

Ref. FPI.002/2019

21 February 2019

Subject : Management Discussion & Analysis of Performance Results Of the Year Ended 31 December 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 annual financial statements for the year ended 31 December 2018 which has been audited by certified public auditor as follows:

Overall performance results of the Company for the year ended 31 December 2018, compared to the same period of the previous year were highlighted as below;

(Unit : Million Baht)

	<u>Separate financial statements</u>		
	<u>2018</u>	<u>2017</u>	<u>% Change</u>
Sales and Service Income	1,940.22	1,979.16	(1.97)
Cost of Sales and Services	1,572.51	1,525.25	3.10
Selling and Administrative Expenses	218.91	244.45	(10.45)
Finance Cost	26.69	30.80	(13.34)
Net Profit	129.08	189.79	(31.99)

(Unit : Million Baht)

	<u>Financial statements in which equity method is applied</u>		
	<u>2018</u>	<u>2017</u>	<u>% Change</u>
Sales and Service Income	1,940.22	1,979.16	(1.97)
Cost of sales and Services	1,572.51	1,525.25	3.10
Selling and Administrative Expenses	218.91	244.45	(10.45)
Share of profit (loss) from investments in joint ventures	(3.53)	10.82	(132.62)
Finance Cost	26.69	30.80	(13.34)
Net Profit	125.55	201.12	(37.57)

**Total Revenues**

In 2018 and 2017, sales and service income of the Company are Baht 1,940.22 and 1,979.16 million, respectively, which decreased by Baht 38.94 million or decreased by 1.97%. 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. Moreover, sales to European countries decreased as the Company allocated more sales to Australian zone. Therefore, the export sales to Australian zone rose from Baht 29 million in 2017 to Baht 139 million in this year or soared for more than 374%, which is mainly from sales of OEM parts of Mazda cars.

Furthermore, the sales in the domestic increased from Baht 252 million in 2017 to Baht 294 million in 2018, or increased by 16% from sales of OEM parts of Toyota cars.

Although the total revenue in this year is less than the revenue in 2017, the revenue in quarter 4 of 2018 is almost 10% more than the revenue in the same period last year.

**Cost of Sales and Services**

In 2018 and 2017, total cost of sales and services of the Company, which is accounted for Baht 1,572.51 million and Baht 1,525.25 million, respectively, increased by Baht 47.26 million or 3.10%. This is mainly because of the increased in overhead expense of production process.

**Selling and Administrative Expenses**

For the period ended 31 December 2018, the Company's selling and administrative expenses decreased by Baht 25.54 million or 10.45% from the same period in 2017. The main reason is from the reversal of allowance for diminution in value of inventories, which decreased by Baht 31.54 million from 2017. The selling expenses such as shipping fees also dropped in the same line with the decreased in sales in the period. However, during the year, the Company has financial advisory, legal fees and project study expense for the solar power plan project in Japan amounted to Baht 29.10 million.

**Financial Cost**

In 2018, the finance cost of the Company was Baht 26.69 million which reduced by Baht 4 million from 2017 because the Company could manage and obtain cheaper source of finance than the prior period.

**Net Profit**

In 2018 and 2017, net profit of the Company which is accounted for Baht 129.08 million and Baht 189.79 million, respectively, decreased by Baht 60 million or 32%. This is mainly due to the declined of sales and the average exchange rate of US Dollar, which is decreased by 3.18% from

33.34 in 2017 to 32.32 in 2017. Moreover, as the Company has solar power plant in Japan, in this year, the Company incurred financial advisory, legal fees and project study expense amounting to Baht 29.10 million. However, if the Company did not have this expense, the profit of quarter 4 in 2018 will be more than the profit of the same period in 2017.

For share of loss from investments in joint ventures in 2018, the balance of Baht 3.53 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. For the period ended 31 December 2018, the Company recognized the profit from investment in joint venture of Baht 6.83 million.
2. FORTUNE-PARTS INDUSTRY ECUADOR CIA.LTDA., the joint venture of FPI, was held 45% by the Company. In 2018, the Company recognized profit from investment in joint venture of Baht 0.07 million.
3. ALP FPI PARTS PRIVATE LIMITED. the Company holds 45% as a joint venture. The Company recognized loss from investment in joint venture of Baht 10.43 million during this period.

**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 31 December 2018, compared to the statement of financial position as of 31 December 2017, the balance of total assets which were Baht 2,555.14 million and Baht 2,792.19 million, respectively, decreased by Baht 237.05 million, or decreased by 8.49% was mainly due to the following reasons:

**Total Assets**

As at 31 December 2018, the Company's total assets was Baht 2,555.14 million, decreased by Baht 237.05 million from the balance as at 31 December 2017. There were a decreased of Baht 46 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.

### **Total Liabilities**

As at 31 December 2018, total liabilities were Baht 875.97 million, decreased from 31 December 2017 of Baht 592.01 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. Moreover, the Debt to equity (D/E) ratio decreased from 1.12 times at 31 December 2017 to 0.52 times in 2018, which is the lowest rate since the Company has operated.

### **Shareholders' Equity**

As at 31 December 2018, shareholders' equity was Baht 1,679.17 million which increased by Baht 354.96 million from Baht 1,324.21 million as at 31 December 2017. The increased is mainly due to the operating profit for the period of Baht 127.25 million and share subscription as warrants exercised of Baht 353 million. However, there was dividend paid of Baht 113.98 million during this period.

Please be informed accordingly.

Yours sincerely,

(Mr.Sompol Tanadumrongsak)

Managing Director