

Management Discussion & Analysis of a one-year performance as of end December 31, 2018

Industry Overview

The mid-high class of furniture has been growing

The property market for the medium-high end is still growing with many new projects being planned and launched for the newly developed mixed used properties in the city. The new investment promoted by the Government in the new industrial estates and infrastructure at the Eastern Economic Corridor (EEC) will also be the new market for both the commercial and residential furniture business in the near future.

Company in Overview

Continuous development

Amidst strong competition in the furniture business for which there are new manufacturers and importers entering the market, MODERN has continuously worked on the business and product development to lead the trend accommodating the customers' lifestyle. MODERN has redecorated the showroom at Srinakarindr and Crystal Design Center (CDC) to expand the market segment and provides customer personal consultation offering The Personal Stylist service. Recently, MODERN has launched the new showroom in Rayong province to service the new market at EEC.

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 middle of 2019.

Financial Performance in 2018

Revenues increased by 7.0 percent to Baht 3,298.8 million with gross profit margin of 30.1 percent, a decrease of 3.3 percent

MODERN and subsidiaries recorded Baht 3,298.8 million from sales, rental, architectural design service and construction, representing 7.0 percent increase of Baht 217.0 million from the same period in 2017. The gross profit margin was however lower at 30.1 percent, decreased of 3.3 percent from the same period in 2017 due to strong competition and higher cost.

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Net profit equaled Baht 137.2 million, a decrease of 36.4 percent

In 2018, net profit of MODERN and subsidiaries amounted to Baht 137.2 million, a decrease of 36.4 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 Division located on the Sukhumvit Road, Ekamai. The loss also comes from an increase of reserved inventory.

In 2018, MODERN received shares of incomes from investment in associate and subsidiary companies total Baht 47.2 million, a decrease of 34.3 percent from the same period in 2017.

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

Sales increased by 11.0 percent to Baht 2,346.1 million

In 2018, invoicing sales of office and residential furniture increased by 11.0 percent from the same period in 2017 to Baht 2,346.1 million because of the higher deliveries of the residential furniture.

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

Sales decreased by 6.6 percent to Baht 557.8 million

In 2018, sales of furniture fittings, solid surface, carpet tile and LVT flooring decreased by 6.6 percent from the same period in 2017 to Baht 557.8 million.

Office rental business

Rental income at Baht 84.2 million, an increase of 1.7 percent

In 2018, the business generated Baht 84.2 million rental incomes, or 1.7 percent increase compared to the same period in 2017.

Healthcare product and medical equipment business

Revenues of Baht 269.9 million, an increase of 9.1 percent

In 2018, the business recorded revenues of Baht 269.9 million from sales, architectural design service and construction, an increase of 9.1 percent from the same period in 2017.

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Architectural design business

*Revenues of Baht 40.8 million,
a decrease of 2.2 percent*

In 2018, the architectural and landscape design business recorded revenue Baht 40.8 million, or 2.2 percent decrease from the same period in 2017.

Financial status of MODERN and subsidiaries

*Cash, cash equivalents and short-
term investments decreased*

As of December 31, 2018, MODERN and subsidiaries recorded Baht 351.9 million for cash, cash equivalents and short-term investments, decreased by Baht 112.2 million. Consolidated shareholders' equity accounted for Baht 2,390.3 million, decreased by Baht 168.3 million from the end of 2017 due to decreased retained earnings from dividend payment.

*Baht 346.7 million of financial
institution debts*

MODERN and subsidiaries registered Baht 346.7 million of financial institution debts, increased by Baht 179.3 million, compared to Baht 167.4 million at the end of 2017. However, the Company still maintains good liquidity and high retained earnings.