

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

9<sup>th</sup> November, 2018

Dear Sirs,

Re : Submission of the Interim Financial Statements for the period ended September 30, 2018  
and Management Discussion and Analysis for the third quarter 2018 results

To: Directors and Manager  
The Stock Exchange of Thailand

Management Discussion and Analysis for the third quarter results

Summary

In 3Q18, the financial performance has been improved in term of sales and profit margin compared to 1Q18 & 2Q18, slightly increased sales by 1-2% however profit margin was significantly increased by 36-37% due to an increase in export cans sales order, the higher margin product, under tough market competition in the Tubes/Cans business and was attributed to the continued weakening Thai Baht from beginning of year.

Comparing to 3Q17, a lot improvement in term of sales and profit margin due to this year was higher capacity utilization because of increased sales orders especially cans which resulted to lower production cost and increased margin. In addition, the increased slug selling price has increased the profit significantly.

The main impacts of higher cost were still from the core raw material, Aluminium Ingots price was very expensive, in line with prices quoted by LME Market and very high gas prices.

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. However, the realized foreign exchange gain for 9M18 against loss last year has improved the company's profit significantly.

In summary, the company reported total revenues in 3Q18 of Baht 1,653 million, up 9% from Baht 1,516.6 million in 3Q17 and net profit of Baht 202.8 million or up 53.4% from Baht 132.2 million in 3Q17. Total revenues for 9M18 was Baht 4,910.1 million, up 4.3% from Baht 4,708.1 million in 9M17 and net profit of Baht 513.2 million, down 16.9% from Baht 617.5 million in 9M17.

#### Operating Results for Third quarter of 2018

Unit : Million Baht

	3Q18	3Q17	Change %
<b>Income</b>			
Revenue from sales of goods	1,597.6	1,476.0	8.2
Net foreign exchange gain	-	-	-
Other income	55.4	40.6	36.5
<b>Total revenues</b>	<b>1,653.0</b>	<b>1,516.6</b>	<b>9.0</b>
<b>Expenses</b>			
Cost of sales of goods	1,305.6	1,260.1	3.6
Gross profit	292.0	215.9	35.2
Gross profit margin	18.3%	14.6%	
Selling expenses	39.2	39.2	-
Administrative expenses	38.9	42.5	(8.5)
Net foreign exchange loss	14.9	8.4	77.4
Finance costs	0.8	1.2	(33.3)
<b>Total expenses</b>	<b>1,399.4</b>	<b>1,351.4</b>	<b>3.6</b>
Profit before income tax expense	253.6	165.2	53.5
Income tax expense	50.8	33.0	53.9
<b>Profit for the period</b>	<b>202.8</b>	<b>132.2</b>	<b>53.4</b>
Earnings per share (in Baht)	4.70	3.06	53.4

The Company's net profit for 3Q18 was Baht 202.8 million representing an increase of Baht 70.6 million from Baht 132.2 million in 3Q17 or significant increased by 53.4%. The main reasons are as follows:

1. The company reported revenue from sales for 3Q18 of Baht 1,597.6 million, increased by Baht 121.6 million. In terms of sales by operating segments are as below:

	3Q18		3Q17		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Can and Tube</b>	<b>880.6</b>	<b>55.1</b>	<b>803.0</b>	<b>54.4</b>	<b>77.6</b>	<b>9.7</b>
Export sales	519.2	32.5	409.7	27.8	109.5	26.7
Domestic sales	361.4	22.6	393.3	26.6	(31.9)	(8.1)
<b>Slug</b>	<b>717.0</b>	<b>44.9</b>	<b>673.0</b>	<b>45.6</b>	<b>44.0</b>	<b>6.5</b>
Export sales	708.6	44.4	642.3	43.5	66.3	10.3
Domestic sales	8.4	0.5	30.7	2.1	(22.3)	(72.6)
<b>Total sales</b>	<b>1,597.6</b>	<b>100.0</b>	<b>1,476.0</b>	<b>100.0</b>	<b>121.6</b>	<b>8.2</b>

The increasing sales of Baht 121.6 million mainly from Cans export to South Africa, Japan, Philippines and South Korea resulted in significant increased sales of export Can/Tube segment Baht 109.5 million or 26.7% while local sales decreased Baht 31.9 million or 8.1%.

Slug sales increased Baht 66.3 million or 10.3% mainly from export to Japan, India and South Africa while local sales decreased Baht 22.3 million from Slug Baht 4.5 million and last year sales included Aluminium Ingots Baht 17.8 million. The sales revenue of Slug increased was due to the average selling price increased.

In addition, Thai Baht was stronger against Japanese Yen by about 2% and against US dollar 1% compared to 3Q17 had decreased export sales. In 3Q18, the Yen was around Baht 29.2 per 100 Yen compared to Baht 29.8 per 100 Yen in 3Q17 and US dollar was around Baht 32.8 compared to Baht 33.2 in 3Q17.

Other income was Baht 55.4 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 from LME and increased in sales volume.

2. Cost of sales for 3Q18 was Baht 1,305.6 million increased of Baht 45.5 million or 3.6% from Baht 1,260.1 million because of the increase in orders. Besides, the increased Aluminium Ingots price by 5.5% compared to 3Q17 and increase in crude oil price has led to the increasing natural gas price significantly by about 26% compared to 3Q17 caused to increase production cost.

3. The Company's gross profit for 3Q18 was Baht 292 million or 18.3% of total sales, which had been increased from 3Q17 amount of Baht 76.1 million or 35.2%. The significant increased of gross profit margin was due to the increased sales of high profit product-cans

and increased selling price of slugs. Additionally, the decreased production cost from improved productivity effected from increased sales volumes.

4.Selling and administrative expenses for 3Q18 was Baht 78.1 million, decreased of Baht 3.6 million or 4.4%. This was mainly due to the decrease salary, license, commission, travelling expense while increased in freight charges.

5.Net foreign exchange loss for 3Q18 was Baht 14.9 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 3Q18 was Baht 0.8 million, decreased of Baht 0.4 million or 33.3% from 3Q17 was from lower level of loan from related.

7.Income tax expense for 3Q18 increased Baht 17.8 million from 3Q17 as a result of increase profit before tax of Baht 88.4 million.

## Operating Results for nine months period ended 30 September 2018

Unit : Million Baht

	9M18	9M17	Change %
<b>Income</b>			
Revenue from sales of goods	4,748.5	4,571.2	3.9
Net foreign exchange gain	8.6	-	-
Other income	153.0	136.9	11.8
<b>Total revenues</b>	<b>4,910.1</b>	<b>4,708.1</b>	<b>4.3</b>
<b>Expenses</b>			
Cost of sales of goods	4,029.1	3,671.3	9.7
Gross profit	719.4	899.9	(20.1)
Gross profit margin	15.2%	19.7%	
Selling expenses	119.6	109.8	8.9
Administrative expenses	122.3	128.9	(5.1)
Net foreign exchange loss	-	25.3	(100.0)
Finance costs	1.4	2.6	(46.2)
<b>Total expenses</b>	<b>4,272.4</b>	<b>3,937.9</b>	<b>8.5</b>
Profit before income tax expense	637.7	770.2	(17.2)
Income tax expense	124.5	152.7	(18.5)
<b>Profit for the period</b>	<b>513.2</b>	<b>617.5</b>	<b>(16.9)</b>
Earnings per share (in Baht)	11.88	14.29	(16.9)

The Company's net profit for 9M18 was Baht 513.2 million representing a significant decrease of Baht 104.3 million from Baht 617.5 million in 9M17 or down by 16.9%. The main reasons are as follows:

1. The company reported revenue from sales for 9M18 of Baht 4,748.5 million, increased by Baht 177.3 million. In terms of sales by operating segments are as below:

	9M18		9M17		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
<b>Can and Tube</b>	<b>2,631.1</b>	<b>55.4</b>	<b>2,630.4</b>	<b>57.5</b>	<b>0.7</b>	<b>0.0</b>
Export sales	1,509.6	31.8	1,415.2	30.9	94.4	6.7
Domestic sales	1,121.5	23.6	1,215.2	26.6	(93.7)	(7.7)
<b>Slug</b>	<b>2,117.4</b>	<b>44.6</b>	<b>1,940.8</b>	<b>42.5</b>	<b>176.6</b>	<b>9.1</b>
Export sales	2,086.8	44.0	1,884.2	41.2	202.6	10.8
Domestic sales	30.6	0.6	56.6	1.3	(26.0)	(45.9)
<b>Total sales</b>	<b>4,748.5</b>	<b>100.0</b>	<b>4,571.2</b>	<b>100.0</b>	<b>177.3</b>	<b>3.9</b>

The increasing sales of Baht 177.3 million comprised of Slug sales increased Baht 176.6 million or 9.1% mainly from export to Japan, India, Australia. The sales revenue of Slug increased was due to the increase in sales volume of 1,178 MT or 5.7% from 9M17 and average selling price increased.

Can/Tube sales was Baht 2,631.1 million closed to last year which contributed from export increased Baht 94.4 million or 6.7%, local sales decreased Baht 93.7 million or 7.7%.

In addition, Thai Baht was stronger against Japanese Yen by about 4% and against US dollar 6% compared to 9M17 had decreased export sales significantly. In 9M18, the Yen was around Baht 29 per 100 Yen compared to Baht 30.3 per 100 Yen in 9M17 and US dollar was around Baht 32 compared to Baht 34.1 in 9M17.

Net foreign exchange gain for 9M18 was Baht 8.6 million against loss Baht 25.3 million last year was 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 JPY.

Other income was Baht 153 million, increased of Baht 16.1 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 from LME and increased in sales volume.

2.The increase cost of sales was mainly from Aluminium Ingots price was significantly increased by 10% compared to 9M17. Besides, an increase in crude oil price has led to the increasing natural gas price by about 13% compared to 9M17 caused to increase production cost. In summary, cost of sales for 9M18 increased of Baht 357.8 million or 9.7% from 3,671.3 million to Baht 4,029.1 million.

3.The Company's gross profit for 9M18 was Baht 719.4 million or 15.2% of total sales, which had been decreased from 9M17 amount of Baht 180.5 million or 20.1%. The significant decreased of gross profit margin was due to the increase sales of low profit product-slugs and increased Aluminium Ingots price as said.

4.Selling and administrative expenses for 9M18 was Baht 241.9 million, increased of Baht 3.2 million or 1.3%. This was mainly due to the freight charges, license fee and commission increased.

5. Finance costs for 9M18 was Baht 1.4 million, decreased of Baht 1.2 million or 46.2% from 9M17 was from lower level of loan from related.

6. Income tax expense for 9M18 decreased Baht 28.2 million from 9M17 as a result of decrease profit before tax of Baht 132.5 million.

#### Financial position

Unit : Million Baht

	30-Sep-18	31-Dec-17	Change	Change
Total current assets	3,137.6	2,523.3	614.3	24.3%
Total non-current assets	3,648.9	3,821.6	(172.7)	-4.5%
<b>Total assets</b>	<b>6,786.5</b>	<b>6,344.9</b>	<b>441.6</b>	<b>7.0%</b>
Total current liabilities	979.1	589.2	389.9	66.2%
Total non-current liabilities	498.3	484.6	13.7	2.8%
<b>Total liabilities</b>	<b>1,477.4</b>	<b>1,073.8</b>	<b>403.6</b>	<b>37.6%</b>
Total equity	5,309.1	5,271.1	38.0	0.7%
<b>Total liabilities and equity</b>	<b>6,786.5</b>	<b>6,344.9</b>	<b>441.6</b>	<b>7.0%</b>

#### Assets

As at 30 September 2018, the company reported total assets of Baht 6,786.5 million, increased of Baht 441.6 million or 7% from 31 December 2017 was due to

- Cash and cash equivalents decreased of Baht 31.1 million from operation in 9M18.
- Vat to be refunded increased Baht 33.5 million.
- Trade account receivables increased Baht 68.4 million was from sales slugs increased.
- Inventories increased Baht 545.8 million mainly from increased in raw materials, Aluminium Ingots.
- Property, plant and equipment net decreased Baht 173.7 million from increase in depreciation expense of Baht 362.2 million while investment in assets increased Baht 188.5 million.

#### Liabilities

As at 30 September 2018, total liabilities was Baht 1,477.4 million, increased from 31 December 2017 Baht 403.6 million or 37.6% was due to

- Loan from related party net increased Baht 194 million.
- Other payables increased Baht 118.1 million.
- Employee benefit obligations increased Baht 13.3 million.
- Trade accounts payable increased Baht 104 million.
- Income tax payable decreased Baht 20.9 million.

### Equity

As at 30 September 2018, Shareholders' equity was Baht 5,309.1 million, increased Baht 38 million from net profit for 9M18 of Baht 513.2 million deduct dividend payment to Shareholders Baht 475.2 million.

### Cash flow statements

	Unit : Million Baht	
	9M18	9M17
Net cash from operating activities	456.3	851.7
Net cash used in investing activities	(203.0)	(209.3)
Net cash used in financing activities	(284.4)	(627.8)
Net increase in cash and cash equivalents	(31.1)	14.6
Cash and cash equivalents at 1 January	201.9	241.8
Cash and cash equivalents at 30 September	170.8	256.4

- Net cash inflow of Baht 456.3 million from operation, decreased by Baht 395.4 million or 46.4% mainly for purchase of raw materials.
- Cash for investment activities was Baht 203 million, decreased by Baht 6.3 million or 3% mainly consisted of the purchases of machineries and others equipments.
- Net cash used for financing activities was Baht 284.4 million, decreased by Baht 343.4 million or 54.7% mainly for dividend payment.



-As a result of the above, the cash and cash equivalent at 30 September 2018 was Baht 170.8 million.

Yours faithfully,  
ALUCON Public Company Limited

(Mr. Takaaki Takeuchi)  
Managing Director

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