

Sor Lor 041/2019

November 12, 2019

Subject : Management's Discussion and Analysis for the third Quarter period of 2019

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 period ended September 30, 2019 which compared to the same period of 2018.

For the operating result of third Quarter ended September 30, 2019 compared with the same period of 2018. There is a loss on equity holders of the company at the amount of Baht 5.51 million by compared to the same period of previous year that the company has loss on equity holders at Baht 44.69 million or decreased by 87.67%. The Statement of Comprehensive Income in brief is presented as followed:

	Unit: Million Baht		
	July - September		
	2019	2018	Change (%)
Sales revenue	819.40	716.07	14.43%
Cost of sales	565.40	500.61	12.94%
Gross profit	254.00	215.46	17.89%
Gross profit margin	31.00%	30.09%	0.91%
Selling and administrative expenses	215.99	208.47	3.61%
Operating profit (Loss)	38.01	6.99	443.78%
Finance cost	13.40	16.03	(16.41%)
Gain (Loss) on exchange rate	(41.68)	(44.60)	(6.55%)
Other items	5.78	9.89	(41.56%)
Tax income (expenses)	0.97	(12.25)	(107.92%)
Non-controlling interests of the subsidiaries	4.81	11.31	(57.47%)
Profit (Loss) on equity holders of the Company	(5.51)	(44.69)	(87.67%)

Pranda Group has revenue of Baht 819.40 million compared to the same period of previous year Baht at 716.07 million or increased by 14.43% due to sale from production business increased by 42% compared with same period of previous year. As a result of restructuring plan in previous quarter which resulted in customer order directly to production business as well as customer order in this quarter mainly due to postpone order from earlier in the year.

Revenue in distribution business decreased by 70% due to declining of world economy and restructuring plan as aforementioned above. These includes the sales decrease resulted from ceased operation of subsidiary in Germany which begin since first quarter of 2018, downsizing of subsidiary operation in USA in second quarter of 2018 and plan to downsize subsidiary in France in second quarter of 2019 due to the restructuring of operations which do not generate profitability.

For revenue in retail business decreased by 2% due to Thailand market decelerated and reduced spending in fine jewelry products.

Normalized Income Statement

Unit: Million Baht

	July - September		
	2019	2018	Change (%)
Sales revenue	819.40	716.07	14.43%
Cost of sales	565.40	500.61	12.94%
Gross profit	254.00	215.46	17.89%
Gross profit margin	31.00%	30.09%	0.91%
Selling and administrative expenses	215.99	208.47	3.61%
<u>Less</u> One-time Expenses			
- Loss on sales of leasehold right	11.41	-	100.00%
- Restructuring expense in distribution business	19.26	-	100.00%
	192.58	208.47	(7.62%)
Operating profit (Loss)	61.42	6.99	778.68%

Selling and Administrative expense at Baht 215.99 million due to included one-time expense which related to restructuring of operations which do not generate profitability in France at Baht 30.67 million which consist of loss on sales of leasehold right Baht 11.41 million and restructuring expense in distribution business Baht 19.26 million.

If excluding the effect as aforementioned above, Selling and Administrative expense net at Baht 192.58 million in third Quarter 2019.

Therefore, Pranda Group has operating profit at Baht 38.01 million compared to the same period of previous year which has operating profit at Baht 6.99 million. However, excluding one-time expenses, Pranda Group has normalized operating profit at Baht 61.42 million as analysis above.

Pranda Group has finance cost at Baht 13.40 million compared to the same period of previous year at Baht 16.03 million or decreased by 16.41% which mainly due to loan outstanding balance as of ended in third quarter in 2019 lower than the same period of previous year.

In third Quarter, Pranda Group has loss on exchange rate at the amount of Baht 41.68 million compared to the same period of previous year at Baht 44.60 million or decreased by 6.55% due to appreciation on Baht which mainly came from unrealized loss on exchange rate of working capital in subsidiary in foreign country.

In third Quarter 2019, Pranda Group has tax income Baht 0.97 million while the same period of previous year had tax expense Baht 12.25 million 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 loss on equity holders of the company at Baht 5.51 million compared with the same period of previous year which had made loss Baht 44.69 million.

For the operating results of nine-month period ended September 30, 2019 which compare to the same period of 2018, Pranda Group has made loss on equity holders of the company at the amount of Baht 286.63 million compared to the same period of previous year that Pranda Group has made profit on equity holders of the company at the amount of Baht 138.93 million with the Statement of Comprehensive Income presented as below.

	Unit: Million Baht		
	January - September		
	2019	2018	Change (%)
Sales revenue	1,894.88	2,039.67	(7.10%)
Cost of sales	1,389.56	1,436.63	(3.28%)
Gross profit	505.32	603.04	(16.20%)
Gross profit margin	26.67%	29.57%	(2.90%)
Selling and administrative expenses	693.80	668.99	3.71%
Operating profit (Loss)	(188.48)	(65.95)	185.79%
Finance cost	43.64	56.92	(23.33%)
Gain (Loss) on exchange rate	(101.85)	(65.14)	56.36%
Other items	29.28	365.08	(91.98%)
Tax income (expenses)	6.40	(68.60)	(109.33%)
Non-controlling interests of the subsidiaries	11.66	30.46	(61.72%)
Profit (Loss) on equity holders of the Company	(286.63)	138.93	(306.31%)

Pranda Group has revenue of Baht 1,894.88 million compared to the same period of previous year that Pranda Group has revenue of Baht 2,039.67 million or decreased by 7.10% due to sale in distribution business decreased by 54% due to declining of world economy compared with same period of previous year which not effect from ceased operation of subsidiary in Germany which begin since first quarter of 2018, downsizing of subsidiary operation in USA in second quarter of 2018 and plan to downsize subsidiary in France in second quarter of 2019 due to the restructuring of operations which do not generate profitability.

For revenue in retail business decreased by 9% due to Thailand market decelerated and reduced spending in fine jewelry products.

However, revenue from production business increased by 11% compared with same period of previous year due to restructuring plan in previous quarter which resulted in customer order directly to production business as well as customer order in this quarter mainly due to postpone order from earlier in the year.

Normalized Income Statement

Unit: Million Baht

	January - September		
	2019	2018	Change (%)
Sales revenue	1,894.88	2,039.67	(7.10%)
Cost of sales	1,389.56	1,436.63	(3.28%)
<u>Less</u> One-time Expenses			
- Long-term employee benefit expenses	42.49	-	100.00%
	1,347.07	1,436.63	(6.23%)
Gross profit	547.81	603.04	(9.16%)
Gross profit margin	28.91%	29.57%	(0.66%)
Selling and administrative expenses	693.80	668.99	3.71%
<u>Less</u> One-time Expenses			
- Long-term employee benefit expenses	24.90	-	100.00%
- Loss on sales of leasehold right	11.41	-	100.00%
- Restructuring expense in distribution business	19.26	-	100.00%
	638.23	668.99	(4.60%)
Operating profit (Loss)	(90.42)	(65.95)	(37.10%)

Selling and Administrative expense at Baht 693.80 million due to included one-time expense at Baht 55.57 million due to Long-term employee benefit expenses which not related to production line at Baht 24.90 million and related to restructuring of operations which do not generate profitability in France which consist of loss on sales of leasehold right Baht 11.41 million and restructuring expense in distribution business Baht 19.26 million.

If excluding the effect as aforementioned above, Selling and Administrative expense net at Baht 638.23 million or decreased by 4.60% for nine-month period in 2019 due to result of expense reduction from the subsidiary in distribution business that is being liquidated.

Therefore, Pranda Group has operating loss at Baht 188.48 million compared to the same period of previous year which has operating loss at Baht 65.95 million. However, after net one-time expense, Pranda Group has normalized operating loss at Baht 90.42 million as analysis above.

Pranda Group has finance cost at Baht 43.64 million compared to the same period of previous year at Baht 56.92 million or decreased by 23.33% which mainly due to loan outstanding balance as at period ended September 30, 2019 lower than the same period of previous year.

For nine-month period in 2019, Pranda Group has loss on exchange rate at the amount of Baht 101.85 million compared with the same period of previous year at Baht 65.14 million or increased by 56.36% due to appreciation on Baht which mainly came from unrealized loss on exchange rate of working capital in subsidiary in foreign country.

Other items has at Baht 29.28 million compared with the same period of previous year at Baht 365.08 million or decreased by 91.98% as a result of Pranda Group had gain on sales of land Baht 334.57 million as of second quarter in 2018.

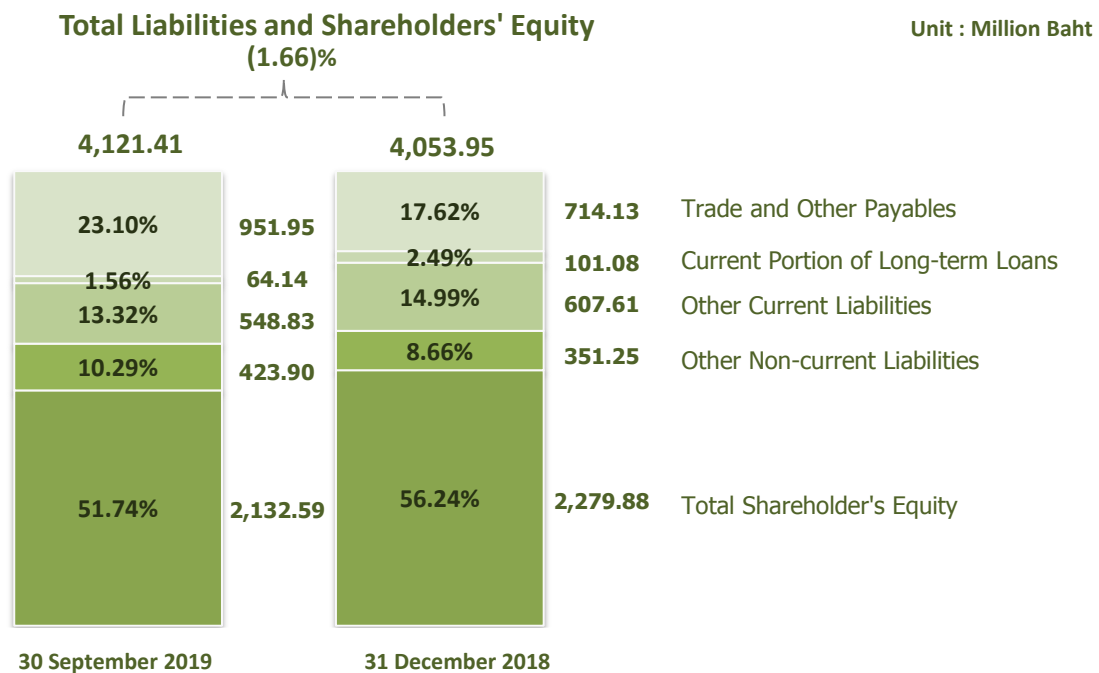
Pranda Group has tax income Baht 6.40 million while the same period of previous year had tax expense Baht 68.60 million which is owing to the tax on profit made by the Company and expenses occurring from the tax assessment by the Revenue Department.

In summary, Pranda Group has made loss on equity holders of the company at Baht 286.63 million while the same period of period previous year had made profit Baht 138.93 million.

For statement of financial position as at September 30, 2019, changes as compared to December 31, 2018 are as followed:

	Total Assset (1.66)%		Unit : Million Baht	
	30 September 2019		31 December 2018	
	4,121.41		4,053.95	
Cash and cash equivalents	9.57%	394.55	9.79%	396.85
Trade and other receivables	11.06%	455.67	10.63%	430.96
Inventories	43.71%	1,801.40	41.81%	1,694.83
Other current asset	2.15%	88.71	2.43%	98.55
Investment Properties	14.25%	587.40	14.53%	589.18
Property, plant and equipment	14.68%	605.16	15.90%	644.57
Other non-current asset	4.57%	188.52	4.91%	199.01

The group's total asset as of September 30, 2019 was at Baht 4,121.41 million which has increased by Baht 67.46 million or 1.66% as compared to December 31, 2018 primarily due to increasing in inventory which produce to support higher sales volume.



The group's total liabilities as of September 30, 2019 was at Baht 4,121.41 million, increased by Baht 67.46 million or 1.66% as compared to December 31, 2018 mainly due to increasing in account payable of raw material.

Cash flow statement for the period ended September 30, 2019, Pranda Group has cash and cash equivalents decreased by Baht 2.29 million while same period of previous year had cash and cash equivalents increased by Baht 95.45 million as details as follow:

	Unit: Million Baht	
	January - September	
	2019	2018
Cash Flow from Operating Activities	(12.68)	147.95
Cash Flow from Investing Activities	(10.60)	330.43
Cash Flow from Financing Activities	(90.05)	(430.72)
Increase in Translation Adjustment	111.03	47.79
Net Cash Flow	<u>(2.29)</u>	<u>95.45</u>

The Company's Cash outflow used in Operating Activities during the nine-month period ended September 30, 2019 is at Baht 12.68 million, decreased as a result of Pranda Group has loss from operation after adjustment to reconcile of non-cash transaction Baht 143.24 million mainly due to Pranda Group has account receivable and other receivable increased by Baht 28.10 million inventory increased by Baht 95.73 million and account payable and other payable increased by Baht 256.14 million as well as paid for retired employee Baht 10.39 million.

Cash Outflow used in Investing Activities during nine-month period ended September 30, 2019 is at Baht 10.60 million generally due to fixed assets for operating working capital in Pranda Group.

Cash Outflow used in Financing Activities during nine-month period ended September 30, 2019 is at Baht 90.05 million; The group has been repaying its long-term loans amount Baht 101.32 million However, during the period there is cash inflow from proceeds ordinary shares issuance from exercised warrants at the amount of Baht 24.58 million as well as Pranda Group still repays its debt on schedule.



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Translation adjustment for nine-month period ended September 30, 2019 at Baht 111.03 million mainly came from appreciation on Baht compared with US dollars, Pound Sterling and Euro by 6.41%, 10.34% and 8.87% respectively which resulted in unrealized loss on exchange rate from translation adjustment of subsidiary.

Please be informed accordingly.

Yours Sincerely

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