

Translation

Sor.Lor.Nor. 054/2018

January 19, 2018

Subject : Explanation and Analysis of Operating Result for year 2017

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

According to the Financial Statement for the year 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 the year period had the amount of 240 million Baht or equivalent to 4.62 Baht per share, which had been decreased from the year 2016 for the amount of 140 million Baht or equivalent to 36.9%. The basic earnings per share had been decreased from the year 2016 for the amount of 2.70 Baht per share.

The net profit equity method of the Company for the year period had the amount of 249 million Baht or equivalent to 4.80 Baht per share, which had been decreased from the year 2016 for the amount of 123 million Baht or equivalent to 32.9%. The basic earnings per share had been decreased from the year 2016 for the amount of 2.36 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 year 2017 for the amount of 2,666 million Baht, which had been decreased from the year 2016 for the amount of 218 million Baht or equivalent to 7.6%. 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 other income for the year 2017 for the amount of 149 million Baht which had been increased from the year 2016 for the amount of 21 million Baht or equivalent to 16.7%. It was due to the sales of scrap metal had increased from the increased of sales prices, which effected by global situation. Moreover, the other claim had the amount higher than previous year from the claim of the under quality of raw material to supplier as well as the claim for the inventory that had no delivery call from customer. In the year 2017, the Company had gain on sales of long-term investments.
3. The Company had the cost of sales for the year 2017 for the amount 2,271 million Baht or equivalent of 85.2% of total sales which had been increased from the year 2016 for 5.2%. Mainly, It was due to the increase significantly of the main 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. The allowance for diminution in value of inventories increased from the previous year, as a result of the policy change from aging of slow moving analysis to the age-of-life cycle analysis and the salability of goods.
4. The Company had the gross profit for the year 2017 for the amount of 395 million Baht or equivalent to 14.8% of total sales, which had been decreased from the year 2016 for the amount of 183 million Baht or equivalent to 31.7%, 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.

5. The Company had waived the right to purchase shares increased capital from Associated. Therefore the Company's shareholding in such company decreased from 25.00% to 12.08%. The Company recorded equity interest in this associated company up to the date of change in status of investment and recognised the change in fair value of investment.

For separate financial statements for the year period the Company had reversal loss on diminution in value of investment in associated company for the amount 8 million Baht. The Company had the loss on diminution in value of investment in associated company for the amount of 9 million Baht.

For financial statements by equity method, the Company had share of loss from investment in associated company for the year 2017 for the amount of 6 million Baht, which had been decreased from the year 2016 for the amount of 2 million Baht. In addition, the Company had recognised the change in fair value of investment increase of Baht 6.50 million in the Income Statement.

Yours faithfully,

(Mr. Panthep Supachaiyakit)

President