

Sor Lor 037/2020

November 12, 2020

Subject : Management's Discussion and Analysis for the third Quarter 2020

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, 2020 which compared to the same period of 2019.

For the operating result of third Quarter ended September 30, 2020 compared with the same period of 2019. There is a profit on equity holders of the company at the amount of Baht 55.86 million increased compared to the same period of previous year that the company has loss on equity holders at Baht 5.51 million or has profit increased by 1,113.79%. The Statement of Comprehensive Income in brief is presented as followed:

	Unit: Million Baht		
	July - September		Change
	2020	2019	(%)
Sales revenue	619.73	819.40	(24.37%)
Cost of sales	457.39	565.39	(19.10%)
Gross profit	162.34	254.01	(36.09%)
Gross profit margin	26.20%	31.00%	(4.80%)
Selling and administrative expenses	156.52	215.99	(27.53%)
Operating profit (Loss)	5.82	38.02	(84.69%)
Finance cost	10.78	13.40	(19.55%)
Gain (Loss) on exchange rate	65.83	(41.68)	257.94%
Other items	10.28	5.78	77.85%
Tax income (expenses)	(16.59)	0.96	(1,828.13%)
Non-controlling interests of the subsidiaries	1.30	4.81	(72.97%)
Profit (Loss) on equity holders of the Company	55.86	(5.51)	1,113.79%

The Group has revenue of Baht 619.79 million compared to the same period of previous year Baht at 819.40 million or decreased by 24.37% due to sale from production business decreased by 40% compared with same period of previous year which has proportion at 57% of total revenue. As a result of the Group was impacted from the epidemic situation of the Corona virus 2019 (COVID-19) that has been spread throughout the world.

While revenue in distribution business has proportion at 4% of total revenue which decreased by 21% compared with same period of previous year due to restructuring plan as restructuring of operations which do not generate profitability.

For revenue in retail business increased by 22% which has proportion at 39% of total revenue mainly come from increasing on promotional advertising campaign to generate revenue.

As a result of overall in third quarter 2020 has gross profit Baht 162.34 million or 26.20% while the same period of previous year was at 31.00% decreased by 4.80% due to most revenue come from production business which has gross profit margin lower than retail business together with increasing on promotional advertising campaign to generate revenue which resulted in overall gross profit margin lower than previous year.

Selling and administrative expenses of the Group are at Baht 156.52 million or decreased by 27.53%, due to postpone expense policy and temporarily closed operation in certain section as effected from COVID-19 which resulted in decreased on related expenses. In addition, compared with same period of previous year had one-time expense at Baht 30.67 million which consists of loss on sales of leasehold right Baht 11.41 million and restructuring expense in distribution business Baht 19.26 million.

The Group has finance cost at Baht 10.78 million compared to the same period of previous year was at Baht 13.40 million or decreased by 19.55% which mainly due to loan outstanding balance as at September 30, 2020 less than the same period of previous year.

In third Quarter, Pranda Group has gain on exchange rate at the amount of Baht 65.83 million compared to the same period of previous year which had loss on exchange rate at Baht 41.68 million mainly came from depreciation on Baht compared with US Dollar, Pound Sterling and Euro by 0.83%, 8.72% and 7.90% respectively which mainly due to unrealized loss on exchange rate of working capital in subsidiary in foreign country.

Other items at Baht 10.28 million while third quarter in 2019 had other items at Baht 5.78 million increased by 77.85% mainly came from third quarter in 2020 the Group has revenue from insurance goods.

Group has tax expense Baht 16.59 million while the same period of previous year had tax income Baht 0.96 million as a result of third quarter 2020, the Group has taxable profit higher than third quarter 2019 which are all related to the Company separate financial statements.

In summary, Pranda Group has made profit on equity holders of the company at Baht 55.86 million increased compared with the same period of previous year which had made loss Baht 5.51 million.

For the operating result of nine-month period ended September 30, 2020 compared with the same period of 2019. There is a loss on equity holders of the company at the amount of Baht 97.43 million decreased compared to the same period of previous year that the company has loss on equity holders at Baht 286.63 million or decreased by 66.01%. The Statement of Comprehensive Income in brief is presented as followed:

	Unit: Million Baht		
	January - September		
	2020	2019	Change (%)
Sales revenue	1,686.71	1,894.88	(10.99%)
Cost of sales	1,334.95	1,389.56	(3.93%)
Gross profit	351.76	505.32	(30.39%)
Gross profit margin	20.85%	26.67%	(5.82%)
Selling and administrative expenses	471.11	693.80	(32.10%)
Operating profit (Loss)	(119.35)	(188.48)	(36.68%)
Finance cost	41.90	43.64	(3.99%)
Gain (Loss) on exchange rate	57.97	(101.85)	156.92%
Other items	10.69	29.28	(63.49%)
Tax income (expenses)	(18.23)	6.40	(384.84%)
Non-controlling interests of the subsidiaries	13.39	11.66	14.84%
Profit (Loss) on equity holders of the Company	(97.43)	(286.63)	66.01%

Pranda has revenue in nine-month 2020 at Baht 1,686.71 million compared to the same period of previous year at Baht 1,894.88 million or decreased by 10.99% mainly came from sales in production business decreased by 12% compared with same period of previous year which has proportion 59% of total revenue. Since first quarter 2019, declining of world economy directly impacted to our key customer of production base that cause of sale decreased. Also, the Group has large impacted of epidemic of COVID-19 throughout the world. Mainly customer groups requested to delay order schedule. However, in the production base, raw materials are sold during this period for convert to cash flow during the quarter, resulting of higher revenue.

Meanwhile, revenue in distribution business which has proportion 5% of total revenue decreased by 45% compared with same period or previous year due to restructuring plan as restructuring of operations which do not generate profitability compared with sales from same period of previous year which has not effect plan to downsize subsidiary in France in second quarter of 2019.

For revenue in retail business decreased by 1% which has proportion 36% of total revenue which impacted from the epidemic situation of the Corona virus 2019 (COVID-19) which has spread throughout the world. Since in first quarter 2020, many countries throughout the world have announcement from government agencies to the company that operate in department store to temporarily close. In Thailand, it has effective since March 22, 2020 and in Vietnam effective since March 27, 2020. After the first unlock period in Vietnam and Thailand, the retail business are able to operate normally on April 23, 2020 and May 17, 2020 which resulted in decreasing on revenue.

As a result of overall in nine-month 2020 has gross profit Baht 351.76 million or 20.85% while the same period of previous year was at Baht 26.67%.

The Group has temporarily closed certain section and reduced working hours. While, the Group still has to pay certain fixed cost with minimal orders. Including, raw material sold in production base for cash flow management lead to low gross margin.

Selling and administrative expenses of the Group has at Baht 471.11 million decreased by 32.10%, due to postpone expense policy and temporarily closed operation in certain section as effected from COVID-19 which resulted in decreased on related expenses. In addition, compared with same period of previous year had one-time expense at Baht 55.57 million which consists of long-term employee benefit which not related to production line 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.

In nine-month period 2020, the Group has gain on exchange rate at the amount of Baht 57.97 million while compared to the same period of previous year which had loss on exchange rate at Baht 101.85 million mainly came from depreciation on Baht compared with US Dollar and Pound Sterling by 2.94% and 6.43% respectively which mainly due to unrealized gain on exchange rate of working capital in subsidiary in foreign country.

Other items at Baht 10.69 million decreased by 63.49% compared to the same period of previous year which had other items at Baht 29.28 million mainly came from Pranda lodging Co.,Ltd which is one of subsidiary has lodging business reduced rental fee for customer in order to relief the effect of the epidemic situation of the Corona virus 2019 (COVID-19).

The Group has tax expense Baht 18.23 million while the same period of previous year had tax income Baht 6.40 million as a result of third quarter 2020 the Group has taxable profit higher than third quarter 2019 which mostly related to the Company separate financial statement.

In summary, Pranda Group has made loss on equity holders of the company at Baht 97.43 million decreased compared with the same period of previous year which had made loss Baht 286.63 million.

For statement of financial position as at September 30, 2020, changes as compared to December 31, 2019 are as followed:

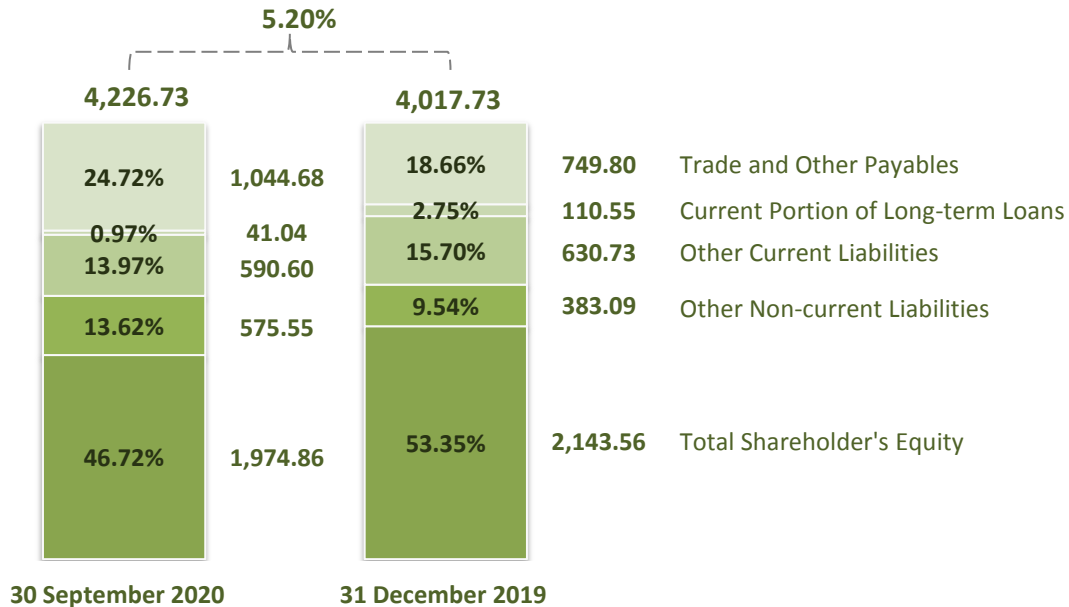
	Total Assets		Unit : Million Baht	
	5.20%			
	4,226.73	4,017.73		
Cash and cash equivalents	12.08%	510.62	13.63%	547.75
Trade and other receivables	10.29%	435.12	10.97%	440.85
Inventories	40.13%	1,696.16	39.26%	1,577.44
Other current asset	1.99%	84.29	2.12%	85.16
Investment Properties	13.89%	587.05	14.62%	587.31
Property, plant and equipment	17.73%	749.27	14.84%	596.03
Other non-current asset	3.89%	164.22	4.56%	183.19
	30 September 2020		31 December 2019	

The group's total asset as of September 30, 2020 was at Baht 4,226.73 million which increased by Baht 209 million or 5.20% as compared to December 31, 2019. The increasing of total assets mainly come from initial adoption of new financial reporting standards related to financial instruments (TFRS9) and lease (TFRS16) which the cumulative effect is recognized as an adjustment to the retained earnings as at 1 January 2020 resulted in decreasing in financial instruments assets transaction Baht 12.10 million and recognized assets related to lease which increased by Baht 201.87 million.

In addition, increasing in inventory come from finish goods on hand to be send to customer in foreign countries due to postponement to receive goods as second lockdown as well as increasing on inventory in retail business due to effect from Corona virus 2019 (COVID-19) which resulted in revenue lower than projection.

Total Liabilities and Shareholders' Equity

Unit : Million Baht



The group's total liabilities and shareholders' equity as of September 30, 2020 has at Baht 4,226.73 million, increased by Baht 209 million or 5.20% as compared to December 31, 2019, mainly come from initial adoption of new financial reporting standards related to financial instruments (TFRS9) and lease (TFRS16) which the cumulative effect is recognized as an adjustment to the retained earnings as at 31 January 2020 resulted in recognized liabilities related to lease which increased by Baht 201.87 million and decreased on shareholder's equity Baht 12.10 million.

In addition, increasing in trade payables and other payables, current and non-current liabilities as a result of cooperation from various suppliers. These comply with postpone expense policy as effected from COVID-19. Also, trade payables increased mainly came from raw material suppliers. However, long-term loan decreased due partial repayment plan.

Cash flow statement for nine-month period ended September 30, 2020, the Group has cash and cash equivalents at Baht (37.13) million while same period of previous year had cash and cash equivalents at Baht (2.29) million as details as follow:

	Unit: Million Baht	
	January - September	
	2020	2019
Cash Flow from Operating Activities	174.38	(12.68)
Cash Flow from Investing Activities	(18.12)	(10.59)
Cash Flow from Financing Activities	(123.86)	(90.05)
Increase (decrease) in Translation Adjustment	(69.53)	111.03
Net Cash Flow	<u>(37.13)</u>	<u>(2.29)</u>

The Company's Cash inflow from Operating Activities for nine-month period ended September 30, 2020 is at Baht 174.38 million, mainly due to the Group has profit from operation after adjustment to reconcile of non-cash transaction Baht 65.78 million and account payable and other payable increased by Baht 272.29 million as well as cash outflow used in inventory which increased by Baht 122.46 million.

Cash Outflow used in Investing Activities for nine-month period ended September 30, 2020 is at Baht 18.12 million generally due to purchasing fixed assets for operating working capital in the Group.

Cash Outflow from Financing Activities for nine-month period ended September 30, 2020 is at Baht 123.86 million; The group received short-term loans from financial institutions amount Baht 105.80 million, partial repayment loan and promissory note on schedule as well as proceeds ordinary shares issuance from exercised warrants at the amount of Baht 24.31 million.

Translation adjustment for nine-month period ended September 30, 2020 at Baht (69.53) million mainly came from depreciation on Baht compared with US dollars, Pound Sterling and Euro by 3.46%, 3.80% and 9.25% respectively which resulted in unrealized gain on exchange rate from translation adjustment of subsidiary.

Please be informed accordingly.

Yours Sincerely

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