



Ref. DBP. 107 / 2018

August 14, 2018

Subject : Clarification on Operating Results for the 3-month Period and 6-month Period ending June 30, 2018

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 for the 3-month period and 6-month period ending June 30, 2018 as follows.

The net profit of the Corporate Group for the 3-month period and 6-month period ending June 30, 2018 were Baht 115.58 million and Baht 255.57 million, respectively. In comparison with the same periods of previous year with the net profit of Baht 116.50 million and Baht 252.06 million, respectively, the net profit for the 3-month period decreased by Baht 0.92 million or 0.79 percent and for the 6-month period, the net profit increased by Baht 3.51 million or 1.39 percent. 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 2nd Quarter Ending June 30, 2018)

(1) Overall Operating Results


For the 2nd quarter 2018, the total revenue from sales and services of the Company and its Subsidiary (together referred to as the “Corporate Group”) was Baht 1,144.95 million, which increased from the same period of previous year by 4.78 percent and the net profit in the 2nd quarter 2018 was Baht 115.58 million, which decreased from the same period of previous year by 0.79 percent, due to the increase in the cost of raw materials and increase in selling and administrative expenses, as well as increase in cost from long holiday period during the Songkran festival in April 2018. Nonetheless, for the 6-month period, the revenue from sales and services totaled Baht 2,350.75 million, an increase from the same period of previous year by 4.34 percent and the net profit was Baht 255.57 million, an increase from the same period of previous year of 1.39 percent.


(2) Analysis of Operating Results and Profitability


(2.1) Revenues from Sales and Services

Description	Year 2018		Year 2017		Increase / (Decrease)	
	Million Baht	% of Total Revenue	Million Baht	% of Total Revenue	Million Baht	%
2nd Quarter (April – June)						
Revenues from Sales	1,054.34	91.88	1,016.29	92.81	38.05	3.74
Revenues from Services	90.61	7.90	76.42	6.98	14.19	18.57
Total Revenue from Sales and Services	1,144.95	99.78	1,092.71	99.79	52.24	4.78
Gain on Sales of Fixed Assets	0.08	0.01	-	-	0.08	-
Gain on Foreign Exchange Rate – Net	0.20	0.02	-	-	0.20	-
Other Revenue	2.23	0.19	2.30	0.21	(0.07)	(3.04)
Total Other Revenue	2.51	0.22	2.30	0.21	0.21	9.13
Total Revenue	1,147.46	100.00	1,095.01	100.00	52.45	4.79
6-Month Period (January – June)						
Revenues from Sales	2,162.91	91.77	2,081.41	92.10	81.50	3.92
Revenues from Services	187.84	7.97	171.58	7.59	16.26	9.48
Total Revenue from Sales and Services	2,350.75	99.74	2,252.99	99.69	97.76	4.34
Gain on Sales of Fixed Assets	0.10	-	1.93	0.09	(1.83)	(94.82)
Gain on Foreign Exchange Rate – Net	1.98	0.08	-	-	1.98	-
Other Revenue	4.01	0.18	5.09	0.22	(1.08)	(21.22)
Total Other Revenue	6.09	0.26	7.01	0.31	(0.92)	(13.12)
Total Revenue	2,356.84	100.00	2,260.00	100.00	96.84	4.28


The Corporate Group's total revenue in the 2nd Quarter 2018 increased from the same period of previous year by 4.79 percent, consisting of:


 Revenues from sales were Baht 1,054.34 million, which increased from the same period of previous year by Baht 38.05 million or 3.74 percent, due to the increase in sales revenue from roof tiles, board products and autoclaved aerated concrete blocks but sales revenues from siding board have decreased.


 Revenues from services were Baht 90.61 million, which increased from the same period of previous year by Baht 14.19 million or 18.57 percent, due to the increase in revenue from services of Baht 16.03 million but the revenue from transportation decreased by Baht 1.84 million.

 Other revenue was Baht 2.51 million, which increased from the same period of previous year by Baht 0.21 million or 9.13 percent, due to the increase in sales of scrap and sale of damaged and unusable assets.

The Corporate Group's total revenue in the 6-month period of year 2018 increased from the same period of previous year by 4.28 percent, consisting of:

 Revenues from sales were Baht 2,162.91 million, which increased from the same period of previous year by Baht 81.50 million or 3.92 percent, due to the increase in sales revenues from board products, autoclaved aerated concrete blocks, siding board and roof tiles.


 Revenues from services were Baht 187.84 million, which increased from the same period of previous year by Baht 16.26 million or 9.48 percent, due to the increase in revenue from transportation of Baht 0.54 million and the revenue from services increased by Baht 15.72 million.


 Other revenue was Baht 6.09 million, which decreased from the same period of previous year by Baht 0.92 million or 13.12 percent, due to the decrease in sales of scrap and sale of damaged and unusable assets.

(2.2) Cost of Sales and Services


Description	Year 2018		Year 2017		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
2nd Quarter (April – June)						
Cost of Sales	743.99	64.98	706.01	64.61	37.98	5.38
Cost of Services	96.07	8.39	81.24	7.43	14.83	18.25
Total Cost of Sales and Services	840.06	73.37	787.25	72.05	52.81	6.71
6-Month Period (January – June)						
Cost of Sales	1,524.72	64.86	1,452.04	64.45	72.68	5.01
Cost of Services	193.50	8.23	178.11	7.91	15.39	8.64
Total Cost of Sales and Services	1,718.22	73.09	1,630.15	72.35	88.07	5.40


The Corporate Group's total cost of sales and services in the 2nd Quarter 2018 increased from the same period of previous year by 6.71 percent, consisting of:

 Cost of sales was Baht 743.99 million, which increased from the same period of previous year by Baht 37.98 million or 5.38 percent, due to the increase in product sales volume of 2.08 percent and increase in raw material cost, salary and benefits of the employees, electricity expenses, gas expense and repair and maintenance expenses.

 Cost of services was Baht 96.07 million, which increased from the same period of previous year by Baht 14.83 million or 18.25 percent, due to the increase in cost of services of Baht 15.67 million but the transportation cost decreased by Baht 0.84 million.

The Corporate Group's total cost of sales and services in the 6-month period of year 2018 increased from the same period of previous year by 5.40 percent, consisting of:


 Cost of sales was Baht 1,524.72 million, which increased from the same period of previous year by Baht 72.68 million or 5.01 percent, due to the increase in product sales volume of 3.64 percent and increase in raw material cost, salary and benefits of the employees, electricity expenses, gas expense and repair and maintenance expenses.


 Cost of services was Baht 193.50 million, which increased from the same period of previous year by Baht 15.39 million or 8.64 percent, due to the increase in transportation cost of Baht 1.04 million and the cost of services increased by Baht 14.35 million.


(2.3) Selling and Administrative Expenses

Description	Year 2018		Year 2017		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
2nd Quarter (April – June)						
Selling Expenses	52.70	4.60	45.45	4.16	7.25	15.95
Administrative Expenses	97.64	8.53	100.17	9.17	(2.53)	(2.53)
Management's Remuneration*	11.25	0.98	12.75	1.17	(1.50)	(11.76)
Total Selling and Administrative Expenses	161.59	14.11	158.37	14.49	3.22	2.03
6-Month Period (January – June)						
Selling Expenses	94.39	4.02	85.18	3.78	9.21	10.81
Administrative Expenses	203.05	8.64	200.22	8.89	2.83	1.41
Management's Remuneration*	19.02	0.81	22.19	0.98	(3.17)	(14.29)
Total Selling and Administrative Expenses	316.46	13.46	307.59	13.65	8.87	2.88
Remark: * Management means the director, chief executive officer 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 in the 2nd Quarter 2018 increased from the same period of previous year by 2.03 percent, consisting of:


 Selling expenses were Baht 52.70 million, which increased from the same period of previous year by Baht 7.25 million or 15.95 percent, due to the increase in marketing and sales promotion expenses of Baht 6.21 million.


 Administrative expenses were Baht 97.64 million, which decreased from the same period of previous year by Baht 2.53 million or 2.53 percent, due to the decrease in salary and benefits of the employees of Baht 2.12 million and decrease in depreciation and amortization of Baht 1.67 million, but there were increases in consulting expenses of Baht 0.72 million and fuel expenses of Baht 0.57 million.

 Management's remunerations were Baht 11.25 million, which decreased from the same period of previous year by Baht 1.50 million or 11.76 percent.

The Corporate Group's total expenses in the 6-month period of year 2018 increased from the same period of previous year by 2.88 percent, consisting of:

 Selling expenses were Baht 94.39 million, which increased from the same period of previous year by Baht 9.21 million or 10.81 percent, due to the increase in marketing and sales promotion expenses of Baht 6.52 million, increase in salary and benefits of the employees of Baht 1.40 million, increase in travelling expenses of Baht 0.43 million and increase in service expenses of Baht 0.86 million.

 Administrative expenses were Baht 203.05 million, which increased from the same period of previous year by Baht 2.83 million or 1.41 percent, due to the increase in product packaging expenses of Baht 1.32 million, increase in consulting expenses of Baht 1.52 million, increase in repair and maintenance expenses of Baht 1.01 million and increase in service expenses of Baht 0.67 million, but decrease in depreciation and amortization of Baht 1.85 million.


 Management's remunerations were Baht 19.02 million, which decreased from the same period of previous year by Baht 3.17 million or 14.29 percent.


(2.4) Profitability

Description	Year 2018		Year 2017		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
2nd Quarter (April – June)						
Revenues from Sales and Services	1,144.95	100.00	1,092.71	100.00	52.24	4.78
Costs of Sales and Services	840.06	73.37	787.25	72.05	52.81	6.71
GP	304.89	26.63	305.46	27.95	(0.57)	(0.09)
EBITDA	205.01	17.91	211.26	19.33	(6.25)	(2.96)
EBIT	145.81	12.74	149.40	13.67	(3.59)	(2.40)
NP	115.58	10.09	116.50	10.66	(0.92)	(0.79)
EPS (Baht per Share) *	0.12	-	0.12	-	-	-
Weighted Average Number of Ordinary Shares (Million Shares) *	947.96	-	947.96	-	-	-

Description	Year 2018		Year 2017		Increase / (Decrease)	
	Million Baht	% of Sales	Million Baht	% of Sales	Million Baht	%
6-Month Period (January – June)						
Revenues from Sales and Services	2,350.75	100.00	2,252.99	100.00	97.76	4.34
Costs of Sales and Services	1,718.22	73.09	1,630.15	72.35	88.07	5.40
GP	632.53	26.91	622.84	27.65	9.69	1.56
EBITDA	440.98	18.76	449.31	19.94	(8.33)	(1.85)
EBIT	322.17	13.70	322.26	14.30	(0.09)	(0.03)
NP	255.57	10.87	252.06	11.19	3.51	1.39
EPS (Baht per Share) *	0.27		0.27		-	-
Weighted Average Number of Ordinary Shares (Million Shares) *	947.96		947.96		-	-
Return on Equity (ROE) (%)	25.09%		21.16%		3.93%	
Return on Assets (ROA) (%)	16.71%		13.16%		3.55%	
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 in the 2nd Quarter 2018 was Baht 304.89 million, an increase from the same period of previous year by Baht 0.57 million or 0.09 percent, due to the increase in revenues from sales and services of 4.78 percent but there was an increase in costs of sales and services of 6.71 percent.

 The Corporate Group's gross profit in the 6-month period of year 2018 was Baht 632.53 million, an increase from the same period of previous year by Baht 9.69 million or 1.56 percent, due to the increase in revenues from sales and services of 4.34 percent but there was an increase in costs of sales and services of 5.40 percent.


Net Profit (NP)

The Corporate Group's net profit and net earnings per share in the 2nd Quarter 2018 as follows:

 The Corporate Group's net profit was Baht 115.58 million, the decrease from the same period of previous year by Baht 0.92 million or 0.79 percent, due to the decrease in gross profit margin of 0.09 percent and increase in selling and administrative expenses of 2.03 percent.

 The Corporate Group's net earnings per share was Baht 0.12 per share, which was equivalent to the same period of previous year.

The Corporate Group's net profit and net earnings per share in the 6-month period of year 2018 as follows:

 The Corporate Group's net profit was Baht 255.57 million, an increase from the same period of previous year by Baht 3.51 million or 1.39 percent, due to an increase in gross profit margin of 1.56 percent but there was an increase in selling and administrative expenses of 2.88 percent.



The Corporate Group's net earnings per share was Baht 0.27 per share, which was equivalent to the same period of previous year.

EBITDA



The Corporate Group's EBITDA in the 2nd Quarter 2018 was Baht 205.01 million, the decrease from the same period of previous year by Baht 6.25 million or 2.96 percent, due to the decrease in gross profit margin of 0.09 percent and the increase administrative expenses excluding depreciation of 3.26 percent.



The Corporate Group's EBITDA in the 6-month period of year 2018 was Baht 440.98 million, the decrease from the same period of previous year by Baht 8.33 million or 1.85 percent, due to an increase in selling and administrative expenses excluding depreciation of 3.68 percent despite the increase in gross profit margin of 1.56 percent.

Earnings Efficiency



Return on Equity (ROE): The Corporate Group's ROE increased from 21.16 percent as at end of 2017 to 25.09 percent as at June 30, 2018 or an increase of 3.93 percent, due to an increase in annualized projected annual net profit of 24.18 percent and there was a decrease in the shareholders' equity of 4.72 percent from the previous year.



Return on Assets (ROA): The Corporate Group's ROA increased from 13.16 percent as at end of 2017 to 16.71 percent as at June 30, 2018 or an increase of 3.55 percent, due to the increase in annualized projected annual net profit of 24.18 percent and there was a decrease in total assets of 2.18 percent from the previous year.

(2.5) Financial Position

Description	Statement of Financial Position		Increase / (Decrease)	
	As at June 30, 2018	As at December 31, 2017		
	Million Baht	Million Baht	Million Baht	%
Total Assets	3,101.04	3,017.15	83.89	2.78
Total Liabilities	1,021.60	1,022.64	(1.04)	(0.10)
Total Shareholders' Equity	2,079.44	1,994.51	84.93	4.26
Weighted Average Number of Ordinary Shares (Million Shares)*	947.96	947.96	-	-
Book Value (Baht per Share)*	2.19	2.10	0.09	4.29
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 June 30, 2018 increased from the end of year 2017 by Baht 83.89 million or 2.78 percent, due to a net increase in inventory of Baht 83.04 million, net increase in trade accounts receivable and other accounts receivable of Baht 72.80 million, increase in other current assets and other non-current assets of Baht 3.56 million, increase in cash advance payment for

purchase of assets of Baht 8.73 million and increase in cash and cash in bank of Baht 0.83 million, but there were decrease in fixed assets of Baht 82.47 million, decrease in intangible assets of Baht 1.97 million and decrease in deferred income tax of Baht 0.63 million.



The Corporate Group's total liabilities as at June 30, 2018 decreased from the end of year 2017 by Baht 1.04 million or 0.10 percent, due to the decrease in short-term loan of Baht 155.30 million, decrease in other current liabilities of Baht 7.29 million and decrease in provision for post-employment benefits obligation of Baht 1.74 million, but there were increase in trade accounts payable and other accounts payable of Baht 134.63 million, increase in financial lease liabilities of Baht 1.65 million and increase in current income tax payable of Baht 27.01 million.



The Corporate Group's total shareholders' equity as at June 30, 2018 increased from the end of year 2017 by Baht 84.93 million or 4.26 percent, due to the increase in net profit of Baht 255.57 million, but there was a dividend payment of Baht 170.64 million, resulting in an increase in share book value from Baht 2.10 per share as at end of year 2017 to Baht 2.19 per share as at June 30, 2018.

(2.6) Cash Flows

Description	Unit: Million Baht	
	Year 2018	Year 2017
Cash Flows from (used in) Operating Activities	362.65	575.61
Cash Flows from (used in) Investing Activities	(29.09)	(16.74)
Cash Flows from (used in) Financing Activities	(332.76)	(506.74)
Unrealized exchange gain (loss) of cash and cash equivalents	0.03	(2.34)
Cash Increase (Decrease) – Net	0.84	49.79
Cash at the Beginning of the Period	23.83	20.59
Cash at the Ending of the Period	24.66	70.38
CFROE = Cash Flow Return on Equity Increase (Decrease) (%)	34.75%	42.28%



The Corporate Group's net cash from operating activities in the 2nd Quarter 2018 was Baht 362.65 million, which was higher than the net profit before tax by Baht 44.14 million, due to the transactions that did not affect the cash such as depreciation of assets and amortization of Baht 118.81 million, increase in trade accounts payable and other accounts payable of Baht 124.47 million, but there were net increase in trade accounts receivable and other accounts receivable of Baht 72.76 million, net increase in inventory of Baht 83.12 million, increase in other current assets and other non-current assets of Baht 2.72 million, decrease in other non-current liabilities of Baht 1.74 million, decrease in other current liabilities of Baht 3.49 million and payment of accrued corporate income tax for year 2017 of Baht 35.31 million.



The Corporate Group's net cash used in investing activities in the 2nd Quarter 2018 was Baht 29.09 million, due to the expenses paid for tools and equipment replacement after their useful life of Baht 20.54 million and cash advance payment for purchase of assets of Baht 8.73 million, but there were

cash received from interest of Baht 0.03 million and cash received from sale of damaged and unusable assets of Baht 0.15 million.



The Corporate Group's net cash used in financing activities in the 2nd Quarter 2018 was Baht 332.76 million, due to the repayment of long-term loan and financial lease of Baht 3.76 million, interest payment of Baht 3.06 million, dividend payment of Baht 170.64 million and repayment of short-term loan of Baht 155.30 million.

(2.7) Financial Ratios

Financial Ratios	As at June 30, 2018	As at December 31, 2017
Current Ratio (Times)	1.48	1.30
Quick Ratio (Times)	0.74	0.65
Cash flow Liquidity Ratio (Times)	0.80	0.78
Account Receivable Turnover Ratio (Times)	8.43	7.81
Average Collection Period (Days)	43	46
Inventory Turnover Period (Days)	17	19
Average Payable Period (Days)	22	17
Cash Cycle (Days)	38	48
Total Debt to Equity Ratio (Times)	0.49	0.51
Interest Coverage Ratio (Times)	114.45	73.26
Debt Service Coverage Ratio (Times)	14.12	6.55

(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 June 30, 2018 account for 19.90 percent of the total assets with 84.83 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 2018 and there was no bad debt in the past year 2017.

(3.2) Inventory and Deterioration or Obsolete

The Corporate Group's inventory as at June 30, 2018 accounts for 21.25 percent of the total assets, of which 24.08 percent are finished products, 18.31 percent are work in progress and 31.98 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 June 30, 2018 was at 0.49 times, an decrease from end of year 2017, due to the decrease in total liabilities from the end of 2017 of 0.10 percent but the shareholders' equity increased from the end of year 2017 by 4.26 percent and the interest coverage ratio was at 114.45 times, an increase from end of 2017, due to a decrease in annualized cash flow from operating activities from the previous year of 11.81 percent, but decrease in annualized interest on loan from the previous year of 42.09 percent.



The Corporate Group's current ratio as at June 30, 2018 was 1.48 times, an increase from the end of year 2017, due to an increase in current assets of 13.92 percent but current liability was equivalent to the end of year 2017 and the quick ratio of 0.74 times, which increased from the end of year 2017, due to an increase in inventory by 14.42 percent and the cash flow liquidity ratio was 0.80 times, an increase from end of year 2017, due to the decrease in annualized cash flow from operating activities from the previous year by 11.81 percent but current liability was equivalent to the end of year 2017.



The Corporate Group's cash cycle as at June 30, 2018 was 38 days, a decrease from the end of year 2017 by 10 days due to average collection period decreased by 3 day and decrease in inventory turnover period of 2 day but average payable period increased by 5 days.



The Corporate Group's debt service coverage ratio increased from 6.55 times as at end of year 2017 to 14.12 times as at June 30, 2018 due to an increase in annualized EBITDA from end of year 2017 of 13.89 percent, a decrease in long-term loan and financial lease liabilities due within one year of 47.77 percent and a decrease in loan interest payment of 42.09 percent.

(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 June 30, 2018, 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 Corporate Group expects that overall picture of the construction material market during the second half of the year will be weakened due to impact from heavier rainfall than the previous year and severe flood in the western region of the Country. Nonetheless, after the rainy season has subsided, the consumers shall return in order to repair their residence. Moreover, operators of modern construction material retail stores are still increasing the number of branches and group of project customers have continued to develop new residential projects.