

Ref. PDI/BK-BS-011/2019

25th February 2019

Re: Management Discussion and Analysis (MD&A)
For the year ended December 31, 2018

To: President
The Stock Exchange of Thailand

Due to depletion of Mae Sod Mine's reserves, PDI stopped its mining activities in 2016 and ceased the conventional zinc business end 2017, whilst sustaining part of the zinc related activities under a metal trading business. Subsequently, on November 6, 2018, the Board of Directors of the Company had resolved the resolution to the Company that it shall cease metals trading business at the end of the first quarter of 2019.

PDI reassessed its business structure to move towards Green Businesses targeting renewable energy, materials recycling and eco management. To pursue its business strategy, 36 MW solar farms in Thailand have been acquired in 2016 and 2017. In 2018, the revenues from renewable energy are starting to contribute a significant portion of the profits.

Padaeng Industry Public Company Limited and its subsidiaries ("the Company") would like to announce the operating results for the year ended December 31, 2018, which has been audited by an auditor as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS	For the years ended December 31,	
	2018	2017
REVENUES	5,027.05	6,357.19
<i>Revenue from sales and services</i>	<i>4,543.70</i>	<i>6,025.78</i>
<i>Revenue from sales electricity</i>	<i>330.85</i>	<i>143.28</i>
<i>Other income</i>	<i>152.50</i>	<i>188.13</i>
EXPENSES	(5,056.20)	(5,356.66)
<i>Cost of sales and services</i>	<i>(4,413.12)</i>	<i>(4,755.33)</i>
<i>Cost of sales electricity</i>	<i>(165.89)</i>	<i>(51.48)</i>
<i>Selling expenses</i>	<i>(25.22)</i>	<i>(60.19)</i>
<i>Operating and administrative expenses</i>	<i>(375.23)</i>	<i>(467.36)</i>
<i>Finance costs</i>	<i>(76.74)</i>	<i>(22.30)</i>
SHARE OF PROFIT (LOSS) OF INVESTMENT IN JOINT VENTURES	<i>(11.51)</i>	<i>5.35</i>
INCOME (LOSS) BEFORE TAX	(40.66)	1,005.88
INCOME TAX EXPENSE	<i>(1.10)</i>	<i>(100.60)</i>
NET PROFIT (LOSS) FOR THE YEARS	(41.76)	905.28

For the year ended December 31, 2018, the Company announces a consolidated net loss of 41.76MB, compared to a net profit of 905.28MB for the previous year.

Sales and services of the year 2018 reached 4,874.55MB, a decrease of 21% from 6,169.06MB in year 2017, of which 93% contributed from zinc trading business and 7% from renewable energy. The decrease is mainly from decline in total sales volumes of zinc. As a result of the ceasing of the zinc operations, the sales volumes of imported metals increased to 90% of the total sales in year 2018, marking a complete make-over into PDI's Metals business. Moreover, the continuous decrease in LME Zinc price in 2018 had a major impact on the sales and services income in 2018.

Total expenses of year 2018 reached 5,056.20MB, a decrease of 6% from 5,356.66MB in year 2017. The main reasons for the substantial difference are as follows:

- Costs of goods sold decreased by 5% to 4,579.01MB in year 2018 from 4,806.81MB in year 2017. This is because the company had lower cost of goods sold from its zinc production in 2017 compared to higher cost of goods sold from imported zinc in 2018.
- Selling and Administrative expenses decreased by 24% to 400.45 MB in year 2018 from 527.55 MB in year 2017. This is due to restructuring and continuously minimizing operating and administrative expenses throughout year 2018.
- The recognition of a provision of forestry restoration compensation after the cessation zinc operation as stipulated by law and new regulations imposed by the Department of Royal Forest of 53.57MB.
- Finance costs increased by 54.44MB in year 2018, mainly from loan to support new energy projects of the Company.

The year of 2018 needs to be evaluated as the early stage into the transition of the company to new sustainable business. To enhance its return to profitability, PDI will:

- Carefully screen its assets and sell those that are no longer useful. In doing so expenses will be reduced and cash will be generated to invest in new M&A targets.
- Further manage down its OPEX to minimize spending.
- Continue its quest for new projects with controllable risks and sustainable returns, in and beyond Thailand, targeting area's in Energy, Eco and Materials. M&A targets in any other area, when encouraging, will be considered as well.

Please be informed accordingly.

Yours truly,

-- Signature --

(Ms. Suthathip Pilasarom)
Company Secretary

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