

The Stock Exchange of Thailand
93 Ratchadapisek Road,
Dindaeng, Dindaeng,
Bangkok 10400

13th November, 2017

Dear Sirs,

Re : Submission of the Interim Financial Statements for the period ended September 30, 2017
and Management Discussion and Analysis for the third quarter 2017 results

To: Directors and Manager
The Stock Exchange of Thailand

Management Discussion and Analysis for the third quarter results

Summary

The increase of the market competition both the new competitors entered in this business and the pricing had adversely affected to the performance. Moreover, some global customers have policy to buy locally due to cost effective and short lead time benefits. These factors had mainly affected to the export business was slow down.

In addition, the core raw material, Aluminium Ingots, average prices was increased, in line with prices quoted by LME Market. Moreover, the decrease production effected from decreased sales volumes and increased energy price are substantially affected to increase cost of production.

As more than 70% of revenue was export sales, the stronger of Thai Baht against Japanese Yen and US dollar had significantly decreased export sales. Moreover, the decrease proportion of high profit product from last year had decreased the profit margin.

In summary, the company reported total revenues in 3Q17 of Baht 1,516.7 million, down 1.6% from Baht 1,540.8 million in 3Q16 and net profit of Baht 132.2 million or down 49.8% from Baht 263.3 million in 3Q16. Total revenues for 9M17 was Baht 4,708.1 million, up 0.1% from Baht 4,704.6 million in 9M16 and net profit of Baht 617.5 million, down 24.6% from Baht 819.1 million in 9M16.

Operating Results for Third quarter of 2017

Unit : Million Baht

	3Q17	3Q16	Change %
Income			
Revenue from sales of goods	1,476.1	1,499.5	(1.6)
Other income	40.6	41.3	(1.7)
Total income	1,516.7	1,540.8	(1.6)
Expenses			
Cost of sales of goods	1,260.1	1,126.5	11.9
Gross profit	216.0	373.0	(42.1)
Gross profit margin	14.6%	24.9%	
Selling expenses	39.2	37.2	5.4
Administrative expenses	42.6	38.9	9.5
Net foreign exchange loss	8.4	6.1	37.7
Finance costs	1.2	2.9	(58.6)
Total expenses	1,351.5	1,211.6	11.5
Profit before income tax expense	165.2	329.2	(49.8)
Income tax expense	33.0	65.9	(49.9)
Profit for the period	132.2	263.3	(49.8)
Earnings per share (in Baht)	3.06	6.10	(49.8)

The Company's net profit for 3Q17 was Baht 132.2 million representing a decrease of Baht 131.1 million from Baht 263.3 million in 3Q16 or significant down by 49.8%. The main reasons are as follows:

1. The company reported revenue from sales for 3Q17 of Baht 1,476.1 million, slightly decreased by Baht 23.4 million. In terms of sales by operating segments are as below:

	3Q17		3Q16		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Can and Tube	803.0	54.4	942.3	62.8	(139.3)	(14.8)
Export sales	409.7	27.8	546.1	36.4	(136.4)	(25.0)
Domestic sales	393.3	26.6	396.2	26.4	(2.9)	(0.7)
Slug	673.1	45.6	557.2	37.2	115.9	20.8
Export sales	642.4	43.5	546.4	36.5	96.0	17.6
Domestic sales	30.7	2.1	10.8	0.7	19.9	184.3
Total sales	1,476.1	100.0	1,499.5	100.0	(23.4)	(1.6)

The decreasing sales of Baht 23.4 million comprised of Can/Tube sales decreased Baht 139.3 million or 14.8% contributed from export tubes/cans decreased Baht 136.4 million or 25%, local sales decreased from cans Baht 24 million while increased from Tubes Baht 25.6 million. Slug sales increased Baht 98 million mainly from export sales and Baht 17.9 million from Ingots.

In addition, Thai Baht was stronger against Japanese Yen by about 12% and against US dollar 4% compared to 3Q16 had decreased export sales significantly. In 3Q17, the Yen was around Baht 29.76 per 100 Yen compared to Baht 33.75 per 100 Yen in 3Q16 and US dollar was around Baht 33.23 compared to Baht 34.7 in 3Q16.

2.The increase cost of sales was mainly from Aluminium Ingots price was significantly increased by 17.4% compared to 3Q16. Besides, an increase in crude oil price has led to the increasing natural gas price by about 6% compared to 3Q16 caused to increase production cost. Additionally, the increased production cost from lower capacity utilization effected from decreased sales volumes. In summary, cost of sales for 3Q17 increased of Baht 133.6 million or 11.9% from 1,126.5 million to Baht 1,260.1 million.

3.The Company's gross profit for 3Q17 was Baht 216 million or 14.6% of total sales, which had been decreased from 3Q16 amount of Baht 157 million or 42.1%. The significant decreased of gross profit margin was due to the decreased sales of high profit product-cans meanwhile increased sales of low profit product-slugs and increased Aluminium Ingots price as said.

4.Net foreign exchange loss for 3Q17 was Baht 8.4 million from recognized foreign exchange differences arising on received/payment in foreign currency and from translated

assets and liabilities denominated in foreign currencies to Thai Baht which was mainly from US\$.

5. Finance costs for 3Q17 was Baht 1.2 million, decreased of Baht 1.7 million or 58.6% from 3Q16 was from lower level of loan from related.

6. Income tax expense for 3Q17 decreased Baht 32.9 million from 3Q16 as a result of decrease profit before tax of Baht 164 million.

Operating Results for nine months period ended 30 September 2017

Unit : Million Baht

	9M17	9M16	Change %
Income			
Revenue from sales of goods	4,571.2	4,585.8	(0.3)
Other income	136.9	118.8	15.2
Total income	4,708.1	4,704.6	0.1
Expenses			
Cost of sales of goods	3,671.3	3,422.6	7.3
Gross profit	899.9	1,163.2	(22.6)
Gross profit margin	19.7%	25.4%	
Selling expenses	109.9	113.8	(3.4)
Administrative expenses	128.9	122.7	5.1
Net foreign exchange loss	25.2	12.0	110.0
Finance costs	2.6	9.4	(72.3)
Total expenses	3,937.9	3,680.5	7.0
Profit before income tax expense	770.2	1,024.1	(24.8)
Income tax expense	152.7	205.0	(25.5)
Profit for the period	617.5	819.1	(24.6)
Earnings per share (in Baht)	14.29	18.96	(24.6)

The Company's net profit for 9M17 was Baht 617.5 million representing an decrease of Baht 201.6 million from Baht 819.1 million in 9M16 or down by 24.6%. The main reasons are as follows:

1.The company reported revenue from sales for 9M17 of Baht 4,571.2 million, slightly decreased by Baht 14.6 million. In terms of sales by operating segments are as below:

	9M17		9M16		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Can and Tube	2,630.4	57.5	2,881.0	62.8	(250.6)	(8.7)
Export sales	1,415.2	31.0	1,607.2	35.0	(192.0)	(11.9)
Domestic sales	1,215.2	26.5	1,273.8	27.8	(58.6)	(4.6)
Slug	1,940.8	42.5	1,704.8	37.2	236.0	13.8
Export sales	1,884.2	41.2	1,673.3	36.5	210.9	12.6
Domestic sales	56.6	1.3	31.5	0.7	25.1	79.7
Total sales	4,571.2	100.0	4,585.8	100.0	(14.6)	(0.3)

The decreasing sales of Baht 14.6 million comprised of Can/Tube sales decreased Baht 250.6 million or 8.7% contributed from export tube/can decreased Baht 192 million or 11.9%, local sales decreased from cans Baht 77.3 million while increased from tubes Baht 29.4 million. Slug sales increased Baht 218.2 million mainly from export sales and Baht 17.8 million from Ingots.

In addition, Thai Baht was stronger against Japanese Yen by about 6% and against US dollar 3% compared to 9M16 had decreased export sales significantly. In 9M17, the Yen was around Baht 30.28 per 100 Yen compared to Baht 32.25 per 100 Yen in 9M16 and US dollar was around Baht 34.11 compared to Baht 35.08 in 9M16.

Other income was Baht 136.9 million, increased of Baht 18.1 million mainly consisting of Aluminium Baled scrap which are scrap from production process sold to other industries for recycled. The increase was due to increase in average selling price by 18% from LME and a slightly increase in sales volume of 4 MT.

2.The increase cost of sales was mainly from Aluminium Ingots price was significantly increased by 19% compared to 9M16. Besides, an increase in crude oil price has led to the increasing natural gas price by about 16% compared to 9M16 caused to increase production cost. Additionally, the increased production cost from lower capacity utilization effected from decreased sales volumes. In summary, cost of sales for 9M17 increased of Baht 248.7 million or 7.3% from 3,422.6 million to Baht 3,671.3 million.

3.The Company's gross profit for 9M17 was Baht 899.9 million or 19.7% of total sales, which had been decreased from 9M16 amount of Baht 263.3 million or 22.6%. The significant decreased of gross profit margin was due to the decreased sales of high profit product-cans meanwhile increased sales of low profit product-slugs and increased Aluminium Ingots price as said.

4.Net foreign exchange loss 9M17 was Baht 25.2 million from recognized foreign exchange differences arising on received/payment in foreign currency and from translated assets and liabilities denominated in foreign currencies to Thai Baht which was mainly from US\$.

5.Finance costs for 9M17 was Baht 2.6 million, decreased of Baht 6.8 million or 72.3% from 9M16 was from lower level of loan from related.

6.Income tax expense 9M17 decreased Baht 52.3 million from 9M16 as a result of decrease profit before tax of Baht 253.9 million.

Financial position

Unit : Million Baht

	30-Sep-17	31-Dec-16	Change	Change
Total current assets	2,701.1	2,462.6	238.5	9.7%
Total non-current assets	3,808.8	4,016.2	(207.4)	-5.2%
Total assets	6,509.9	6,478.8	31.1	0.5%
Total current liabilities	926.6	867.0	59.6	6.9%
Total non-current liabilities	485.7	483.8	1.9	0.4%
Total liabilities	1,412.3	1,350.8	61.5	4.6%
Total equity	5,097.6	5,128.0	(30.4)	-0.6%
Total liabilities and equity	6,509.9	6,478.8	31.1	0.5%

Assets

As at 30 September 2017, the company reported total assets of Baht 6,509.9 million, increased of Baht 31.1 million or 0.5% from 31 December 2016 was due to

-Inventories increased Baht 211 million mainly from increased in raw materials, Aluminium Ingots and Coils.

-Cash and cash equivalents increased of Baht 14.6 million from operation in 9M17.

-Trade account receivables increased Baht 10.9 million was due to sales increased when compared to 4Q16.

-Property, plant and equipment net decreased Baht 211.3 million from increase in depreciation expense of Baht 360.6 million while investment in assets increased Baht 149.3 million.

Liabilities

As at 30 September 2017, total liabilities was Baht 1,412.3 million, increased from 31 December 2016 Baht 61.5 million or 4.6% was due to

- Trade accounts payable increased Baht 43.7 million.
- Accrued expense and employee benefit obligations increased Baht 118.3 million.
- Income tax payable decreased Baht 85.6 million.

Equity

As at 30 September 2017, Shareholders' equity was Baht 5,097.6 million, decreased Baht 30.4 million from net profit for 9M17 of Baht 617.5 million deduct dividend payment to Shareholders Baht 647.9 million.

Cash flow statements

	Unit : Million Baht	
	9M17	9M16
Net cash from operating activities	851.7	1,223.7
Net cash used in investing activities	(209.3)	(241.4)
Net cash used in financing activities	(627.8)	(948.4)
Net increase in cash and cash equivalents	14.6	33.9
Cash and cash equivalents at 1 January	241.8	200.0
Cash and cash equivalents at 30 September	256.4	233.9

-Net cash inflow of Baht 851.7 million from operation, decreased by Baht 372 million or 30.4%.

-Cash for investment activities was Baht 209.3 million, decreased by Baht 32.1 million or 13.3% mainly consisted of the purchases of accessories and others equipments.

-Net cash used for financing activities was Baht 627.8 million, decreased by Baht 320.6 million or 33.8% mainly for dividend payment.

-As a result of the above, the cash and cash equivalent at 30 September 2017 was Baht 256.4 million.

Yours faithfully,
ALUCON Public Company Limited

(Mr. Takaaki Takeuchi)
Managing Director

CC. The Office Security Exchange Commission (S.E.C.)