

Management Discussion & Analysis for three month period ended March 31, 2019

Industry Overview

Residential furniture is stagnant while office furniture is more favorable

Economic situation is still not favorable for nearly all business sectors. Residential furniture is still stagnant partly due to strict loan from the financial institution. However, office furniture is still positive and shows favorable growth.

Company in Overview

Rebranding in process expanding customer base

MODERN utilizes more social medias as the new channel to approach customers. In the meantime, MODERN is under process to rebranding and expanding its business to cover wider customer base.

New investments in line

For the product development in digital era , MODERN works together with Exzy (Tech Startup) to offer 2 main solutions - Product Solution (how to design products covered in digital era) and Service Solution (the technology in designing for the easier working of designers and customers)

On the new investments, MODERN has invested in Arkitektura Co.,Ltd. - a wellknown importer and distributor of premium residential furniture - and has also joint-invested with Centure Co.,Ltd. to establish Workscape Co.,Ltd. as the manufacturer and distributor of the office furniture for the middle and middle-low market.

The progress of the Chiwamitra Cancer Hospital at Ubon Ratchathani Province-, it is expected to be in operation as scheduled by mid of 2019.

Financial Performance First Quarter of 2019

Revenues decreased by 1.9 percent to Baht 632.0 million with gross profit margin of 32.8 percent, an increase of 0.2 percent

MODERN and subsidiaries recorded Baht 632.0 million from sales, rental, architectural design service and construction, representing 1.9 percent decrease of Baht 12.4 million from the same period in 2018. The gross profit margin was at 32.8 percent, increased of 0.2 percent from the same period in 2018.

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Net profit equaled Baht 15.8 million, a decrease of 15.0 percent

At the first quarter of 2019, net profit of MODERN and subsidiaries amounted to Baht 15.8 million, a decrease of 15.0 percent from the same period in 2018.

At the first quarter of 2019, MODERN received shares of incomes from investment in associate and subsidiary companies total Baht 8.1 million, a decrease of 38.6 percent from the same period in 2018.

Business units and subsidiaries performance**Office and residential furniture business**

Sales increased by 1.0 percent to Baht 446.9 million

At the first quarter of 2019, invoicing sales of office and residential furniture increased by 1.0 percent from the same period in 2018 to Baht 446.9 million.

Furniture fittings, solid surface, carpet tile and flooring business

Sales decreased by 16.4 percent to Baht 112.1 million

At the first quarter of 2019, sales of furniture fittings, solid surface, carpet tile and LVT flooring decreased by 16.4 percent from the same period in 2018 to Baht 112.1 million.

Office rental business

Rental income at Baht 20.5 million, a decrease of 2.3 percent

At the first quarter of 2019, the business generated Baht 20.5 million rental incomes, or 2.3 percent decrease compared to the same period in 2018.

Healthcare product and medical equipment business

Revenues of Baht 44.3 million, an increase of 25.8 percent

At the first quarter of 2019, the business recorded revenues of Baht 44.3 million from sales, architectural design service and construction, an increase of 25.8 percent from the same period in 2018.

Architectural design business

Revenues of Baht 8.2 million, a decrease of 29.1 percent

At the first quarter of 2019, the architectural and landscape design business recorded revenue Baht 8.2 million, or 29.1 percent decrease from the same period in 2018.

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Financial status of MODERN and subsidiaries

Cash, cash equivalents and short-term investments decreased

As of March 31, 2019, MODERN and subsidiaries recorded Baht 309.7 million for cash, cash equivalents and short-term investments, decreased by Baht 42.3 million. Consolidated shareholders' equity accounted for Baht 2,415.7 million, increased by Baht 25.5 million from the end of 2018.

Baht 323.5 million of financial institution debts

MODERN and subsidiaries registered Baht 323.5 million of financial institution debts, decreased by Baht 23.2 million, compared to Baht 346.7 million at the end of 2018. However, the Company still maintains good liquidity and high retained earnings.