

Sor Lor 056/2018

November 12, 2018

Subject : Management's Discussion and Analysis for the third Quarter and nine-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 third Quarter and nine-month period ended September 30, 2018 of which has changed over 20% compared to the same period of 2018

For the operating result of third Quarter ended September 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 44.69 million increased by compared to the same period of previous year at Baht 9.26 million or 26.12%. The Statement of Comprehensive Income in brief is presented as followed:

	Unit: Million Baht		
	July - September		
	2018	2017	Change (%)
Sales revenue	716.07	627.23	14.16%
Cost of sales	500.61	440.60	13.62%
Gross profit	215.46	186.63	15.45%
Gross profit margin	30.09%	29.75%	
Selling and administrative expenses	208.47	224.94	(7.32%)
Operating profit (Loss)	6.99	(38.31)	(118.25%)
Finance cost	16.03	19.33	(17.07%)
Gain (Loss) on exchange rate	(44.60)	4.05	(1,201.01%)
Other items	9.89	11.16	(11.38%)
Tax income (expenses)	(12.25)	(0.87)	1,308.05%
Non-controlling interests of the subsidiaries	11.31	7.87	43.71%
Profit (Loss) on equity holders of the Company	(44.69)	(35.43)	26.14%

Pranda Group has revenue of Baht 716.07 million increased by compared to the same period of previous year Baht 88.84 million or 14.16% and gross profit margins is increased from 29.75% to 30.08% as a result of sales and services concentration to higher margin customers and improvement in production business unit productivity.

Selling and administrative expenses decreased due to result of expense reduction from the subsidiary that is being liquidated.

Pranda Group has operating profit at Baht 6.99 million by compared to the same period of previous year which has operating loss at Baht 38.31 million as a result of the analysis as aforementioned above.

This third Quarter, loss on exchange rate at the amount of Baht 44.60 million while the same period of previous year which has gain on exchange rate at 4.05 million which is due to the effect from the appreciation in Thai Baht as compared to foreign currency, therefore has resulting to loss on exchange rate when compared with previous year. These are mainly unrealized loss on exchange rate relating to the Company's net working capital in foreign operations.

Tax expenses of the Group is at Baht 12.25 million increased by compared to the same period of previous year 11.38 million or 1,308.05% due to the fact that there are tax on profit made by subsidiary company.

In summary, Pranda Group has made loss on equity holders of the company at Baht 44.69 million, increased from previous year which has made loss of Baht 35.43 million.

For the operating results of nine-month period ended September 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 138.93 million, while last year there was a loss on equity holders of the company at the amount of Baht 127.72 million with the Statement of Comprehensive Income presented as below.

	Unit: Million Baht		
	January - September		
	2018	2017	Change (%)
Sales revenue	2,039.67	2,199.06	(7.25%)
Cost of sales	1,436.63	1,623.23	(11.50%)
Gross profit	603.04	575.83	4.73%
Gross profit margin	29.57%	26.19%	
Selling and administrative expenses	668.99	684.35	(2.24%)
Operating profit (Loss)	(65.95)	(108.52)	(39.23%)
Finance cost	56.92	63.60	(10.50%)
Gain (Loss) on exchange rate	(65.14)	(1.95)	3,240.51%
Other items	365.08	29.01	1,158.46%
Tax income (expenses)	(68.60)	1.27	(5,501.57%)
Non-controlling interests of the subsidiaries	30.46	16.07	89.55%
Profit (Loss) on equity holders of the Company	138.93	(127.72)	(208.78%)

Pranda Group has made revenue of Baht 2,039.67 million decreased by compared to the same period of previous year Baht 159.39 million or 7.25% 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 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 26.19% to 29.57% as a result of improvement in gross profit margins from production business unit as mentioned above and gross profit margins from distribution business unit improved which relevance to decrease in discount sale when compared with previous year.

Operating Loss decreased from Baht 108.52 million to Baht 65.95 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		
	January - September		
	2018	2017	Change (%)
Sales revenue	2,039.67	2,199.06	(7.25%)
Cost of sales	1,436.63	1,623.23	(11.50%)
Gross profit	603.04	575.83	4.73%
Gross profit margin	29.57%	26.19%	
Selling and administrative expenses	668.99	684.35	(2.24%)
<u>Less:</u>			
Depreciation and amortization	55.47	63.70	(12.92%)
Provision for LT employee benefits expenses	12.86	12.18	5.58%
Provision for the litigation of an overseas subsidiary	2.69	-	100.00%
Expenses incurred from tax assessment	10.60	-	100.00%
Profit (Loss) before interest, tax, depreciation & amortization	15.67	(32.64)	(148.01%)

The effect from the appreciation 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 65.14 million or decreased by 3,240.51% while last year only incurred a loss on exchange rate at Baht 1.95 million. These are mainly unrealized loss on exchange rate relating to the Company's net working capital in foreign operations.

Other items have surged by Baht 336.07 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 68.60 million, while there was a tax income of Baht 1.27 million during the same period of last year. This is due to the fact that there are tax on profit made by subsidiary company.

In summary, Pranda Group has made profit on equity holders of the company at Baht 138.93 million, increased from previous year which has made loss of Baht 127.72 million.

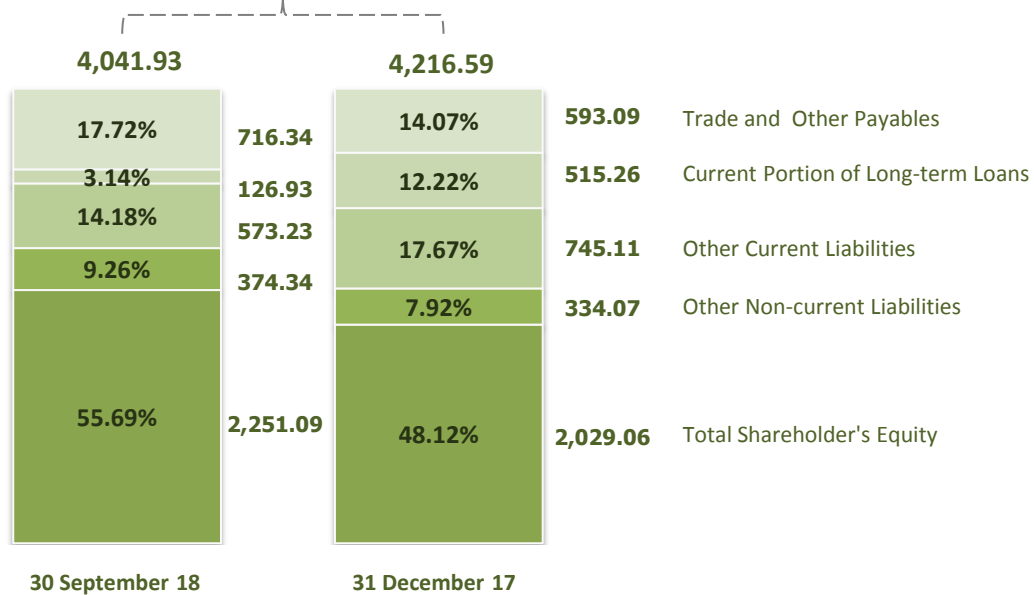
For statement of financial position as at September 30, 2018, changes as compared to December 31, 2017 are as followed:

	Total Asset (4.14)%		Unit: Million Baht	
	4,041.93		4,216.59	
Cash and cash equivalents	7.76%	313.48	5.17%	218.02
Trade and other receivables	9.75%	394.08	9.52%	401.63
Inventories	43.88%	1,773.45	44.30%	1,867.79
Other current asset	2.21%	89.15	3.77%	158.87
Investment Properties	14.58%	589.27	13.98%	589.57
Property, plant and equipment	16.19%	654.42	16.60%	699.77
Other non-current asset	5.64%	228.08	6.66%	228.94
	30 September 18		31 December 17	

The group's total asset as of September 30, 2018 was at Baht 4,041.93 million which has decreased by Baht 174.66 million or 4.14% 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
(4.14)%

Unit: Million Baht



The group's total liabilities as of September 30, 2018 was at Baht 1,790.84 million, decreased by Baht 396.69 million or 18.13% 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 September 30, 2018 was at Baht 2,251.09 million or increased by Baht 222.03 million or 10.94% 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.



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Cash flow statement for the nine-month period ended September 30, 2018, Pranda Group has cash and cash equivalents increase by Baht 95.45 million details as follow:

	Unit: Million Baht	
	January - September	
	2018	2017
Cash Flow from Operating Activities	147.95	131.13
Cash Flow from Investing Activities	330.43	(28.35)
Cash Flow from Financing Activities	(430.72)	(401.01)
Increase in Translation Adjustment	47.79	2.48
Net Cash Flow	95.45	(295.75)

The Company's Cash Inflow from Operating Activities during the 9 months period ended September 30, 2018 is at Baht 147.95 million, improved from last year as the company is able to improve its working capital management.

Cash Inflow from Investing Activities during 9 months period ended September 30, 2018 is at Baht 330.43 million generally due to the inflow received from the sales of asset held for sales.

Cash Outflow from Financing Activities during 9 months period ended September 30, 2018 is at Baht 430.72 million; The group has been repaying its long-term loans amount Baht 417.27 million as well as Bills of exchange amount Baht 230 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 466.61 million during the same period of previous year.

Please be informed accordingly.

Yours Sincerely

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Chairman of Finance & Risk Management Committee

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