

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

23rd February, 2018

Dear Sirs,

Re : Submission of the Audited Financial Statements for the year ended
31 December 2017.
and Management Discussion and Analysis for the year ended 31 December 2017.

To: Directors and Manager
The Stock Exchange of Thailand

Management Discussion and Analysis for the year ended 31 December 2017

Summary

The market competition in this aluminium containers business is continuously increasing, as there are new competitors entered in the market, the competitive price and competition from plastic substitutes. In addition, some global customers have policy to buy locally due to cost effective and shorter lead time benefits. Consequently, the export Tubes/Cans business was slow down and certainly made the company sales more Slugs.

Moreover, the core raw material, Aluminium Ingots, average prices was increased, in line with prices quoted by LME Market as well 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 sales of cans, high profit product, while increased sales of slugs, lower profit product, had definitely decreased the profit margin.

In summary, the company reported total revenues in 2017 of Baht 6,280.9 million, up 1% from Baht 6,220.6 million in 2016 and net profit of Baht 783.7 million or down 26.7% from Baht 1,069.8 million in 2016.

Operating Results for the year 2017

Unit : Million Baht

	2017	2016	Change %
Income			
Revenue from sales of goods	6,098.6	6,051.8	0.8
Net foreign exchange gain	-	6.3	(100.0)
Other income	182.3	162.5	12.2
Total revenue	6,280.9	6,220.6	1.0
Expenses			
Cost of sales of goods	4,958.3	4,564.0	8.6
Gross profit	1,140.3	1,487.8	(23.4)
Gross profit margin	18.7%	24.6%	
Distribution costs	143.8	149.8	(4.0)
Administrative expenses	168.7	162.0	4.1
Net foreign exchange loss	32.8	-	
Finance costs	3.3	11.6	(71.6)
Total expenses	5,306.9	4,887.4	8.6
Profit before income tax	974.0	1,333.2	(26.9)
Income tax expense	190.3	263.4	(27.8)
Profit for the year	783.7	1,069.8	(26.7)
Earnings per share (in Baht)	18.14	24.76	(26.7)

The Company's net profit for the year 2017 was Baht 783.7 million representing a decrease of Baht 286.1 million from Baht 1,069.8 million last year or down by 26.7%. The main reasons are as follows:

1. The company reported revenue from sales for the year of Baht 6,098.6 million, slightly increased by Baht 46.8 million. In terms of sales by operating segments are as below:

Unit : Million Baht

	2017		2016		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Can and Tube	3,473.6	57.0	3,756.2	62.1	(282.6)	(7.5)
Export sales	1,876.2	30.8	2,121.0	35.1	(244.8)	(11.5)
Domestic sales	1,597.4	26.2	1,635.2	27.0	(37.8)	(2.3)
Slug	2,625.0	43.0	2,295.6	37.9	329.4	14.3
Export sales	2,555.3	41.9	2,250.6	37.2	304.7	13.5
Domestic sales	69.7	1.1	45.0	0.7	24.7	54.9
Total sales	6,098.6	100.0	6,051.8	100.0	46.8	0.8

The increasing sales of Baht 46.8 million comprised of Slug sales increased Baht 311.5 million mainly from export sales and Baht 17.9 million from Ingots. Can/Tube sales decreased Baht 282.6 million or 7.5% contributed from export tubes/cans decreased Baht 244.8 or 11.5%, local sales decreased from cans Baht 85.4 million while increased from tubes Baht 63.4 million.

In addition, Thai Baht was stronger against Japanese Yen by about 7% and against US\$ by 4% equated to a decrease export sales significantly. Year 2017, the Yen was around Baht 29.9 per 100 Yen compared to Baht 32.2 per 100 Yen last year and US\$ was Baht 33.8 compared to Baht 35.1 last year.

2. Other income was Baht 182.3 million, increased of Baht 19.8 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 19% from LME.

3. The increase cost of sales was mainly from Aluminium Ingots price was significantly increased by 13% . Besides, the increase in crude oil price has led to the increasing natural gas price by about 14% and the lower capacity utilization effected from decreased sales volumes has resulted to increase production cost. In summary, cost of sales for 2017 increased of Baht 394.3 million or 8.6% from Baht 4,564 million to Baht 4,958.3 million.

4. The Company's gross profit for 2017 was Baht 1,140.3 million or 18.7% of total sales decreased from 2016 amount of Baht 347.5 million or 23.4%. 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.

5. Net foreign exchange loss was Baht 32.8 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\$.

6. Distribution costs and administrative expenses was Baht 312.5 million, slightly increased of Baht 0.7 million. This was mainly due to salary increased while export freight charges and license fees decreased.

7. Finance costs was Baht 3.3 million, decreased of Baht 8.3 million was from repayment of loan to related.

8. Income tax expense decreased Baht 73.1 million resulted from decrease profit before tax of Baht 359.2 million. Besides, decreased income tax from utilized tax privileged for investment in assets according to the Royal Decree no.604 and no.642 amount of Baht 4.1 million.

Financial position

Unit : Million Baht

	31-Dec-17	31-Dec-16	Change	Change
Total current assets	2,523.3	2,462.6	60.7	2.5%
Total non-current assets	3,821.6	4,016.2	(194.6)	-4.8%
Total assets	6,344.9	6,478.8	(133.9)	-2.1%
Total current liabilities	589.2	867.0	(277.8)	-32.0%
Total non-current liabilities	484.6	483.8	0.8	0.2%
Total liabilities	1,073.8	1,350.8	(277.0)	-20.5%
Total equity	5,271.1	5,128.0	143.1	2.8%
Total liabilities and equity	6,344.9	6,478.8	(133.9)	-2.1%

Assets

As at 31 December 2017, the company reported total assets of Baht 6,344.9 million, decreased of Baht 133.9 million or 2.1% from 31 December 2016 was due to

-Property, plant and equipment net decreased Baht 198.1 million from increase in accumulated depreciation expense of Baht 493.7 million while investment in assets increased Baht 295.6 million.

-Trade account receivables increased Baht 58.9 million or increased 6% was from sales slug increased.

-Inventories increased Baht 36.6 million or increased 3% mainly from increased Aluminium Coil while decreased in raw materials, Aluminium Ingots.

-Cash and cash equivalents decreased of Baht 39.9 million from operation in 2017.

Liabilities

As at 31 December 2017, total liabilities was Baht 1,073.8 million, decreased from 31 December 2016 Baht 277 million or 20.5% was due to

-Repayment Loan and other payables to related party Baht 246.9 million.

-Other payables and employee benefit obligations increased Baht 25.6 million.

-Income tax payable decreased Baht 46.1 million.

Equity

As at 31 December 2017, Shareholders' equity was Baht 5,271.1 million, increased Baht 143.1 million or 2.8% from net profit for 2017 of Baht 783.7 million deduct dividend payment to Shareholders Baht 647.8 million. Furthermore, the increase in equity was actuarial gain from remeasurements of employee benefits recognized in other comprehensive income amounting to Baht 7.2 million.

Cash flow statements

	Unit : Million Baht	
	31-Dec-17	31-Dec-16
Net cash from operating activities	1,185.0	1,621.1
Net cash used in investing activities	(351.3)	(308.9)
Net cash used in financing activities	(873.6)	(1,270.4)
Net increase(decrease) in cash and cash equivalents	(39.9)	41.8
Cash and cash equivalents at 1 January	241.8	200.0
Cash and cash equivalents at 31 December	201.9	241.8

-Net cash inflow of Baht 1,185 million from operation, decreased by Baht 436.1 million or 26.9%.

-Cash for investment activities was Baht 351.3 million, increased by Baht 42.4 million or 13.7% mainly consisted of the purchases of accessories and others equipments.

-Net cash used for financing activities was Baht 873.6 million, decreased by Baht 396.8 million or 31.2% mainly for dividend and repayment of short term loan to related.

-As a result of the above, cash and cash equivalents at 31 December 2017 was Baht 201.9 million.

Yours faithfully,
ALUCON Public Company Limited

(Mr. Takaaki Takeuchi)
Managing Director

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