



Ref. DBP. 025 / 2018

February 21, 2018

Subject : Clarification on operating results of Year 2017

To : President
The Stock Exchange of Thailand

Diamond Building Products Public Company Limited and its Subsidiary (together referred to as "Corporate Group") would like to clarify on the operating results according to the consolidated financial statements of Year 2017 for the year ended December 31, 2017 as follows.

The net profit of the Corporate Group for Year 2017 was Baht 411.61 million. In comparison with the previous year with the net profit of Baht 392.03 million, the net profit increased by Baht 19.58 million or an increase of 4.99 percent. However, if the extra profit from the sale of unused land of Baht 23.12 million had not been included in the net profit of previous year, the net profit would increase by Baht 42.70 million or an increase of 11.57 percent from the same period of previous year, due to effective management of production cost and selling expenses. Details of the changes or impacts are described in the Management Discussion and Analysis (MD&A) as attached herewith.

Please be informed accordingly.

Yours faithfully,

For and on behalf of Diamond Building Products Public Company Limited

(Mr. Satid Sudbuntad)

Chief Executive Officer

DIAMOND BUILDING PRODUCTS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
MANAGEMENT DISCUSSION AND ANALYSIS

(For the Consolidated Financial Statements of the Year Period Ending December 31, 2017)

(1) Overall Operating Results


For the year 2017, the total revenue from sales and services of the Company and its subsidiary (together referred to as the “Corporate Group”) was Baht 4,171.13 million, which increased from the previous year by 1.28 percent and the net profit of year 2017 was Baht 411.61 million, which increased from the previous year by 4.99 percent. However, if the extra profit from the sale of unused land of Baht 23.12 million had not been included in the net profit of previous year, the net profit would increase by Baht 42.70 million or an increase of 11.57 percent from the same period of previous year, due to effective management of production cost and selling expenses.


(2) Analysis of Operating Results and Profitability


(2.1) Revenues from Sales and Services

Description	Year 2017		Year 2016		Increase / (Decrease)	
	Million Baht	% of Total Revenue	Million Baht	% of Total Revenue	Million Baht	%
Revenues from Sales	3,825.51	91.42	3,803.83	91.42	21.68	0.57
Revenues from Services	345.62	8.26	314.47	7.56	31.15	9.91
Total Revenue from Sales and Services	4,171.13	99.68	4,118.30	98.98	52.83	1.28
Gain on Sales of Fixed Assets	3.89	0.09	31.33	0.75	(27.44)	(87.58)
Gain on Foreign Exchange Rate – Net	2.30	0.05	4.32	0.10	(2.02)	(46.76)
Other Revenue	7.35	0.18	6.90	0.17	0.45	6.52
Total Other Revenue	13.54	0.32	42.55	1.02	(29.01)	(68.18)
Total Revenue	4,184.67	100.00	4,160.85	100.00	23.82	0.57

The Corporate Group's total revenue of year 2017 increased from the same period of previous year by 0.57 percent, consisting of:

 Revenues from sales were Baht 3,825.51 million, which increased from the same period of previous year by Baht 21.68 million or 0.57 percent, due to the increase in product sales volume of 3.33 percent.

 Revenues from services were Baht 345.62 million, which increased from the same period of previous year by Baht 31.15 million or 9.91 percent, due to the increase in revenue from transportation of Baht 5.69 million and increase in revenue from services of Baht 25.46 million.

 Other revenue was Baht 13.54 million, which decreased from the same period of previous year by Baht 29.01 million or 68.18 percent, due to the profit from sale of non-utilized land of Baht 31.08 million (before corporate income tax).

(2.2) Cost of Sales and Services

Description	Year 2017		Year 2016		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
Cost of Sales	2,678.19	64.21	2,704.68	65.67	(26.49)	(0.98)
Cost of Services	352.33	8.45	318.06	7.72	34.27	10.77
Total Cost of Sales and Services	3,030.52	72.65	3,022.74	73.40	7.78	0.26

The Corporate Group's total cost of sales and services of year 2017 increased from the same period of previous year by 0.26 percent, consisting of:



Cost of sales was Baht 2,678.19 million, which decreased from the same period of previous year by Baht 26.49 million or 0.98 percent, due to the decrease in raw material cost and depreciation of 4.15 percent in spite of increase in product sales volume of 3.33 percent.



Cost of services was Baht 352.33 million, which increased from the same period of previous year by Baht 34.27 million or 10.77 percent, due to the increase in transportation cost of Baht 13.71 million and increase in the cost of services of Baht 20.56 million.

(2.3) Selling and Administrative Expenses

Description	Year 2017		Year 2016		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
Selling Expenses	192.70	4.62	201.75	4.90	(9.05)	(4.49)
Administrative Expenses	389.76	9.34	377.13	9.16	12.63	3.35
Management's Remuneration*	48.38	1.16	45.63	1.11	2.75	6.03
Total Selling and Administrative Expenses	630.84	15.12	624.51	15.16	6.33	1.01

Remark: * Management means the director, managing director or the next four executives succeeding the chief executive officer, the persons holding equivalent position to the fourth executive and shall include the persons holding the position of manager or equivalent in accounting or finance departments.

The Corporate Group's total expenses of year 2017 increased from the same period of previous year by 1.01 percent, consisting of:



Selling expenses were Baht 192.70 million, which decreased from the same period of previous year by Baht 9.05 million or 4.49 percent, due to the decrease in marketing and sales promotion expenses of Baht 16.96 million but there were increase in salary and benefits of the employees of Baht 3.36 million and increase in service expenses of Baht 3.56 million.



Administrative expenses were Baht 389.76 million, which increased from the same period of previous year by Baht 12.63 million or 3.35 percent, due to the increase in salary and benefits of the employees of Baht 15.57 million, increase in product packaging expenses of Baht 2.32 million and increase in processing expenses for export products of Baht 2.31 million, but there were decrease in consulting expenses of Baht 1.74 million, decrease in depreciation and amortization of Baht 4.23 million and decrease in bank fee of Baht 1.98 million.



Management's remunerations were Baht 48.38 million, which increased from the same period of previous year by Baht 2.75 million or 6.03 percent due to increase in provision for post-employment benefits obligation of the executives.

(2.4) Profitability

Description	Year 2017		Year 2016		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
Revenues from Sales and Services	4,171.13	100.00	4,118.30	100.00	52.83	1.28
Costs of Sales and Services	3,030.52	72.65	3,022.74	73.40	7.78	0.26
GP	1,140.61	27.35	1,095.56	26.60	45.05	4.11
EBITDA	774.43	18.57	808.07	19.62	(33.64)	(4.16)
EBIT	523.32	12.55	513.61	12.47	9.71	1.89
NP	411.61	9.87	392.03	9.52	19.58	4.99
EPS (Baht per Share) *	0.43		0.39		0.04	10.26
Weighted Average Number of Ordinary Shares (Million Shares) *	947.96		997.41		(49.45)	(4.96)
Return on Equity (ROE) (%)	21.16%		18.58%		2.58%	
Return on Assets (ROA) (%)	13.16%		11.48%		1.68%	
Remark: * Calculated based on the number of issued and paid-up ordinary shares deducted by the number of treasury share						
GP = Gross Profit, EBITDA = Earnings before Interest, Tax, Depreciation & Amortization, EBIT = Earnings before Interest & Tax,						
NP = Net Profit after Tax, EPS = Net Earnings per Share						

Gross Profit (GP)



The Corporate Group's gross profit of year 2017 was Baht 1,140.61 million, an increase from the same period of previous year by Baht 45.05 million or 4.11 percent, due to the increase in revenues from sales and services of 1.28 percent and the costs of sales and services increased by 0.26 percent.

Net Profit (NP)

The Corporate Group's net profit and net earnings per share of year 2017 increased from the same period of previous year as follows:



The Corporate Group's net profit was Baht 411.61 million, an increase from the same period of previous year by Baht 19.58 million or 4.99 percent (However, if the extra profit from the sale of unused land of Baht 23.12 million had not been included in the net profit of previous year, the net profit would increase by 11.57 percent) due to the increase in gross profit margin of 4.11 percent in spite of increase in selling and administrative expenses of 1.01 percent.



The Corporate Group's net earnings per share was Baht 0.43 per share, an increase from the same period of previous year of Baht 0.04 per share or 10.26 percent, due to the increase in net profit of 4.99 percent and the decrease in weighted average number of ordinary shares of 4.96 percent due to the share repurchase in year 2016.

EBITDA



The Corporate Group's EBITDA of year 2017 was Baht 774.43 million, a decrease from the same period of previous year of Baht 33.64 million or 4.16 percent (However, if the profit from the sale of unused land of Baht 31.08 million had not been included in the EBITDA of previous year, the EBITDA would decrease by 0.33 percent) due to the increase in gross profit margin of 4.11 percent.

Earnings Efficiency



Return on Equity (ROE): The Corporate Group's ROE increased from 18.58 percent as at end of 2016 to 21.16 percent as at December 31, 2017 or an increase of 2.58 percent, due to the increase in net profit of 4.99 percent and decrease in average shareholders' equity per year of 7.81 percent from the previous year.



Return on Assets (ROA): The Corporate Group's ROA increased from 11.48 percent as at end of 2016 to 13.16 percent as at December 31, 2017 or an increase of 1.68 percent, due to the increase in net profit of 4.99 percent and decrease in average total assets per year of 8.43 percent from the previous year.

(2.5) Financial Position

Description	Statement of Financial Position		Increase / (Decrease)	
	As at December 31, 2017	As at December 31, 2016	Million Baht	%
	Million Baht	Million Baht		
Total Assets	3,017.15	3,237.51	(220.36)	(6.81)
Total Liabilities	1,022.64	1,341.79	(319.15)	(23.79)
Total Shareholders' Equity	1,994.51	1,895.72	98.79	5.21
Weighted Average Number of Ordinary Shares (Million Shares)*	947.96	997.41	(49.45)	(4.96)
Book Value (Baht per Share)*	2.10	1.90	0.20	10.53

Remark: * Calculated based on the number of issued and paid-up ordinary shares deducted by the number of treasury stock



The Corporate Group's total assets as at December 31, 2017 decreased from the end of year 2016 by Baht 220.36 million or 6.81 percent, due to the decrease in fixed assets of Baht 127.90 million, decrease in intangible assets of Baht 6.34 million, decrease in inventory of Baht 45.96 million and decrease in trade accounts receivable and other accounts receivable of Baht 47.53 million, but there were increase in cash and cash in bank of Baht 3.25 million, increase in deferred income tax of Baht 1.99 million and increase in other current assets and other non-current assets of Baht 2.13 million.



The Corporate Group's total liabilities as at December 31, 2017 decreased from the end of year 2016 by Baht 319.15 million or 23.79 percent, due to the decrease in short-term loan of Baht 293 million, decrease in current portion of long-term loan due within one year of Baht 100 million, decrease in financial lease liabilities of Baht 1.35 million and decrease in current income tax payable of Baht 3.09 million, but there were increase in trade accounts payable and other accounts payable of Baht 67.06

million, increase in other current liabilities of Baht 1.02 million and increase in provision for post-employment benefits obligation of Baht 10.21 million.



The Corporate Group's total shareholders' equity as at December 31, 2017 increased from the end of year 2016 by Baht 98.79 million or 5.21 percent, due to the increase in net profit of Baht 411.61 million, but there were dividend payment of Baht 312.82 million, resulting in a increase in share book value from Baht 1.90 per share as at end of year 2016 to Baht 2.10 per share as at December 31, 2017.

(2.6) Cash Flows

Description	Unit: Million Baht	
	Year 2017	Year 2016
Cash Flows from (used in) Operating Activities	822.46	710.22
Cash Flows from (used in) Investing Activities	(91.53)	24.66
Cash Flows from (used in) Financing Activities	(724.51)	(742.98)
Unrealized exchange gain (loss) of cash and cash equivalents	(3.18)	0.28
Cash Increase (Decrease) – Net	3.24	(7.82)
Cash at the Beginning of the Period	20.59	28.42
Cash at the Ending of the Period	23.83	20.60
CFROE = Cash Flow Return on Equity Increase (Decrease) (%)	42.28%	33.66%



The Corporate Group's net cash from operating activities of year 2017 was Baht 822.46 million, which was higher than the net profit before tax by Baht 311.72 million due to the transactions that did not affect the cash such as depreciation of assets and amortization of Baht 251.11 million, decrease in trade accounts receivable and other accounts receivable of Baht 47.41 million, net decrease in inventory of Baht 45.96 million, increase in trade accounts payable and other accounts payable of Baht 57.66 million, increase in other non-current liabilities of Baht 10.21 million, increase in other current liabilities of Baht 13.44 million, but there were increase in other current assets, other non-current assets of Baht 9.87 million, payment of accrued corporate income tax for year 2016 of Baht 38.36 million and payment of corporate income tax in the middle of year 2017 of Baht 61.15 million and payment of withholding tax of Baht 4.69 million.



The Corporate Group's net cash used in investing activities of year 2017 was Baht 91.53 million, due to the expenses paid for tools and equipment replacement after their useful life of Baht 96.09 million, but there were cash received from interest of Baht 0.09 million and cash received from sale of damaged and unusable assets of Baht 4.47 million.



The Corporate Group's net cash used in financing activities of year 2017 was Baht 724.51 million, due to the repayment of long-term loan and financial lease of Baht 107.04 million, interest payment of Baht 11.65 million, dividend payment of Baht 312.82 million and repayment of short-term loan of Baht 293 million.

(2.7) Financial Ratios

Financial Ratios	As at December 31, 2017	As at December 31, 2016
Current Ratio (Times)	1.30	1.02
Quick Ratio (Times)	0.65	0.51
Cash flow Liquidity Ratio (Times)	0.78	0.62
Account Receivable Turnover Ratio (Times)	7.81	7.42
Average Collection Period (Days)	46	48
Inventory Turnover Period (Days)	19	18
Average Payable Period (Days)	17	16
Cash Cycle (Days)	48	50
Total Debt to Equity Ratio (Times)	0.51	0.71
Interest Coverage Ratio (Times)	73.26	43.82
Debt Service Coverage Ratio (Times)	6.55	2.59

(3) Asset Management Capability

(3.1) Debtor Quality, Accounts Receivable Aging, Provision and Sufficiency of Allowance for Doubtful Debts

The Corporate Group's trade accounts receivable and other accounts receivable as at December 31, 2017 account for 18.04 percent of the total assets with 81.71 percent not yet due for payment. The Corporate Group has established policy for setting provision or allowance for doubtful debts which is based on the analysis of accounts receivable aging and assessment of past debt collection experience. Accordingly, the Corporate Group has experienced very little bad debts and has not found any irregularity in 2017 and there was no bad debt in the past year 2016.

(3.2) Inventory and Deterioration or Obsolete

The Corporate Group's inventory as at December 31, 2017 accounts for 19.09 percent of the total assets, of which 29.65 percent are finished products, 24.01 percent are work in progress and 34.11 percent are raw materials. The Corporate Group conducts inventory inspection every month and has employed accounting policy for setting provision for deteriorated inventory based on product life which is based on the generally accepted accounting standards.

(4) Liquidity and Capital Sufficiency

The Corporate Group has appropriate capital management, having prepared operating cash flows statements every day to acknowledge the daily cash-in and cash-out, in order to learn about liquidity, debt service coverage and sources of fund for the best interest, which can be summarized as follows.



The Corporate Group's total debt to equity ratio as at December 31, 2017 was at 0.51 times, a decrease from end of year 2016, due to the decrease in total liabilities from the end of 2016 of 23.79 percent but the shareholders' equity increased from the end of year 2016 by 5.21 percent, and the interest coverage ratio was at 73.26 times, an increase from end of 2016, due to an increase in cash flow from operating activities from the previous year of 15.80 percent and decrease in interest on loan from the previous year of 32.21 percent.



The Corporate Group's current ratio as at December 31, 2017 was 1.30 times, an increase from the end of year 2016, due to the decrease in current assets of 7.11 percent but there were decrease in current liabilities of 27.06 percent and the quick ratio of 0.65 times, which increased from the end of year 2016, due to the decrease in inventory by 7.39 percent and the cash flow liquidity ratio was 0.78 times, an increase from end of year 2016, due to the increase in cash flow from operating activities from the previous year of 15.80 percent.



The Corporate Group's cash cycle as at December 31, 2017 was 48 days, a decrease from the end of year 2016 by 2 days as the average collection period decreased by 2 days and average payable period increased by 1 days but there was an increase in inventory turnover period of 1 day.



The Corporate Group's debt service coverage ratio increased from 2.59 times as at end of year 2016 to 6.55 times as at December 31, 2017 due to a decrease in long-term loan and financial lease liabilities due within one year of 64 percent and a decrease in loan interest payment of 32.21 percent in spite of decrease in EBITDA of 4.16 percent from the end of year 2016.

(5) Debt Obligation

The Corporate Group has policy to mitigate risk from interest fluctuation by taking long-term loan with fixed interest rate. Accordingly, as at December 31, 2017, the Corporate Group had no long-term debt obligation to comply with the terms and conditions of the loan agreement with the commercial bank.

(6) Factors Having Impact on Future Operating Results

The economic situation for year 2018 is expected to recover going forward with modern construction materials retailers or modern trade operators still expanding their business with new branches and property development group beginning to open new projects. In addition, the government sector has continued to invest in infrastructure and public utility projects. Regional market and agricultural sector have also recovered. All of which should positively contribute to Company's business operation in year 2018, which is expected to grow continuously in spite of impact from fuel and labor costs that are expected to increase.