

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

10th May, 2018

Dear Sirs,

Re : Submission of the Interim Financial Statements for the period ended March 31, 2018
and Management Discussion and Analysis for the first quarter 2018 results

To: Directors and Manager
The Stock Exchange of Thailand

Management Discussion and Analysis for the first quarter results

Summary

The market competition remains tough as the company has been losing Aluminium Cans market in India, definitely impacted to operating performance in terms of margin was relatively low due to the lower sales of Aluminium Cans-higher margin product while increasing sales of Aluminium Slugs-lower margin product to those competitors. Consequently, the production capacity for cans was excess meanwhile slugs production capacity was not enough, that's why the company has just started new slugs punching line in 1Q18. Accordingly, the sales for Aluminium Slug was recorded high in this quarter.

In addition, the margin was decreased further from the core raw material, Aluminium Ingots price was very expensive, in line with prices quoted by LME Market. Moreover, the decrease production of Aluminium Cans effected from decreased sales volumes and increased energy price, both affected to increase cost of production. However, the consolidation plan, Samrong and Sriracha is ongoing and will help to improve energy efficiency and productivity as expected.

Furthermore, more than 70% of revenue was export sales, the stronger of Thai Baht against Japanese Yen and US dollar had significantly decreased export sales.

In summary, the company reported total revenues in 1Q18 of Baht 1,633 million, up 1.9% from Baht 1,603.1 million in 1Q17 and net profit of Baht 130.3 million or down 47.2% from Baht 247 million in 1Q17.

Operating Results for first quarter of 2018

Unit : Million Baht

	1Q18	1Q17	Change %
Income			
Revenue from sales of goods	1,586.3	1,557.8	1.8
Other income	46.7	45.3	3.1
Total income	1,633.0	1,603.1	1.9
Expenses			
Cost of sales of goods	1,371.7	1,201.0	14.2
Gross profit	214.6	356.8	(39.9)
Gross profit margin	13.5%	22.9%	
Selling expenses	38.0	34.1	11.4
Administrative expenses	43.5	45.0	(3.3)
Net foreign exchange loss	16.6	12.7	30.7
Finance costs	0.2	1.4	(85.7)
Total expenses	1,470.0	1,294.2	13.6
Profit before income tax expense	163.0	308.9	(47.2)
Income tax expense	32.7	61.9	(47.2)
Profit for the period	130.3	247.0	(47.2)
Earnings per share (in Baht)	3.02	5.72	(47.2)

The Company's net profit for 1Q18 was Baht 130.3 million representing a decrease of Baht 116.7 million from Baht 247 million in 1Q17 or significant down by 47.2%. The main reasons are as follows:

1. The company reported revenue from sales for 1Q18 of Baht 1,586.3 million, slightly increased by Baht 28.5 million. In terms of sales by operating segments are as below:

	1Q18		1Q17		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Can and Tube	882.1	55.6	947.4	60.8	(65.3)	(6.9)
Export sales	472.9	29.8	514.1	33.0	(41.2)	(8.0)
Domestic sales	409.2	25.8	433.3	27.8	(24.1)	(5.6)
Slug	704.2	44.4	610.4	39.2	93.8	15.4
Export sales	691.2	43.6	597.3	38.4	93.9	15.7
Domestic sales	13.0	0.8	13.1	0.8	(0.1)	(0.8)
Total sales	1,586.3	100.0	1,557.8	100.0	28.5	1.8

The increasing sales of Baht 28.5 million comprised of Slug sales was significant increased Baht 93.8 million or 15.4% mainly from export to Japan, India, America, Australia. The sales revenue of Slug increased was due to the increase in sales volume of 900 MT or 13.3% from 1Q17 and average selling price increased.

Can/Tube sales decreased Baht 65.3 million or 6.9% contributed from export decreased Baht 41.2 million or 8%, local sales decreased Baht 24.1 million or 5.6%.

In addition, Thai Baht was stronger against Japanese Yen by about 6% and against US dollar 10% compared to 1Q17 had decreased export sales significantly. In 1Q18, the Yen was around Baht 28.76 per 100 Yen compared to Baht 30.57 per 100 Yen in 1Q17 and US dollar was around Baht 31.36 compared to Baht 34.98 in 1Q17.

Other income was Baht 46.7 million, increased of Baht 1.4 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 8% from LME and increase in sales volume of 19 MT.

2.The increase cost of sales was mainly from Aluminium Ingots price was significantly increased by 15.3% compared to 1Q17. Besides, an increase in crude oil price has led to the increasing natural gas price by about 4% compared to 1Q17 caused to increase production cost. In summary, cost of sales for 1Q18 increased of Baht 170.7 million or 14.2% from 1,201 million to Baht 1,371.7 million.

3.The Company's gross profit for 1Q18 was Baht 214.6 million or 13.5% of total sales, which had been decreased from 1Q17 amount of Baht 142.2 million or 39.9%. 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.Selling and administrative expenses for 1Q18 was Baht 81.5 million, increased of Baht 2.4 million or 3%. This was mainly due to the freight charges and license fee increased.

5.Net foreign exchange loss for 1Q18 was Baht 16.6 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. Finance costs for 1Q18 was Baht 0.2 million, decreased of Baht 1.2 million from 1Q17 was from lower level of loan from related.

7. Income tax expense for 1Q18 decreased Baht 29.2 million from 1Q17 as a result of decrease profit before tax of Baht 145.9 million.

Financial position

Unit : Million Baht

	31-Mar-18	31-Dec-17	Change	Change
Total current assets	2,698.4	2,523.3	175.1	6.9%
Total non-current assets	3,772.8	3,821.6	(48.8)	-1.3%
Total assets	6,471.2	6,344.9	126.3	2.0%
Total current liabilities	588.1	589.2	(1.1)	-0.2%
Total non-current liabilities	481.7	484.6	(2.9)	-0.6%
Total liabilities	1,069.8	1,073.8	(4.0)	-0.4%
Total equity	5,401.4	5,271.1	130.3	2.5%
Total liabilities and equity	6,471.2	6,344.9	126.3	2.0%

Assets

As at 31 March 2018, the company reported total assets of Baht 6,471.2 million, increased of Baht 126.3 million or 2% from 31 December 2017 was due to

- Cash and cash equivalents increased of Baht 125.4 million from operation in 3M18.
- Trade account receivables increased Baht 150.7 million was due to sales increased when compared to 4Q17.
- Inventories decreased Baht 103.6 million mainly from decreased stock of Aluminium Coil and Aluminium Slug.
- Property, plant and equipment net decreased Baht 48 million from increase in depreciation expense of Baht 134.5 million while investment in assets increased Baht 86.5 million.

Liabilities

As at 31 March 2018, total liabilities was Baht 1,069.8 million, decreased from 31 December 2017 Baht 4 million or 0.4% was due to

- Loan from related party decreased Baht 56 million from repayment.

-Trade accounts payable decreased Baht 33.8 million.

-Other payables increased Baht 56.7 million.

-Income tax payable increased Baht 32.4 million.

Equity

As at 31 March 2018, Shareholders' equity was Baht 5,401.4 million, increased Baht 130.3 million from net profit for 1Q18 of Baht 130.3 million.

Cash flow statements

	Unit : Million Baht	
	3M18	3M17
Net cash from operating activities	255.0	428.2
Net cash used in investing activities	(70.7)	(101.6)
Net cash used in financing activities	(58.9)	(166.8)
Net increase in cash and cash equivalents	125.4	159.8
Cash and cash equivalents at 1 January	201.9	241.8
Cash and cash equivalents at 31 March	327.3	401.6

-Net cash inflow of Baht 255 million from operation, decreased by Baht 173.2 million or 40.4%.

-Cash for investment activities was Baht 70.7 million, decreased by Baht 30.9 million or 30.4% mainly consisted of the purchases of accessories and others equipments.

-Net cash used for financing activities was Baht 58.9 million, decreased by Baht 107.9 million or 64.7% mainly for repayment loan to related.

-As a result of the above, the cash and cash equivalent at 31 March 2018 was Baht 327.3 million.

Yours faithfully,
ALUCON Public Company Limited

(Mr. Takaaki Takeuchi)
Managing Director

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