

Sor Lor 029/2560

November 13, 2017

Subject : Management's Discussion and Analysis for the third Quarter and nine-month period of 2017

To : The President

The Stock Exchange of Thailand (SET)

Pranda Jewelry Public Company Limited would like to notify the operating result stated in consolidated financial statements for the third Quarter and nine-month period ended September 30, 2017 of which has changed over 20% compared to the same period of 2016.

For the operating result of third Quarter ended September 30, 2017 which changes more than 20% compared to the same period of 2016. There is a loss on equity holders of the company at the amount of Baht 35.42 million or decreased by 50.40% in comparison to the same period of previous year which has a loss on equity holders of the company at Baht 71.41 million. The Statement of Comprehensive Income in brief is presented as followed:

Unit: Million Baht

**July - September**

	<b>2017</b>	<b>2016</b>	<b>Change (%)</b>
Sales revenue	627.23	639.00	(1.84%)
Cost of sales	440.60	447.14	(1.46%)
Gross profit	<b>186.63</b>	<b>191.86</b>	<b>(2.73%)</b>
<b>Gross profit margin</b>	29.75%	30.03%	
Selling and administrative expenses	224.90	248.07	(9.34%)
<b>Operating profit (Loss)</b>	<b>(38.27)</b>	<b>(56.21)</b>	<b>(31.92%)</b>
Finance cost	19.33	19.34	(0.05%)
Gain (Loss) on exchange rate	4.04	(23.21)	(117.41%)
Other items	19.02	27.31	(33.36%)
Tax income (expenses)	(0.88)	0.04	(2300.00%)
<b>Profit (Loss) on equity holders of the Company</b>	<b>(35.42)</b>	<b>(71.41)</b>	<b>(50.40%)</b>

Pranda Group has made revenue of Baht 627.23 million decreased by Baht 11.77 million or 1.84%, similar to last year's.

The company's gross profit margin is at 29.75%, a slight fall but close to the same period of the previous year.

Selling and Administrative expenses decreased by Baht 23.17 million or 9.34% as a result of the group's ability to control its expenses more efficiently.

Pranda Group had gain on exchange rate at Baht 4.04 million which has hiked by 117.41% compared to same period of the previous year which has a loss on exchange rate at Baht 23.21 million due to the impact of the United Kingdom's decision to leave the European Union or Brexit, of which has results in the devaluation of pound sterling.

Other items declined by 30.36% as there was reversal doubtful account from appreciation in Thai Baht during the same period of the previous year.

In summary, Pranda Group has made loss on equity holders of the company at Baht 35.42 million, improved from previous year which had loss of Baht 71.41 million considering the improvement in controlling Selling and Administrative expenses as well as gain on exchange rate.

For the operating results of nine-month period ended September 30, 2017 which changes more than 20% compare to the same period of 2016, Pranda Group has made loss on equity holders of the company at the amount of Baht 127.72 million, or decreased by 55.33% with the Statement of Comprehensive Income presented as below.

Unit: Million Baht

January - September

	<u>2017</u>	<u>2016</u>	<u>Change (%)</u>
Sales revenue	2,199.06	1,952.57	12.62%
Cost of sales	1,623.24	1,449.96	11.95%
Gross profit	<b>575.82</b>	<b>502.61</b>	<b>14.57%</b>
<b>Gross profit margin</b>	26.18%	25.74%	
Selling and administrative expenses	684.34	726.36	(5.79%)
<b>Operating profit (Loss)</b>	<b>(108.52)</b>	<b>(223.75)</b>	<b>(51.50%)</b>
Finance cost	63.60	54.86	15.93%
Gain (Loss) on exchange rate	(1.90)	(78.23)	(97.57%)
Other items	45.03	71.29	(36.84%)
Tax income (expenses)	1.27	(0.33)	(484.85%)
<b>Profit (Loss) on equity holders of the Company</b>	<b>(127.72)</b>	<b>(285.88)</b>	<b>(55.33%)</b>

With regards to the table above, there was sales revenue of Baht 2,199.06 million for the nine-month period ended 30 September 2017, increased from same period of the previous year by Baht 246.49 million or 12.62% due to a extensive growth in the group's Production base, Retail Base, and Distribution base sales revenue.

Gross profit margin is at 26.18%, slightly higher when compared to the same period of the previous year which has a gross profit margin of 25.74%.

Pranda Group has made operating loss of Baht 108.52 million or decreased by 51.50% compared to last year; correspond to higher gross profit and result of efficiently controlling and managing the Selling and Administrative expenses.

Finance cost has risen by 15.93% due to the increase in loan interest rates.

Pranda Group has made loss on exchange rate at Baht 1.90 million, while last year the group has made loss on exchange rate of Baht 78.23 million which was affected by the devaluation in Pound Sterling due to impaction from Brexit in Year 2016.

Other items had reduced by 36.84%, as there was a gain from liquidation of subsidiary company in Year 2016. Therefore has led to a loss on equity holders of the company at Baht 127.72 million.

Cash flow statement for the nine-month period ended September 30, 2017, Pranda Group has cash and cash equivalents decrease Baht 295.75 million details as follow

	Unit: Million Baht	
	January - September	
	2017	2016
Cash Flow from Operating Activities	131.13	(39.93)
Cash Flow from Investing Activities	(28.34)	(80.99)
Cash Flow from Financing Activities	(401.00)	(1.68)
Increase in Translation Adjustment	2.46	51.71
<b>Net Cash Flow</b>	<b>(295.75)</b>	<b>(70.89)</b>

Company's Cash Inflow from Operating Activities during the 9M Year 2017 is at Baht 131.13 million, improved from last year as a result of lower Operating Loss as well as better management on the Company's working capital.

Cash Outflow from Investing Activities during Year 2017 is at Baht 28.34 million as there was repairing of machines and equipment to support operating activities during the year. However, cash outflow is lower than last year as there was investment in Flagship Shop in France during Year 2016.

Cash Outflow from Financing Activities during Year 2017 is at Baht 401 million mainly due to several debt repayments, especially bill of exchange, while cash outflow from financing activities during Year 2016 was only at Baht 1.68 million. This cash outflow from financing activities during Year 2017 has significantly impacted the Company's overall cash flow. However, the Company is in the process of negotiating with financial institutions to refinance its financial credit facilities. During the past 9 months the Company is able to repay debts per its terms and conditions.

### Event after the reporting period

In November 2017, the Company's Board of Directors passed a resolution for the Company to enter into a sale and purchase agreement for certain land which is held for development with an unrelated party totaling of Baht 450 million. The total proceeds from the sale of land will be used to repay the debt and improve liquidity in the company's operation.

Please be informed accordingly.

Yours Sincerely

Chanat Sorakraikitikul

Chairman of Finance & Risk Management Committee

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