

13 August 2019

Subject : Management Discussion and Analysis for the three-month and six-month period ended 30 June 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 consolidated financial statements for the three-month and six-month period ended 30 June 2019 as follows:

**Operating Results Analysis of for the consolidated financial statements for the three-month period ended 30 June 2019**

The table below presents the Company's total revenue breakdown by business segment for the three-month period ended 30 June 2018 and 2019 with the following details:

	Consolidated Financial Statements For the three-month period ended 30 June				Increase (Decrease)	% Increase (Decrease)
	2018		2019			
	THB mm	%	THB mm	%	THB mm	%
Revenue from sale of goods	2,266.6	93.7	2,253.8	92.9	(12.7)	(0.6)
Revenue from rental and rendering	121.7	5.0	140.6	5.8	18.9	15.5
Total revenue from sale of goods and rental and rendering service	2,388.2	98.7	2,394.4	98.7	6.3	0.3
Other income <sup>/1</sup>	30.8	1.3	31.8	1.3	1.0	3.3
Total Revenue	2,419.0	100.0	2,426.2	100.0	7.2	0.3

Note: <sup>/1</sup>Other income includes dividend income, interest income, gain from exchange rate, and other income.

**INDEX LIVING MALL PUBLIC COMPANY LIMITED**

147 Soi Rama 2 Soi 50, Rama 2 Road, Samaedam, Bangkhunthian, Bangkok 10150, Thailand. Tel : (622) 8986420-5 Fax : (622) 8986427

## Revenue from Sale of Goods

The table below presents the Company's revenue from sale of goods breakdown by distribution channel for the three-month period ended 30 June 2018 and 2019 with the following details:

	Consolidated Financial Statements For the three-month period ended 30 June				Increase (Decrease)	% Increase (Decrease)
	2018		2019			
	THB mm	%	THB mm	%	THB mm	%
<u>Revenue from the sale of goods</u>						
1. Domestic sales						
1.1. Retail stores	1,872.4	82.6	1,852.9	82.2	(19.5)	(1.0)
1.2. Projects	236.5	10.4	253.2	11.2	16.7	7.1
1.3. Dealers	35.7	1.6	35.1	1.6	(0.6)	(1.7)
1.4. Online	16.5	0.7	43.0	1.9	26.5	160.2
<b>Total Revenue from Domestic Sales</b>	<b>2,161.1</b>	<b>95.3</b>	<b>2,184.2</b>	<b>96.9</b>	23.1	1.1%
2. Overseas sales						
2.1. Franchise and Dealers <sup>/1</sup>	24.3	1.1	27.9	1.2	3.6	14.7
2.2. OEM	12.2	0.5	8.2	0.4	(4.0)	(33.0)
2.3. ILM Malaysia	58.6	2.6	-	0.0	(58.6)	(100.0)
2.4. Overseas Projects	10.4	0.5	33.6	1.5	23.2	223.5
<b>Total Revenue from Overseas Sales</b>	<b>105.5</b>	<b>4.7</b>	<b>69.6</b>	<b>3.1</b>	<b>(35.9)</b>	<b>(34.0)</b>
<b>Total Revenue from Sale of goods</b>	<b>2,266.6</b>	<b>100.0</b>	<b>2,253.8</b>	<b>100.0</b>	<b>(12.7)</b>	<b>(0.6)</b>

Note: <sup>/1</sup>Revenue from sale of goods through franchises and dealers is revenue from sale of goods from the Company to franchisees and dealers. 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 fees from franchisees in term of revenue from rental and rendering service too since then.

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Revenue from sale of goods from the Company's retail stores is the main source of sales, accounting for 82.2% of total revenue from sale of goods for the three-month period ended 30 June 2019, in which Index Living Mall stores' and Index Furniture Center stores' revenue accounted for more than 95.0% of revenue from sale of goods from the Company's retail stores in the same period. As at 30 June 2019, The Company operated total of 36 branches of Index Living Mall and Index Furniture Center across Thailand.

For the three-month period ended 30 June 2018 and 2019, the Company's total revenue from sale of goods was THB 2,266.6 million and THB 2,253.8 million, respectively, which decreased THB 12.7 million, or 0.6%. The decrease was mainly due to the closure of ILM Malaysia. However, the aforementioned decrease was offset by the increase in revenue from domestic project sales as well as online sales.

#### 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, in which c.85.8% of total revenue from rental and rendering services were from revenue from space rental and rendering services for the three-month period ended 30 June 2019.

For the three-month periods ended 30 June 2018 and 2019, the Company's revenue from rental and rendering services was THB 121.7 million and THB 140.6 million, respectively, which increased THB 18.9 million, or 15.5%. The increase was mainly supported by the opening of Little Walk Pattaya and Index Mall Bangna at the end of 2018 as well as the opening of Index Mall Chaiyapruerk at the beginning of 2019. In addition, the number of tenants increased at Little Walk Bangna and Index Mall Rama II.

#### Cost of Goods Sold and Gross Profit from Sale of Goods

For the three-month period ended 30 June 2018 and 2019, the Company recorded cost of goods sold of THB 1,263.8 million and THB 1,257.3 million, respectively, a decrease of THB 6.5 million, or 0.5%. Gross profit from sale of goods decreased by THB 6.1 million or 0.6%, but gross profit margin from sale of goods was at the same level of 44.2% compared with the same period last year.

Gross profit amount and margin from sale of goods for the three-month period ended 30 June 2019 was quite at the same level as the same period last year, mainly attributable to a slight sales decrease and depreciation from new machinery, but there were higher sales from Younique which contributed higher gross profit margin than other furniture brands.

### Cost and Gross Profit from Rental and Rendering Business

For the three-month period ended 30 June 2018 and 2019, the Company's cost of rental and rendering business was THB 69.1 million and THB 85.1 million, respectively, an increase by THB 16.0 million or 23.2%. Gross profit from rental and rendering business for the three-month period ended 30 June 2019 increased by THB 2.9 million or 5.5% from the same period last year. The Company's gross profit margin from rental and rendering business for the three-month period ended 30 June 2019 decreased to 39.4% from 43.2% in the same period last year. The decrease in gross profit margin YoY was mainly due to immediate full expenses recognition from the opening of new rental and rendering spaces including Index Mall Bangna, Little Walk Pattaya, and Index Mall Chaiyapruerk from the end of 2018 to the first quarter of 2019, while revenue would gradually increase.

### Distribution Costs

For the three-month period ended 30 June 2018 and 2019, the Company's distribution costs were THB 529.3 million and THB 587.2 million, respectively, an increase of THB 57.9 million, or 10.9%, representing 22.2% and 24.5% of total revenue from sale of goods and rental and rendering services, respectively. The increase in distribution costs was mainly due to (1) rental expenses of sales and service area from new stores; (2) television commercial and online advertisement expenses; and (3) employee expenses of Index Living Mall Bangkruai-Sainoi and Index Living Mall Chaiyapruerk. However, such increase was partially offset by the decreased expenses associated with ILM Malaysia's closure in 2018.

### Administrative Expenses

For the three-month period ended 30 June 2018 and 2019, the Company recorded administrative expenses of THB 339.4 million and THB 284.8 million, respectively, decreased by THB 54.6 million, or 16.1%, representing 14.2% and 11.9% of total revenue from sale of goods and rental and rendering services, respectively. Such decrease was mainly from the decreased expenses associated with ILM Malaysia's closure in 2018, but partially offset by (1) the increase of employee expenses and annual salary increases; and (2) new transportation rate since May 2018.

### Finance Costs

For the three-month period ended 30 June 2018 and 2019, the Company recorded finance costs of THB 42.7 million and THB 48.1 million, respectively, an increase of THB 5.4 million or 12.8%, mainly due to higher short-term loans using a bridging loan to pay dividend on 3 April 2019.

### Tax Expenses

## **INDEX LIVING MALL PUBLIC COMPANY LIMITED**

For the three-month period ended 30 June 2018 and 2019, the Company recorded tax expenses of THB 35.3 million and 5.7 million, a decrease of THB 5.7 million, or 83.9% which was mainly due to tax benefits received from the Board of Investment of Thailand (BOI) on investment promotion of Index Interfurn Co., Ltd. (“IDF”) which is the Company’s subsidiary since the beginning of 2019.

#### Net Profit and Net Profit Margin

For the three-month period ended 30 June 2018 and 2019, the Company recorded net profit of THB 31.0 million and THB 158.0 million, respectively, an increase by THB 127.0 million. Net profit margin increased to 6.5% for the three-month period ended 30 June 2019 from 1.3% in the same period last year.

The increase YoY in net profit and net profit margin was mainly due to lower tax expenses attributable to tax benefit received from investment promotion since the beginning of 2019 as well as one-time loss recognition (net loss after tax attributable to owners of the parent) of THB 125.9 million from the closure of ILM Malaysia, despite higher distribution costs and finance costs.

#### Operating Results Analysis of for the consolidated financial statements for the six-month period ended 30 June 2019

The table below presents the Company’s total revenue breakdown by business segment for the six-month period ended 30 June 2018 and 2019 with the following details:

	Consolidated Financial Statements For the six-month period ended 30 June				Increase (Decrease)	% Increase (Decrease)
	2018		2019			
	THB mm	%	THB mm	%	THB mm	%
Revenue from sale of goods	4,593.0	93.9	4,553.5	93.5	(39.5)	(0.9)
Revenue from rental and rendering	236.8	4.8	266.8	5.5	30.0	12.7
Total revenue from sale of goods and rental and rendering service	4,829.8	98.7	4,820.4	98.9	(9.4)	(0.2)
Other income <sup>/1</sup>	59.7	1.3	51.7	1.1	(8.0)	(13.4)
Total Revenue	4,889.5	100.0	4,872.1	100.0	(17.4)	(0.4)

Note: <sup>/1</sup>Other income includes dividend income, interest income, gain from exchange rate, and other income.

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## Revenue from sale of goods

The following table presents the Company's revenue from sale of goods breakdown by distribution channel for the six-month period ended 30 June 2018 and 2019 with the following details:

	Consolidated Financial Statements For the six-month period ended 30 June				Increase (Decrease)	% Increase (Decrease)
	2018		2019			
	THB mm	%	THB mm	%	THB mm	%
<u>Revenue from the sale of goods</u>						
1. Domestic sales						
1.1 Retail stores	3,739.5	81.4	3,730.2	81.9	(9.3)	(0.2)
1.2 Projects	483.1	10.5	568.1	12.5	85.0	17.6
1.3 Dealers	70.2	1.5	70.1	1.5	(0.1)	(0.1)
1.4 Online	30.2	0.7	74.4	1.6	44.3	146.6
<b>Total Revenue from Domestic Sales</b>	<b>4,323.0</b>	<b>94.1</b>	<b>4,442.8</b>	<b>97.5</b>	<b>119.9</b>	<b>2.8</b>
2. Overseas sales						
2.1 Franchise and Dealers <sup>1</sup>	58.5	1.3	47.8	1.1	(10.7)	(18.2)
2.2 OEM	25.5	0.6	20.9	0.5	(4.6)	(17.9)
2.3 ILM Malaysia	99.6	2.1	-	0.0	(99.6)	(100.0)
2.4 Overseas Projects	86.4	1.9	42.0	0.9	(44.4)	(51.4)
<b>Total Revenue from Overseas Sales</b>	<b>270.0</b>	<b>5.9</b>	<b>110.7</b>	<b>2.5</b>	<b>(159.3)</b>	<b>(59.0)</b>
<b>Total Revenue from Sale of goods</b>	<b>4,593.0</b>	<b>100.0</b>	<b>4,553.5</b>	<b>100.0</b>	<b>(39.5)</b>	<b>(0.9)</b>

Note: <sup>1</sup> Revenue from sale of goods through franchises and dealers is revenue from sale of goods from the Company to franchisees and dealers. 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 fees from franchisees in term of revenue from rental and rendering service too since then.

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For the six-month period ended 30 June 2018 and 2019, the Company's total revenue from sale of goods was THB 4,593.0 million and THB 4,553.5 million, respectively, which decreased by THB 39.5 million, or 0.9%. The decrease was mainly due to lower revenue from overseas from the closure of ILM Malaysia and reduced sales in overseas project. However, the aforementioned decrease was partially offset by the increase in revenue from domestic project sales as well as online sales.

#### 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, in which c.87.4% of total revenue from rental and rendering services were from revenue from space rental and rendering services for the six-month period ended 30 June 2019.

For the six-month periods ended 30 June 2018 and 2019, the Company's revenue from rental and rendering services was THB 236.8 million and THB 266.8 million, respectively, which increased THB 30.0 million, or 12.7%. The increase was mainly supported by the opening of Little Walk Pattaya and Index Mall Bangna at the end of 2018 as well as the opening of Index Mall Chaiyapruerk at the beginning of 2019. In addition, the number of tenants increased at Little Walk Bangna and Index Mall Rama II.

#### Cost of Goods Sold and Gross Profit from Sale of Goods

For the six-month period ended 30 June 2018 and 2019, the Company recorded cost of goods sold of THB 2,575.4 million and THB 2,549.0 million, respectively, a decrease of THB 26.4 million, or 1.0%. Gross profit from sale of goods decreased by THB 13.0 million or 0.6%, but gross profit margin from sale of goods slightly increased to 44.0% compared with 43.9% from the same period last year.

Gross profit and gross profit margin from sale of goods for the six-month period ended 30 June 2019 was quite at the same level as the same period last year, mainly attributable to a slight sales decrease and depreciation from new machinery, but there were higher sales from Yunique which contributed higher gross profit margin than other furniture brands.

#### Cost and Gross Profit from Rental and Rendering Business

For the six-month period ended 30 June 2018 and 2019, the Company's cost of rental and rendering business was THB 133.4 million and THB 162.6 million, respectively, an increase by THB 29.2 million or 21.9%. Gross profit from rental and rendering business for the six-month period ended 30 June 2019 increased by THB 0.8 million or 0.8% from the same period last year, but gross profit margin from rental and rendering business for the six-month period ended 30 June 2019 decreased to 39.1% from 43.7% in the same period last year. The

decrease in gross profit margin YoY was mainly due to immediate full expenses recognition from the opening of new rental and rendering spaces including Index Mall Bangna, Little Walk Pattaya, and Index Mall Chaiyapruet from the end of 2018 to the first quarter of 2019, while revenue would gradually increase.

#### Distribution Costs

For the six-month period ended 30 June 2018 and 2019, the Company recorded distribution costs of THB 1,109.1 million and THB 1,175.1 million, respectively, an increase of THB 66.0 million, or 6.0%, representing 23.0 and 24.4% of total revenue from sale of goods and rental and rendering services, respectively. The increase in distribution costs was mainly due to (1) rental expenses of sales and service area from new stores; (2) television commercial and online advertisement expenses; and (3) employee expenses of Index Living Mall Bangkrui-Sainoi and Index Living Mall Chaiyapruet. However, such increase was partially offset by the decreased expenses associated with ILM Malaysia's closure in 2018.

#### Administrative Expenses

For the six-month period ended 30 June 2018 and 2019, the Company recorded administrative expenses of THB 605.9 million and THB 594.7 million, respectively, decreased by THB 11.2 million, or 1.8%, representing 12.5% and 12.3% of total revenue from sale of goods and rental and rendering services, respectively. Such decrease was mainly from the decreased expenses associated with the closure of ILM Malaysia in 2018, but partially offset by the increase of (1) employee expenses and annual salary increases; 2) new transportation rate since May 2018; and (3) higher employee retirement benefit according to the Labor Protection Act of THB 26.2 million (of which THB 21.0 million after-tax).

#### Finance Costs

For the six-month period ended 30 June 2018 and 2019, the Company recorded finance costs of THB 85.6 million and THB 88.0 million, respectively, increased by THB 2.3 million or 2.7%, mainly due to higher short-term loans using bridging loan to pay dividend on 3 April 2019.

#### Income Tax Expenses

For the six-month period ended 30 June 2018 and 2019, the Company's tax expenses were THB 78.1 and THB 13.2 million, decreased by THB 64.9 million or 83.1%, which was mainly supported by tax benefit received from investment promotion on IDF's investment since the beginning of 2019.



### Net Profit and Net Profit Margin

For the six-month period ended 30 June 2018 and 2019, the Company had net profit of THB 202.2 million and THB 289.8 million, increased by THB 87.6 million, or 43.3%, Net profit margin increased to 5.9% for the six-month period ended 30 June 2019 compared with 4.1% in the same period last year.

The increase in net profit and net profit margin YoY was mainly due to lower tax expenses resulted from tax benefits received from investment promotion since the beginning of 2019 as well as one-time loss recognition (net loss attributable to owners of the parent) of THB 105.4 million from the closure of ILM Malaysia, despite higher distribution costs, finance costs, and employee retirement benefit according to the Labor Protection Act of THB 21.0 million (net after tax).

### Analysis of Financial Position

#### Assets

As at 30 June 2019, the Company had total assets of THB 12,091.1 million, a decrease of THB 191.1 million or 1.6% from THB 12,282.2 million as at 31 December 2018. The decrease was mainly resulted from (1) decreased cash and cash equivalents as the Company repaid loans and invested in property, plant, and equipment for store expansion; (2) reduced trade accounts receivable since the Company gradually received payments from installation and delivery of products from project sales; (3) lower available-for-sale investments for working capital; (4) decreased property, plant, and equipment from depreciation. However, the aforementioned decrease was partly offset by the investment in new machinery, construction of Winner Ratchaburi, a small furniture store under COCO (Company Owned Company Operated) format and Index Living Mall Chanthaburi as well as higher inventory to support the opening of Index Living Mall Chanthaburi; and (5) decreased leasehold rights.

#### Liabilities

As at the 30 June 2019, the Company had total liabilities of THB 9,680.9 million, an increase of THB 1,971.1 million, or 25.6% from THB 7,709.8 million as at 31 December 2018. The increase was mainly attributable to (1) increased short-term loans from financial institutions for dividend payment on 3 April 2019; (2) dividend payables of THB 1,250.0 million. However, the Company has already paid the dividend in full on 11 July 2019 using a long-term loan; (3) increased trade accounts payable from purchasing more products to support existing retail stores as well the opening of Index Living Mall Chanthaburi; and (4) the increased non-current

liabilities from higher retirement benefits for employees who have worked for 20 years and longer to receive higher pay from 300 to 400 days.

Shareholders' Equity

As at 30 June 2019, the Company had equity attributable to owners of the parent of THB 2,409.0 million, a decrease of THB 2,161.6 million or 47.3% from THB 4,570.6 million as at 31 December 2018. The decrease is mainly due to the declaration of dividend payment.

Please be informed accordingly,

Yours sincerely,

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(Mrs. Kanokwanrat Srimaneesiri)

Chief Financial Officer