales for Lotus's operations in Thailand, which was primarily driven by decrease in sales volumes for general merchandise, apparel and dry grocery.

1.5.2.2.4 Cost of rental and cost of rendering of services

Cost of rental and cost of rendering of services increased THB 172 million, or 3.23.1%, from THB 5,3545,471 million for the year ended 31 December 2019 to THB 5,5265,643 million for the year ended 31 December 2020. The increase was primarily attributable to an increase in cost of rental and cost of rendering of services for Lotus's operations in Thailand, which was primarily driven by depreciation of capital investment in new stores and renovation of existing stores as well as promotional expenses.

1.5.2.2.5 Gain (loss) on foreign exchange rate

Gain (loss) on foreign exchange rate increased THB 89 million, from a loss of THB 2 million for the year ended 31 December 2019 to a gain of THB 87 million for the year ended 31 December 2020. The increase was primarily attributable to an increase in gain on foreign exchange rate from Lotus's operations in Malaysia, which was primarily driven by an unrealised foreign exchange gain arising from a USD denominated intercompany loan.

1.5.2.2.6 Other income

Other income decreased THB 723 million, or 23.4%, from THB 3,093 million for the year ended 31 December 2019 to THB 2,370 million for the year ended 31 December 2020. The decrease was primarily attributable to a decrease in other income from Lotus's operations in Thailand, which was primarily driven by lower advertisement income received from Lotus's suppliers due to the COVID-19 pandemic.

1.5.2.2.7 Distribution costs

Distribution costs increased THB 159 million, or 0.59.6%, from THB 28,55729,136 million for the year ended 31 December 2019 to THB 28,71629,295 million for the year ended 31 December 2020. The increase was primarily attributable to increases in impairment loss from operation of stores arising from estimating the recoverable amount to be lower than the carrying amount of the assets, which may be reversed in the future once such stores have better operating results.

1.5.2.2.8 Administrative expenses

Administrative expenses increased THB 839 million, or 15.0%, from THB 5,595 million for the year ended 31 December 2019 to THB 6,434 million for the year ended 31 December 2020. The increase was primarily attributable to an increase in administrative expenses from Lotus's operations in Thailand, which was primarily driven by increases in expenses related to IT due to separation of Lotus's from Tesco and new IT system developments for future business expansion, as well as an increase in employee benefits from ~~special expenses incurred due to~~ bonuses paid in connection with the separation of Lotus's business from Tesco.

1.5.2.1.1 Finance costs

1.5.2.2.9 Finance costs

Finance costs did not change significantly at THB ~~6,7726,399~~ million for the year ended 31 December 2020 compared to THB ~~6,7366,363~~ million for the year ended 31 December 2019.

1.5.2.2.10 Share of profit from investment in joint ventures and an associate

Share of profits from investment in joint ventures and an associate decreased THB 33 million, or 4.0%, from THB 815 million for the year ended 31 December 2019, to THB 782 million for the year ended 31 December 2020. The decrease was primarily attributable to a decrease in the share of profit of Lotus's Retail Growth Freehold and Leasehold Property Fund from THB 439 million for the year ended 31 December 2019 to THB 287 million for the year ended 31 December 2020, arising from the impact of the COVID-19 pandemic.

1.5.2.2.11 Income tax expense

Income tax expense decreased THB 1,134 million, or ~~36.337.0~~%, from THB ~~3,1273,068~~ million for the year ended 31 December 2019 to THB ~~1,9931,934~~ million for the year ended 31 December 2020. This decrease was in line with a decrease in profit before income tax expense at each of Lotus's Thailand and Lotus's Malaysia.

1.5.2.2.12 Profit for the year

As a result of the foregoing, Lotus's profit for the year decreased THB 6,555 million, or ~~78.781.2~~%, from THB ~~8,3338,069~~ million for the year ended 31 December 2019 to THB ~~1,7781,514~~ million for the year ended 31 December 2020.

1.5.2.2.13 Other comprehensive loss for the year, net of income tax

Lotus's other comprehensive loss for the year, net of income tax, increased THB 160 million from THB 8 million for the year ended 31 December 2019 to THB 168 million for the year ended 31 December 2020. Such increase was due to a decrease in exchange differences on translating financial statements and an increase in losses on remeasurements of defined benefit plans.

1.5.2.2.14 Total comprehensive income for the year

As a result of the foregoing, Lotus's total comprehensive income for the year decreased THB 6,715 million, or ~~80.783.3~~%, from THB ~~8,3258,061~~ million for the year ended 31 December 2019 to THB ~~1,6101,346~~ million for the year ended 31 December 2020.

1.6 Analysis of financial position

1.6.1 Analysis of financial position of Makro

1.6.1.1 Current assets

1.6.1.1.1 Cash and cash equivalents

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro had cash and cash equivalents of THB 5,096 million, THB 4,800 million, THB 10,484 million and THB ~~7,442~~5,260 million, respectively.

The decrease in Makro's cash and cash equivalents from 31 December 2018 to 31 December 2019 was primarily due to the net cash flow that was used in investing activities, mainly cash paid to acquire property, plant and equipment, the net cash flow used in financing activities, mainly repayment of short-term borrowings from financial institutions, and payment of dividends being higher than the net cash flow from operating activities.

The increase in Makro's cash and cash equivalents from 31 December 2019 to 31 December 2020 was primarily due to an increase in the net cash flow from operating activities, as well as a decrease in the net cash flow used in investing activities and financing activities arising from a decrease in cash paid to acquire property, plant and equipment and a repayment for net short-term borrowings from financial institutions in 2019 as compared to cash received from net short-term borrowings from financial institutions in 2020.

The decrease ~~of in~~ Makro's cash and cash equivalents from 31 December 2020 to 30 ~~June~~September 2021 was primarily due to the net cash flow used in investing activities ~~which was,~~ mainly cash paid to acquire property, plant and equipment ~~and,~~ the net cash flow used in financing activities ~~which was,~~ mainly cash paid for lease liabilities, ~~and~~ repayment of ~~short~~current portion of long-term borrowings from financial institutions, and payment of dividends being higher than the net cash flow from operating activities.

1.6.1.1.2 Trade accounts receivable

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro had trade accounts receivable of THB 1,039 million, THB 1,078 million, THB 945 million and THB ~~822~~957 million, respectively. Trade accounts receivable increased from 31 December 2018 to 31 December 2019 primarily because of an increase in sales of Makro's food services business. Trade accounts receivable decreased from 31 December ~~2020 to 30 June 2021~~ 2020 to 30 September 2021 primarily due to lower sales during the period 2019 to 31 December 2020 primarily due to a decrease in sales of Makro's food services business due to the COVID-19 pandemic. Trade accounts receivable marginally increased from 31 December 2020 to 30 September 2021 due to an increase in trade accounts receivable debtor balances for Makro's operations in Thailand.

1.6.1.1.3 Other current receivables

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro had other current receivables of THB 600 million, THB 592 million, THB 483 million and THB ~~770~~840 million, respectively. Other current receivables decreased from 31 December 2019 to 31 December 2020 primarily due to the reclassification of rental prepayment to right-of-use assets from Makro's adoption of TFRS 16. Other current receivables increased from 31 December 2020 to 30 ~~June~~September 2021 primarily due to accrued receivables for insurance claim payments ~~for in connection with~~ an accident ~~that~~ occurred at one of our warehouses and prepayment of service fees.

1.6.1.1.4 Inventories

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro had inventories of THB 14,361 million, THB 14,774 million, THB 14,477 million and THB ~~13,884~~14,030 million, respectively. Inventories increased from 31 December 2018 to 31 December 2019 primarily because of an increase in inventories of finished goods from THB 14,036 million as of 31 December 2018 to THB 14,398 million as of 31 December 2019, which was primarily attributable to an increased procurement of finished goods in line with sales growth. Inventories decreased from 31 December 2019 to 31 December 2020 primarily due to a decrease in goods in transit from THB 579 million as of 31 December 2019 to THB 311 million as of 31 December 2020, which was primarily due to a reduced volume of imported goods for Makro's food service business due to the COVID-19 pandemic. Inventories decreased from 31 December 2020 to 30 ~~June~~September 2021 ~~as Makro's primarily due to higher stock normally required at year-end for sales are typically lower for during the first half of each year and less inventory is required- holiday season.~~

1.6.1.1.5 Purchase discount receivables

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro had purchase discount receivables of THB 1,094 million, THB 1,261 million, THB 1,188 million and THB ~~738~~764 million, respectively. Purchase discount receivables increased from 31 December 2018 to 31 December 2019 primarily because of an increased amount of purchase discount in line with purchase growth. Purchase discount receivables decreased from 31 December 2019 to 31 December 2020 primarily due to a lower amount of collectible rebates due to slower sales amid the COVID-19 pandemic. Purchase discount receivables was lower as of 30 ~~June~~September 2021 compared to 31 December 2020 in line with purchase volumes and prevailing discount rates.

1.6.1.2 Non-current assets

1.6.1.2.1 Other non-current receivables

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro had other non-current receivables of THB 232 million, THB 417 million, THB 13 million and THB ~~46~~17 million, respectively. Other non-current receivables increased from 31 December 2018 to 31 December 2019 primarily because of a receivable in relation to a one-time prepayment rental for a new store. Other non-current receivables decreased from 31 December 2019 to 31 December 2020 ~~and 30 June 2021~~ primarily due to reclassification of rental prepayment (over 1 year) to right-of-use assets from Makro's adoption of TFRS 16.

1.6.1.2.2 Property, plant and equipment

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro had property, plant and equipment of THB 31,553 million, THB 31,579 million, THB 30,564 million and THB ~~30,205~~30,161 million, respectively. Property, plant and equipment increased from 31 December 2018 to 31 December 2019 primarily because of an increase in the net book value of buildings, building improvements and leasehold improvements from THB 11,424 million as of 31 December 2018 to THB 11,802 million as of 31 December 2019, which was primarily due to opening of new stores. Property, plant and equipment decreased from 31 December 2019 to 31 December 2020 primarily due to a decrease in the net book value of machinery and equipment from THB 6,266 million as of 31 December 2019 to THB 5,305 million as of 31 December 2020, which was primarily caused by reclassification of plant and equipment to right-of-use assets upon Makro's adoption of TFRS 16. Such decrease was partially offset by an increase in property, plant and equipment from openings of new stores. Property, plant and equipment decreased from 31 December 2020 to 30 ~~June~~September 2021 primarily due to a slower rate of

new store openings, which meant that the ~~deprecation~~depreciation of existing stores had a greater impact than the addition of new stores.

1.6.1.2.3 Right-of-use assets

As of 31 December 2018 and 2019, Makro did not have any right-of-use assets. As of 31 December 2020, Makro had right-of-use assets of THB 10,204 million arising from its adoption of TFRS 16. Right-of-use assets increased to THB ~~40,722~~11,085 million as of 30 ~~June~~September 2021 primarily due to additional leases of land, buildings and equipment of various branches of Makro.

1.6.1.3 Current liabilities

1.6.1.3.1 Short-term borrowings from financial institutions

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro had short-term borrowings from financial institutions of THB 3,583 million, THB 827 million, THB 1,050 million and THB ~~633~~982 million, respectively. Short-term borrowings from financial institutions decreased from 31 December 2018 to 31 December 2019 because of repayment of such borrowings. Short-term borrowings from financial institutions increased from 31 December 2019 to 31 December 2020 primarily due to additional borrowings made for operational cashflow. Short-term borrowings from financial institutions decreased from 31 December 2020 to 30 ~~June~~September 2021 primarily due to repayment of such borrowings.

1.6.1.3.2 Trade accounts payable to other parties

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro had trade accounts payable to other parties of THB 23,571 million, THB 24,494 million, THB 25,805 million and THB ~~22,550~~22,677 million, respectively. Trade accounts payable to other parties increased from 31 December 2018 to 31 December 2019 primarily because of an increase in sales. Trade accounts payable to other parties increased from 31 December 2019 to 31 December 2020 primarily due to increased procurement of inventories of certain items to ensure stock availability in light of COVID-19. Trade accounts payable to other parties decreased from 31 December 2020 to 30 ~~June 2021 as there are typically less trade accounts payable to other parties during the second quarter of each year, which is Makro's low season. This is due to the decrease in the demand from the end customers of Makro's small retailer customers since such end customers shift to spend on agricultural products in the new season and also spend to prepare for the start of school semesters for their children~~September 2021 primarily due to higher purchase volumes during year-end period for holiday season.

1.6.1.3.3 Trade accounts payable to related parties

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro had trade accounts payable to related parties of THB 1,607 million, THB 1,932 million, THB 2,170 million and THB ~~1,998~~1,858 million, respectively. Trade accounts payable to related parties increased from 31 December 2018 to 31 December 2019 primarily because of an increase in sales. Trade accounts payable to related parties increased from 31 December 2019 to 31 December 2020 primarily due to increased procurement of inventories to ensure stock availability in light of COVID-19. Trade accounts payable to related parties decreased from 31 December 2020 to 30 ~~June~~September 2021 primarily due to less volume of products purchased from related parties.

1.6.1.3.4 Accrued expenses

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro had accrued expenses of THB 2,278 million, THB 2,378 million, THB 2,838 million and THB ~~2,312~~2,848 million, respectively. Accrued expenses increased from 31 December 2018 to 31 December 2019 primarily because of an increase in accrued employee benefit expenses. Accrued expenses increased from 31 December 2019 to 31 December 2020 primarily due to an increase in accrued employee benefit expenses and consultant expenses. Accrued expenses ~~decreased~~increased from 31 December 2020 to 30 ~~June~~September 2021 primarily due to increases in accrued ~~annual bonus for employee computer~~ and ~~consultant~~DC expenses ~~regarding consultation for development of business and IT systems in order to increase work efficiency and support future business expansion that, which~~ were ~~paid~~partially offset by a decrease in ~~2021~~accrued employee expenses.

1.6.1.4 Non-current liabilities

1.6.1.4.1 Other non-current payables

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro had other non-current payables of THB 356 million, THB 597 million, THB 4 million and THB ~~43~~ million, respectively. Other non-current payables increased from 31 December 2018 to 31 December 2019 primarily because of an increase in straight-line rental liabilities. Other non-current payables decreased from 31 December 2019 to 31 December 2020 primarily due to reclassification of certain other non-current payables to lease liabilities upon Makro's adoption of TFRS 16. Other non-current payables remained mostly unchanged from 31 December 2020 to 30 ~~June~~September 2021.

1.6.1.4.2 Lease liabilities

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro had total lease liabilities (including current and non-current portion) of THB 698 million, THB 641 million, THB 8,118 million and THB ~~8,744~~8,971 million, respectively. Lease liabilities decreased from 31 December 2018 to 31 December 2019 primarily because of repayment of finance lease liabilities partially offset by new contracts. The significant increase in lease liabilities from 31 December 2019 to 31 December 2020 arose from recording lease liabilities in respect of lease contracts pursuant to Makro's adoption of TFRS 16. Lease liabilities increased from 31 December 2020 to 30 ~~June~~September 2021 primarily due to additional ~~leases~~lease liabilities in respect of the ~~rental of new lease contracts for~~ equipment.

1.6.1.4.3 Long-term borrowings from financial institutions

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro had total long-term borrowings from financial institutions (including current and non-current portion) of THB 7,002 million, THB 7,004 million, THB 7,003 million and THB ~~7,003~~5,002 million, respectively, reflecting amounts outstanding mostly under four loan contracts. There was no repayment of principal during the three years ended 31 December 2020, while the THB 3,000 million loan contracts was refinanced in full in January 2021. Total long-term borrowings from financial institutions decreased from 31 December 2020 to 30 September 2021 primarily due to repayment of a THB 2,000 million long-term loan that was due in September 2021.

1.6.1.4.4 Total equity

As of 31 December 2018, 2019 and 2020 and 30 ~~June~~September 2021, Makro's total equity was THB 19,256 million, THB 20,734 million, THB 22,710 million and THB ~~22,857~~22,578 million, respectively.

Makro's total equity increased from 31 December 2018 to 31 December 2019 primarily due to an increase in unappropriated retained earnings from THB 13,002 million as of 31 December 2018 to THB 14,570 million as of 31 December 2019, which was primarily due to net profits and dividends paid for the year.

Makro's total equity increased from 31 December 2019 to 31 December 2020 primarily due to an increase in unappropriated retained earnings from THB 14,570 million as of 31 December 2019 to THB 16,511 million as of 31 December 2020, which was primarily due to net profits and dividends paid for the year.

Makro's total equity ~~increased~~ decreased from 31 December 2020 to 30 ~~June~~ September 2021 primarily due to ~~an increase~~ a decrease in unappropriated retained earnings from THB 16,511 million as of 31 December 2020 to THB ~~16,652~~ 16,304 million as of 30 ~~June~~ September 2021, which was primarily due to differences in net profits and dividends paid for the period.

1.6.2 Analysis of financial position of Lotus's

1.6.2.1 Current assets

1.6.2.1.1 Cash and cash equivalents

As of 31 December 2019 and 2020 and 30 September 2021, Lotus's had cash and cash equivalents of THB 21,724 million ~~and~~ THB 20,357 million and THB 20,978 million, respectively. Cash and cash equivalents decreased from 31 December 2019 to 31 December 2020 primarily because of a decrease in the net cash flow from the operating activities and an increase in cash spent to acquire investment ~~properties~~ property, property, plant and equipment and other intangible assets other than goodwill.

1.6.2.1.2 Trade and other current receivables

As of 31 December 2019 and 2020 and 30 September 2021, Lotus's had trade and other current receivables of THB 3,419 million ~~and~~ THB 2,725 million and THB 4,214 million, respectively. Trade and other current receivables decreased from 31 December 2019 to 31 December 2020 primarily because of a decrease in trade and other current receivables for Lotus's operations in Thailand, which was primarily driven by a decrease in accrued income resulting from decreased sales for the period. Trade and other current receivables increased from 31 December 2020 to 30 September 2021 primarily due to prepayment of IT transition costs.

1.6.2.1.3 Inventories

As of 31 December 2019 and 2020 and 30 September 2021, Lotus's had inventories of THB 12,386 million ~~and~~ THB 11,930 million and THB 14,551 million, respectively. Inventories decreased from 31 December 2019 to 31 December 2020 primarily due to a decrease in inventories for Lotus's operations in Thailand, which was primarily driven by a decrease in sales and Lotus's efforts to keep stock levels in line with sales. Inventories increased from 31 December 2020 to 30 September 2021 primarily due to stock build-up in Thailand for promotion and expansion of product offerings to accommodate Lotus's newly increased focus on fresh food products as well as the expected increase in year-end sales and promotions.

1.6.2.1.4 Derivative assets

As of 30 September 2021, Lotus's had derivative assets of THB 5,309 million. Such derivative assets were from entering into a U.S. dollar-denominated foreign exchange forward contract as foreign exchange hedging in connection with a loan related to the Tesco Acquisition.

1.6.2.2 Non-current assets

1.6.2.2.1 Investment properties

As of 31 December 2019 and 2020 and 30 ~~June~~September 2021, Lotus's had investment properties of THB ~~29,695,458,878 million, THB 45,252 million and THB 29,186,511,150 million~~, respectively. Investment properties decreased from 31 December 2019 to 31 December 2020 primarily due to amortisation of asset value. Investment properties increased from 31 December 2020 to 30 September 2021 primarily due to reclassification of certain assets from property, plant and equipment to investment properties as a result of changes to the sales floor and net lettable area ("NLA") of certain assets from reflecting business utilisation.

1.6.2.2.2 Property, plant and equipment

As of 31 December 2019 and 2020 and 30 September 2021, Lotus's had property, plant and equipment of THB ~~72,986,833,374 million and THB 71,113,814,426 million and THB 77,609 million~~, respectively. Property, plant and equipment decreased from 31 December 2019 to 31 December 2020 primarily due to a decrease in property, plant and equipment, which was primarily driven by decreased capital expenditure on property, plant and equipment during the COVID-19 pandemic as well as the depreciation of property, plant and equipment. Property, plant and equipment decreased from 31 December 2020 to 30 September 2021 primarily due to reclassification of certain assets from property, plant and equipment to investment properties as a result of changes to the sales floor and NLA of certain assets from reflecting business utilisation.

1.6.2.2.3 Right-of-use assets

As of 31 December 2019 and 2020 and 30 September 2021, Lotus's had right-of-use assets of THB ~~25,422,26,854 million and THB 26,894,27,925 million and THB 24,887 million~~, respectively. Right-of-use increased from 31 December 2019 to 31 December 2020 primarily due to an increase in right-of-use assets for Lotus's operations in Thailand, which was primarily driven by opening of new stores and installation of solar panels. Right-of-use assets decreased from 31 December 2020 to 30 September 2021 primarily due to the fair value adjustment in connection with the Tesco Acquisition.

1.6.2.2.4 Goodwill

As of 31 December 2019 and 2020, Lotus's had goodwill of THB 199,902 million, which remained unchanged at THB 226,228,199,902 million from 31 December 2019 to 31 December 2020, as of 30 September 2021.

1.6.2.2.5 Other intangible assets other than goodwill

As of 31 December 2019 and 2020 and 30 September 2021, Lotus's had other intangible assets other than goodwill of THB ~~571 million, THB 1,863,1,502 million, THB 2,691 million and THB 4,408 million~~, respectively. Other intangible assets other than goodwill increased from 31 December 2019 to 31 December 2020 primarily because of an increase in other intangible assets other than goodwill for Lotus's operations in Thailand, which was primarily driven by purchasing of software ~~licenses~~licences. Other intangible assets other than goodwill increased from 31 December 2020 to 30 September 2021 primarily due to an increase in software in relation to the IT system transition.

1.6.2.3 Current liabilities

1.6.2.3.1 Short-term borrowings from financial institutions

As of 31 December 2019 and 2020 and 30 September 2021, Lotus's had short-term borrowings from financial institutions of THB 120,823 million, THB 120,823 million and THB 133,681 million, respectively. Lotus's short-term borrowings from financial institutions remained unchanged ~~at THB 120,823 million~~ from 31 December 2019 to 31 December 2020, as the assumption underlying the pro forma financial statements that the indebtedness incurred under the short-term facilities drawn by Lotus's to finance the acquisition of Lotus's Thailand and Lotus's Malaysia (in the amounts of U.S.\$3,310 million (recorded at THB 98,685 million) and THB 22,138 million) were incurred on 1 January 2019 and remained outstanding throughout the period covered by the pro forma financial information. Short-term borrowings from financial institutions increased from 31 December 2020 to 30 September 2021 primarily due to an increase in exchange rate impact on current short-term borrowings from financial institutions.

1.6.2.3.2 Trade and other current payables

As of 31 December 2019 and 2020 and 30 September 2021, Lotus's had trade and other current payables of THB 37,127 million ~~and~~ THB 38,361 million and THB 36,440 million, respectively. Trade and other current payables increased from 31 December 2019 to 31 December 2020 primarily due to an increase in trade and other current payables for Lotus's operations in Malaysia, which was driven primarily by the goods purchased in anticipation of high sales during the Lunar New Year. Trade and other current payables decreased from 31 December 2020 to 30 September 2021 primarily due to timing difference of creditor payment for Lotus's Thailand as well as the fact that Lotus's made payments to its suppliers on 30 September 2021 whereas no such payment was made in the previous period-end date.

1.6.2.3.3 Corporate income tax payable

As of 31 December 2019 and 2020 and 30 September 2021, Lotus's had corporate income tax payable of THB 1,538 million ~~and~~ THB 208 million and THB 738 million, respectively. Corporate income tax payable decreased from 31 December 2019 to 31 December 2020 primarily due to a decrease in profit before income tax expense. Corporate income tax payable increased from 31 December 2020 to 30 September 2021 primarily due to timing of tax payment for Lotus's operation in Thailand, as corporate income tax for mid-year (from March to August) profits were due in November 2021.

1.6.2.4 Non-current liabilities

1.6.2.4.1 Lease liabilities

As of 31 December 2019 and 2020 and 30 September 2021, Lotus's had lease liabilities of THB ~~28,394~~ 32,518 million ~~and~~ THB ~~32,064~~ 36,191 million and THB 35,632 million, respectively. Lease liabilities increased from 31 December 2019 to 31 December 2020 primarily due to an increase in lease liabilities for Lotus's operations in Thailand, which was primarily driven by new leases for new stores and solar panels. Lease liabilities remained largely unchanged from 31 December 2020 to 30 September 2021.

1.6.2.4.2 Deferred tax liabilities

As of 31 December 2019 and 2020 and 30 September 2021, Lotus's had deferred tax liabilities of THB ~~773~~ 6,890 million ~~and~~ THB ~~453~~ 6,511 million and THB 6,602 million, respectively. Deferred tax liabilities decreased from

31 December 2019 to 31 December 2020 primarily due to a decrease in deferred tax liabilities for Lotus's operations in Thailand, which was primarily driven by a decrease in net right-of-uses. Deferred tax liabilities increased from 31 December 2020 to 30 September 2021 primarily due to exchange rate translation in connection with Lotus's Malaysia's deferred tax liabilities.

1.6.2.5 Total shareholders' equity

As of 31 December 2019 and 2020 and 30 September 2021, Lotus's total shareholders' equity was THB 203,334,195,462 million ~~and~~ THB 197,589,189,453 million and THB 199,078 million, respectively.

Lotus's total shareholders' equity decreased from 31 December 2019 to 31 December 2020 primarily due to pro forma adjustments from certain assumptions used in the preparation of the Lotus's Unaudited Pro Forma Consolidated Financial Information.

Lotus's total shareholders' equity decreased from 31 December 2020 to 30 September 2021 primarily due to a decrease in retained earnings in connection with Lotus's operations in Thailand, which was partially offset by gain on exchange differences on translating financial statements.

1.7 Liquidity and capital resources

The Group's financial condition and liquidity is and will continue to be influenced by a variety of factors, including:

- the Group's ability to generate cash flows from its operations;
- the level of the Group's outstanding indebtedness;
- the interest the Group is obligated to pay on such indebtedness, which affects its net financial expenses;
- prevailing interest rates, which affect the Group's debt service requirements;
- the Group's ability to continue to borrow funds from financial institutions;
- the Group's ability to access public market for financing; and
- the Group's capital expenditure requirements.

The Group's cash requirements consist mainly of the following:

- funding operating activities;
- funding capital expenditures;
- funding acquisitions;
- investing in our subsidiaries outside of Thailand;
- paying dividends;
- servicing the Group's indebtedness; and
- paying taxes.

The Group's sources of liquidity historically consisted, and will consist mainly of the following:

- cash generated from the Group's operating activities; and

- borrowings from the issuance of debt securities.

The Group's ability to generate cash from its operations depends on its future operating performance, which is in turn dependent, to some extent, on competition as well as general economic, financial, market, regulatory and other factors, many of which are beyond the Group's control.

The Group believes it has sufficient cash flows to support its operations for the next 12 months.

Cash flows

1.7.1 Cash flows of Makro

The following table sets forth a summary of Makro's cash flows for the periods indicated:

	Year ended 31 December				Six Nine months ended 30 June September		
	2018	2019	2020		2020	2021	
	(THB)	(THB)	(THB)	(U.S.\$)	(THB)	(THB)	(U.S.\$)
	(in millions)						
Net cash from operating activities.....	6,154	10,270	13,353	3,788 394	1,750 7,899	4,115 4,115	121 121
Net cash used in investing activities	(2,866)	(3,130)	(2,288)	(67)	(1,307) (1,760)	(1,024) (1,796)	(53) (53)
Net cash (used in) from financing activities.....	(2,411)	(7,402)	(5,413)	2,391 (160)	(3,77) (45,009)	(7,607) (7,607)	(224) (224)

1.7.1.1 Operating activities

Net cash from operating activities was THB 6,154 million for the year ended 31 December 2018, and primarily reflected profit for the year of THB 5,873 million as adjusted for adjustments to reconcile profit to cash receipts of THB 4,511 million, which primarily included depreciation and amortisation of THB 2,551 million, income tax expense of THB 1,601 million and finance costs of THB 336 million, and changes in operating assets and liabilities of THB (2,403) million, which primarily included changes in inventories of THB (1,304) million and in trade accounts payable of THB (940) million, resulting in net cash generated by Makro's operations of THB 7,981 million, which was partially offset by income tax paid of THB (1,612) million and interest paid of THB (243) million.

Net cash from operating activities was THB 10,270 million for the year ended 31 December 2019, and primarily reflected profit for the year of THB 6,185 million as adjusted for adjustments to reconcile profit to cash receipts of THB 4,916 million, which primarily included depreciation and amortisation of THB 2,723 million, income tax expense of THB 1,710 million and finance costs of THB 310 million, and changes in operating assets and liabilities of THB 1,089 million, which primarily included changes in trade accounts payable of THB 1,311 million and in other current payables of THB 249 million, which was partially offset by changes in inventories of THB (435) million, resulting in net cash generated by Makro's operations of THB 12,190 million, which was partially offset by income tax paid of THB (1,682) million and interest paid of THB (256) million.

Net cash from operating activities was THB 13,353 million for the year ended 31 December 2020, and primarily reflected profit for the year of THB 6,524 million as adjusted for adjustments to reconcile profit to cash receipts of THB 6,156 million, which primarily included depreciation and amortisation of THB 3,577 million, income tax expense of THB 1,813 million and finance costs of THB 619 million, and changes in operating assets and liabilities of THB 2,602 million, primarily including changes in trade accounts payable of THB 1,550 million, in accrued expenses of THB 461 million and in inventories of THB 258 million, resulting in net cash generated by Makro's operations of THB 15,282 million, which was partially offset by income tax paid of THB (1,734) million and interest paid of THB (236) million.

Net cash from operating activities was THB 3,7887,899 million for the ~~six~~nine months ended 30 ~~June~~September 2020, and primarily reflected profit for the period of THB 2,8314,393 million as adjusted for adjustments to reconcile profit to cash receipts of THB 3,0104,511 million-, which primarily ~~includes~~included depreciation and amortisation of THB 1,7702,664 million, income tax expense of THB 7601,222 million and finance costs of THB 320473 million, and changes in operating assets and liabilities of THB ~~(1,012)~~778 million, ~~which~~ primarily ~~includes changes in including~~ trade accounts payable ~~to other parties~~ of THB ~~(4,1001,897)~~ million ~~and in accrued expenses of THB (372) million, which was partially affected by changes in,~~ inventories of THB 2,4501,621 million, ~~in~~ purchase discount receivables of THB 488445 million and ~~in~~ trade accounts receivable of THB 402341 million, resulting in net cash generated by Makro's operations of THB 4,8299,682 million, which was partially offset by income tax paid of THB ~~(9591,611)~~ million and interest paid of THB ~~(403203)~~ million.

Net cash from operating activities was THB 1,7504,115 million for the ~~six~~nine months ended 30 ~~June~~September 2021, and primarily reflected profit for the period of THB 3,0084,570 million as adjusted for adjustments to reconcile profit to cash receipts of THB 2,9424,573 million, which primarily ~~includes~~included depreciation of property, plant and amortisation equipment of THB 1,7831,650 million, income tax expense of THB 7921,266 million and ~~finance costs~~depreciation of right-of-use assets of THB 272723 million, and changes in operating assets and liabilities of THB ~~(2,9613,029)~~ million, ~~which~~ primarily ~~includes changes in including~~ trade accounts payable ~~of THB (3,441) million and in accrued expenses of THB (524) million, which was partially affected by changes in inventories of THB 524 million and in to other parties of THB (3,173) million,~~ purchase discount receivables of THB 451 million, 425 million, trade accounts payable to related parties of THB (314) million, resulting in net cash generated by Makro's operations of THB 2,9896,114 million, which was partially offset by income tax paid of THB ~~(1,1541,860)~~ million and interest paid of THB ~~(401159)~~ million.

1.7.1.2 Investing activities

Net cash used in investing activities was THB (2,866) million for the year ended 31 December 2018, which was primarily due to cash used in the acquisition of property, plant and equipment of THB (2,261) million in connection with opening new stores, cash used in acquisition of other intangible assets of THB (390) million and cash used in acquisition of leasehold rights of THB (246) million.

Net cash used in investing activities was THB (3,130) million for the year ended 31 December 2019, which was primarily due to cash used in acquisition of property, plant and equipment of THB (2,577) million in connection with opening new stores, cash used in acquisition of other intangible assets of THB (414) million and cash used in acquisition of leasehold rights of THB (120) million.

Net cash used in investing activities was THB (2,288) million for the year ended 31 December 2020, which was primarily due to cash used in acquisition of property, plant and equipment of THB (1,831) million in connection with opening new stores ~~new stores~~ in Thailand, cash used in acquisition of other intangible assets other than goodwill of THB (292) million and cash used in acquisition of right-of-use assets of THB (191) million.

Net cash used in investing activities was THB (4,307,176) million for the ~~six~~nine months ended 30 ~~June~~September 2020, which was primarily due to cash used in acquisition of property, plant and equipment of THB (4,132,148) million ~~which was primarily investment used for in connection with~~ opening new stores in Thailand, cash used in acquisition of other intangible assets other than goodwill of THB (420,222) million and cash used in acquisition of right-of-use assets of THB (6293) million.

Net cash used in investing activities was THB (4,024,179) million for the ~~six~~nine months ended 30 ~~June~~September 2021, which was primarily due to ~~cash used in~~ acquisition of property, plant and equipment of THB (822,219) million ~~which was primarily investment used for opening new stores in Thailand, cash used in, acquisition of right-of-use assets of THB (382) million and~~ acquisition of other intangible assets other than goodwill of THB (126) million ~~and cash used in acquisition of right-of-use assets of THB (119,244)~~ million.

1.7.1.3 Financing activities

Net cash used in financing activities was THB (2,411) million for the year ended 31 December 2018, which was primarily due to dividends paid to equity holders of Makro of THB (4,608) million, repayment of long-term borrowings from financial institutions of THB (2,024) million and decrease in short-term borrowings from financial institutions of THB (743) million, which were partially offset by proceeds from long-term borrowings from financial institutions of THB 5,002 million.

Net cash used in financing activities was THB (7,402) million for the year ended 31 December 2019, which was primarily due to dividends paid to equity holders of Makro of THB (4,608) million, repayment of short-term borrowings from financial institutions of THB (2,735) million and payment by lessees for reduction of the outstanding liabilities relating to finance leases of THB (124) million.

Net cash used in financing activities was THB (5,413) million for the year ended 31 December 2020, which was primarily due to dividends paid to equity holders of Makro of THB (4,608) million and payment of lease liabilities of THB (1,007) million arising from the application of TFRS 16.

Net cash ~~from used in~~ financing activities was THB ~~2,394~~(5,009) million for the ~~six~~nine months ended 30 ~~June~~September 2020, which was primarily due to ~~increase in short term borrowings from financial institutions of THB 5,533 million reflecting Makro's decision to reserve liquidity during the COVID-19 pandemic, which was partially offset by~~ dividends paid to equity holders of ~~Makro~~THB (4,608) million and payment of lease liabilities of THB (2,688,736) million.

Net cash used in financing activities was THB (3,774,607) million for the ~~six~~nine months ended 30 ~~June~~September 2021, which was primarily due to ~~repayment of long-term borrowings from financial institutions of THB (5,001) million,~~ dividends paid to equity holders of ~~Makro of~~THB (2,880,800) million ~~and repayment of short, proceeds from long-term borrowings from financial institutions of THB (431) million.~~ In January 2021, Makro refinanced the long term borrowings from financial institutions to repay THB (3,000)3,001 million ~~which was due and~~ payment of lease liabilities of THB (705) million.

1.7.2 Cash flows of Lotus's

The following table sets forth a summary of Lotus's cash flows for the periods indicated:

	Year ended 31 December		Nine months ended 30 September		
	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽²⁾		
	(Pro Forma)	(Pro Forma)			
	(THB)	(THB)	(U.S.\$)	(THB)	(U.S.\$)
	(in millions)				
Net cash flows provided by operating activities.....	24,757	20,768	613	7,478	221
Net cash flows (used in) investing activities.....	(313,401)	(6,238)	(184)	(8,408)	(248)
Net cash flows provided by (used in) financing activities.....	311,428	(8,825)	(260)	(4,042)	(119)

Notes:

(1) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the years ended 31 December 2019 and 2020.

(2) Based on the Lotus's Interim Financial Information for the nine months ended 30 September 2021.

1.7.2.1 Operating activities

Net cash from operating activities was THB 24,757 million for the year ended 31 December 2019, and primarily reflected profit before income tax expense of THB ~~11,460~~11,137 million as adjusted for adjustments to reconcile profit to cash receipts of THB ~~17,387~~17,710 million, which primarily included depreciation and ~~amortization~~amortisation expenses of THB ~~11,699~~12,395 million and finance costs of THB ~~6,736~~6,363 million, and changes in operating assets and liabilities of THB (1,859) million, which primarily included changes in trade and other current payables of THB (1,478) million and in trade and other current receivables of THB (1,079) million, which was partially offset by changes in inventories of THB 722 million, resulting in net cash generated by Lotus's operations of THB 26,988 million, which was partially offset by income tax paid of THB (2,016) million.

Net cash from operating activities was THB 20,768 million for the year ended 31 December 2020, and primarily reflected profit before income tax expense of THB ~~3,771~~3,448 million as adjusted for adjustments to reconcile profit to cash receipts of THB ~~19,382~~19,705 million, which primarily included depreciation and ~~amortization~~amortisation expenses of THB ~~11,744~~12,440 million and finance costs of THB ~~6,772~~6,399 million, and changes in operating assets and liabilities of THB 1,029 million, which primarily included changes in trade and other current receivables of THB 446 million, in inventories of THB 406 million and in other current liabilities of THB 333 million, resulting in net cash generated by Lotus's operations of THB 24,182 million, which was partially offset by income tax paid of THB (3,602) million.

Net cash from operating activities was THB 7,478 million for the nine months ended 30 September 2021, and primarily reflected loss before income tax expense of THB (40) million as adjusted for adjustments to reconcile profit to cash receipts of THB 14,849 million, which primarily included depreciation and amortisation of THB 9,258 million, finance costs of THB 4,909 million, unrealised loss on exchange rates of THB 695 million and share of profit from joint ventures and an associate of THB (592) million, and changes in operating assets and liabilities of THB (7,045) million, which primarily included trade and other current payables of THB (5,694) million, trade and other current receivables of THB (682) million, inventories of THB (537) million and other

current liabilities of THB (219) million, which was partially offset by cash paid for income tax of THB (349) million.

1.7.2.2 Investing activities

Net cash used in investing activities was THB (313,401) million for the year ended 31 December 2019, which was primarily due to cash paid for acquisition of subsidiaries, net of cash acquired of THB (308,520) million in connection with the Lotus's Acquisition and cash paid for purchase of investment property, property, plant and equipment and intangible assets other than goodwill of THB (5,463) million in connection with opening new stores in Thailand, which were partially offset by dividend received from an associate of THB 546 million.

Net cash used in investing activities was THB (6,238) million for the year ended 31 December 2020, which was primarily due to cash paid for purchase of investment property, property, plant and equipment, and intangible assets other than goodwill of THB (6,917) million, which was partially offset by dividend received from an associate of THB 461 million and cash received from disposal of investment property and property, plant and equipment of THB 218 million.

Net cash used in investing activities was THB (8,408) million for the nine months ended 30 September 2021, which was due to cash paid for purchase of investment property, property, plant and equipment and other intangible assets other than goodwill of THB (8,779) million, dividend received from joint ventures and an associate of THB 341 million and cash received from sales of investment property, property, plant and equipment and other intangible assets other than goodwill THB 30 million.

1.7.2.3 Financing activities

Net cash provided by financing activities was THB 311,428 million for the year ended 31 December 2019, which was primarily due to cash received from issuance of common stock of THB 199,475 million and cash received from borrowings of THB 120,823 million, which were partially offset by cash paid for interest and financing fee of THB (5,778) million and cash paid for lease liabilities of THB (3,092) million.

Net cash used in financing activities was THB (8,825) million for the year ended 31 December 2020, which was primarily due to cash paid for interest and financing fee of THB (5,791) million and cash paid for lease liabilities of THB (3,034) million.

Net cash used in financing activities was THB (4,042) million for the nine months ended 30 September 2021, which was primarily due to cash paid for lease liabilities of THB (2,842) million, cash paid for interest of THB (1,877) million and cash received from roll-over fee for derivative of THB 1,041 million.

1.8 Other Financial Ratios

1.8.1 Other Financial Ratios of Makro

The table below sets forth key financial ratios calculated based on the Makro Financial Statements for the periods indicated.

	As of and for the years ended 31 December			As of and for the Six nine months ended 30 June September	
	2018	2019	2020	2020	2021
Liquidity Ratios					
Current ratio (times) ⁽¹⁾	0.7	0.7	0.7	N.A.	0.7
Quick ratio (times) ⁽²⁾	0.2	0.2	0.3	N.A.	0.3 0.2
Cash flow liquidity ratio (times) ⁽³⁾⁽²⁸⁾	0.2	0.3	0.4	N.A.	0.1 0.3
Accounts receivable turnover (times) ⁽⁴⁾⁽²⁸⁾ ...	190.2	191.3	202.1	228.3 N.A.	212.1
Average collection period (days) ⁽⁵⁾	1.9	1.9	1.8	N.A.	1.6 1.7
Inventory turnover (times) ⁽⁶⁾⁽²⁸⁾	12.8	13.0	13.3	14.0 N.A.	13.9
Average inventory days (days) ⁽⁷⁾	28.2	27.7	27.0	25.7 N.A.	26.0
Accounts payable turnover (times) ⁽⁸⁾⁽²⁸⁾	6.6	7.2	7.1	N.A.	7.5 7.4
Accounts payable days (days) ⁽⁹⁾	54.4	50.2	51.0	N.A.	48.2 48.5
Cash cycle (days) ⁽¹⁰⁾	(24.3)	(20.7)	(22.2)	N.A.	(20.9) 20.8)
Profitability Ratios					
Gross profit margin (%) ⁽¹¹⁾	10.0	10.3	10.3	9.8 10.1	10.1
Operating margin (%) ⁽¹²⁾	4.1	4.0	4.2	3.7 3.8	3.8
Other profit margin (%) ⁽¹³⁾	0.5	0.4	0.4	0.4	0.4
Cash flow to income ratio (%) ⁽¹⁴⁾	78.8	125.2	149.1	43.0 129.7	65.9
Net profit margin (%) ⁽¹⁵⁾	3.0	2.9	3.0	2.7	2.8
Return on equity (%) ⁽¹⁶⁾⁽²⁸⁾	32.8	32.0	30.9	N.A.	27.1 27.6
Efficiency Ratios					
Return on total assets (%) ⁽¹⁷⁾⁽²⁸⁾	9.7	9.9	9.5	N.A.	8.3 8.5
Return on fixed assets (%) ⁽¹⁸⁾⁽²⁸⁾	25.8	26.9	28.3	N.A.	27.0 27.3
Total asset turnover (times) ⁽¹⁹⁾⁽²⁸⁾	3.2	3.4	3.2	N.A.	3.1
Financial Policy Ratios					
Interest bearing debt to equity (times) ⁽²⁰⁾	0.6	0.4	0.7	N.A.	0.7
Net interest bearing debt to equity (times) ⁽²¹⁾	0.3	0.2	0.2	N.A.	0.4
Debt to equity (times) ⁽²²⁾	2.2	2.0	2.3	2.1 N.A.	2.0
Interest coverage ratio (times) ⁽²³⁾	33.0	47.7	65.0	29.8 N.A.	38.5
Obligation coverage ratio (cash basis) (times) ⁽²⁴⁾	0.6	0.9	1.7	0.2 N.A.	0.3
Dividend payout ratio (%) ⁽²⁵⁾	77.5	73.8	70.2	N.A.	N.A.

Notes:

- (1) Current ratio is calculated as current assets divided by current liabilities.
- (2) Quick ratio is calculated as the sum of cash and cash equivalents, current investments and trade accounts receivable divided by current liabilities.
- (3) Cash flow liquidity ratio is calculated as net cash from (used in) operating activities divided by average current liabilities.

	As of and for the years ended 31 December			As of and for the Six nine months ended 30 June September	
	2018	2019	2020	<u>2020</u>	2021
(4)	Accounts receivable turnover is calculated as revenue from sale of goods divided by average trade accounts receivable (before allowance for expected credit loss).				
(5)	Average collection period is calculated as 360 divided by account receivable turnover.				
(6)	Inventory turnover is calculated as cost of sale of goods divided by average inventories ⁽²⁶⁾ .				
(7)	Average inventory days is calculated as 360 divided by inventory turnover.				
(8)	Accounts payable turnover is calculated as cost of sales of goods divided by average trade accounts payable to other parties and related parties.				
(9)	Average accounts payable days is calculated as 360 divided by accounts payable turnover.				
(10)	Cash cycle is calculated as the sum of average collection period and average inventory days minus average accounts payable days.				
(11)	Gross profit margin is calculated as the revenue of sale of goods minus cost of sale of goods, then divided by revenue from sale of goods, multiplied by 100.				
(12)	Operating margin is calculated as profit from operating activities divided by revenue from sale of goods, multiplied by 100.				
(13)	Other profit margin is calculated as other income divided by total revenues, multiplied by 100.				
(14)	Cash flow to income ratio is calculated as net cash from (used in) operating activities divided by profit from operating activities, multiplied by 100.				
(15)	Net profit margin is calculated as profit (loss) for the period divided by total revenues, multiplied by 100.				
(16)	Return on equity is calculated as profit (loss) attributable to equity holders of Makro divided by average equity attributable to equity holders of Makro, multiplied by 100.				
(17)	Return on total assets is calculated as profit (loss) for the period divided by average total assets, multiplied by 100.				
(18)	Return on fixed assets is calculated as the sum of profit (loss) for the period and depreciation of property, plant and equipment divided by average net. property, plant and equipment, multiplied by 100.				
(19)	Total asset turnover is calculated as total revenues divided by average total assets.				
(20)	Interest bearing debt to equity is calculated as total interest bearing debt ⁽²⁷⁾ divided by total equity.				
(21)	Net interest bearing debt to equity is calculated as total interest bearing debt ⁽²⁷⁾ minus the sum of cash and cash equivalents and current investments, then divided by total equity.				
(22)	Debt to equity is calculated as total liabilities divided by total equity.				
(23)	Interest coverage ratio is calculated as net cash from (used in) operating activities before interest and income tax paid divided by interest paid.				
(24)	Obligation coverage ratio (cash basis) is calculated as net cash from (used in) operating activities divided by the sum of cash outflow on current investments, acquisition of property, plant and equipment, acquisition of right-of-use assets, acquisition of leasehold rights, acquisition of other intangible assets other than goodwill, payment of lease liabilities, repayment of short-term borrowings from financial institutions, repayment of long-term borrowings from financial institutions, repayment of short-term borrowings from other parties, interest paid and dividends paid to equity holders of Makro.				
(25)	Dividend payout ratio is calculated as dividends paid to equity holders of Makro divided by profit (loss) attributable to equity holders of Makro.				
(26)	Inventories include finished goods (before allowance for obsolete and low slow-moving inventories-).				
(27)	Total interest-bearing debt is calculated as the sum of short-term borrowings from financial institutions, short-term borrowings from other parties, current portion of long-term borrowings from financial institutions, current portion of lease liabilities, long-term borrowings from financial institutions and lease liabilities.				
(28)	Ratios for the six nine months ended 30 June September are annualized -annualised.				

1.8.1.1 Liquidity ratios

Current ratio for the years ended 31 December 2018, 2019 and 2020 and the ~~six~~nine months ended 30 ~~June~~September 2021 remained unchanged at 0.7 times, 0.7 times, 0.7 times and 0.7 times, respectively, due to proportionate changes in current assets and current liabilities during the periods. Quick ratio for the years ended 31 December 2018, 2019 and 2020 and the ~~six~~nine months ended 30 ~~June~~September 2021 was 0.2 times, 0.2 times, 0.3 times and 0.~~32~~ times, respectively. The increase in quick ratio for the year ended December 31, 2020 was primarily due to an increase in cash and cash equivalents.

Cash cycles for the years ended 31 December 2018, 2019 and 2020 and the ~~six~~nine months ended 30 ~~June~~September 2021 was (24.3) days, (20.7) days, (22.2) days and (~~20.9~~20.8) days, respectively. Cash cycles were in the negative as average payable days are longer than the sum of average inventory days and average collection period. ~~This is due to, arising from~~ Makro's cash and carry business format ~~which is cash and carry stores while~~ where Makro purchases products from its suppliers on credit terms ranging from approximately 7 days to 60 days.

1.8.1.2 Profitability ratios

Gross profit margin did not change significantly, at 10.0%, 10.3%, ~~10.3%~~, ~~10.1%~~ and 10.~~31~~% for the years ended 31 December 2018, 2019 and 2020 and for the nine months ended 30 September 2020 and 2021, respectively, primarily due to proportionate increases in revenue from sale of goods and cost of sale of goods. ~~Gross profit margin decreased to 9.8% for the six months ended 30 June 2021, as gross profit margin in the first half of a year is normally less than in the second half of the year due to the fact that there are higher sales in the third quarters due to Makro's anniversary celebrations and the fourth quarters which are Makro's high sales seasons.~~ Operating margin showed a similar trend at 4.1%, 4.0%, ~~4.2%~~ and ~~3.7%~~ for the years ended ~~31 December 2018, 2019~~ and ~~2020~~ and 4.2% for the years ended 31 December 2018, 2019 and 2020, respectively. Operating margin decreased to 3.8% and 3.8% for the ~~six~~nine months ended 30 ~~June~~September 2020 and 2021, respectively, primarily because operating margins are typically the highest for the fourth quarters due to high-sales holiday seasons. As a result of the foregoing, net profit margin was 3.0%, 2.9%, 3.0%, ~~2.7%~~ and ~~2.72~~.8% for the years ended 31 December 2018, 2019 and 2020 and for the ~~six~~nine months ended 30 ~~June~~September 2020 and 2021, respectively.

Return on equity was 32.8%, 32.0%, 30.9% and ~~27.1~~27.6% for the years ended 31 December 2018, 2019 and 2020 and the ~~six~~nine months ended 30 ~~June~~September 2021, respectively.

1.8.1.3 Efficiency ratios

Return on total asset did not change significantly, at 9.7%, 9.9% and 9.5% for the years ended 31 December 2018, 2019 and 2020, respectively. Return on total assets decreased to ~~8.38~~.5% for the ~~six~~nine months ended 30 ~~June~~September 2021, primarily due to a decrease in net profit margin ~~movements~~. Return on fixed assets was 25.8%, 26.9%, 28.3% and ~~27.0~~27.3% for the years ended 31 December 2018, 2019 and 2020 and for the ~~six~~nine months ended 30 ~~June~~September 2021, respectively. The gradual improvement in return on fixed assets during 2019 and 2020 was primarily due to higher profits while fixed assets remained relatively unchanged. Return on fixed assets decreased for the ~~six~~nine months ended 30 ~~June~~September 2021 due ~~to a decrease in~~ net profit ~~movements~~margin.

1.8.1.4 Financial ~~Policy~~policy ratios

Interest-bearing debt to equity ratio was 0.6 times, 0.4 times, ~~0.7~~ times and 0.7 times for the years ended 31 December 2018, 2019 and 2020 and for the ~~six~~nine months ended 30 ~~June~~September 2021, respectively. The

decrease in interest-bearing debt to equity ratio for the year ended 31 December 2019 was primarily due to the repayment of short-term borrowings from institutions, while the increase for the year ended 31 December 2020 was due to the significant increase in lease liabilities as a result of the adoption of TFRS 16. Debt to equity ratio followed the same trend and was 2.2 times, 2.0 times, and 2.3 times ~~and 2.1 times~~ for the years ended 31 December 2018, 2019 and 2020 ~~and for the six, respectively. Debt to equity ratio decreased to 2.0 times for the nine months ended 30 June/September 2021, respectively. primarily due to decreases in trade accounts payable to other parties and long-term borrowings from financial institutions.~~

1.8.2 Other Financial Ratios of Lotus's

The table below sets forth key financial ratios calculated based on the Lotus's Unaudited Pro Forma Consolidated Financial Information and the Lotus's Interim Financial Information for the years indicated.

	As of and for the years ended 31 December		<u>As of and for the nine months ended 30 September</u>	
	2019 ⁽¹⁾	2020 ⁽¹⁾	2020 ⁽²⁾	2021 ⁽³⁾
	(Pro Forma)	(Pro Forma)	(Pro Forma)	
Liquidity Ratios				
Current ratio (times) ⁽⁴⁴⁾	0.2	0.2	<u>N.A.</u>	<u>0.3</u>
Quick ratio (times) ⁽²⁵⁾	0.1	0.1	<u>N.A.</u>	<u>0.1</u>
Cash flow liquidity ratio (times) ^{(36) (32)}	0.1	0.1	<u>N.A.</u>	<u>0.1</u>
Accounts receivable turnover (times) ^{(47) (32)}	199.3	168.4	<u>N.A.</u>	<u>192.5</u>
Average collection period (days) ^{(58) (32)}	1.8	2.1	<u>N.A.</u>	<u>1.9</u>
Inventory turnover (times) ^{(69) (32)}	11.8	11.6	<u>N.A.</u>	<u>10.8</u>
Average inventory days (days) ^{(710) (32)}	30.4	31.0	<u>N.A.</u>	<u>33.4</u>
Accounts payable turnover (times) ^{(811) (32)} ...	6.6	6.4	<u>N.A.</u>	<u>6.0</u>
	54.9	56.7		
Accounts payable days (days) ^{(912) (32)}	<u>54.8</u>	<u>56.6</u>	<u>N.A.</u>	<u>60.4</u>
	(22.7)	(23.6)		
Cash cycle (days) ^{(4913) (32)}	<u>(22.6)</u>	<u>(23.5)</u>	<u>N.A.</u>	<u>(25.1)</u>
Profitability Ratios				
Gross profit margin (%) ⁽⁴⁴¹⁴⁾	22.0	20.3	<u>21.1</u>	<u>20.0</u>
	7.9	4.7		
Operating margin (%) ⁽⁴²¹⁵⁾	<u>7.6</u>	<u>4.3</u>	<u>6.7</u>	<u>2.8</u>
Other profit margin (%) ⁽⁴³¹⁶⁾	1.4	1.2	<u>1.2</u>	<u>0.5</u>
	142.4	212.8		
Cash flow to income ratio (%) ⁽⁴⁴¹⁷⁾	<u>148.4</u>	<u>229.1</u>	<u>N.A.</u>	<u>174.9</u>
	3.7	0.8		
Net profit margin (%) ⁽⁴⁵¹⁸⁾	<u>3.6</u>	<u>0.7</u>	<u>2.7</u>	<u>(0.6)</u>

	As of and for the years ended 31 December		As of and for the nine months ended 30 September	
	2019 ⁽¹⁾	2020 ⁽¹⁾	2020 ⁽²⁾	2021 ⁽³⁾
	(Pro Forma)	(Pro Forma)	(Pro Forma)	
Return on equity (%) ⁽⁴⁶¹⁹⁾⁽³²⁾	4.1	0.9 0.8	N.A.	(0.6)
Efficiency Ratios				
Return on total assets (%) ⁽⁴⁷²⁰⁾⁽³²⁾	2.0	0.4	N.A.	(0.3)
	21.6	12.3		
Return on fixed assets (%) ⁽⁴⁸²¹⁾⁽³²⁾	18.7	10.6	N.A.	7.5
Total asset turnover (times) ⁽⁴⁹²²⁾⁽³²⁾	0.5	0.5	N.A.	0.5
Financial Policy Ratios				
	0.7			
Interest bearing debt to equity (times) ⁽²⁹²³⁾ .	0.8	0.8	N.A.	0.9
	0.6			
Net interest bearing debt to equity (times) ⁽²⁴²⁴⁾	0.7	0.7	N.A.	0.8
	1.0	1.1		
Debt to equity (times) ⁽²²²⁵⁾	1.1	1.2	N.A.	1.1
Interest coverage ratio (times) ⁽²³²⁶⁾	4.6	4.2	N.A.	4.2
Obligation coverage ratio (cash basis) (times) ⁽²⁴²⁷⁾	1.7	1.3	N.A.	0.6

Notes:

(1) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the years ended 31 December 2019 and 2020.

(2) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the nine months ended 30 September 2020.

(3) Based on the Lotus's Interim Financial Information for the nine months ended 30 September 2021.

(29)(4) Current ratio is calculated as current assets divided by current liabilities.

(30)(5) Quick ratio is calculated as the sum of cash and cash equivalents and trade and other current receivables divided by current liabilities.

(31)(6) Cash flow liquidity ratio is calculated as net cash provided by operating activities divided by average current liabilities⁽²⁸³¹⁾.

(32)(7) Accounts receivable turnover is calculated as the sum of revenue from sale of goods and rental income and revenue from rendering of services divided by average trade receivable (before allowance for expected credit loss)⁽²⁸³¹⁾.

(33)(8) Average collection period is calculated as 360 divided by accounts receivable turnover.

(34)(9) Inventory turnover is calculated as cost of sales divided by average inventories⁽²⁵⁾⁽²⁸⁾⁽³¹⁾.

(35)(10) Average inventory days is calculated as 360 divided by inventory turnover.

(36)(11) Accounts payable turnover is calculated as the sum of cost of sales and cost of rental and cost of rendering of services divided by average trade payable⁽²⁸³¹⁾.

(37)(12) Average accounts payable days is calculated as 360 divided by accounts payable turnover.

(38)(13) Cash cycle is calculated as the sum of average collection period and average inventory days minus average accounts payable days.

(39)(14) Gross profit margin is calculated as gross profit divided by the sum of revenue from sale of goods and rental income and revenue from rendering of services, multiplied by 100.

(40)(15) Operating margin is calculated as profit from operating activities divided by the sum of revenue from sale of goods and rental income and revenue from rendering of services, multiplied by 100.

	As of and for the years ended 31 December		As of and for the nine months ended 30 September	
	2019 ⁽¹⁾	2020 ⁽¹⁾	2020 ⁽²⁾	2021 ⁽³⁾
	(Pro Forma)	(Pro Forma)	(Pro Forma)	
(41)(16)	Other profit margin is calculated as the sum of gain (loss) on foreign exchange rate, other income and net derivative gain divided by total revenues ⁽²⁶²⁹⁾ , multiplied by 100.			
(42)(17)	Cash flow to income ratio is calculated as net cash flows provided by operating activities divided by profit from operating activities, multiplied by 100.			
(43)(18)	Net profit margin is calculated as profit for the year divided by total revenues ⁽²⁶²⁹⁾ , multiplied by 100.			
(44)(19)	Return on equity is calculated as profit attributable to owners of the parent divided by average total shareholders' equity attributable to owners of the parent ⁽²⁸³¹⁾ , multiplied by 100.			
(45)(20)	Return on total assets is calculated as profit for the year divided by average total assets ⁽²⁸³¹⁾ , multiplied by 100.			
(46)(21)	Return on fixed assets is calculated as the sum of profit (loss) for the period and depreciation of property, plant and equipment divided by average property, plant and equipment ⁽²⁸³¹⁾ , net, multiplied by 100.			
(47)(22)	Total asset turnover is calculated as total revenues ⁽²⁶²⁹⁾ divided by average total assets ⁽²⁸³¹⁾ .			
(48)(23)	Interest bearing debt to equity is calculated as total interest bearing debt ⁽²⁷³⁰⁾ divided by total shareholders' equity.			
(49)(24)	Net interest bearing debt to equity is calculated as total interest bearing debt ⁽²⁷³⁰⁾ minus cash and cash equivalents, then divided by total shareholders' equity.			
(50)(25)	Debt to equity is calculated as total liabilities divided by total shareholders' equity.			
(51)(26)	Interest coverage ratio is calculated as net cash flows provided by operating activities before cash paid for income tax divided by cash paid for interest and financing fee.			
(52)(27)	Obligation coverage ratio (cash basis) is calculated as net cash flows provided by operating activities divided by the sum of cash paid for purchases of investment property, property, plant and equipment, and intangible assets other than goodwill, cash paid for interest and financing fee and cash paid for lease liabilities.			
(53)(28)	Inventories include finished goods (before allowance for obsolete and slow-moving inventories).			
(54)(29)	Total revenues is calculated as the sum of revenue from sale of goods, rental income and revenue from rendering of services, gain (loss) on foreign exchange rate, other income and net derivative gain.			
(55)(30)	Total interest-bearing debt is calculated as the sum of short-term borrowings from financial institutions, current portion of lease liabilities, and lease liabilities.			
(56)(31)	For the year ended December 31, 2019, ratios are calculated using the end-of-period of statement of financial position figures as there are no comparable opening of statement of financial position figures.			
(32)	<u>Cash flow liquidity ratio, accounts receivable turnover, average collection period, inventory turnover, average inventory days, accounts payable turnover, accounts payable days, cash cycle, return on equity, return on total assets, return on fixed assets and total asset turnover as of and for the nine months ended 30 September 2021 are annualised.</u>			

1.8.2.1 Liquidity ratios

Current ratio as of 31 December 2019 ~~and~~ 2020 and for the nine months ended 30 September 2021 remained largely unchanged at 0.2 times, 0.2 times and 0.3 times, respectively, due to proportionate changes in current assets and current liabilities. Quick ratio remained unchanged at 0.1 times as of 31 December 2019 ~~and 2020~~, 2020 and for the nine months ended 30 September 2021, due to slight decreases in cash and cash equivalents and trade and other current receivables, which were offset by an increase in current liabilities.

Cash cycle was (22.6) (22.7) days, (23.6) days, (23.5) days and (25.1) days for the years ended 31 December 2019 and 2020 and for the nine months ended 30 September 2021, respectively. Cash cycle was in the negative as average payable days were longer than the sum of average inventory days and average collection period,

arising from the nature of the grocery products retail business, where Lotus's has credit terms with suppliers ranging from approximately 15 days to 90 days.

1.8.2.2 Profitability ratios

Gross profit margin was 22.0%, ~~20.3%~~, ~~21.1%~~ and ~~20.3~~~~20.0~~% for the years ended 31 December 2019 and 2020 and for the nine months ended 30 September 2020 and 2021, respectively. The decrease was primarily due to decreases in profit margin and contribution of rental income and revenue from rendering of services, which has higher gross margin. Operating margin was ~~7.9~~~~7.6~~%, ~~4.3~~%, ~~6.7~~% and ~~4.7~~~~2.8~~% for the years ended 31 December 2019 and 2020 and for the nine months ended 30 September 2020 and 2021, respectively. The significant drop was due to increases in distribution cost and administrative expenses and a decrease in gross profit. In addition, the significant drop for the nine months ended 30 September 2021 was due to loss on foreign exchange rate of THB 654 million. As a result of the foregoing, net profit margin was ~~3.7~~%, ~~3.6~~%, ~~0.7~~%, ~~2.7~~% and ~~0.8~~%(~~0.6~~)% for the years ended 31 December 2019 and 2020 and for the nine months ended 30 September 2020 and 2021, respectively.

Return on equity was 4.1%, ~~0.8~~% and ~~0.9~~%(~~0.6~~)% for the years ended 31 December 2019 and 2020 and for the nine months ended 30 September 2021, respectively, primarily due to the decrease in net profit margin.

1.8.2.3 Efficiency ratios

Return on total ~~asset~~assets was ~~2.0~~%% ~~and~~, 0.4% and (0.3)% for the years ended 31 December 2019 and 2020 and for the nine months ended 30 September 2021, respectively, primarily due to the decrease in net profit margin. Return on fixed assets was ~~21.6~~%, ~~18.7~~%, ~~10.6~~% and ~~12.3~~~~7.5~~% for the years ended 31 December 2019 and 2020 and for the nine months ended 30 September 2021, respectively.

1.8.2.4 Financial ~~Policy~~policy ratios

Interest-bearing debt to equity ratio was ~~0.7~~~~0.8~~ times ~~and~~, 0.8 times ~~for the years ended~~and 0.9 times as of 31 December 2019 and 2020 and 30 September 2021, respectively, primarily due to a slight increase in lease liabilities and a slight decrease in equity. Debt to equity ratio ~~was~~remained largely unchanged at 1.0~~1.1~~ times, 1.2 times and 1.1 times ~~for the years ended~~as of 31 December 2019 and 2020 and 30 September 2021, respectively.

1.9 Indebtedness

1.9.1 Indebtedness of Makro

The table below sets forth Makro's total interest-bearing liabilities other than lease liabilities, as of the dates indicated:

	As of 31 December				As of 30 June September	
	2018	2019	2020		2021	
	(THB)	(THB)	(THB)	(U.S.\$)	(THB)	(U.S.\$)
	(in millions)					
Short-term borrowings from financial institutions	3,583	827	1,050	31	633 982	29
Short-term borrowings from other parties	—	14	6	0	—	—
Long-term borrowings from financial institutions	7,002	7,004	7,003	207	7,003 5,002	148
Total interest-bearing liabilities other than lease liabilities	10,585	7,845	8,059	238	7,636 5,984	177

The table below sets forth the maturity profile of Makro's interest-bearing liabilities other than lease liabilities as of 30 September 2021:

	As of 30 September 2021
	THB (in millions)
Within one year	983
Later than one year but not later than five years	2,001
Later than five years	3,000
Total interest-bearing liabilities other than lease liabilities	5,984

On 21 October 2021, Lotus's Ltd and its subsidiaries refinanced its indebtedness previously incurred by Lotus's in connection with the Tesco Acquisition pursuant to the Refinancing Transaction. Under the terms of the Refinancing Transaction, Lotus's Ltd and its subsidiaries entered into new loan agreements and used the proceeds to repay such existing indebtedness in full, and with effect from 25 October 2021 (when the Lotus's Acquisition became effective), Makro PCL became the guarantor of such new indebtedness of Lotus's Ltd in the amount of THB 9.5 billion and USD 570 million.

As of 31 December 2018, 2019 and 2020 and as of 30 ~~June~~September 2021, Makro had lease liabilities of THB 698 million, THB 641 million, THB 8,118 million and THB 8,7448,971 million, respectively.

The table below sets forth the maturity profile of Makro's lease liabilities, taking into account contractual interest rates and contractual cash flows based on undiscounted contractual payments as of 30 ~~June~~September 2021:

	As of 30 June <u>September</u> 2021
	<i>THB</i> (in millions)
	965
Within one year	<u>973</u>
	3,035
Later than one year but not later than five years	<u>3,064</u>
	12,327
Later than five years	<u>12,874</u>
	46,327
Sub-Total.....	<u>16,911</u>
	7,583
<u>Less</u> Deferred interest	<u>(7,940)</u>
	8,744
Total lease liabilities	<u>8,971</u>

1.9.2 Indebtedness of Lotus's

The table below sets forth Lotus's total indebtedness, as of the dates indicated:

	As of 31 December		<u>As of 30 September</u>		
	2019 ⁽¹⁾	2020 ⁽¹⁾	<u>2021⁽²⁾</u>		
	(Pro Forma)	(Pro Forma)			
	(THB)	(THB)	(U.S.\$)	(THB)	(U.S.\$)
Short-term borrowings from financial institutions	120,823	120,823	3,564	133,681	3,944
Lease liabilities	<u>34,365</u>	<u>37,810</u>	<u>1,115</u>	<u>37,801</u>	<u>1,115</u>
Total indebtedness	<u>155,188</u>	<u>158,633</u>	<u>4,680</u>	<u>171,482</u>	<u>5,059</u>

Notes:

(1) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the years ended 31 December 2019 and 2020.

(2) Based on the Lotus's Interim Financial Information for the nine months ended 30 September 2021.

The table below sets forth the maturity profile of Lotus's lease liabilities, taking into account contractual interest rates and contractual cash flows based on undiscounted contractual payments as of ~~31 December 2020~~ 30 September 2021:

	As of 30 September 2021
	THB (in millions)
Within one year	3,387 <u>3,176</u>
Later than one year but not later than five years	11,994 <u>12,764</u>
Later than five years	35,461 <u>37,707</u>
Sub-total	50,842 <u>53,647</u>
Less Deferred interest	(16,783) <u>(15,846)</u>
Total lease liabilities	34,059 <u>37,801</u>

1.10 Capital expenditure

Capital expenditure of Makro consists of additions to property, plant and equipment and other ~~tangible~~ intangible assets other than goodwill. Makro's capital expenditure amounted to THB 3,034 million, THB 2,712 million, THB 2,051 million and THB ~~885~~ 1,483 million for the years ended 31 December 2018, 2019 and 2020 and the ~~six~~ nine months ended 30 ~~June~~ September 2021, respectively. Capital expenditure of Lotus's includes addition in property, plant and equipment, other intangible assets other than goodwill, and investment properties. Lotus's capital expenditure amounted to THB 5,368 million ~~and~~ THB 8,007 million and THB 10,629 million for the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021, respectively.

The Group expects to meet its capital expenditure requirements through its cash and cash equivalents, cash generated from future operations and/or cash receipt from financing activities. The Group's ability to obtain financing and to make timely repayments of its debt obligations are subject to various uncertainties, including its future results of operations, financial condition and cash flows, the economic conditions in Thailand and other countries where the Group operates in and the willingness of banks to provide financing facilities to the Group.

1.11 Contractual obligations and commitments

As of 30 ~~June~~September 2021, material contractual obligations and commitments of Makro included service agreements, purchase agreements, consultancy agreements, intercompany agreements and certain forward contracts used for hedging purposes, among others. As of ~~31 December 2020~~30 September 2021, material contractual obligations and commitments of Lotus's included service agreements, operating lease agreements, construction agreements and bank guarantees, among others.

The Group's ability to obtain adequate financing to satisfy the Group's contractual obligations and debt service requirements may be limited by its financial condition and results of operations and the liquidity of domestic and international financial markets.

1.12 Off-balance sheet arrangements

As of 30 ~~June~~September 2021, Makro was not a party to any material off-balance sheet obligations or arrangements.

As of ~~31 December 2020~~30 September 2021, Lotus's was not a party to any material off-balance sheet obligations or arrangements.

1.13 Contingent liabilities

As of 30 ~~June~~September 2021, Makro recorded no material contingent liabilities in its financial statements.

As of ~~31 December 2020~~30 September 2021, Lotus's had not recorded ~~no any~~ material contingent liabilities in its financial statements.

Non-GAAP Financial Information

We calculate our Non-GAAP Metrics as follows:

- EBIT, EBITDA and EBITDA ~~margin~~Margin for Makro. EBIT is defined as profit for the year/period adding back finance costs and income tax expense. EBITDA is defined as profit for the year/period adding back depreciation and amortisation, finance costs and income tax expense. EBITDA ~~margin~~Margin is defined as EBITDA divided by total revenue. We use EBIT, EBITDA and EBITDA ~~margin~~Margin to provide additional information about our operating performance. EBIT, EBITDA and EBITDA ~~margin~~Margin are not measures of financial performance under TFRS, MFRS or IFRS. We believe that these measures are useful for certain investors to determine our operating cash flow and historical ability to meet debt service and capital expenditure requirements. We believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in our business sector. You should not consider our definitions of EBIT, EBITDA and EBITDA ~~margin~~Margin in isolation or construe it as an alternative to profit for the year/period or as an indicator of operating performance or any other standard measure under TFRS, MFRS or IFRS. Our definitions of EBIT, EBITDA and EBITDA ~~margin~~Margin may not be comparable to similarly titled measures used by other companies, including in the same industry.

The following table sets forth the reconciliation of Makro's profit for the year/period to its EBITDA for the periods indicated.

	Year ended 31 December			Six Nine months ended 30 June September ber
	2018	2019	2020	2021
	(THB in millions)			
Profit for the year/period.....	5,873	6,185	6,524	3,008 4,570
Add:				
Finance costs.....	336	310	620	272 409
Income tax expenses	1,601	1,710	1,813	792 1,266
EBIT	7,810	8,205	8,957	4,072 6,245
Add:				
Depreciation and amortization	2,551	2,723	3,577	1,783 2,688
EBITDA	10,361	10,928	12,534	5,855 8,933

The following table sets forth the reconciliation, on a pro forma basis, of Makro's profit for the year/period to its ~~pro forma~~**Pro Forma** EBITDA for the ~~period~~**periods** indicated.

	Year ended 31 December	Nine months ended 30 September
	2020	2021
	(THB in millions)	
Profit for the year/ <u>period</u>	8,070 9,691	5,344
Add:		
Finance costs	7,391 5,816	4,137
Income tax expenses	3,806 3,065	1,633
Pro Forma EBIT	19,267 18,572	11,114
Add:		
Depreciation and amortization amortisation	15,321 16,017	11,945

	Year ended 31 December	Nine months ended 30 September
	2020	2021
	(THB in millions)	
	34,588	
Pro forma EBITDA	34,589	23,059

- EBIT, EBITDA, Segmental EBITDA, Adjusted Segmental EBITDA and EBITDA ~~margin and~~ Margin for Lotus's. EBIT is defined as profit for the year adding back finance costs and income tax expense. EBITDA is defined as profit for the year adding back depreciation and amortisation, finance costs and income tax expense. Segmental EBITDA is defined as profit for the year adding back depreciation and ~~amortization~~ amortisation, finance costs and income tax expense, calculated by allocating a portion of such expense items to each segment. Adjusted Segmental EBITDA is defined as EBITDA deducting share of profit from investment in joint ventures and an associate and finance income, calculated by allocating a portion of such expense items to each segment. EBITDA ~~margin~~ Margin is defined as EBITDA divided by total revenue, which is calculated as the sum of revenue from sale of goods, rental income and revenue from rendering of services, gain (loss) on foreign exchange rate, other income and net derivative gain. We use EBIT, EBITDA, Segmental EBITDA, Adjusted Segmental EBITDA and EBITDA ~~margin~~ Margin to provide additional information about our operating performance. EBIT, EBITDA, Segmental EBITDA, Adjusted Segmental EBITDA and EBITDA ~~margin~~ Margin are not measures of financial performance under TFRS, MFRS or IFRS. We believe that these measures are useful for certain investors to determine our operating cash flow and historical ability to meet debt service and capital expenditure requirements. We believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in our business sector. You should not consider our definitions of EBIT, EBITDA, Segmental EBITDA, Adjusted Segmental EBITDA and EBITDA ~~margin~~ Margin in isolation or construe it as an alternative to profit for the years or as an indicator of operating performance or any other standard measure under TFRS, MFRS or IFRS. Our definitions of EBIT, EBITDA and EBITDA ~~margin~~ Margin and our allocation of expenses in calculating Segmental EBITDA and Adjusted Segmental EBITDA may not be comparable to similarly titled measures used by other companies, including in the same industry.

The following table sets forth the reconciliation, on a pro forma basis, of Lotus's profit for the year to its EBITDA for the periods indicated.

	Year ended 31 December		Nine months ended 30 September
	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽²⁾
	(Pro Forma)	(Pro Forma)	
	(THB in millions)		
	8,333	1,778	
Profit for the year/period	8,069	1,514	(918)
Add:			

	Year ended 31 December		Nine months ended 30 September
	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽²⁾
	(Pro Forma)	(Pro Forma)	
(THB in millions)			
Finance costs	6,736	6,772	4,909
	6,363	6,399	
Income tax expense	3,127	1,993	
	3,068	1,934	878
EBIT	18,196	10,543	
	17,500	9,847	4,869
Add:			
	11,699	11,744	
Depreciation and amortization	12,395	12,440	9,258
EBITDA	29,895	22,287	14,127
Add:			
Pro forma adjustments ⁽⁴³⁾	843	328	=
Total Segmental EBITDA	30,738	22,615	=

Note/Notes:

(1) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the years ended 31 December 2019 and 2020.

(2) Based on the Lotus's Interim Financial Information for the nine months ended 30 September 2021.

(4)(3) Pro forma adjustments comprise exclusion of entries of Lotus's Ltd, addition of elimination entries and addition of pro forma adjustment entries of gain (loss) on exchange rate, other income and administrative expenses.

The following table sets forth the reconciliation of Lotus's Thailand's profit for the year/period to its Segmental EBITDA and Adjusted Segmental EBITDA for the periods indicated.

	Year ended		Nine months ended
	29 February 2020	28 February 2021	30 September 2021
(THB in millions)			
Profit for the year/ <u>period</u>	13,103	6,004	2,971
Add:			
Finance costs	957	980	951
Income tax expense	2,889	1,527	546
EBIT	16,949	8,511	4,468
Add:			
Depreciation and amortization	10,085	10,204	7,587
Segmental EBITDA for Thailand	27,034	18,715	12,055

	Year ended		<u>Nine months ended</u>
	29 February 2020	28 February 2021	<u>30 September 2021</u>
	(THB in millions)		
Deduct:			
Share of profit from investment in joint ventures and an associate	815	782	<u>592</u>
Finance income	670	386	<u>161</u>
Adjusted Segmental EBITDA for Thailand	25,549	17,547	<u>11,302</u>

The following table sets forth the reconciliation of Lotus's Malaysia's profit for the year/period to its Segmental EBITDA and Adjusted Segmental EBITDA for the periods indicated.

	Year ended		<u>Nine months ended</u>
	29 February 2020	28 February 2021	<u>30 September 2021</u>
	(THB in millions)		
Profit for the year	259	654 <u>650</u>	<u>55</u>
Add:			
Finance costs	1,593	1,244	<u>664</u>
Income tax expense	238	465 <u>466</u>	<u>376</u>
EBIT	2,090	2,360	<u>1,095</u>
Add:			
Depreciation and amortization	1,614	1,540	<u>1,149</u>
Segmental EBITDA for Malaysia	3,704	3,900	<u>2,244</u>
Deduct:			
Finance income	14	24	<u>25</u>
Adjusted Segmental EBITDA for Malaysia	3,690	3,876	<u>2,219</u>

- Net ~~interest-bearing debt~~ Interest Bearing Debt and Net Interest Bearing Debt to Equity for Makro. Net ~~interest-bearing debt~~ Interest Bearing Debt is calculated as total interest bearing debt, which is calculated as the sum of short-term borrowings from financial institutions, short-term borrowings from other parties, current portion of long-term borrowings from financial institutions, current portion of lease liabilities, long-term borrowings from financial institutions and lease liabilities, minus the sum of cash and cash equivalents and current investments. Net Interest Bearing Debt to Equity is calculated as Net Interest Bearing Debt divided by total equity.

The following table sets forth the reconciliation of Makro's ~~net interest-bearing debt~~ Net Interest Bearing Debt as of the dates indicated.

	As of 31 December			As of 30 June September
	2018	2019	2020	2021
(THB in millions)				
Total interest-bearing liabilities other than lease liabilities:				
Short-term borrowings from financial institutions.....	3,583	827	1,050	633 <u>982</u>
Short-term borrowings from other parties.....	—	14	6	—
Current portion of long-term borrowings from financial institutions.....	—	1	5,001	2,001 <u>1</u>
Long-term borrowings from financial institutions.....	7,002	7,003	2,002	5,002 <u>5,001</u>
				7,636
Sub-total	10,585	7,845	8,059	<u>5,984</u>
Lease liabilities:				
Current portion of lease liabilities.....	106	92	496	583 <u>578</u>
Lease liabilities.....	592	549	7,622	8,161 <u>8,393</u>
				8,744
Sub-total	698	641	8,118	<u>8,971</u>
				16,380
Total interest bearing debt.....	11,283	8,486	16,177	<u>14,955</u>
Minus:				
Cash and cash equivalents.....	(5,096)	(4,800)	(10,484)	(7,442) <u>(5,260)</u>
Current investment.....	—	(43)	(34)	—
Net interest bearing debtInterest Bearing Debt	<u>6,187</u>	<u>3,643</u>	<u>5,659</u>	<u>8,938</u> <u>9,695</u>

~~Net interest bearing debt for Lotus's. Net interest bearing debt~~The following table sets forth the reconciliation, on a pro forma basis, of Makro's Pro Forma Net Interest Bearing Debt as of the date indicated.

	As of 30 September 2021
(THB in millions)	
<u>Total interest bearing liabilities other than lease liabilities:</u>	

	<u>As of 30</u> <u>September</u> <u>2021</u>
<u>Short-term borrowings from financial institutions</u>	<u>29,472</u>
<u>Current portion of long-term borrowings from financial institutions</u>	<u>1</u>
<u>Long-term borrowings from financial institutions</u>	<u>105,967</u>
<u>Sub-total</u>	<u>135,440</u>
<u>Lease liabilities:</u>	
<u>Current portion of lease liabilities</u>	<u>2,747</u>
<u>Lease liabilities.....</u>	<u>44,025</u>
<u>Sub-total</u>	<u>46,772</u>
<u>Total interest bearing debt.....</u>	<u>182,212</u>
<u>Minus:</u>	
<u>Cash and cash equivalents</u>	<u>(26,242)</u>
<u>Pro Forma Net Interest Bearing Debt.....</u>	<u>155,970</u>

- Net Interest Bearing Debt for Lotus's. Net Interest Bearing Debt is calculated as total interest bearing debt, which is calculated as the sum of short-term borrowings from financial institutions, current portion of lease liabilities and lease liabilities, minus cash and cash equivalents.

The following table sets forth the reconciliation, on a pro forma basis, of Lotus's ~~net interest bearing debt~~Net Interest Bearing Debt as of the dates indicated.

	<u>As of 31 December</u>	<u>As of 30</u> <u>September</u>
	<u>2019⁽¹⁾</u> <u>(Pro Forma)</u>	<u>2020⁽¹⁾</u> <u>(Pro Forma)</u> <u>2021⁽²⁾</u>
	<i>(THB in millions)</i>	
Short-term borrowings from financial institutions	120,823	120,823 <u>133,681</u>
	1,850	1,995
Current portion of lease liabilities	<u>1,847</u>	<u>1,619</u> <u>2,169</u>
	28,391	32,064
Lease liabilities.....	<u>32,518</u>	<u>36,191</u> <u>35,632</u>
	151,064	154,882
Total interest bearing debt	<u>155,188</u>	<u>158,633</u> <u>171,482</u>
<u>Minus:</u>		
Cash and cash equivalents	<u>(21,724)</u>	<u>(20,357)</u> <u>(20,978)</u>

	As of 31 December		As of 30 September
	2019 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽²⁾
	(Pro Forma)	(Pro Forma)	
(THB in millions)			
Net interest bearing debt Interest Bearing Debt	129,340	134,525	
	133,464	138,276	150,504

Notes:

(1) Based on the Lotus's Unaudited Pro Forma Consolidated Financial Information for the years ended 31 December 2019 and 2020.

(2) Based on the Lotus's Interim Financial Information for the nine months ended 30 September 2021.

1.14 Quantitative and qualitative disclosure about market risks

1.14.1 Risks related to Makro

1.14.1.1 Credit risk

Credit risk is the risk of financial loss to Makro if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Makro's receivables from customers.

Makro's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

Makro has established credit sale strategies and policies, including the credit policy which analyses the customers financial position to determine credit limits for each customer and will be reviewed by annually.

Makro established policies to limit its exposure to credit risk from trade accounts receivable by setting period for credit terms in order to be competitive in the ~~market in which it operates. The credit terms range from 7 days to 90 days.~~ performance once COVID-19 related restrictions are eased.

1.14.1.2 Liquidity risk

Makro monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by the management to finance Makro's operations and to mitigate the effects of fluctuations in cash flows.

1.14.1.3 Foreign currency risk

Makro is exposed to foreign currency risk relating to purchases and sales which are denominated in foreign currencies. Makro primarily utilises forward exchange contracts with maturities of less than one year to hedge such financial assets and liabilities denominated in foreign currencies. The forward exchange contracts entered into at the reporting date also relate to anticipated purchases and sales, denominated in foreign currencies, for the subsequent period.

1.14.1.4 Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of Makro's operations and its cash flows. Makro's exposure to changes in interest rate relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. Makro managed the interest rate risk of financial assets and financial liabilities by considering fixed and floating rates depending on the market situation.

1.14.2 Risks related to Lotus's

1.14.2.1 Credit risk

Credit risk is the risk of financial loss to Lotus's if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from Lotus's receivables from customers.

Lotus's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

Lotus's establishes a credit policy to analyse the creditworthiness of each new customer before it offers the term and standard terms of payment and delivery. Lotus's reviews the external credit rating (if any), the financial statements, the rating agency's information reliability, industry information and the bank's financial statement for certain cases, the sales limit are set for each customer and being reviewed annually.

Lotus's also has a policy to limit exposure to credit risk of trade accounts receivable. The schedule for receiving payments to be competitive in the market ranges from 7 days to 30 days.

1.14.2.2 Liquidity risk

Lotus's monitors liquidity risk and maintains the level of cash and cash equivalents that the management considers to be sufficient for operations and reduce the impact of fluctuations in cash flows.

1.14.2.3 Foreign currency risk

Lotus's is exposed to foreign exchange risk which is caused by borrowing from financial institutions in foreign currency. -Lotus's has made forward foreign exchange contracts to hedge the risk of financial liabilities in foreign currencies. ~~Lotus's sensitivity to foreign currency is mainly due to repayment of foreign currency services.~~

1.14.2.4 Interest rate risk

Interest rate risk is the risk that future movements in market interest rates will affect the results of Lotus's operations and its cash flows. Lotus's exposure to changes in interest rate relates primarily to interest-bearing financial liabilities. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates. Lotus's managed the interest rate risk of financial assets and financial liabilities by considering fixed and floating rates depending on the market situation.