



Ref. FPI.024/2018

12 November 2018

Subject : Management Discussion & Analysis of Performance Results of Quarter 3/2018

To : Board of Directors and President of The Stock Exchange of Thailand

Fortune Parts Industry Public Company Limited (“FPI” or “The Company”) would like to submit the reviewed of interim financial statements for the three-month period ended 30 September 2018 which has been reviewed by certified public auditor as follows:

Overall performance results of the Company for the three-month period ended 30 September 2018, compared to the same period of the previous year were as highlighted below;

(Unit : Million Baht)

Separate financial statements

	<u>Q3/2018</u>	<u>Q3/2017</u>	<u>% Change</u>
Sales and Service income	462	514	(10)
Cost of Sales and Services	363	405	(12)
Selling and Administrative Expenses	41	66	(38)
Finance Cost	6	8	(25)
Net Profit	51	38	34

(Unit : Million Baht)

Financial statements in which

the equity method is applied

	<u>Q3/2018</u>	<u>Q3/2017</u>	<u>% Change</u>
Sales and Service income	462	514	(10)
Cost of Sales and Services	363	405	(12)
Selling and Administrative Expenses	41	66	(38)
Share of profit (loss) from investments in joint ventures	(1)	6	(117)
Finance Cost	6	8	(25)
Net Profit	50	43	16

Total Revenues

In the three-month period ended 30 September 2018, sales and service income amounted Baht 462 million, which decreased by Baht 52 million or decreased by 10% compared to the same period of previous year. This was mainly due to the decreased in export sales to the Middle East and African zone as these zones are facing economic problems. Therefore, the Company delayed sales transaction to several customers in the zones since the Company would like to collect overdue balance from the customers first. However, the sales in the domestic increased from Baht 52 million in quarter 3 of 2017 to Baht 77 million in quarter 3 of 2018, or increased by 49.50% from sales of OEM parts of Toyota cars. Moreover, the export sales to Australian zone rose from Baht 8 million in quarter 3 of 2017 to Baht 35 million in this period or soared for more than 354%, which is mainly from sales of OEM parts of Mazda cars.

Selling and Administrative Expenses

In the three-month period ended 30 September 2018, the Company's selling and administrative expenses decreased by Baht 25 million or 38% from the same period in 2017. The main reason is from the declined in allowance for doubtful accounts recorded in this period as the Company has more effective policy to collect debts. Furthermore, the selling expenses such as shipping fees dropped in the same line with the decreased in sales in the period. The loss on exchange rate also decreased compared to the prior period since the company has planned to hedge into the forward contracts to reduce the risks from the fluctuation of exchange rate.

Finance Cost

In the three-month period ended 30 September 2018, the finance cost of the Company was Baht 6 million which reduced by Baht 2 million from 2017 because the Company could manage and obtain cheaper source of finance than the prior period.

Net Profit

In the three-month period ended 30 September 2018 and 2017, net profit of the Company which accounted for Baht 51 million and Baht 38 million, respectively, increased by Baht 13 million or 34%. This is mainly because the company has more effective and efficient management of account receivable and exchange rate fluctuation. Although the Company's sales declined, net profit of the company for the three-month ended 30 September 2018 is more than the total net profit of quarter 1 and quarter 2 of 2018 combined.

For share of profit (loss) from investments in joint ventures in quarter 3, the balance of Baht 1.2 million was described as followed:

1. SAFE Energy Holdings Company Limited ("SAFE") is the joint venture that the Company holds 33.37%. Currently, the project has commenced the operation of biomass gasification power plant of 7.5 MW of Prize of Wood Green Energy Co., Ltd. (PWGE). SAFE invests 99.99% in PWGE, 49% in Bina Puri Power (Thailand) Co., Ltd., and 100% in SAFE Biomass Co., Ltd. In the three-month period ended 30 September 2018, the Company recognized the profit from investment in joint venture of Baht 1.3 million.
2. FORTUNE-PARTS INDUSTRY ECUADOR CIA.LTDA., the joint venture of FPI, was held 45% by the Company. In the three-month period ended 30 September 2018, the Company recognized loss from investment in joint venture of Baht 0.01 million.
3. ALP FPI PARTS PRIVATE LIMITED. the Company holds 45% as a joint venture. The Company recognized profit from investment in joint venture of Baht 2.5 million during this period. Nevertheless, during the end of quarter 3 2018, ALP FPI PARTS PRIVATE LIMITED has new project which is estimated to have revenue of Baht 100 million and gross profit of 30%-40% in the future.

Statement of Financial Position: Financial statement in which the equity method is applied (in comparison to as of 31 December 2017)

Overall the Company's financial position in which the equity method is applied as of 30 September 2018, compared to the statement of financial position as of 31 December 2017, the balance of total assets which were Baht 2,727 million and Baht 2,792 million, respectively, decreased by Baht 65 million, or decreased by 2% was mainly due to the following reasons:

Total Assets

As at 30 September 2018, the Company's total assets was Baht 2,727 million, decreased by Baht 65 million from the balance as at 31 December 2017. There were a decreased of Baht 100 million of trade and other receivables as the company could urge oversea debtors to pay faster. On the other

hand, there is an increased in ending inventory, especially in the OEM parts following customers' orders and to meet customers' demand at the end of the year. The balance of property, plant and equipment also increased from the investment in new molds. Moreover, the increased in investment in joint ventures is mainly from the increased in capital of Safe Energy Holding Co., Ltd., and ALP FPI PARTS PRIVATE LIMITED which have already registered during this period.

However, cash and cash equivalents decreased from repayment of short-term loans from banks, payment for investing in molds and payment of dividends whilst there are cash inflows from cash receipts from share subscription as warrants exercised of Baht 353 million in quarter 2.

Total Liabilities

As at 30 September 2018, total liabilities were Baht 966 million, decreased from 31 December 2017 of Baht 418 million. The reason was mainly because of the repayment of short-term loans from banks, especially in Packing Credit and Bill of Exchange that expired during the period, and provision for liability (provision of claim expense). Moreover, the Debt to equity (D/E) ratio decreased from 1.12 times at 30 December 2017 to 0.64 times in quarter 3 of 2018, which is the lowest rate since the Company has operated.

Shareholders' Equity

As at 30 September 2018, shareholders' equity was Baht 1,667 million which increased by Baht 343 million from Baht 1,324 million as at 31 December 2017. The increased is mainly due to the operating profit for the period of Baht 104 million and share subscription as warrants exercised of Baht 353 million. However, there was dividend paid of Baht 114 million during this period.

Please be informed accordingly.

Yours sincerely,

-Mr.Sompol Tanadumrongsak
Managing Director