



Winner Group Enterprise Plc.

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(TRANSLATION)

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February 26, 2019

Re Management Discussion and Analysis (MD&A) for the year 2018 and for the year 2017

To The President
The Stock Exchange of Thailand

1. Analysis of Overall Operating Results for the Company and its subsidiary

1.1 Important circumstance during the year

In April 2018, the Company acquired 800,000 ordinary shares of Aesthetic Zecret (AT-ZE) Company Limited at a price of Baht 200.725 each, or for a total of Baht 160.58 million (excluding share purchase fee of Baht 3.27 million). The investment represents 100% of all issued shares of this company, which is principally engaged in the manufacture of skincare products, cosmetics, food supplements and medicines used to treat skin diseases. The Company paid 20 million to the seller in December 2017 and the remaining amount of Baht 135.58 million (after deduct a guarantee deposit of Baht 5 million) was paid in April 2018.

Moreover, the Company agreed to Aesthetic Zecret (AT-ZE) Company Limited borrowing Baht 89.42 million in order to settle loans form its former director.

The Company assessed the fair values of identifiable assets acquired and liabilities assume at the acquisition date in the amount of Baht 66.14 million while investment capital is at Baht 160.58 million then the goodwill is in the amount of Baht 99.44 million recorded into the consolidated financial statements in 2018.

1.2 Analysis of Operating Results for the Company and its subsidiary

Table 1: Overall Annual Operating Results for the year of 2018 and 2017

(Unit : Thousand Baht)

	Consolidated	Separate		Increase (Decrease)	%
	Financial Statements	Financial Statements			
	2018	2018	2017		
Total revenues	1,626,468	1,544,670	1,644,433	(17,965)	(1.1)
Sales and service income	1,614,607	1,531,983	1,637,162	(22,555)	(1.4)
Cost of sales and service	1,207,557	1,172,803	1,270,906	(63,349)	(5.0)



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Gross Profit	407,050	359,180	366,256	40,794	11.1
Other incomes	11,861	12,687	7,271	4,590	63.1
Profit before expenses	418,911	371,867	373,527	45,384	12.2
Selling expenses	123,647	111,008	110,247	13,400	12.2
Administrative expenses	175,335	124,442	126,591	48,744	38.5
Other expenses	-	-	5,225	(5,225)	(100.0)
Profit before finance cost and income tax expenses	119,929	136,417	131,464	(11,535)	(8.8)
Finance cost	(7,435)	(7,331)	(929)	(6,506)	700.3
Profit before income tax expenses	112,494	129,086	130,535	(18,041)	(13.8)
Income tax expenses	(23,657)	(26,080)	(26,141)	2,484	(9.5)
Profit for the year	88,837	103,006	104,394	(15,557)	(14.9)
Profit or loss in subsequent periods - net of income tax					
Actuarial loss - net of income tax	(354)	(1,088)	-	(354)	(100.0)
Total comprehensive income for the year	88,483	101,918	104,394	(15,911)	(15.2)
Gross Profit Margin	25.2%	23.4%	22.4%	2.8%	-
Basic earnings per share (Baht/Share)	0.22	0.26	0.26	(0.04)	(14.9)
Net Profit Margin	5.5%	6.7%	6.3%	-0.9%	-

The total revenues from the Company and its subsidiary is Baht 1,626.5 million which decreased from the previous year Baht 18.0 million or decreased at 1.1 percent, consisting of sale and service revenue at Baht 1,614.6 million and other income at Baht 11.9 million. The decrease of sale and service revenue at Baht 22.6 million when comparing with the previous year or decreased at 1.4 percent while increase of other income at Baht 4.6 million.

- Sales and service revenue

Table 2: Sales by Product Type for the year-ended December 31, 2018 and December 31, 2017

(Unit : Thousand Baht)

Product Type	2018		2017		Increase	%
	Thousand Baht	%	Thousand Baht	%	(Decrease)	
Consumer Products	854,950	53.0	965,475	59.0	(110,525)	(11.4)
Industry Products	677,033	41.9	671,687	41.0	5,346	0.8
Manufacture and sale of medicines, medical supplies and cosmetics segment	82,624	5.1	-	-	82,624	100.0
รวม	1,614,607	100	1,637,162	100	(22,555)	(1.4)

In 2018, Sales and service revenue from the Company and its subsidiary totaled Baht 1,614.6 million, decreased from the previous year Baht 18.0 million or decreased at 1.1 percent. Considering to Consumer Products still decreased at Baht 110.5 million or decreased at 11.4 percent. The mainly caused the high of competitive pricing in the market, especially decrease from the following product group in snack and



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confectionary such as Pop Secret, Nature Valley, Cookie Wafer, Bakery Mix & Frosting , Frozen and chilled and products as well as fruit juice and refreshment products.

The revenue from Industry Product slightly increased Baht 5.3 million or increased 0.8 percent. The new business from the acquisition in April 2018, Manufacture and sale of medicines, medical supplies and cosmetics segment represented Baht 82.6 million.

- Cost of sales and service

Cost of sales and service amounted to Baht 1,207.6 million, decreased from the previous year Baht 63.4 million or decreased 5.0 percent when comparing with the previous year.

- Gross Profit

For the year ended December 31, 2018, the Gross Profit from Company and its subsidiary is Baht 407.1 million which increased from previous year Baht 40.8 million. The Company's gross profit is Baht 359.2 million which decreased from the previous year Baht 7.1 million while the subsidiary's gross profit is Baht 47.9 million increased from acquisition during the year.

The gross profit margin from the Company and its subsidiary is 25.2 percent or increased against the previous year at 2.8 percent while last year's gross profit margin is at 22.4 percent. The Company's gross profit margin is at 23.4 percent, increased 1.0 percent from the previous year. The subsidiary's gross profit margin is 58.0 percent.

The gross profit margin for the Company increased from the previous year 1.0 percent. As dollar is the Company's major currency when buying imported goods, dollars reflected weaken than previous year as well as better cost management. Current Baht to Dollar in this year is around 31.3-33.6 Baht. In addition, Baht to Dollar in previous year is around 32.7-36.1 Baht.

- Other incomes

For the year-ended December 31, 2018 The other incomes for the Company and its subsidiary totaled Baht 11.9 million and increased from the previous year Baht 4.6 million. The main reason resulted from gains on exchange rate increased Baht 3.1 million against the previous year's loss income was Baht 4.8 million which classified into administrative expenses. Any other incomes increased Baht 1.5 million.

Selling and Administrative expenses

- Selling expenses

Selling expenses for the year-ended December 31, 2018 totaled Baht 123.6 million, increased from the previous year Baht 13.4 million or increased 12.2 percent, which mainly due to the consolidated financial statements included marketing expenses from the subsidiary Baht 12.6 million. The selling expenses of the Company are slightly the same as the previous year and also slightly increased Baht 0.8 million or 0.7 percent.



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- Administrative expenses

Administrative expenses for the year-ended December 31, 2018 totaled Baht 175.3 million, increased Baht 48.7 million or increased 38.5 percent, which mainly due to the Consolidated Financial Statements included administrative expenses from subsidiary company Baht 47.6 million, included share purchase fee of Baht 3.27 million. Such share purchase fee recorded into the separate financial statements as investment in subsidiary while represented in the consolidated financial statements as administrative expenses in accordance with financial reporting standards. The administrative expenses from the Company are slightly decreased Baht 2.1 million or decreased 1.7 percent due to loss on exchanged rate decreased Baht 4.8 million from the previous year which profit for the year is at Baht 3.1 million, re-classified into other incomes and reflected increase of employees expenses at Baht 2.2 million.

- Finance cost

Finance cost for the year-ended December 31, 2018 increased from the previous year Baht 6.5 million. It was mainly due to long term loans with commercial bank amounted Baht 250 million for acquisition the subsidiary business. Such loan calculated fixed interest rate at 3.75 per year for the first-five year loans and after that will be calculated MLR rate at 2.1 which the due payment for the principle is 7 years starting from the loan date. However, as at December 31, 2018 such loan balance at around Baht 225 million.

Other expenses

Other expenses for the year-ended December 31, 2018 decreased Baht 5.2 million due to last year consultation fees on Transforming organization towards sustainability while no other expense incurred in this year.

- Profit for the period

The Company and its subsidiary's profit for the period กำไรสำหรับปี 2560 totaled Baht 88.8 million, decreased from the past year Baht 15.6 million or decreased 14.9 percent. The main reason was due to an increase of Gross Profit Baht from the Company and its subsidiary Baht 40.8 million and other incomes also increased Baht 4.6 million while both other expenses and tax expenses decreased Baht 5.2 million and Baht 2.5 million respectively. However, these expense items consist of selling expenses, administrative expenses and finance cost are increased Baht 13.4 million, Baht 48.7 million and Baht 6.5 million.

- Other comprehensive income for the year-net from income tax

Other comprehensive income for the year-net from income tax for the year-ended December 31, 2018 totaled Baht 0.35 million. Loss comprehensive-net from income tax amounted to Baht 1.08 million while profit comprehensive-net from income tax of the subsidiary company amounted to Baht 0.73 million. During Q4/2018, the Company and its subsidiary had independent specialist to evaluate and reclassified employee expenses payables after separation to be compiled with the financial reporting standards as well as



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recognized loss from actuary into other profit and loss comprehensive at Baht 0.44 million deductible deferred tax is at Baht 0.09 million. However, no this item incurred last year.

Therefore, the Company evaluated provision of employee expenses payables by actuary principle by the independent specialist in accordance with financial reporting standards in every 3 years or significant changes on loans of post-employee benefits

▪ Total comprehensive income

Total comprehensive income for the year-ended December 31, 2018 totaled Baht 88.5 million or decreased Baht 15.9 million or decreased 15.2 percent against same previous period due to a decreased of profit for the year Baht 15.6 million and other comprehensive income for the year-net from income tax increased Baht 0.35 million.

2. Financial Position Analysis

Table 3 : Overall Financial Position as at December 31, 2018 and December 31, 2017

(Unit : Thousand Baht)

	Consolidated Financial Statements		Separate Financial Statements				Consolidated Financial Statements Increase (Decrease)	
	Dec 31, 2018	%	Dec 31, 2018	%	Dec 31, 2017	%	Thousand Baht	%
Current Assets	670,482	59.2	646,293	57.0	669,961	71.9	521	0.1
Non-Current Assets	485,566	42.8	486,917	43.0	261,621	28.1	223,945	85.6
Total Assets	1,156,048	102.0	1,133,210	100.0	931,582	100.0	224,466	24.1
Current Liabilities	324,846	28.7	294,933	26.0	303,603	32.6	21,243	7.0
Non-Current Liabilities	214,509	18.9	208,149	18.4	11,770	1.3	202,739	1,722.5
Total Liabilities	539,355	47.6	503,082	44.4	315,373	33.9	223,982	71.0
Shareholders' Equity	616,693	54.4	630,128	55.6	616,209	66.1	484	0.1
Total Liabilities and Shareholders' Equity	1,156,048	102.0	1,133,210	100.0	931,582	100.0	224,466	24.1

2.1 Assets

As at December 31, 2018, the total assets of the Company and its subsidiary amounted Baht 1,156.0 million. Current assets were slightly increased from the past year-ended Baht 0.5 million or increased 0.1 percent. Non-current assets amounted Baht 485.6 million or increased from the past year-ended Baht 223.9 million or increased 85.6 percent. During the year, the main causes increased from acquisition of its subsidiary such as a bank deposit guarantee Baht 0.9 million, Goodwill is Baht 94.4 million and Property, Plant and Equipment (PP&E) increased Baht 154 million. However, deposit for subsidiary investment decreased Baht 20 million due to the Company already acquired its subsidiary in the year.



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2.2 Liabilities

As at December 31, 2018, the total liabilities of Company and its subsidiary amounted Baht 539.4 million. The main liabilities were current liabilities totaled Baht 324.8 million or 60.2 percent of total liabilities while non-current liabilities amounted to Baht 214.5 million or 39.8 percent of total liabilities.

Most of current liabilities were trade payables and other payables amounted to Baht 209.7 million or 38.9 percent of total liabilities as well as short-term loan from financial institution amounted to 44.4 million or 8.2 percent of total liabilities while long-term loans from financial institution was payment due by one year amounted to Baht 32.8 million or 6.1 of total liabilities.

Current liabilities as at December 31, 2018 increased from previous year amounted to Baht 21.2 million or 7.0 percent were mainly resulted from short-term loan increased Baht 7.8 million or 21.3 percent while long-term loan was payment due by one year also increased Baht 32.8 million. This is because during the year, the Company had loan payment with commercial bank for subsidiary investment. Unearned incomes increased Baht 6.1 million due to unearned incomes from subsidiary's customers. Therefore, trade payables and other payables decreased Baht 26.5 million or decreased 11.2 percent.

2.3 Shareholder's Equity

The shareholder's equity as at December 31, 2018 amounted to Baht 616.7 million and increased Baht 0.5 million from the profit for the year 2018 which derived from the Company and its subsidiary amounted to Baht 88.8 million deductible with the provision of employee benefits which calculated by actuary method-net income tax and represented in other profit and loss comprehensive income Baht 0.3 million while interim dividend payment period amounted Baht 88 million.

Yours faithfully,

Winner Group Enterprise Public Company Limited

-Signature-

(Mr. Jane Wongisariyakul)

President & CEO

Company Secretary

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