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August 13, 2019

Re Management Discussion and Analysis (MD & A) for Q2/2019

To The President

The Stock Exchange of Thailand

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

1.1 Analysis of Overall Operating Results for the Company and its subsidiary for the six-month period ended June 30, 2019

Table 1: Overall operating results for the six-month period ended June 30, 2019 and June 30, 2018

(Unit: Thousand Baht)

	Consolidated Financial Statements		Separate Financial Statements		Increase (Decrease)	
	Q2/2019	Q2/2018	Q2/2019	Q2/2018	Thousand Baht	%
Total revenues	837,751	783,823	814,266	746,797	53,928	6.9
Sales and service income	829,981	780,230	805,388	742,317	49,751	6.4
Cost of sales and service	639,627	588,071	621,263	574,564	51,556	8.8
Gross profit	190,354	192,159	184,125	167,753	(1,805)	(0.9)
Other income	7,770	3,593	8,878	4,480	4,177	116.3
Profit before expenses	198,124	195,752	193,003	172,233	2,372	1.2
Selling and distribution expenses	51,050	54,117	46,326	47,912	(3,067)	(5.7)
Administrative expenses	91,819	83,683	64,734	64,315	8,136	9.7
Total selling and administrative expenses	142,869	137,800	111,060	112,227	5,069	3.7
Profit before finance cost and income tax expenses	55,255	57,952	81,943	60,006	(2,697)	(4.7)
Finance cost	4,906	2,483	4,554	2,483	2,423	97.6
Profit before income tax expenses	50,349	55,469	77,389	57,523	(5,120)	(9.2)
Income tax expenses	10,107	12,162	15,412	11,875	(2,055)	(16.9)
Profit for the period	40,242	43,307	61,977	45,648	(3,065)	(7.1)
Gross profit margin	22.9%	24.6%	22.9%	22.6%	-1.7%	-
Basic earnings per share (Baht/share)	0.10	0.11	0.15	0.11	(0.01)	(7.1)
Net profit margin	4.8%	5.5%	7.6%	6.1%	-0.7%	-



The total revenues for the six-month ended June 30, 2019 from the Company and its subsidiary is Baht 837.8 million which increased from the same quarter last year Baht 53.9 million or increased at 6.9 percent, consisting of sales and service income at Baht 829.9 million and other income at Baht 7.8 million. The increase of sales and service revenue was at Baht 49.8 million when comparing with last year increased at 6.4 percent while increase of other income was also at Baht 4.2 million.

- Sales and service income

Table 2 : Sales by Product Type for the Company and its subsidiary's operating segments for the six-month period ended June 30, 2019 and June 30, 2018

(Unit : Thousand Baht)

Product Type	Q2/2019		Q2/2018		Increase (Decrease)	%
	Thousand Baht	%	Thousand Baht	%		
Consumer Products	481,032	58.0	398,495	51.1	82,537	20.7
Industry Products	324,332	39.0	343,822	44.0	(19,490)	(5.7)
Manufacture of skincare products, cosmetics, food supplements and medical used to treat skin disease	24,617	3.0	37,913	4.9	(13,296)	(35.1)
รวม	829,981	100.0	780,230	100.0	49,751	6.4

In Q2/2019, Sales and service revenue from the Company and its subsidiary (“the Group”) totaled at Baht 829.9 million and increased from the prior year same period at Baht 49.8 million or increased 6.4 percent. The sales income from Consumer Products when comparing with the previous year increased Baht 82.5 million or increased 20.7 percent from Snack and confectionary, Food Ingredient, Gourmet Food and Frozen products. The sales income from Industry Products when comparing with the previous year decreased Baht 19.5 million or decreased 5.7 percent, which mainly derived from modified starch such as potato starch, egg powder, wheat flour and cocoa powder due to high price competition in the marketplace. The sale income from the new business acquired on April 2018, operating manufacture of skincare products, cosmetics, food supplements and medical used to treat skin disease was decreased at Baht 13.3 million or decreased 35.1 percent

- Cost of sales and service

In Q2/2019, cost of sales and service amounted to Baht 639.6 Baht when comparing with the prior year same quarter, its increased Baht 51.6 million or increased at 8.8 percent.

- Gross profit

In Q2/2019, the Group's gross profit was Baht 190.4 million when comparing with the prior year same quarter decreased Baht 1.8 million. For the Company only, the gross profit was Baht 184.1 million increased from the prior year same quarter at Baht 16.4 million while for the subsidiary company's gross profit was Baht 6.2 million



and decreased from the prior year same quarter at Baht 18.2 million. Based on the consolidated financial statements, the Company and its subsidiary 's gross profit ("the Group") was at 22.9 percent decreased from the prior year same quarter at 1.7 percent

- Other income

In Q2/2019, other income was Baht 7.8 million which mainly due to commission income increased Baht 4.2 million and increased gain on exchange rate at Baht 2 million and income received from commission increased Baht 1.1 million. For this year, as said, the gain on exchange rate at Baht 2.3 million while prior year was at Baht 0.3 million and income increased from bad debt returned Baht 0.2 million. In addition, the subsidiary's other income increased Baht 0.8 million.

Expenses

- Selling and distribution expenses

Q2/2019, selling and distribution expenses was Baht 51.1 million and decreased from prior year same period at Baht 3.1 million or decreased at 5.7 percent, which mainly due to increase from selling and distribution of the Company and its subsidiary. For the Company only, selling and distribution also decreased at Baht 1.6 million or decreased at 33 percent, which mainly due to the decrease from marketing expenses at Baht 1.9 million while transportation cost increased at Baht 0.2 million. For the subsidiary company, the selling and distribution decreased at Baht 1.5 million or decreased at 23.9 percent from income received from commission decreased around Baht 1 million.

- Administrative expenses

Q2/2019, administrative expenses was at Baht 91.8 million and increased from prior year same period Baht 8.1 million or increased 9.7 percent. The Company's administrative expenses was slightly increased Baht 0.4 million while the subsidiary's administrative expenses and related party transaction (eliminated from the consolidated financial statements) increased Baht 7.7 million. The mainly causes are 1) due to the consolidated financial statements for Q2/2019 included expenses from subsidiary company for the six-month while the same period previous year included only three-month expenses starting from April 2018-June 2018) and 2) last year's the Company acquired ordinary shares from the subsidiary company in Quarter 2/2018.

- Finance cost

Q2/2019, finance cost was increased from the prior year same period at Baht 2.4 million, which was increased due to last year the subsidiary company had loans with financial institution in the amount of Baht 10 million with fixed interest rate at 4.75 percent per year and brought forward to increase in current finance cost.



▪ Profit for the period

Q2/2019, profit for the period of the Company and its subsidiary (“the Group”) was Baht 40.2 million, decreased from the prior year same period at Baht 3.1 million or decreased at 7.1 percent. For the Company only, the profit for the period was Baht 62 million, increased from the prior year same period at Baht 16.3 million or increased 35.8 percent while subsidiary’s loss for the period at Baht 21.8 million

2. Financial Position Analysis

Table 3 : Overall Financial Position for the six-month period ended June 30, 2019 and December 31,2018

(Unit : Thousand Baht)

	Consolidated Financial Statements				Separate Financial Statements				Consolidated F/S Increase(Decrease)	
	30 Jun'19	%	31 Dec'18	%	30 Jun'19	%	31 Dec'18	%	Thousand Baht	%
Current Assets	671,460	58.5	670,482	58.0	649,452	57.3	646,293	57.0	978	0.1
Non-Current Assets	476,385	41.5	485,565	42.0	483,890	42.7	486,917	43.0	(9,180)	(1.9)
Total Assets	1,147,845	100.0	1,156,047	100.0	1,133,342	100.0	1,133,210	100.0	(8,202)	(0.7)
Current Liabilities	340,660	29.7	324,846	28.1	298,800	26.4	294,933	26.0	15,814	4.9
Non-Current Liabilities	202,251	17.6	214,509	18.6	194,437	17.2	208,149	18.4	(12,258)	(5.7)
Total Liabilities	542,911	47.3	539,355	46.7	493,237	43.5	503,082	44.4	3,556	0.7
Shareholders' equity	604,934	52.7	616,692	53.3	640,105	56.5	630,128	55.6	(11,758)	(1.9)
Total liabilities and shareholders' equity	1,147,845	100.0	1,156,047	100.0	1,133,342	100.0	1,133,210	100.0	(8,202)	(0.7)

2.1 Assets

As at June 30, 2019, the total assets of the Group amounted to Baht 1,147.8 million, consisting of current assets Baht 671.5 million or 58.5 percent of total assets while non-current assets amounted to Baht 476.4 million or 41.5 percent of total assets.

- Current assets slightly increased from prior year Baht 1 million or increased 0.1 percent, which mainly due to increase of inventories at Baht 14.5 million, trade receivables and other receivables increased Baht 3.2 million while cash and cash equivalent was decreased at Baht 16.6 million.
- Non-current assets amounted to Baht 476.4 million and decreased from the prior year at Baht 9.2 million or decreased at 1.9 percent such as decreased from PP&E at Baht 9.4 million due to purchase equipment at Baht 5.8 million and the depreciation for the period was at Baht 15.2 million.

2.2 Liabilities

As at June 30, 2019, the Group’s total liabilities amounted to Baht 542.9 million, consisting of current liabilities at Baht 340.7 million or 62.7 percent of total liabilities and non-current liabilities was Baht 202.3 million 37.3 percent of total liabilities.



- Current liabilities increased from the prior year at Baht 15.8 million or increased 4.9 percent, which mainly increased due to short-term loans with financial institutions at Baht 21.8 million, as such increased by both the subsidiary's short-term loan at Baht 16.5 million and the Company's trust receipt at Baht 6.2 million. In addition, long-term loans payment due by one year increased in the amount of Baht 4 million and trade payables and other trade payables decreased Baht 10.6 million.
- Non-current liabilities decreased from the prior year at Baht 12.3 million or decreased at 5.7 percent, which mainly due to long-term loans from financial institution-net portion which payment due within one year decreased in the amount of Baht 11.1 million.

2.3 Shareholders' equity

As at June 30, 2019, shareholders' equity amounted to Baht 604.9 million and decreased from the prior year at Baht 11.8 million which derived from Q2/2019's profit for the period of the Group at Baht 40.2 million and interim dividend payment at Baht 52 million.

3. Cash flows Analysis

Table 4 : Overall Cash flows for the six-month period ended June 30, 2019 and June 30,2018

(Unit : Thousand Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	Q2/2019	Q2/2018	Q2/2019	Q2/2018
Cash flows from (used in) operating activities	27,108	48,821	49,883	49,255
Cash flows from (used in) investing activities	(5,639)	(137,323)	(1,958)	(232,401)
Cash flows from (used in) financing activities	(38,053)	62,502	(62,774)	151,922
Net decrease in cash and cash equivalents	(16,584)	(26,000)	(14,849)	(31,224)
Cash and cash equivalents at beginning of the period	41,796	49,339	39,652	49,339
Cash and cash equivalents at end of the period	25,212	23,339	24,803	18,115

- As at June 30, 2019 for the six-month of the Group's cash flows from operating activities amounted to Baht 27.1 million. For the Company only, cash flows from operating activities amounted to Baht 49.9 million while the subsidiary's net cash flows from operating activities amounted to Baht 22.8 million.
- As at June 30, 2019 for the six-month of the Group's cash flows from investing activities amounted to Baht 5.6 million which derived from purchase of equipment during the quarter at Baht 5.3 million while same quarter last year , the Group used in investing activities at Baht 137.3 million, which mainly due to invest in subsidiary investment at Baht 132.5 million and purchase equipment at Baht 4.3 million.



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- As at June 30, 2019 for the six-month of the Group's cash flows from financing activities.
 - Net cash for six-month of the Group's cash flows from financing activities amounted to Baht 38.1 million, which mainly due to dividend payment to shareholders paid at Baht 52 million and long-term loan repayment paid Baht 17.2 million. Cash received from long-term loan with financial institution of subsidiary company at Baht 10 million, bank overdrafts and short-term loans from financial institution Baht 21.8 million, consisting of short-term loan from financial institution of subsidiary company increased Baht 16.5 million, the Company's trust receipt increased Baht 6.2 million while bank overdrafts from financial institution of subsidiary decreased Baht 0.9 million.
 - For last year same period, the Group's cash flows from financing activities amounted to Baht 62.5 million, which mainly due to 1) cash received from long-term loans with financial institution Baht 250 million for investment and loan in subsidiary business and 2) Payments which were relevant with the Company gave subsidiary company to borrow at Baht 89.4 million to settle loans from its former subsidiary director, dividend payment paid Baht 52 million, repayment long-term loan to financial institutions Baht 8.1 million and trust receipt decreased at Baht 36.6 million.

As the above-mentioned, the Company and its subsidiary ("the Group") had cash flows and cash equivalents for the six-month period ended June 30, 2019, decreased at Baht 16.6 million, if including cash and cash equivalents as at December 31, 2018 in the amount of Baht 41.8 million so total cash flows and cash equivalents of the Group for the six-month period ended June 30, 2019 equaled to Baht 25.2 million.

Please be informed accordingly.

Yours sincerely,

Winner Group Enterprise Public Company Limited

- Signed -

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