

Management Discussion & Analysis for three month period ended September 30, 2018

Industry Overview

Furniture industry - unchanged

The growth of the furniture market remains unchanged. New projects launching in residential property have been on a decelerating pace due to slow down in property market, however, the mid-high class of residential furniture has not been affected. Meanwhile the office furniture is still in demand resulting from government stimulus policy.

Company in Overview

Restructuring

Constantly grow

Amidst high competitiveness in furniture business, MODERN - as the leader of office furniture – has continuously worked on the product development in term of differentiation and trend setter. MODERN has recently remodeled the showroom at Srinakarindr with new concept of “METRO LIVING SENSATION” and provides customer advices offering The Personal Stylist service. MODERN also plans to renovate and enlarge the showroom at Crystal Design Center (CDC) in 2019 and plan to launch a new showroom in Rayong province to service the new market at EEC initiated by the government.

MODERN has invested in Arkitektura Co., Ltd., a wellknown importer and distributor of premium residential furniture, as a strategic partner, to cover larger market segment.

Modernform Health & Care Co., Ltd. (MHC), one of the subsidiaries, has invested in a specialised hospital for cancer - “Chivamitra” - in Ubon Ratchathani province, scheduled to operate in the 2nd quarter of 2019.

Financial Performance Third Quarter of 2018

Revenues decreased by 2.4 percent to Baht 835.0 million with gross profit margin of 28.7 percent, a decrease of 4.5 percent

MODERN and subsidiaries recorded Baht 835.0 million from sales, rental, architectural design service and construction, representing 2.4 percent decrease of Baht 20.7 million from the same period in 2017. The gross profit margin was lower 28.7 percent, decreased to 4.5 percent from the same period in 2017.

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*Net profit equaled Baht 55.3 million,
a decrease of 40.2 percent*

At the third quarter of 2018, net profit of MODERN and subsidiaries amounted to Baht 55.3 million, a decrease of 40.2 percent from the same period in 2017, due to, the same period in 2017, the company had a special transaction receiving the compensation from cancellation of rental agreement of Home Decorative Product located on the Sukhumvit Road, Ekamai.

At the third quarter of 2018, MODERN received shares of incomes from investment in associate and subsidiary companies total Baht 20.8 million, an increase of 156.3 percent from the same period in 2017.

Business units and subsidiaries performance**Office and residential furniture business**

*Sales decreased by 12.4 percent
to Baht 548.1 million*

At the third quarter of 2018, invoicing sales of office and residential furniture decreased by 12.4 percent from the same period in 2017 to Baht 548.1 million due to the postponement of deliveries, for which the sales and revenues will be realized later within this year.

Furniture fittings, solid surface, carpet tile and wooden flooring business

*Sales decreased by 16.6 percent
to Baht 136.4 million*

At the third quarter of 2018, sales of furniture fittings, solid surface, carpet tile and vinyl flooring decreased by 16.6 percent from the same period in 2017 to Baht 136.4 million.

Office rental business

*Rental income at Baht 21.1 million,
an increase of 3.1 percent*

At the third quarter of 2018, the business generated Baht 21.1 million rental incomes, or 3.1 percent increase compared to the same period in 2017.

Healthcare product and medical equipment business

*Revenues of Baht 119.8 million,
an increase of 246.1 percent*

At the third quarter of 2018, the business recorded revenues of Baht 119.8 million from sales, architectural design service and construction, an increase of 246.1 percent from the same period in 2017.

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Architectural design business

Revenues of Baht 9.6 million, a decrease of 13.3 percent

At the third quarter of 2018, the architectural design business recorded revenue Baht 9.6 million, or 13.3 percent decrease from the same period in 2017, due to the postponement of deliveries, for which the sales and revenues will be realized later within this year.

Financial status of MODERN and subsidiaries

Cash, cash equivalents and short-term investments decreased

As of September 30, 2018, MODERN and subsidiaries recorded Baht 432.2 million for cash, cash equivalents and short-term investments, decreased by Baht 32.0 million. Consolidated shareholders' equity accounted for Baht 2,400.0 million, decreased by Baht 158.7 million from the end of 2017 due to decreased retained earnings from dividend payment.

Baht 247.9 million of financial institution debts

MODERN and subsidiaries registered Baht 247.9 million of financial institution debts, increased by Baht 80.5 million, compared to Baht 167.4 million at the end of 2017. However, the Company still maintains good liquidity and high retained earnings.