

-TRANSLATION-

27 February 2017

Subject : Management Discussion and Analysis for 2016

Attention : President

The Stock Exchange of Thailand

An overview of the results in the passing

The performance in the 2016, the company and its subsidiaries have the total revenue from sales in amount of Baht 11,108.4 million which is increasing from the 2015 at equivalence of Baht 315.5 million, about 3%. These caused, increased sales volume of MDF Board and Particleboard by about 9% and 14% respectively.

Analysis of Profit of company and subsidiaries

In 2016, the company and its subsidiaries have profit for the year of Baht 1,597.4 million as compared to the 2015, the company and its subsidiaries have profit for the year of Baht 1,426.4 million, increased Baht 171.0 million or 12% for the following main reasons;

1. The total sales has increased Baht 315.5 million, due to sales volume of MDF Board and Particleboard have increased by 9% and 14% respectively. The average price of MDF Board and Particleboard have decreased by 9% and 3% respectively.
2. Cost of sales Baht 7,866.1 million, increased Baht 217.2 million, due to higher sales volumes.
3. Financial cost Baht 129.7 million, decreased Baht 42.0 million, due to a decreased in the principal amount of the loan repayment schedule.

Financial status

Total assets

As of 31 December 2016, the company and its subsidiaries have the total assets valued Baht 14,106.8 million, as compared to 2015, Baht 13,683.3 million, increased Baht 423.5 million as below detailed.

1. Cash and cash equivalent items decreased Baht 66.5 million.
2. Trade and other receivable increased Baht 48.4 million.
3. Revenue Department receivable increased Baht 4.4 million.

4. Net inventories decreased Baht 299.4 million, mainly caused by decreased of finished goods Baht 119.8 million, work in process Baht 153.8 million, raw material Baht 26.7 million, goods in transit Baht 9.9 million and increased supplies Baht 10.9 million.
5. Maintenance supplies increased Baht 74.6 million.
6. Property, Plant and equipment increased Baht 679.3 million.
7. Deferred tax assets decreased Baht 20.6 million.

#### Total Liabilities

As of 31 December 2016, the company and its subsidiaries have the total liabilities valued Baht 5,783.1 million, compared to the 2015, Baht 6,194.5 million, decreased Baht 411.4 million as below detailed.

1. Short-term loans from financial institutions increased Baht 186.7 million.
2. Trade and other payable increased Baht 74.5 million.
3. Advance receivable for customers decreased Baht 47.4 million.
4. Accrued income tax payable increased Baht 33.6 million.
5. Long-term loans from financial institutions decreased Baht 710.1 million.
6. Employee benefit obligations increased Baht 50.4 million.

#### Total shareholder's equity

As of 31 December 2016, the company and its subsidiaries have the total shareholder's equity valued Baht 8,323.7 million, as compared to the 2015, Baht 7,488.8 million, increased Baht 834.9 million, due to the operating has profit for the year Baht 1,597.4 million and paid dividend in 2016 Baht 736.5 million.

As of 31 December 2016, the company and its subsidiaries have debt to equity ratio is 0.69:1, compared to the 2015 is 0.83:1, decreased by 0.13 times, due to decreased of long-term loans from financial institutions and increased of shareholders' equity, due to increased of retained earnings.

#### Liquidity

##### Cash flow

The period ended 31 December 2016, the company and its subsidiaries have net cash received from operating activities Baht 2,677.9 million, net cash used investing activities Baht 1,375.9 million and net cash used financing activities Baht 1,368.5 million, cash and cash equivalent items as of the ended 31 December 2016 is Baht 457.1 million, decreased Baht 66.5 million from the 2015 as summarized;

1. Net cash received operating activities is Baht 2,677.9 million, increased Baht 468.4 million, because of increased of profit from operation before changes in operating assets and liabilities Baht 67.9 million, decreased operating assets Baht 481.1 million and decreased operating liabilities Baht 40.5 million.
2. Net cash used in investing activities is Baht 1,375.9 million, increased Baht 337.7 million. In 2016, the have invested change to production line of Particleboard - Line 1 as MDF Board at Surat Thani Plant and invested in expansion projects of Laminated Flooring at Saraburi Plant.
3. Net cash used in financing activities is Baht 1,368.5 million, decreased Baht 28.4 million, because of increased of short-term loans from financial institutions Baht 154.9 million, interest expenses Baht 61.4 million, decreased long-term loans from financial institutions Baht 172.8 million and dividend paid Baht 62.7 million.

Please be acknowledged for your information.

Sincerely Yours,

(Mr. Wanthana Jaroennawarat)

Director