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Subject: Management Discussion and Analysis (MD & A) for the year 2019

To: The President
 The Stock Exchange of Thailand

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

1.1 Analysis of Operating Results for the Company and its subsidiary

Table 1: Overall operating results for the year 2019

(Unit: Thousand Baht)

	Consolidated Financial Statements		Increase (Decrease)		Separate Financial Statements		Increase (Decrease)	
	2019	2018	thousand	%	2019	2018	thousand	%
Total revenues	1,648,292	1,610,968	37,324	2.3	1,606,649	1,529,168	77,481	5.1
Sales and service income	1,633,055	1,599,106	33,949	2.1	1,588,543	1,516,481	72,062	4.8
Cost of sales and service	1,247,598	1,209,891	37,707	3.1	1,214,419	1,175,136	39,283	3.3
Gross profit	385,457	389,215	(3,758)	(1.0)	374,124	341,345	32,779	1.41
Other income	15,237	11,862	3,375	28.5	18,106	12,687	5,419	42.7
Profit before selling and administrative expenses	400,694	401,077	(383)	(0.1)	392,230	354,032	38,198	44.12
Selling and distribution expenses	104,588	106,427	(1,839)	(1.7)	95,785	93,788	1,997	2.1
Administrative expenses	180,753	174,720	6,033	3.5	131,619	123,826	7,793	6.3
Loss on impairment of investment in a subsidiary	-	-	-		13,850	-	13,850	100.0
Total Expenses	285,341	281,147	4,194	1.5	241,254	217,614	23,640	10.9
Profit before finance cost and income tax expenses	115,353	119,930	(4,577)	(3.8)	150,976	136,418	14,558	10.7
Finance cost	(9,725)	(7,435)	(2,290)	30.8	(8,792)	(7,331)	(1,461)	19.9
Profit before income tax expenses	105,628	112,495	(6,867)	(6.1)	142,184	129,087	13,097	10.1
Income tax expenses	(21,310)	(23,658)	2,348	(9.9)	(31,110)	(26,080)	(5,030)	19.3
Profit for the year	84,318	88,837	(4,519)	(5.1)	111,074	103,007	8,067	7.8
Other comprehensive income								
Actuarial loss-net of income tax	-	(354)	354	(100.0)	-	(1,089)	1,089	(100.0)
Total comprehensive income for the year	84,318	88,483	(4,165)	(4.7)	111,074	101,918	9,156	9.0
Gross profit margin	23.6%	24.3%	(0.7%)		23.6%	22.5%	1.0%	
Selling & Distribution Expenses per net sales	6.4%	6.7%	(0.3%)		6.0%	6.2%	(0.2%)	
Administrative Expense per net sales	11.1%	10.9%	0.1%		8.3%	8.2%	0.1%	
Net profit margin	5.1%	5.5%	(0.4%)		6.9%	6.7%	0.2%	-
Basic earnings per share (Baht/Share)	0.21	0.22	(0.01)	(5.1)	0.28	0.26	0.02	7.8

In the year 2019, The total revenue from the Company and its subsidiary was Baht 1,648 million which increased from the previous year Baht 37 million or 2.3 percent. Sales and service income increased at Baht 34 million or 2.1 percent and other income increased at Baht 3 million.

For the Company only, total revenue was Baht 1,606 million which increased from the previous year Baht 77 million or 5.1 percent. Sales and service income increased at Baht 72 million or 4.8 percent and other income increased at Baht 5 million.

- Sales and service income

Table 2 :Sales by Product Type for the year-ended December 31, 2019 and December 31, 2018

(Unit: Thousand Baht)

Product Type	For year				Increase (Decrease)	
	2019	%	2018	%	Thousand Baht	%
Consumer Products	942,079	57.7	840,164	52.5	101,915	12.1
Industry Products	646,375	39.6	676,318	42.3	(29,943)	(4.4)
Manufacture of skincare, cosmetics , food supplement and pharmaceuticals	44,601	2.7	82,624	5.2	(38,023)	(46.0)
total	1,633,055	100.0	1,599,106	100.0	33,949	2.1

In the year 2019, total sales and service income from the Company and its subsidiary (“the Group”) was at Baht 1,633 million; Baht 34 million increased from the prior year or 2.1 percent. The sales of Consumer Products comparing with the previous year increased at Baht 102 million or 12.1 percent as a result of promotion and new products such as Cashew Nut and Frozen & Chilled products. The sales of Industry Products comparing with the previous year decreased Baht 30 million or 4.4 percent, mainly from potato starch, egg powder, wheat flour and cocoa powder due to price competition. In April 2018, the sales of manufacture of skincare products, cosmetics, food supplements and medical used to treat skin disease, decreased at Baht 38 million or 46.0 percent.

- Gross Profit

In the year 2019, the Group’s gross profit was Baht 385 million; Baht 4 million decrease when comparing with the prior year. For the Company only, the gross profit was Baht 374 million which increased from the prior year at Baht 33 million while for the subsidiary company’s gross profit was Baht 11 million which decreased from the prior year at Baht 36 million due to high fixed cost.

The Group’s gross profit margin was 23.6 percent which decreased by 0.7 percent. For the company only, gross profit margin was 23.6 percent which increased from the prior year by 1.0 percent due to effective in cost management and currency appreciation than the previous year resulting in lower product costs. In the year 2019, the exchange rate was between 30.33 – 32.53 Baht per 1 US dollar while in the previous year was between 31.31-33.64 Baht per 1 US dollar.

- Other Income

In the year 2019, The Group's other income was at Baht 15 million which increased from the prior year Baht 3 million which mainly increased by gain on exchange rate Baht 2 million and commission income Baht 1 million.

Expenses

- Selling and distribution expenses

In the year 2019, selling and distribution expenses was Baht 105 million which decreased from prior year Baht 2 million or 1.7 percent. Mainly, the expenses in subsidiary company decreased at Baht 4 million or 30.4 percent especially in selling employees Baht 3.5 million.

For the Company only, selling and distribution expenses increased Baht 2 million or 2.1 percent due to salary increased Baht 1 million and post-employment benefit expenses increased Baht 1 million due to the new labor law effective in the second quarter of 2019. As a result, it stipulated compensation for employees who have worked continuously for 20 years with their rights to receive compensation not less than the final rate of 400 days instead of 300 days in which the company had recorded differently in past accumulated expenses impacted income statement Baht 3 million (classified as cost of sales at Baht 0.4 million, selling and distribution expenses at Baht 1 million and administrative expenses Baht 1.6 million). For the subsidiary company, the expenses from the changes in the provision for employee benefits increased Baht 0.1 million.

- Administrative expenses

The Group's administrative expenses were 181 million Baht, increase of 6 million Baht from the previous year, or 3.5 percent. The Company's expenses increased by 8 million baht consists of warehouse rental and services 2 million Baht, in line with the sales increased, personnel expenses and staff expenses such as salary, bonus and overtime 4 million Baht and post-employment benefit; 1.6 million Baht due to the new labor law described above.

In addition, the administrative expenses in its subsidiary company increased by 2 million Baht. because consolidated financial statement for the year 2019 was including the expenses of the year 2019 from subsidiary company while the previous year included the subsidiary's expenses for nine-month (April to September 2018). The company acquired the subsidiary company in Q2/2018.

In the previous year, consolidate financial statement included commission expenses for the acquisition of 3.27 million Baht which was one-time expense whereas there was no the expense in this year.

- Finance Cost

Financial cost increased by 2 million Baht; 1 million Baht from the Company. In the previous year was only 8 months due to long-term loan 250 million Baht used for the business acquisition in April 2018 (the loan amount balance was around 192 million Baht as of 31 December 2019). This year financial cost was calculated based on whole year. Subsidiary company's finance cost increased by 1 million Baht. Subsidiary company had loan increased 28 million Baht; short-term loan 18 million Baht and long-term loan 10 million Baht (the long-term loan was 7 million Baht as of 31 December 2019) resulting financial expenses increased.

- Loss on impairment of investment in subsidiary

The subsidiary company loss on operating and negative equity. Then, the Company had tested impairment of investment in subsidiary by assessed the recoverable amount of cash generating units by Value-in-use method and found that the value of the investment in the subsidiary company was lower than its carrying amount approximately 14 million Baht. Therefore, the Company had recorded the estimated loss from the investment in its subsidiary company approximately 14 million Baht. The Group's management is currently implementing financial and operational measures to improve the subsidiary's future performance.

- Profit for the Year

Profit for the year 2019 of the Company and its subsidiaries amounted to 84 million Baht, Baht 5 million or 5.1 percent decreased from the previous year. The Company's profit was Baht 111 million, increased Baht 8 million or 7.8 percent while the subsidiary company loss Baht 40 million, Baht 29 million increased in loss from the previous year while loss on impairment of investment in subsidiary approximately 14 million Baht was eliminated for the consolidated financial statements and there was no acquisition expenses Baht 3.27 million for this year.

Profit for the year 2019 of the company and its subsidiaries decreased by Baht 5 million from the previous year due to gross profit decreased Baht 4 million, administrative expenses increased Baht 6 million, financial expenses Baht 2 million, selling and distributing expenses Baht 2 million, other income Baht 3 million while income tax expenses decreased Baht 2 million.

- Other comprehensive income

Other comprehensive income - net of income tax of the Company and subsidiary for the year 2019 was Baht 0.35 million, which was actuarial loss- net of income tax the Company Baht 1.08 million and actuarial gain from subsidiary-net of tax Baht 0.73 million. Q4/2018, the Company and its subsidiary had independent specialist to evaluate and reclassified employee benefit payables as well as recognised actuarial loss Baht 0.44 million deductible deferred tax Baht 0.09 million.

- Total Comprehensive Income

The Company's and its subsidiary comprehensive income in 2019 was Baht 84 million, decreased Baht 4 million or 4.0 percent from the previous year. Net profit decreased Baht 5 million from previous year and no any comprehensive income transactions in this year while there was actuarial loss-net of income tax Baht 0.35 million.

2. Financial Position Analysis

Table 3: Overall Financial Position for the ended December 31, 2019

(Unit: Thousand Baht)

	Consolidated Financial Statements				Increase (Decrease)		Separate Financial Statements				Increase (Decrease)	
	2019	%	2018	%	Thousand Bath	%	2019	%	2018	%	Thousand Bath	%
Current Assets	667,437	58.4	670,482	58.0	(3,045)	(0.5)	664,175	58.6	646,293	57.0	17,882	2.8
Non-Current Assets	474,717	41.6	485,565	42.0	(10,848)	(2.2)	468,789	41.4	486,917	43.0	(18,128)	(3.7)
Total Assets	1,142,154	100.0	1,156,047	100.0	(13,893)	(1.2)	1,132,964	100.0	1,133,210	100.0	(246)	(0.0)
Current Liabilities	345,037	30.2	324,846	28.1	20,191	6.2	302,080	26.7	294,933	26.0	7,147	2.4
Non-Current Liabilities	184,107	16.1	214,509	18.6	(30,402)	(14.2)	177,682	15.7	208,149	18.4	(30,467)	(14.6)
Total Liabilities	529,144	46.3	539,355	46.7	(10,211)	(1.9)	479,762	42.3	503,082	44.4	(23,320)	(4.6)
Shareholders' equity	613,010	53.7	616,692	53.3	(3,682)	(0.6)	653,202	57.7	630,128	55.6	23,074	3.7
Total liabilities and shareholders' equity	1,142,154	100.0	1,156,047	100.0	(13,893)	(1.2)	1,132,964	100.0	1,133,210	100.0	(246)	(0.0)

2.1 Assets

As at December 31, 2019, the total assets of the Group amounted to Baht 1,142 million, consisting of current assets Baht 667 million or 58.4 percent of total assets and non-current assets amounted to Baht 475 million or 41.6 percent of total assets.

- Current assets slightly decreased from prior year by Baht 3 million or 0.5 percent mainly due to decrease in cash, cash equivalent, temporary investment and inventories at Baht 4 million, Baht 4 million and Baht 12 million consequently while trade receivables and other receivables and other assets were increased by Baht 16 million and Baht 1 million respectively.
- Non-current assets amounted to Baht 475 million and decreased from the prior year at Baht 11 million or 2.2 percent mainly, decrease in PP&E at Baht 17 million due to purchase of equipment at Baht 11 million and building improvement at Baht 4 million while the depreciation for the period was at Baht 28 million. However, the deferred income tax asset was increased at Baht 5 million which mainly due to the accumulated loss of its subsidiary.

2.2 Liabilities

As at December 31, 2019, the Group's total liabilities amounted to Baht 529 million, consisting of current liabilities at Baht 345 million or 65.2 percent of total liabilities and non-current liabilities was at Baht 184 million or 34.8 percent of total liabilities.

- Current liabilities' increase of 20 million baht from the end of last year or 6.2 percent increase.
 - Trade payables and other trade payables increased by Baht 18 million consist of long-term deposits from financial institutions which were due to be paid within one year, income tax payable, and short-term deposits Baht 5 million, Baht 1 million, and Baht 1 million consequently. Trust receipts of the Company decreased Baht 16 million while short-term deposits of subsidiary increased Baht 18 million and repaid during the year Baht 1 million.
 - Current liabilities decreased from the previous year Baht 4 million, consist of advance received from customers and other current liabilities decreased by Baht 2 million and Baht 2 million consequently.
- Non-current liabilities decreased from the end of last year Baht 30 million or 14.2 percent.
 - Long-term deposit from financial institutions - the remaining payment due within one year decreased by Baht 30 million as part of the company which decreased by Baht 34 million from the repayment during the year of the Company during the year while the subsidiary, long-term bank deposits increased Baht 10 million, less the portion due in one year by Baht 3 million and repayments Baht 3 million. In addition, subsidiary's deferred income tax liabilities decreased Baht 5 million because this year deferred tax assets was more than deferred income tax liabilities, then there were no deferred income tax liabilities.
 - However, Long-term employee benefit reserve liabilities increased by Baht 6 million, due to the Labor Protection Act (No.7) B.E. 2562 was announced in the Royal Gazette. This change was considered a post-employment benefits plan amendment and the Group had additional long-term employee benefit liabilities of Baht 3 million.

2.3 Shareholders' equity

As at December 31, 2019, shareholders' equity amounted to Baht 613 million and decreased from the prior year at Baht 4 million which derived from the year's profit of the Group at Baht 84 million and interim dividend payment at Baht 88 million.

3. Cash flows Analysis

Table 4: Overall Cash flows for year 2019

(Unit: Thousand)

	Consolidated Financial Statements		Separate Financial Statements	
	2019	2018	2019	2018
Cash flows from operating activities	122,737	77,367	155,634	90,500
Cash flows used in investing activities	(13,208)	(139,283)	(21,044)	(233,088)
Cash flows from (used in) financing activities	(113,998)	54,373	(138,518)	132,901
Net decrease in cash and cash equivalents	(4,469)	(7,543)	(3,928)	(9,687)
Cash and cash equivalents at beginning of the year	41,796	49,339	39,652	49,339
Cash and cash equivalents at end of the year	37,327	41,796	35,724	39,652

- In the year 2019, the Group's cash flows from operating activities amounted to Baht 123 million.
- Cash flows used in investing activities
 - In the year 2019, the Group's cash flows from investing activities amounted to Baht 13 million which mainly due to purchase of equipment at Baht 9 million and intangible asset during the year at Baht 4 million.
 - For last year, cash flows used in investing activities amounted to Baht 139 million which mainly due to invest in subsidiary investment at Baht 133 million (Net commission at Bath 3 million and its subsidiary cash at Bath 3 million), purchase of equipment at Baht 6 million and intangible asset during the year at Bath 1 million.
- Cash flows from (used in) financing activities
 - Net Cash for year 2019, The Group's cash flows used in financing activities amounted to Baht 114 million, which mainly due to dividend payment to shareholders paid at Baht 88 million and long-term loan repayment paid Baht 35 million and finance lease liabilities repayment Baht 1 million while Cash received from long-term loan with financial institution of subsidiary at Baht 10 million. Short-term loans from financial institution and trust receipts were increased at Baht 1 million.
 - For last year, the Group's cash flows from financing activities amounted to Baht 54 million, which mainly due to short-term loans from financial institution and trust was increased at Baht 8 million and long-term loan with financial institution of subsidiary company at Baht 250 million while the Company granted its subsidiary company to borrow at Baht 89 million to settle loans from its former subsidiary director, dividend payment paid Baht 88 million, repayment long-term loan to financial institutions Baht 24 million, front end fee paid Baht 1 million and finance lease liabilities repayment paid Baht 1 million.

As the above-mentioned, the Company and its subsidiary ("the Group") had cash flows and cash equivalents for year 2019 decreased at Baht 5 million. By including cash and cash equivalents as at December 31, 2018 in the amount of Baht 42 million, therefore total cash flows and cash equivalents of the Group for ended December 31, 2019 equaled to Baht 37 million.

Please be informed accordingly.

Yours faithfully,

- signature-

(Mr. Jane Wongisariyakul)

President & CEO

Winner Group Enterprise Public Company Limited