



Ref. FPI.020/2017

14 August 2018

Subject : Management Discussion & Analysis of Performance Results of Quarter 2/2018

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 June 2018 which has been reviewed by certified public auditor as follows:

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

(Unit : Million Baht)

Separate financial statements

	<u>Q2/2018</u>	<u>Q2/2017</u>	<u>% Change</u>
Sales	469	521	(10)
Gross Profit Margin	379	396	(4)
Selling and Administrative Expenses	54	51	6
Financial Cost	8	8	-
Net Profit	29	65	(55)

(Unit : Million Baht)

**Financial statements in which
the equity method is applied**

	<u>Q2/2018</u>	<u>Q2/2017</u>	<u>% Change</u>
Sales	469	521	(10)
Gross Profit Margin	379	396	(4)
Selling and Administrative Expenses	54	51	6
Share of profit (loss) from investments in joint ventures	1	(1)	(200)
Financial Cost	8	8	-
Net Profit	29	64	(55)

Total Revenues

In the three-month period ended 30 June 2018 and 2017, total revenues of the Company which were Baht 475 million and Baht 530 million, respectively, decreased by Baht 55 million or decreased by 10%. Sales and service income for the quarter 2 ended 30 June 2018 amounted to Baht 469 million decreased by Baht 51 million or decreased by 10% compared to the same period of previous year. However, sales per USD, which USD is the currency used in the operation for export sales, has changed by decreased only 0.3% from sales per USD of the same period in the prior year. The main reason for sales in Thai Baht dropped was from the exchange rate. The exchange rate used in recognized sales for quarter 2 of 2018 was around Baht 30 - 31 per USD 1, while it was Baht 34 per USD 1 at the same period of the prior year. This was led to dropped in sales for this period. Moreover, portion of sales was changed. The changed were export sales to Asia zone dropped especially in sales to main customer in Saudi Arabia, while domestic sales increased from sales of OEM parts of Toyota and export sales to Australia and Europe zone increased from sales of OEM parts of Mazda.

In term of gross profit margin, it was dropped by 5% mainly because of the appreciated of Baht to USD as described, and the change in portion of sales between FPI production and trading. The portion of sales of FPI production was higher than trading in this quarter, while lower than this for the same period of the prior year.

Selling and Administrative Expenses

In the three-month period ended 30 June 2018 and 2017, total selling and administrative expenses of the Company increased by Baht 3 million or increased by 6%, mainly due to allowance for doubtful accounts recorded in this period. However, selling expenses decreased from the change in portion of sales which the higher sales volume of OEM parts in this period. Moreover, loss on exchange rate decreased from the prior period since the Company has entered into the forward exchange contracts to reduce risks from the fluctuation of exchange rate.

Financial Cost

In the three-month period ended 30 June 2018 and 2017, total financial cost of the Company were amounting to Baht 8 million. The balance was not changed because the Company is able to manage and obtain lower financial cost since the prior period.

Net Profit

In the three-month period ended 30 June 2018 and 2017, net profit of the Company which were amounting to Baht 29 million and Baht 65 million, respectively, decreased by Baht 36 million or decreased by 55%. This was mainly because the appreciated of Baht to USD during this period, the change in portion of sales, and the increase in selling and administrative expenses during this period.

For share of profit (loss) from investments in joint ventures, the balance of Baht 0.5 million was described as following.

1. SAFE Energy Holdings Company Limited ("SAFE") as the joint venture which the Company holds 33.37 %. Currently, the project has commenced the commercial operation. SAFE invest in PWGE 99.99%, Bina Puri Power (Thailand) Co.,Ltd. SAFE invest in Bina 49.00% and SAFE Biomass Co.,Ltd. SAFE invest in SAFE Biomass Co.,Ltd. 100.00%. The Company shall recognize the sharing of operating performance total Baht 3.9 million.
2. FORTUNE-PARTS INDUSTRY ECUADOR CIA.LTDA. the Company holds 45% as a joint venture. The Company recognized share profit amounting to Baht 0.1 million during this period.
3. ALP FPI PARTS PRIVATE LIMITED. the Company holds 45% as a joint venture. The Company recognized share loss amounting to Baht 3.5 million during this period.

Financial Position (in comparison to as of 31 December 2017)

Overall financial position of the Company as of 30 June 2018, compared to the statement of financial position as of 31 December 2017, the balance of total assets which were Baht 2,807 million and Baht 2,792 million, respectively, increased by Baht 12 million, or decreased by 1% due to the following reasons.

Total Assets

As at 30 June 2018, total assets was Baht 2,807 million, increased by Baht 12 million from the balance at the ended of 31 December 2017. This were mainly because the increase in trade and other receivables from sales in this period, the increase in balance of inventories especially in OEM parts due to fulfil customers order and other finished goods to support upcoming order, the increase in property, plant and equipment due to the investing in new molds, and investments in joint ventures increased from proportional shareholding in Safe Energy Holdings Company Limited which has already registered during this period.

However, cash and cash equivalent decreased from repayment of short-term loans which were due at near period end and making a payment for investing in molds, while there are cash inflows from cash receipts from warrants exercised of Baht 353 million during this period.

Total Liabilities

As at 30 June 2018, total liabilities was Baht 1,130 million, decreased by Baht 338 million from the ended of the year. It was mainly because the repayment of short-term loans especially in Packing Credit and Bill of Exchange. However, trade payable increased from the purchase inventory to support OEM projects.

Shareholders' Equity

As at 30 June 2018, shareholders' equity was Baht 1,678 million, increased by Baht 354 million from Baht 1,324 million as at 31 December 2017 mainly due to the net profit from operating for the period by Baht 54 million and shares increased due to warrants exercised of Baht 353 million. However, there was dividend paid of Baht 53 million during this period.

Please be informed accordingly.

Yours sincerely,

-Mr.Sompol Tanadumrongsak
Managing Director