

Sor Lor 044/2561

August 14, 2018

Subject : Management's Discussion and Analysis for the second Quarter and six-month period of 2018

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 second Quarter and six-month period ended June 30, 2018 of which has changed over 20% compared to the same period of 2017.

For the operating result of second Quarter ended June 30, 2018 which changes more than 20% compared to the same period of 2017. There is a loss on equity holders of the company at the amount of Baht 268.86 million compared to the same period of previous year which has a loss on equity holders of the company at Baht 16.52 million. The Statement of Comprehensive Income in brief is presented as followed:

Unit: Million Baht

	April - June		
	2018	2017	Change (%)
Sales revenue	616.50	626.44	(1.59%)
Cost of sales	419.79	438.20	(4.20%)
Gross profit	196.71	188.24	4.50%
Gross profit margin	31.91%	30.05%	
Selling and administrative expenses	231.71	224.69	3.12%
Operating profit (Loss)	(35.00)	(36.46)	(3.98%)
Finance cost	18.68	20.85	(10.41%)
Gain (Loss) on exchange rate	15.59	23.37	(33.29%)
Other items	346.53	9.85	3418.07%
Tax income (expenses)	(51.44)	0.75	(6958.67%)
Non-controlling interests of the subsidiaries	11.86	6.81	74.16%
Profit (Loss) on equity holders of the Company	268.86	(16.52)	(1727.48%)

Pranda Group has made revenue of Baht 616.50 million decreased slightly by Baht 9.94 million or 1.59% and gross profit margins is increased from 30.05% to 31.91% as a result of sales and services concentration to higher quality customer.

Selling and Administrative expenses increased by Baht 7.02 million or 3.12% resulted from the rise of employee's salaries & wages as well as certain one-time expenses such as the expenses occurring from the tax assessment by the Revenue Department Baht 10.06 million and provision for the litigation of an overseas subsidiary Baht 2.69 million. Omitting the one-time items the statement would result in normal selling and administrative expenses at Baht 218.42 million which is lower compared with previous year.

Operating Loss decreased from Baht 36.45 million to Baht 35.00 million as a result of the analysis as aforementioned above.

However, the Group is able to make positive earnings before interest, tax depreciation & amortization and one-time items expense compared with loss in previous year

Unit: Million Baht

	April - June		
	2018	2017	Change (%)
Sales revenue	616.50	626.44	(1.59%)
Cost of sales	414.79	448.59	(6.42%)
Gross profit	169.71	177.85	10.60%
Gross profit margin	31.91%	28.39%	
Selling and administrative expenses	231.71	224.69	3.12%
Less:			
Provision for the litigation of an overseas subsidiary	2.69	-	100.00%
Depreciation and amortization	18.59	21.17	(12.18%)
Provision for LT employee benefits expenses	4.34	4.26	1.78%
Expenses incurred from tax assessment	10.60	-	100.00%
Profit (Loss) before interest, tax, depreciation & amortization	1.22	(21.41)	(105.67%)

Gain on exchange rate declined by Baht 7.78 million or 33.29% which is due to the effect from the depreciation in Thai Baht as compared to foreign currency, therefore has resulting in the decrease in gain on exchange rate.

Other items has surged by Baht 336.68 million in agreement with the gain on sales of land amount Baht 334.57 million. Tax expense of the Group is at Baht 51.44 million while there was tax income of Baht 0.75 million in comparison to previous year which is owing to the tax on profit made by the Company and expenses occurring from the tax assessment by the Revenue Department.

In summary, Pranda Group has made profit on equity holders of the company at Baht 268.86 million, increased from previous year which has made loss of Baht 16.52 million.

For the operating results of six-month period ended June 30, 2018 which changes more than 20% compare to the same period of 2017, Pranda Group has made profit on equity holders of the company at the amount of Baht 183.62 million, while last year there was a loss on equity holders of the company at the amount of Baht 92.29 million with the Statement of Comprehensive Income presented as below.

Unit: Million Baht

	January - June		
	<u>2018</u>	<u>2017</u>	<u>Change (%)</u>
Sales revenue	1,323.60	1,571.83	(15.79%)
Cost of sales	936.02	1,182.63	(20.85%)
Gross profit	387.58	389.20	(0.42%)
Gross profit margin	29.28%	24.76%	
Selling and administrative expenses	460.52	459.41	0.24%
Operating profit (Loss)	(72.94)	(70.21)	3.89%
Finance cost	40.89	44.27	(7.63%)
Gain (Loss) on exchange rate	(20.54)	(6.00)	242.33%
Other items	355.19	17.85	1,889.86%
Tax income (expenses)	(56.35)	2.14	(2,733.18%)
Non-controlling interests of the subsidiaries	19.15	8.20	133.54%
Profit (Loss) on equity holders of the Company	183.62	(92.29)	(298.96%)

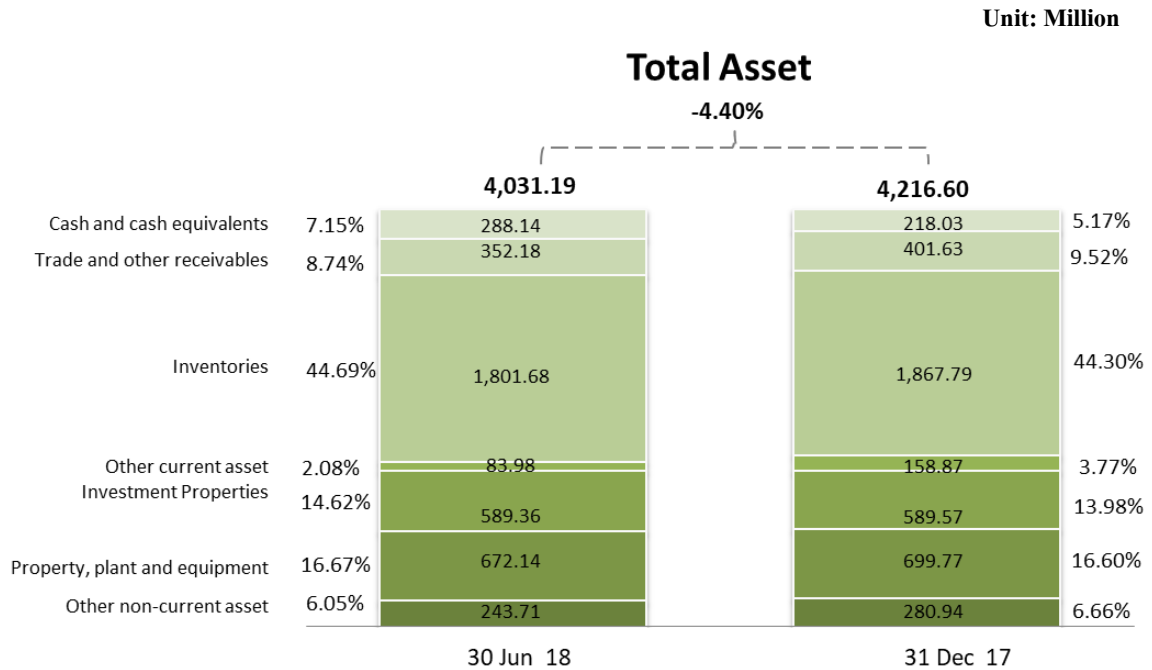
With regards to the table above, there was sales revenue of Baht 1,323.60 million for the six-month period ended June 30, 2018, decreased from same period of the previous year by Baht 248.23 million or 15.79% this is due to the fact that there was high sales revenue in Production base in Quarter 1 Year 2017 due to backlog from previous quarter. However in Quarter 1 Year 2018, sales revenue and shipments has resumed to normal, therefore has resulted in higher sales revenue of last year when compared to the current year. Nonetheless, gross profit margin has improved from 24.76% to 29.28% as a result of effective in the Distribution base as mentioned above.

The effect from the depreciation in Thai Baht as compared to the same period of previous year has resulting in the increase in loss on exchange rate which is at Baht 20.54 million or increased by 242.33% while last year only incurred a loss on exchange rate at Baht 6.00 million.

Other items have surged by Baht 336.68 million, which is owed to the gain on sales of land at the amount of Baht 334.57 million. Tax expenses of the Group is at Baht 56.35 million, while there was a tax income of Baht 2.14 million during the same period of last year. This is due to the fact that there are tax on profit made by subsidiary company and expenses occurring from the tax assessment by the Revenue Department.

In summary, Pranda Group has made profit on equity holders of the company at Baht 183.62 million, increased from previous year which has made loss of Baht 92.29 million.

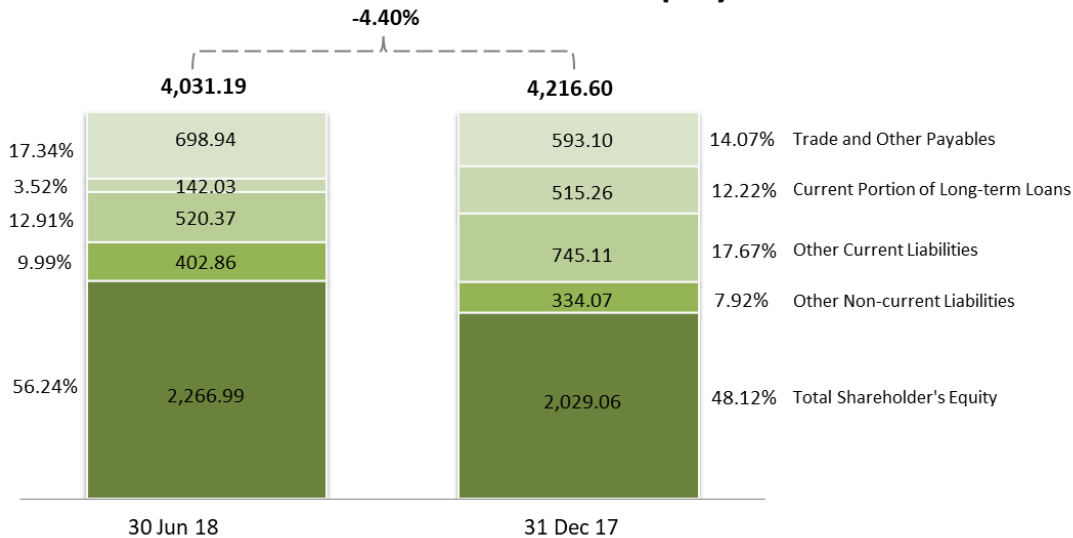
For statement of financial position as at June 30, 2018, changes as compared to December 31, 2017 are as followed:



The group's total asset as of June 30, 2018 was at Baht 4,031.19 million which has decreased by Baht 185.41 million or 4.40% as compared to December 31, 2017 primarily due to the sales of land which has been classified as Asset held for sales, also due to the decrease in Trade and other receivables as well as Inventories being the outcome of the improvement in working capital management.

Total Liabilities and Shareholders' Equity

Unit: Million



The group's total liabilities as of June 30, 2018 was at Baht 1,764.20 million, decreased by Baht 423.34 million or 19.35% as compared to December 31, 2017 in regards with the decrease in the bill of exchange as well as short-term and long-term loans.

Total shareholders' equity as of June 30, 2018 was at Baht 2,266.99 million or increased by Baht 237.93 million or 11.73% as compared to December 31, 2017.

The statement of financial position stated above has indicated that Pranda Group has seen improvement on its financial liquidity as well as stronger financial position.

Cash flow statement for the six-month period ended June 30, 2018, Pranda Group has cash and cash equivalents increase by Baht 67.60 million details as follow:

	Unit: Million Baht	
	2018	2017
Cash Flow from Operating Activities	179.65	112.43
Cash Flow from Investing Activities	333.57	(17.78)
Cash Flow from Financing Activities	(457.84)	(411.01)
Increase in Translation Adjustment	12.22	6.79
Net Cash Flow	67.60	(309.56)

Company's Cash Inflow from Operating Activities during the 6 months period ended 30 June 2018 is at Baht 179.65 million, improved from last year as the company is able to improve its working capital management.

Cash Inflow from Investing Activities during 6 months period ended 30 June 2018 is at Baht 333.57 million generally due to the inflow received from the sales of asset held for sales.

Cash Outflow from Financing Activities during 6 months period ended 30 June 2018 is at Baht 457.84 million; The group has been repaying its long-term loans amount Baht 380.98 million as well as Bills of exchange amount Baht 150 million. However, during the period there is cash inflow received from convertible debenture at the amount of Baht 100 million, together with the cash receipt from sales of treasury shares amount Baht 43.48 million. Nonetheless, the group still repays its debt on schedule, whereby there were repayments of loans amount Baht 548.28 million during the same period of previous year.

Please be informed accordingly.

Yours Sincerely

Chanat Sorakraikitikul

Chairman of Finance & Risk Management Committee

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