



- Translation -

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Re Management Discussion and Analysis (MD & A) for Q3/2019 period and for the nine-month ended September 30, 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 quarter ended September 30, 2019

Table 1: Overall operating results for Q3/2019

	Consolidated Financial Statements		Separate Financial Statements		Increase (Decrease)	
	2019	2018	2019	2018	Thousand Baht	%
Total revenues	359,564	391,432	350,167	364,524	(31,868)	(8.1)
Sales and service income	355,946	388,184	345,757	360,402	(32,238)	(8.3)
Cost of sales and service	272,045	288,339	264,233	276,560	(16,294)	(5.7)
Gross profit	83,901	99,845	81,524	83,842	(15,944)	(16.0)
Other income	3,618	3,248	4,410	4,122	370	11.4
Profit before expenses	87,519	103,093	85,934	87,964	(15,574)	(15.1)
Selling and distribution expenses	26,689	26,308	24,427	22,315	381	1.4
Administrative expenses	44,583	42,218	33,921	29,545	2,365	5.6
Total selling and administrative expenses	71,272	68,526	58,348	51,860	2,746	4.0
Profit before finance cost and income tax expenses	16,247	34,567	27,586	36,104	(18,320)	(53.0)
Finance cost	2,422	2,458	2,124	2,413	(36)	(1.5)
Profit before income tax expenses	13,825	32,109	25,462	33,691	(18,284)	(56.9)
Income tax expenses	2,715	6,390	5,037	6,745	(3,675)	(57.5)
Profit for the period	11,110	25,719	20,425	26,946	(14,609)	(56.8)
Gross profit margin	23.6%	25.7%	23.6%	23.3%	-2.1%	-
Basic earnings per share (Baht/share)	0.03	0.06	0.05	0.07	(0.03)	(56.8)
Net profit margin	3.1%	6.6%	5.8%	7.4%	-3.5%	-

In Q3/2019, total revenues from the Company and its subsidiary was recorded at Baht 360 million, a decrease of Baht 32 million or 8.1 percent from same quarter last year, consisting of sales and service income at Baht 32 million.



▪ Sales and service income

Table 2 : Sales by Product Type for the Company and its subsidiary's operating segments for Q3/2019 period

(Unit : Thousand Baht)

Product Type	Quarter				Increase (Decrease)	
	3/2019	%	3/2018	%	Thousand Baht	%
Consumer Products	184,486	51.8	198,541	51.1	(14,055)	(7.1)
Industry Products	161,271	45.3	161,861	41.7	(590)	(0.4)
Manufacture of skincare products, cosmetics, food supplements and medical used to treat skin disease	10,189	2.9	27,782	7.2	(17,593)	(63.3)
Total	355,946	100.0	388,184	100.0	(32,238)	(8.3)

In Q3/2019, Sales and service revenue from the Company and its subsidiary (“the Group”) totaled at Baht 356 million, a decrease of Baht 32 million or 8.3 percent from same quarter last year, mainly driven by:

- The sales income from Industry Products slightly decreased Baht 0.6 million or 0.4 percent.
- The sales income from Consumer Products decreased Baht 14 million or 7.1 percent.
- The sales income from the new business, manufacture of skincare products, cosmetics, food supplements and medical used to treat skin disease, was acquired from April 2018 represented a decrease of Baht 18 million or 63.3 percent.

▪ Gross profit

In Q3/2019, Gross profit from the Company and its subsidiary (“the Group”) totaled Baht 84 million, a decrease of Baht 16 million from same quarter last year. For the Company only, the gross profit was Baht 82 million, a decrease of Baht 2 million from same quarter last year while for the subsidiary company’s gross profit was Baht 2 million, a decrease of Bath 14 million from same quarter last year due to a decrease of sales income from subsidiary company with high fixed cost.

In Q3/2019, Gross profit margin for the Company and its subsidiary (“the Group”) was recorded at 23.6 percent, a decrease of 2.1 percent. For the Company only, the gross profit margin was still in line at 23.6 percent, an increase of 0.3 percent from same quarter last year, representing the Company’s ability to manage cost of goods.

▪ Other income

In Q3/2019, Other income was recorded a slightly increase of Baht 0.4 from same quarter last year.



Expenses

▪ Selling and distribution expenses

In Q3/2019, selling and distribution expenses was slightly increased at Baht 0.4 million from same quarter last year but recorded a decrease of Baht 3.2 million by the subsidiary company due to a decrease of Baht 3 million its employee expenses from salesperson and an increase of Baht 2 million from the Company only due to an increase of Baht 2 million of marketing expenses for Food ingredients Asia 2019 exhibition by Baht 1 million and for promotional activities on Company's products and services for future new customers and sale growth expansion.

▪ Administrative expenses

In Q3/2019, administrative expenses totaled Baht 44 million, an increase of Baht 2 million or 5.6 percent from same quarter last year. The Company's administrative expenses recorded slightly increased Baht 4 million by an increase of Baht 1 million from employee expenses while warehouse and related services increased at Baht 1 million to facilitate future inventory volume and an increase of impairment of inventory at Baht 2 million while subsidiary's expenses decreased due to decrease the following items: 1) employee expenses at Baht 1 million 2) depreciation of leasehold improvement at Baht 1 million from cancellation of leasehold office building in the beginning of the year.

▪ Finance cost

In Q3/2019, finance cost was no change from the prior year same period.

▪ Profit for the period

In Q3/2019, profit for the period of the Company and its subsidiary ("the Group") was Baht 11million, decreased from the prior year same period at Baht 15 million or decreased at 56.8 percent. For the Company only, the profit for the period was Baht 20 million, decreased from the prior year same period at Baht 7 million or decreased 24.2 percent while subsidiary's loss for the period at Baht 8 million.



1.2 Analysis of Overall Operating Results for the Company and its subsidiary for nine-month ended September 30, 2019

Table 3: Overall operating results for the nine-month ended September 30, 2019

(Unit: Thousand Baht)

	Consolidated Financial Statements		Separate Financial Statement		Increase (Decrease)	
	2019	2018	2019	2018	Thousand Baht	%
Total revenues	1,197,315	1,175,255	1,164,433	1,111,321	22,060	1.9
Sales and service income	1,185,927	1,168,414	1,151,145	1,102,719	17,513	1.5
Cost of sales and service	911,672	876,410	885,496	851,124	35,262	4.0
Gross profit	274,255	292,004	265,649	251,595	(17,749)	(6.1)
Other income	11,388	6,841	13,288	8,602	4,547	66.5
Profit before expenses	285,643	298,845	278,937	260,197	(13,202)	(4.4)
Selling and distribution expenses	77,739	80,424	70,753	70,226	(2,685)	(3.3)
Administrative expenses	136,402	125,902	98,655	93,861	10,500	8.3
Total selling and administrative expenses	214,141	206,326	169,408	164,087	7,815	3.8
Profit before finance cost and income tax expenses	71,502	92,519	109,529	96,110	(21,017)	(22.7)
Finance cost	7,328	4,941	6,678	4,896	2,387	48.3
Profit before income tax expenses	64,174	87,578	102,851	91,214	(23,404)	(26.7)
Income tax expenses	12,822	18,552	20,449	18,620	(5,730)	(30.9)
Profit for the period	51,352	69,026	82,402	72,594	(17,674)	(25.6)
Gross profit margin	23.1%	25.0%	23.1%	22.8%	-1.9%	-
Basic earnings per share (Baht/share)	0.13	0.17	0.21	0.18	(0.04)	(25.6)
Net profit margin	4.3%	5.9%	7.1%	6.5%	-1.6%	-

For the nine-month period ended September 30, 2019, total revenues from the Company and its subsidiary was recorded at Baht 1,197 million, an increase of Baht 22 million or 1.9 percent from last year, consisting of growth sales and service income was recorded at Baht 18 million, or increased at 1.5 percent while other income approximately increased Baht 5 million.

For the nine-month period ended September 30, 2019, total revenues from the Company was recorded at Baht 1,164 million, an increase of Baht 52 million from same period last year or 4.8 percent, mainly due to a positive growth of Baht 48 million from sales and service income or 4.4 percent as well as an increase of other income was recorded at Baht 5 million.



■ Sales and service income

Table 4 : Sales by Product Type for the Company and its subsidiary’s operating segments for the nine-month period ended September 30,2019 and 2018

(Unit : Thousand Baht)

Product Type	Nine Months				Increase (Decrease)	
	2019	%	2018	%	Thousand Baht	%
Consumer Products	665,518	56.1	597,036	51.1	68,482	11.5
Industry Products	485,603	40.9	505,683	43.3	(20,080)	(4.0)
Manufacture of skincare products, cosmetics, food supplements and medical used to treat skin disease	34,806	2.9	65,695	5.6	(30,889)	(47.0)
Total	1,185,927	100.0	1,168,414	100.0	17,513	1.5

For **Nine Months 2019 period**, Sales and service revenue from the Company and its subsidiary (“the Group”) totaled at Baht 1,186 million, an increase of Baht 18 million or 1.5 percent from last year, mainly driven by:

- The sales income from Consumer Products was recorded increase of Baht 68 million or 11.5 percent by the main result of increasing promotion activities and new products such as an increase of sale in product group of Cashew nut and Frozen & Chilled.
- The sales income from Industry Products was recorded a decrease of Baht 20 million or 4 percent, mainly driven by a decrease of the high competitive product items in the market such as modified starch, egg powder, wheat flour and cocoa powder.
- The sales income from the new business, manufacture of skincare products, cosmetics, food supplements and medical used to treat skin disease, represented a decrease of Baht 31 million or 47 percent.

■ Gross profit

For **Nine Months 2019 period**, Gross profit from the Company and its subsidiary (“the Group”) totaled Baht 274 million, a decrease of Baht 18 million. For the Company only, the gross profit was Baht 265 million, an increase of Baht 14.1 million from last year while for the subsidiary company’s gross profit was Baht 9 million, a decrease of Baht 32 million from last year due to a decrease of sales income from subsidiary company with high fixed cost.

For **Nine Months 2019 period**, Gross profit from the Company only was recorded at 23.1 percent or 1.9 percent while the Company still maintained a good gross profit margin at 23.1 percent, an increase of 0.3 percent from same period last year representing the Company’s ability to manage cost of goods.

■ Other income

For **Nine Months 2019 period**, Other income was recorded a gain of Baht 4 million from last year, mainly driven by increased from gain on exchange rate from the Company only at Baht 3 million.



Expenses

▪ Selling and distribution expenses

For Nine Months 2019 period, selling and distribution expenses from the Group totaled Baht 78 million, a decrease of Baht 3 million or 3.3 percent from same quarter last year. A decrease was Baht 3.2 million from the subsidiary company, mainly driven by employee expenses from salesperson.

For Nine Months 2019 period, selling and distribution expenses from the Company only was slightly increased of Baht 0.5 million due to expenses from provision for post employee benefits-net corporate income tax in accordance with current Labor Protection Act (LPA), with effective in Q2/2019. The key amendment to the LPA was that the law included a new and higher severance entitlement of 400 days' wages for employees with over 20 years' service (previously 300 days' wages). The Company recorded the difference of accumulated expenses from previous years from such the law amendment in the Q2/2019 Profit and Loss Statements in the amount of Baht 3.1 million (categorized items into cost of goods sold of Baht 0.4 million, selling and distribution expenses of Baht 1 million and administrative expenses of Baht 1.7 million), excluded accumulated expenses from the change of employees' benefits which was recorded as one-time expenses. As the result, the Company's selling and distribution expenses will be decreased of Baht 0.5 million when comparing with same period last year (while the subsidiary's expenses from the change of provision from employee benefit was at Baht 0.1 million.)

▪ Administrative expenses

For Nine Months 2019 period, administrative expenses totaled Baht 136 million, an increase of Baht 11 million or 8.3 percent from same quarter last year. The Company's administrative expenses recorded an increase of warehouse and related services at Baht 3 million to facilitate future inventory volume and an increase of impairment of inventory at Baht 2 million and excluded expenses from provision for post employees benefits-net corporate income tax in accordance with current Labor Protection Act (LPA), with effective in Q2/2019 recorded the difference of accumulated expenses from previous years from such the law amendment in the Q2/2019 Profit and Loss Statements into administrative expenses in the amount of Baht 1.7 million as one-time expenses while the Company's administrative expenses was recorded an increase of Baht 3.3 million from same period last year.

In addition, subsidiary's expenses recorded an increase of administrative expenses at Baht 6 million, mainly due to the consolidated financial statements for the nine-month 2019 period included expenses from subsidiary company for the nine-month while the same period previous year included only six-month expenses starting from April 2018-September 2018 last year's the Company acquired ordinary shares from the subsidiary company in Quarter 2/2018.

▪ Finance cost

For Nine Months 2019 period, finance cost was increased of Baht 2 million from the prior year same period, mainly 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

For Nine Months 2019 period, profit for the period of the Company and its subsidiary (“the Group”) was Baht 51 million, decreased from the prior year same period at Baht 18 million or decreased at 25.6 percent. For the Company only, the profit for the period was Baht 82 million, increased from the prior year same period Baht 10 million or increased 13.5 percent while subsidiary’s loss for the period at Baht 31 million.

For Nine Months 2019 period, profit for the period of the Company excluded the change of provision of post employees benefit-net corporate income tax in accordance with current Labor Protection Act (LPA), with effective in Q2/2019 recorded the difference of accumulated expenses from previous years from such the law amendment in the Q2/2019 Profit and Loss Statements in the amount of Baht 3.1 million as one-time expenses so the Group’s profit for the nine-month 2019 period will be decreased of Baht 15 million or 21 percent while the Company’s profit for the nine-month 2019 period will be increased of Baht 13 million or 17.8 percent.



2. Financial Position Analysis

Table 5 : Overall Financial Position for the nine-month period ended September 30, 2019 and December 31, 2018

(Unit : Thousand Baht)

	Consolidated Financial Statements				Separate Financial Statements				Consol.F/S Increase (Decrease)	
	30 Sep'19	%	31 Dec'18	%	30 Sep'19	%	31 Dec'18	%	Thousand Baht	%
Current Assets	624,579	56.8	670,482	58.0	610,761	55.8	646,293	57.0	(45,903)	(6.8)
Non-Current Assets	475,333	43.2	485,565	42.0	483,181	44.2	486,917	43.0	(10,232)	(2.1)
Total Assets	1,099,912	100.0	1,156,047	100.0	1,093,942	100.0	1,133,210	100.0	(56,135)	(4.9)
Current Liabilities	326,690	29.7	324,846	28.1	283,301	25.9	294,933	26.0	1,844	0.6
Non-Current Liabilities	193,178	17.6	214,509	18.6	186,111	17.0	208,149	18.4	(21,331)	(9.9)
Total Liabilities	519,868	47.3	539,355	46.7	469,412	42.9	503,082	44.4	(19,487)	(3.6)
Shareholders' equity	580,044	52.7	616,692	53.3	624,530	57.1	630,128	55.6	(36,648)	(5.9)
Total liabilities and shareholders' equity	1,099,912	100.0	1,156,047	100.0	1,093,942	100.0	1,133,210	100.0	(56,135)	(4.9)

2.1 Assets

As at September 30, 2019, the total assets of the Group amounted to Baht 1,100 million, consisting of current assets Baht 625 million or 56.8 percent of total assets while non-current assets amounted to Baht 475 million or 43.2 percent of total assets.

- Current assets decreased from prior year Baht 46 million or decreased 6.8 percent, which mainly due to decrease of cash and cash equivalent at Baht 18 million, current investments at Baht 5 million, trade receivables and other receivables at Baht 39 million and increase of inventory at Baht 17 million.
- Non-current assets amounted to Baht 475 million and decreased from the prior year at Baht 10 million or decreased at 2.1 percent such as decreased from PP&E at Baht 14 million due to purchase equipment at Baht 7 million and the depreciation for the period was at Baht 21 million while an increase of deferred income tax assets recorded at Baht 4 million.

2.2 Liabilities

As at September 30, 2019, the Group's total liabilities amounted to Baht 520 million, consisting of current liabilities at Baht 327 million or 62.8 percent of total liabilities and non-current liabilities was Baht 193 million 37.2 percent of total liabilities.

- Current liabilities slightly increased from the prior year at Baht 2 million or increased 0.6 percent, which mainly increased due to short-term loans with financial institutions at Baht 24 million, as such increased by both the subsidiary's short-term loan at Baht 17 million and the Company's trust receipt at Baht 7 million. In addition, long-term loans payment due by one year increased in the amount of Baht 4 million while other current liabilities increased at Baht 2 million, trade payables and other trade payables decreased Baht 19 million and income tax payables decreased Baht 9 million.



- Non-current liabilities decreased from the prior year at Baht 21 million or decreased 9.9 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 20.5 million.

2.3 Shareholders' equity

As at September 30, 2019, shareholders' equity amounted to Baht 580 million and decreased from the prior year at Baht 37 million which derived from the nine-month profit for the period of the Group at Baht 51 million and interim dividend payment at Baht 88 million.



3. Cash flows Analysis

Table 6 : Overall Cash flows for the nine-month period ended September 30, 2019 and 2018

(Unit : Thousand Baht)

	Consolidated Financial Statements		Separate Financial Statements	
	2019	2018	2019	2018
Cash flows from (used in) operating activities	70,379	50,814	100,140	56,818
Cash flows from (used in) investing activities	(7,815)	(139,239)	(10,892)	(232,419)
Cash flows from (used in) financing activities	(80,685)	75,938	(106,056)	157,358
Net decrease in cash and cash equivalents	(18,121)	(12,487)	(16,808)	(18,243)
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	23,675	36,852	22,844	31,096

- As at September 30, 2019 for the nine-month of the Group’s cash flows from operating activities amounted to Baht 70 million. For the Company only, cash flows from operating activities amounted to Baht 100 million while the subsidiary’s net cash flows used in operating activities amounted to Baht 30 million.
- Cash flows (used in) investing activities

 - As at September 30, 2019 for the nine-month period of the Group’s cash flows from investing activities amounted to Baht 8 million which derived from purchase of equipment during the quarter at Baht 7 million and intangible assets at Baht 1 million while same quarter last year, the Group used in investing activities at Baht 139 million, which mainly due to acquisition of investment in subsidiary (net from commission expenses at Baht 3 million and cash from subsidiary at Baht 3 million) at Baht 133 million and purchase equipment at Baht 6 million.
 - As at September 30, 2019 net cash for nine-month period of the Company only cash flows from investing activities amounted to Baht 11 million, which mainly due to purchase equipment at Baht 3 million, short-term loan to subsidiary approximately amounted to Baht 8 million while same quarter last year, the Company only used in investing activities at Baht 232 million, which mainly due to acquisition of investment in subsidiary at Baht 139 million and long-term loan to subsidiary at Baht 89 million and purchase equipment at Baht 5 million.
- Cash flows (used in) financing activities

 - As at September 30, 2019 for the nine-month period of the Group’s cash flows from financing activities amounted to Baht 81 million, which mainly due to dividend payment to shareholders paid at Baht 88 million, repayment of a long-term loan from financial institutions at Baht 26 million while subsidiary’s cash received from long-term loan from financial institutions at Baht 10 million, increase of Baht 25 million by short-term loan from financial institution and trust receipt while last year same period , an increase of the Group’s cash flows from financing activities amounted to Baht 76 million, which mainly due to 1) an increase of Baht 21 million from long-term loan from



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financial institution and trust receipt 2) Baht 250 million long-term loan from financial institution for investment in subsidiary 3) settle loans from its former subsidiary director at Baht 89 million 4) dividend payment paid Baht 88 million and 5) repayment long-term loan to financial institutions Baht 16 million.

- As at September 30, 2019 net cash for nine-month period of the Company only cash flows from financing activities in the amount of Baht 106 million, which mainly due to short-term loan payment through trust receipt at Baht 25 million and dividend payment to shareholders paid Baht 88 million while the Company had an increase of short-term loan through trust receipt at Baht 8 million while last year same period, net cash used in financing activities amounted to Baht 157 million, which mainly due to a long-term loan from financial institutions amounted to Baht 250 million for subsidiary investment and trust receipt amounted to Baht 13 million. The Company's net cash used in payment long-term loans and dividend payment paid to shareholders were Baht 16 million and Baht 88 million, respectively.

As the above-mentioned, the Company and its subsidiary ("the Group") had cash flows and cash equivalents for the nine-month period ended September 30, 2019, decreased at Baht 18 million, if including cash and cash equivalents as at December 31, 2018 in the amount of Baht 42 million so total cash flows and cash equivalents of the Group for the nine-month period ended September 30, 2019 equaled to Baht 24 million.

Please be informed accordingly.

Yours sincerely,

Winner Group Enterprise Public Company Limited

- Signed -

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