

Translation

Sor.Lor.Nor. 213/2017

August 8, 2017

Subject : Explanation and Analysis of Operating Result for the 2nd Quarter of 2017

**To : Director and Manager
Stock Exchange of Thailand**

According to the Financial Statement for the 2nd Quarter as at 30th June 2017, the operation of the company had the result differed over 20% compared to the year 2016 which can be explained as follows:-

The net profit of separate financial statements of the Company for 3 months periods had the amount of 57 million Baht or equivalent to 1.11 Baht per share, which had been decreased from the year 2016 for the amount of 71 million Baht or equivalent to 55.2%. The basic earnings per share had been decreased from the year 2016 for the amount of 1.37 Baht per share and the net profit for 6 months period had the amount of 147 million Baht or equivalent to basic earning per share of 2.83 Baht, which had been decreased from 2016 for the amount of 85 million Baht or decreased by 36.6% and had the basic earning per share from the year 2016 for the amount of 1.64 Baht per share.

The net profit equity method of the Company for 3 months periods had the amount of 73 million Baht or equivalent to 1.40 Baht per share, which had been decreased from the year 2016 for the amount of 54 million Baht or equivalent to 42.6%. The basic earnings per share had been decreased from the year 2016 for the amount of 1.04 Baht per share and had the net profit for 6 months period had the amount of 161 million Baht or equivalent to basic earning per share of 3.10 Baht, which had been decreased from 2016 for the amount of 68 million Baht or decreased by 29.8% and had the basic earning per share from the year 2016 for the amount of 1.31 Baht per share.

The main reasons for the different of the net profit are as follows:-

1. The Sales and Service Income of the Company for the period of 3 months and 6 months for the total amount of 690 million Baht and 1,388 million Baht, which had been decreased from the year 2016 for the amount of 93 million Baht and 136 million Baht or equivalent to 11.9% and 8.9% respectively. It was due to the sluggish economy of the country as well as worldwide and the decrease from sale of the high price product from previous year.
2. The Company had the cost of sales for the 3 months and 6 months for the amount 566 million Baht and 1,137 million Baht or equivalent of 82.1% and 81.9% of total sales which had been increased from the year 2016 for the 4.5% and 3.3% respectively. It was due to the increase from the raw material price, which effected by global situation. Moreover, the manufacturing overhead expenses had increased from previous year as well as the cost of the preventive maintenance and labor cost. The increase of preventive maintenance was the postponement from previous year.
3. The Company had the gross profit for the first 3 months for the amount of 123 million Baht or equivalent to 17.9% of total sales, which had been decreased from the year 2016 for the amount of 67 million Baht or equivalent to 35.0%, gross profit for the 6 months for the amount of 251 million Baht or equivalent to 18.1% of total sales, which had been decreased from the year 2016 for the amount of 97 million Baht or equivalent to 27.8%. It was due to the decrease of total sales and increase of cost of goods sold from previous year and the decrease of proportion of high profit product.
4. The Company had the loss on diminution in value of investment in associated company for the 3 months and 6 months for the amount of 17 million Baht for both periods. It was due to the impairment of investment as well as the status of stagnate market in Indonesia. The Company had waived the right to purchase capital increase for the associate company in Indonesia with the effect of the proportion investment of the Company had decreased from 25% to 12.5% in the third quarter of 2017.

5. The Company had the administrative expenses for the period of 3 months and 6 months for the amount of 51 million Baht and 95 million Baht, which had been increased from 2016 for the amount of 8 million Baht and 6 million Baht or equivalent 17.6% and 6.2% respectively. It was mainly due to the adjustment of the reserve of employees' benefit had been increased according to the Labor Law.

6. The Company had share of loss from investment in associated company for the period of 3 and 6 months for the amount of 2 and 3 million Baht, which had been increased from the year 2016. It was due to the associated company had started to operate the business and had the administrative expenses and low income for this period.

Yours faithfully,

(Mr. Akiyoshi Toba)

Director and President