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May 15, 2018

Reference no. RWI/RY019/2561

Subject : Management's Discussion and Analysis of Business Operations of the First Quarter of 2018

Dear The Director and Manager of the Stock Exchange of Thailand,

Rayong Wire Industries Plc. (RWI) would like to describe and analyze the financial position and business operation of the 1st quarter of 2017 that has been audited from the external auditor, in order to disclose the information to investors and public.

The Overview of Business Operation

In the 1st quarter of 2018, the company had profit loss of 8.26 million baht, decreased by 44.24 million baht or 122.95% comparing to the net profit of 35.98 million baht in the 1st quarter of previous year. The details are as follows:

Financial Analysis

Revenues

The company had the total revenue as 274.71 million baht which is increased as 23.60 million baht, compared to the previous year amounted of 251.11 million baht or 9.40% because the cost of raw material was highly increased and affected to the increment of selling price. It was normal of marketing mechanism but the sales volume conversely reduced. The reason is the government mega-projects have been delayed from planning, impacted to overall construction industry and the future risk of the company. Moreover, the keen competition of steel wire industry has been continuously remained.

Cost of Goods Sold

The company had the cost of goods sold as 260.76 million baht, increased as 67.11 million baht, comparing to the cost of goods sold in the 1st quarter of 2017 which is 193.65 million baht or increased by 34.66 percent. The cost of goods sold was going up obviously compared to the revenue because of the increment of raw material in the beginning of this year. The government mega-projects and private sectors have been slow down, resulted to the over-supply situation. The strong competition caused to the low level of selling price. Although the company decreased the production plan but it might affect to the fix cost unavoidably. Also, the company has run the current machines for over 20 years; the machines definitely declined and needed to have regular maintenance. Therefore, the cost of maintenance was one of the main factors to impact on the selling cost.

There are huge quantities of deteriorated stock value about 16 million baht, that cannot be sold to the customer at normal price. In order to reflect to the accuracy of financial statement, the Executives had determined to set up the provision of deteriorated inventory, therefore, the company would proceed to manage these stocks appropriately.

Expense

Sales and Administration Cost

The company had the selling cost of 9.97 million baht, increased by 2.86 million baht or 40.21 % compared to the 1st quarter of 2017 which is 7.11 million baht because of the increment of oil and gas affected to the cost of transportation. The company expanded the export sales tremendously; as a result, the cost of export has been highly increased. Unfortunately, the strength of Baht currency had impacted on our rising cost that the company would review the export strategy more carefully.

The administration cost was 12.17 million baht, as increased of 7.05 million baht or 137.93% if compared to 1st quarter of 2017 which is 5.11 million baht. The company already collected the doubtful debt and received the payment to be deducted to the administration cost and finally it was resulted to the administration cost of Year 2017 lower than to the administration cost of Year 2018 in the same period.

Total Loss from Foreign Exchange

Regarding to the import of raw material from overseas, the company had the debt in foreign currency. When the exchange rate of Thai Baht and US dollar was critically fluctuated, it caused to the loss as amount of 2.07 million baht.

Financial Cost

The company had the financial cost as amount of 1.38 million baht, increased to 1.37 million baht or 77,826.90%, comparing to the first quarter of 2017 which is 0.001 million baht. The company had the short-term debt from the financial institution for buying the raw material.

Financial Position

Total Asset

As of March 31, 2018, the company has the total asset of 1,528.43 million baht, comparing to the total asset of 1,355.36 million baht on December 31, 2017, increased of 173.06 million baht or 12.77%. It was caused from the he increment of cash and cash equivalents as amount of 81.00 million baht. The company arranged the cash amount of 49.54 million baht for the payment of raw material debt and the properly control of accumulated inventory of safety stock.

Liabilities

As of March 31, 2018, the company has the total liabilities of 491.15 million baht, increased as 164.88 million baht or 50.54%, comparing to the total liabilities of 326.26 million baht on December 31, 2017. It was caused from the short-term debt from the financial institution for buying the raw material.

Shareholders' Equity

As of March 31, 2018, the company had the Shareholders' equity of 1,037.27 million baht, increased by 8.17 million baht or 0.79%, comparing to the Shareholders' equity of 1,029.10million baht on December 31, 2017. The reason is from the increment of the rightful shareholders declared the right to exercise of warrant RWI-W1 as amount of 16.44 million baht and caused to the total loss as mount of 8.25 million baht.

Please be informed for acknowledgment

Yours sincerely,



(Mr. Suthin Phadetpai)

Managing Director