



March 1, 2019

Subject: MD&A for the audited financial statements of fiscal year 2018 ended as of December 31, 2018

To: The President
The Stock Exchange of Thailand

Aapico Hitech Public Company Limited (“the Company”) would like to clarify the consolidated financial statements of the Company for fiscal year 2018 ended as of December 31, 2018, which can be summarized as follows:

Thailand Automotive Industry

Total vehicle production volume for the year 2018 increased by 9.0% to 2,167,694 units, as compared to 1,988,823 units in 2017. Both production of passenger cars and 1-ton pick-up vehicles reported year-on-year increase by 7.0% and 10.7% respectively. Compared to last year, total vehicle production growth was driven by increases in domestic demands. **Domestic sales** grew by 19.5% to 1,041,739 units, compared to 871,650 units in 2017, mainly driven by economic growth in the country with private sector investment and government spending and launches of new car models. Export volume grew slightly by 0.1% to 1,140,640 units, compared to 1,139,696 units in 2017.

Profit & Loss Analysis

(Unit: Million Baht unless otherwise stated)

| | 2018 | 2017 | Change | |
|---|--------|--------|--------|--------|
| | | | Amount | % |
| Total Revenues | 17,737 | 16,642 | 1,095 | 6.6% |
| Sales and service income | 16,738 | 15,776 | 962 | 6.1% |
| Other income | 631 | 512 | 119 | 23.2% |
| Gain on sales of investments | - | 160 | (160) | -100% |
| Interest income | 368 | 194 | 174 | 89.7% |
| Cost of sales and services | 15,464 | 14,778 | 686 | 4.6% |
| SG&A expenses | 868 | 928 | (60) | -6.5% |
| Loss on disposal of other investment | - | 62 | (62) | -100% |
| Interest and Tax expenses | 167 | 180 | (13) | -7.2% |
| Share of profit from associate and JV | 104 | 488 | (384) | -78.7% |
| Net Profit attributable to equity holders | 1,299 | 1,158 | 141 | 12.2% |

Total Revenues

Total revenue for the year 2018 was Baht 17,737 million, which grew by 6.6% compared to Baht 16,642 million in 2017. The year-on-year increase was driven by higher sales and scrap income, mainly in the automotive part business, and increased interest income from Sakthi Global Auto Holdings Limited (SGAH). These increases were partly offset by one-time gains from sales of investments of Baht 160 million, which was recorded in 2017.

Cost of sales and services

Cost of sales and services increased year-on-year, driven by higher sales. This increase however was at lower percentage than increase of sales, thanks to improved efficiency and cost reduction measures in the automotive part businesses which had reduced the cost level. Compared to 2017, **gross profit margin** improved from 6.3% to 7.6% of sales in 2018.

Selling and Administrative expenses

Selling and administrative expenses were lower than last year, thanks to cost reduction measures and lower loss on foreign currency exchange transactions for the US Dollar loan given to SGAH.

Share of profit from associate and JV

There was a significant drop of profit from associate companies, from Baht 488 million in 2017 to Baht 104 million, due to the shared loss from SGAH and one-off accounting adjustment related to SGAH acquisition of Baht 24 million.

Net profit attributable to equity holders

Net profit attributable to equity holders increased from Baht 1,158 million in 2017 to Baht 1,299 million in 2018, which was an increase of 12.2% year on year. Offsetting the lower share of profit from associate and JV, net profit from core businesses was very strong, increasing from Baht 670 million in 2017 to Baht 1,195 million, which was an improvement of 78.4% in 2018, driven by higher sales and improved efficiency.

As a percentage of sales, net profit margin has improved from 7.0% of sales in 2017 to 7.3% of sales in 2018.

Financial Position Analysis

(Unit: Million Baht unless otherwise stated)

| | 2018 | 2017 | Change | |
|----------------------------|--------|--------|--------|--------|
| | | | Amount | % |
| Total Assets | 17,891 | 14,721 | 3,170 | +21.5% |
| Total Liabilities | 9,944 | 7,538 | 2,406 | +31.9% |
| Total Shareholders' Equity | 7,947 | 7,183 | 764 | +10.6% |

In 2018, the Company's **total assets** increased by Baht 3,170 million, largely attributable to the acquisition of additional 24.89% equity in SGAH and the loan given to SGAH at the total investment value of USD 65 million, and the build-up of inventories and tooling equipment for new projects. **Total liabilities** increases were largely due to the increased bank loans to finance the SGAH investment and the deposit receipt of advance payment related to tooling project from Vinfast. **Total shareholders' equity** increases were mainly from net income for the year less dividend payment of Baht 412 million in 2018.

Key Financial Performance

(Unit: Million Baht unless otherwise stated)

| | Q4 2017 | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 |
|--------------------------------------|---------|---------|---------|---------|---------|
| Return on equity (ROE) | 17.3% | 18.9% | 18.3% | 19.2% | 17.2% |
| Return on asset (ROA) | 9.0% | 10.1% | 8.8% | 8.9% | 8.0% |
| Interest bearing Debt / Equity (D/E) | 0.69 | 0.60 | 0.56 | 0.62 | 0.80 |

The Company's profitability indicators as end of 2018 were lower than last year. For the year 2018, the **return on equity (ROE)** ratio and **return on asset (ROA)** ratio were at 17.2% and 8.0%, as compared to the ratio in 2017 of 17.3% and 9.0% respectively. The **interest bearing debt to equity (D/E) ratio** had increased to 0.80 times as of December 2018, compared to last year's ratio at 0.69, due to increases of bank loans to support the new projects and the investment in SGAH. This ratio was in line with the Company's target of less than 1.0 time.

Please be informed accordingly.

Yours sincerely,



Mr. Yeap Swee Chuan
President & CEO