

No. ACC 2019/003

17 July 2019

Subject : Management Discussion and Analysis for the three-month ended 31 March 2019

To : President

The Stock Exchange of Thailand

Index Living Mall Public Company Limited (the "Company") would like to submit management's discussion and analysis for its result of operations from the financial statement for the three-month ended 31 March 2019 as follows:

Revenue Structure

The following table presents the Company's total revenues breakdown by business segment for the three-month period ended 31 March 2018 and 2019 with the following details:

	Consolidated Financial Statement For the three-month period ended 31 March			
	2018		2019	
	THB mm	%	THB mm	%
Revenue from sale of goods	2,326.5	94.2	2,299.7	94.0
Revenue from rental and rendering	115.1	4.7	126.2	5.2
Total revenue from sale of goods and rental and rendering service	2,441.6	98.8	2,426.0	99.2
Other income ¹	28.9	1.2	19.9	0.8
Total Revenue	2,470.5	100.0	2,445.9	100.0

Note: ¹Other incomes include dividend income, interest income, gain from exchange rate, and other income.

Revenue from sale of goods

The following table presents the Company's revenue from sales of goods breakdown by distribution channels for the three-month period ended 31 March 2018 and 2019 with the following details:

	Consolidated Financial Statement For the three-month period ended 31 March			
	2018		2019	
	THB mm	%	THB mm	%
Revenue from the sale of goods				
1. Domestic sales				
1.1. Retail stores	1,867.1	80.3	1,877.2	81.6
1.2. Projects	246.6	10.6	314.9	13.7
1.3. Dealer	34.6	1.5	35.1	1.5
1.4. Online	13.7	0.6	31.5	1.4
Total Revenue from Domestic Sales	2,161.9	92.9	2,258.6	98.2
2. Overseas sales				
2.1. Franchise and Dealers ¹	34.1	1.5	19.9	0.9
2.2. OEM	13.3	0.6	12.8	0.6
2.3. ILM Malaysia ²	41.0	1.8	-	0.0
2.4. Overseas Projects	76.1	3.3	8.4	0.4
Total Revenue from Overseas Sales	164.5	7.1	41.1	1.8
Total Revenue from Sales of Goods	2,326.5	100.0	2,299.7	100.0

Note :¹Revenue from sales of goods through franchises and distributors is revenue from sales of goods from the Company to franchisees and distributors. However, the Company had done a business restructuring. In the past, Index Living Mall Consulting DMCC ("ILMC"), which is a non-listed group under Patamasatayasonthi's control, did the franchise business. On 1 June 2018, the Company terminated Master Franchise Agreement with ILMC; then, gave the rights to Index Living Mall Inter Company Limited ("ILM Inter"). Therefore, the Company recognizes royalty fee from franchisees in term of revenue from rental and rendering service too since then.

Revenue from sales of goods for our retail stores, the Company's main source of revenue, is 81.6% of the total revenue from sales of goods for the three-month ended 31 March 2019. In addition, Index Living Mall stores' and Index Furniture Center stores' revenue accounted more than 95.0% of revenue from sales of goods for our retail stores for the same period. The Company had opened 36 branches of Index Living Mall and Index Furniture Center across the country.

For the three-month ended 31 March 2018 and 2019, the Company's total revenue from sales of goods equals THB 2,326.5 million and 2,299.7 million, respectively, which decreased THB 26.7 million, or accounting for 1.1% decreased. The decrease is mainly due to the decrease in revenue from overseas project sales and closure of ILM Malaysia. However, the aforementioned decrease is slightly offset by the increase in domestic project sales, the opening of Index Living Mall Bang Kruai - Sai Noi and Chaiyapruet branches, and the sales revenue from Younique that significantly increased to THB 80.6 million from THB 37.9 million, or accounting for 112.7% growth, from the previous year.

Revenue from Rental and Rendering Business

Revenue from rental and rendering business includes revenue from space rental and rendering services, revenue from after sales service, and revenue from franchise business. More than 89.3% of the total revenues from rental and rendering services in the first quarter of 2019 were from revenue from space rental and rendering services.

For the three-month ended 31 March 2018 and 2019, the Company's revenue from rental and rendering services equals THB 115.1 million and THB 126.2 million, respectively, which increased THB 11.1 million, or accounting for 9.7% growth. The increase is mainly due to the opening of Little Walk Pattaya and Index Mall Bangna at the end of 2018 in addition to the increase in the number of tenants in The Walk Ratchapruet, Little Walk Bangna, and Index Mall Rama II. Nonetheless, the aforementioned increase is slightly canceled by the termination of leases with a tenant in some branches.

Cost and Gross Profit of Sales of Goods

For the three-month ended 31 March 2018 and 2019, the Company's cost of goods sold equals THB 1,311.6 million and THB 1,291.7 million, respectively, with a decrease of THB 19.9 million, or accounting for 1.5% decreased. In addition, the gross profit from sales of goods decreased by THB 6.9 million or accounting for 0.7% from the first quarter of 2018. Moreover, gross profit margin from sales of goods increased from 43.6% in the first quarter of 2018 to 43.8% in the first quarter of 2019.

The gross profit and gross profit margin from sales of goods in the first quarter of 2019 is of a similar level to that of the first quarter of 2018. This is mainly due to the slight decrease in revenue from sales of

goods and the depreciation expenses of the new machinery, while partially offset by the higher revenue from Younique, which has higher gross profit margin than other furniture brands.

Cost and Gross Profit from Rental and Rendering Business

For the three-month ended 31 March 2018 and 2019, the Company's cost of rental and rendering business equals to THB 64.2 million and THB 77.5 million, respectively, which increased by THB 13.2 million or accounting for 20.6% growth. The gross profit from rental and rendering business in the first quarter of 2019 decreased by THB 6.9 million or accounting for 0.7% from the first quarter of 2018. The Company's gross profit margin for rental and rendering business decreased from 44.2% in the first quarter of 2018 to 38.6% in the first quarter of 2019. The decrease in gross profit and gross profit margin in the first quarter of 2019 compared to the first quarter of 2018 is mainly due to the record of costs from the opening of new rental and rendering spaces including Index Mall Bangna, Little Walk Pattaya, and Index Mall Chaiyaprupek from the end of 2018 to the first quarter of 2019.

Distribution Costs

For the three-month ended 31 March 2018 and 2019, the Company's distribution cost equals to THB 579.9 million and THB 587.9 million, respectively, increased by THB 8.1 million, or accounting for 1.4%, or 24.9% and 25.6 % of total revenue from sales of goods, respectively. The increase in distribution cost is mainly due to (1) rental expense for sales and services (2) cost of television and online advertisement and (3) branch employees' salaries. However, such increase is slightly offset by the cost associated with ILM Malaysia that closed in 2018.

Administrative Expenses

For the three-month ended 31 March 2018 and 2019, the Company's administrative expenses equal THB 276.3 million and THB 309.9 million, respectively, increased by THB 33.6 million, or accounting for 12.1%, or 11.3% and 12.8% of total revenue from sales of goods and rental and rendering services, respectively. Such increase in administrative expense is mainly from the increase in (1) cost related to personnel and increase in employees' salaries and (2) the adjustment of shipping rate in May 2018.

Finance Costs

For the three-month ended 31 March 2018 and 2019, the Company's finance cost equals THB 43.0 million and THB 39.8 million, decreased by THB 3.1 million or accounting for 7.3% which is mainly due to the Company's adjustment to the management of funds, using short-term loans with lower interest rates than long-term loans and repaying long-term loans for the time period.

Tax Expenses

For the three-month ended 31 March 2018 and 2019, the Company's tax expenses equal to THB 42.7 and THB 7.5 million, decreased by THB 35.2 million or accounting for 82.5% which is mainly because the tax benefits received from the Board of Investment of Thailand.

Net Profit and Net Profit Margin

For the three-month ended 31 March 2018 and 2019, the Company's net profit equals to THB 152.8 million and THB 131.5 million, decreased by THB 21.2 million or accounting for 13.9%. In addition, the net profit margin decreased from 6.2% in the first quarter of 2018 to 5.4% in the first quarter of 2019.

The decrease in net profit and net profit margin in the first quarter of 2019 in comparison to the first quarter of 2018 is mainly due to the increase in administrative expenses as a result of the increase in retirement benefit, according to the Labor Protection Act, amounting THB 26.2 million (of which THB 21.0 million is after-tax amount), the decrease in gross profit, and increase in distribution costs which is slightly offset by the decrease in finance costs and tax expenses from tax benefits received.

Analysis of Financial Situation

Assets

As at 31 March 2019, the Company's total assets amount to THB 12,072.5 million which decreased from the THB 12,282.2 million as at 31 December 2018, which decreased by THB 209.7 million or accounting for 1.7%. The decrease is mainly from the decrease in (1) cash and cash equivalents as the Company had repaid loans and invested in property, plant, and equipment for expanding branches (2) inventory value as the Company is gradually installing and delivering products from project sales and (3) depreciation expense of property, plant, and equipment. However, the aforementioned decrease is partially offset by the investment in new machinery, constructing new stores (COCO format) in Ratchaburi and Index Living Mall in Chanthaburi.

Liabilities

As at the 31 March 2019, the Company's total liabilities amount to THB 8,568.2 million which increased from THB 7,709.7 million as at 31 December 2018, which increased by THB 858.4 million or accounting for 0.6%. The increase is mainly due to the increase in (1) dividend payables amounting THB 1,200.0 million, however, the Company has already paid the dividend in full on 3 April 2019 using a bridging

loan (2) trade accounts payable from the increase in the purchasing of new products to support our retail stores. Nonetheless, the increase is slightly offset by the decrease in (1) bank overdrafts and short-term and long-term loans from financial institutions and (2) other payables is mainly from the gradual repayment of Index Living Mall construction costs, paying advertisement costs, and paying employee bonuses.

Shareholders' Equity

As at 31 March 2019, the Company's shareholders' equity equals THB 3,504.2 million which decreased from THB 4,572.3 million as at 31 December 2018, which decreased by THB 1,068.1 million or accounting for 23.4%. The decrease is mainly due to the declaration of dividend amounting THB 1,200.0 million.

The Company has recorded the surplus on the business combination under common control within equity represents the difference of the book values of certain entities or business under common control under their cost as of the date of their acquisitions which accounted for THB 286.4 million since 2015 onwards. The surplus is a result of a shareholding restructuring within the group in 2015 that IDF purchased a stake in Bangkok Casa Company Limited ("CASA") at price of THB 218.1 million. The difference between book value at pro-rata to IDF's stake in CASA and purchased price at the acquisition date is THB 74.3 million. In addition, the Company purchased a stake in IDF at price of THB 960.0 million. The difference between book value at pro-rata to the Company's stake in IDF and purchased price at the acquisition date is THB 212.2 million.

Please be informed accordingly,

Yours Sincerely,



(Mrs. Kanokwanrat Srimaneesiri)

Chief Financial Officer