



K. W. METAL WORK PUBLIC COMPANY LIMITED

Head office 259/83 Sukhumvit 71 road, Phrakhanong-nur, Wattana, Bangkok

Branch 1 300/142 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

Branch 2 300/138 Moo. 1 Tambon Tarsit, Amohoe Pluag-daeng, Rayong

(Translation)

KWM 009/2562

August 13th, 2019

Subject : Management Discussion and Analysis the three month-period and six month-period ended June 30, 2019

To : President
The Stock Exchange of Thailand

K. W. Metal Work Public Company Limited (the "Company") would like to submit management discussion and analysis for the three month-period and six month-period ended June 30, 2019 with details as follow;

unit: million baht

| Items | 3-month periods ended 30 June | | | | Changes | |
|--|-------------------------------|--------|--------|--------|---------|---------|
| | 2018 | | 2019 | | | |
| | Amount | % | Amount | % | Amount | % |
| Revenue from sales of goods | 103.99 | 100.00 | 87.61 | 100.00 | (16.38) | (15.75) |
| Cost of sales of goods | 81.76 | 78.62 | 68.69 | 78.40 | (13.07) | (15.99) |
| Gross profit | 22.23 | 21.38 | 18.92 | 21.60 | (3.31) | (14.89) |
| Other income | 1.32 | 1.27 | 1.07 | 1.22 | (0.25) | (18.93) |
| Gain on exchange rate | - | - | 0.22 | 0.25 | 0.22 | 100.00 |
| Profit before expenses, finance cost and taxes | 23.55 | 22.65 | 20.21 | 23.07 | (3.34) | (14.18) |
| Distribution costs | 1.58 | 1.52 | 2.04 | 2.33 | 0.46 | 29.11 |
| Administrative expenses | 9.79 | 9.41 | 10.47 | 11.95 | 0.68 | 6.95 |
| Loss on exchange rate | 0.65 | 0.63 | - | - | (0.65) | (100) |
| Profit before finance cost and taxes | 11.53 | 11.09 | 7.70 | 8.79 | (3.83) | (33.22) |
| Finance Cost | 1.56 | 1.50 | 0.86 | 0.98 | (0.70) | (44.87) |
| Profit before income tax expenses | 9.97 | 9.59 | 6.84 | 7.81 | (3.13) | (31.39) |
| Income tax expense | (0.78) | (0.75) | (0.38) | (0.43) | 0.40 | (51.28) |
| Net profit | 9.19 | 8.84 | 6.46 | 7.37 | (2.73) | (29.71) |



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unit: million baht

| Items | 6-month periods ended 30 June | | | | Changes | |
|--|-------------------------------|--------|--------|--------|---------|---------|
| | 2018 | | 2019 | | Amount | % |
| | Amount | % | Amount | % | | |
| Revenue from sales of goods | 186.41 | 100.00 | 200.62 | 100.00 | 14.21 | 7.62 |
| Cost of sales of goods | 147.11 | 78.92 | 158.09 | 78.80 | 10.98 | 7.46 |
| Gross profit | 39.30 | 21.08 | 42.53 | 21.20 | 3.23 | 8.22 |
| Other income | 2.54 | 1.36 | 2.25 | 1.12 | (0.29) | (11.42) |
| Profit before expenses, finance cost and taxes | 41.84 | 22.45 | 44.78 | 22.32 | 2.94 | 7.03 |
| Distribution costs | 2.52 | 1.35 | 3.86 | 1.92 | 1.34 | 53.17 |
| Administrative expenses | 18.61 | 9.98 | 20.28 | 10.11 | 1.67 | 8.97 |
| Profit before finance cost and taxes | 20.71 | 11.11 | 20.64 | 10.29 | (0.07) | (0.34) |
| Finance Cost | 3.01 | 1.61 | 1.74 | 0.87 | (1.27) | (42.19) |
| Profit before income tax expenses | 17.70 | 9.50 | 18.90 | 9.42 | 1.20 | 6.78 |
| Income tax expense | (1.00) | (0.54) | (1.26) | (0.63) | 0.26 | 26.00 |
| Net profit | 16.70 | 8.96 | 17.64 | 8.79 | 0.94 | 5.63 |

1. Revenue from sales of goods

For the 3 month-period ended June 30, 2019 the Company and its subsidiary's revenue from sales of goods was in the amount of 87.61 million baht, decreased by 16.38 million baht or 15.75% of the same period of sales in 2018. Mainly because of the prolonged drought that resulted to less rainfall and low water level in reservoirs which unfavored for agricultural production. Moreover, our main customer also lowered their production plan for the Combined Harvester which inline to a decline in sales of our screw flight and also lessen production of tractor in small model that uses our 22" Disc plough, consequently resulted to less sales in the product Disc plough in this quarter.

However, for the six month-period ended June 30, 2019 the Company and its subsidiary still has a growth in revenue from sales of goods in the amount of 200.62 million baht, increased by 14.21 million baht or 7.62% from last year. Resulted from an increase in sales from the product 'Discs plough' since early of this year, our main customer held a special promotion in order to boost sales during the preparation of soil cultivation period.



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2. Cost of sales of goods and Expenses

2.1. Cost of sales of goods for the 3 month-period ended June 30, 2019 was in the amount of 68.69 million baht, decreased by 13.07 million baht or 15.99% when compared to same period of last year which was in accordance to a decrease in revenue from sales of good. While for the gross profit margin, the Company gain a better result with 21.38% in Q2/2018 to 21.60% in Q2/2019.

As for the six month-period ended June 30, 2019, the Company and its subsidiary had cost of sales of goods in the amount of 158.09 million baht, increased by 10.98 million baht or 7.46% compared to last year. The change was also inline with a rise of sales whereas the gross profit margin of this six month-period ended June 30, 2019 tend to have a good potential of 21.20% while last year was 21.08%.

2.2. Distribution costs for the three month-period and six month-period ended June 30, 2019 were in the amount of 2.04 million baht and 3.86 million baht respectively. This year there was an expansion in Sales' department's headcounts and the Company also held campaign for Customers visiting factory to promote Company's products.

2.3. Administrative expense for three month-period ended June 30, 2019 was in the amount of 10.47 million baht, increased by 0.68 million baht as for the six month-period ended June 30, 2019, administrative expense was in the amount of 20.28 million baht, increased by 1.67 million baht from the same period of last year. The increased mainly came from loss on fixed assets sold in the amount of 1.00 million baht. There were also an increased from other expenses such as promotion expense and securities deposit fee that increased by 0.43 million baht, these expenses just occurred in quarter 4 of 2018 after the Company got listed in Stock market. Moreover, there was also an expense for holding shareholder's meeting in April 2019. Depreciation expenses also increased from 3 new vehicles that were acquired in late of 2018 and machines that installed in 2nd Factory and were ready to use in second half of 2018 such as screw flight machine and powder booth system machine.

3. Finance costs

Finance cost for the three month-period and six month-period ended June 30, 2019 was 0.86 million baht and 1.74 million baht respectively, decreased by 0.70 million baht and 1.27 million baht when compare to the same period of last year. This mainly came from the fact that the Company made repayments to both short-term loan in quarter 4 of 2018 and long-term loan in January of 2019.



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4. Net Profit

For the 3 month-period ended June 30, 2019, the Company financial statement represents net profit in the amount of 6.46 million baht or considered as net profit margin of 7.37%, decreased from the same period of last year by 2.73 million baht or 29.71% of net profit of quarter 2 of 2018. The main reason was from a decline in revenue from sales and a rise in administrative expenses in this quarter.

However, as for the six month-period ended June 30, 2019 the Company and its subsidiary had net profit in the amount of 17.64 million baht or net profit margin of 8.79%, increased from last year by 0.94 million baht or 5.63%. The supporting factor was from the rise in revenue from sales. Nevertheless, there was also an increase in sales and administrative expenses in this period.

5. Statement of financial positions

| Items | 31 Dec 2018 | 30 June 2019 | Changes | |
|---|--------------|--------------|--------------|---------|
| | Million baht | Million baht | Million baht | % |
| Total Assets | 457.86 | 428.57 | (29.29) | (6.40) |
| Cash and cash equivalents | 92.96 | 73.91 | (19.05) | (20.49) |
| Trade and other account receivables | 68.62 | 58.34 | (10.28) | (14.98) |
| Inventories | 110.48 | 114.99 | 4.51 | 4.08 |
| Property, plant and equipment | 182.56 | 177.78 | (4.78) | (2.62) |
| Other non-current assets | 2.59 | 2.78 | 0.19 | 7.34 |
| Total Liabilities | 114.35 | 92.61 | (21.74) | (19.01) |
| Short-term borrowings from financial institutions | 58.30 | 54.42 | (3.88) | (6.66) |
| Trade and other account payables | 24.14 | 20.77 | (3.37) | (13.96) |
| Current portion of long-term borrowings | 14.86 | 2.00 | (12.86) | (86.54) |
| Long-term borrowings | 4.00 | 2.00 | (2.00) | (50.00) |
| Total shareholders' equity | 343.51 | 335.96 | (7.55) | (2.20) |

As of June 30, 2019, the Company and its subsidiary's total assets was in the amount of 428.57 million baht, decreased by 29.29 million baht when compared to total assets as of December 31, 2018. A drop in total assets of the Company and its subsidiary came from details as follow;

Cash and cash equivalent decreased by 19.05 million baht or 20.49% from December 31, 2018. The Company and its subsidiary had cash from operating activities amounting to 37.02 million baht and cash used in investing activities amounting to 8.67 million baht. Moreover, cash used in financing activities amounting to 47.40 million baht which mainly used in dividend paid for 25.20 million baht and loan repayment for 14.86 million baht.



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Trade and other account receivables as of June 30, 2019 was in the amount of 58.34 million baht, decreased by 10.28 million baht or 14.98% when compared to trade and other account receivables as of December 31, 2018 which was in accordance to the gradually decline in revenue from sales in the second quarter of 2019.

As of June 30, 2019, the Company and its subsidiary had a deep in short-term borrowing from financial institutions in the amount of 3.58 million baht or 6.66% when compare to the end of 2018. Normally June is the ending month for the soil prepartation period thus, the Company placed less purchase orders for raw materials to oversea suppliers in this period.

As of June 30, 2019 the Company and its subsidiary had a significant drop in current portion of long-term loan in the amount of 12.86 million baht or 86.54% when compare to the end of 2018 because the Company made a repayment of the remaining long-term loan in the end of January 2019 to financial institution.

Long-term loan as of June 30, 2019 of the Company and its subsidiary declined in the amount of 2.00 million baht or dropped by 50% when compare to long-term loan as of December 31, 2018 because the Company paid the installment of low interest long-term loan in the amount of 2 million baht in January 2019.

Total shareholder's equity of the Company and its subsidiary as of June 30, 2019 was in the amount of 335.96 million baht, decreased by 7.55 million baht or 2.20%. The change came from an increase in net profit from the Company's performance of six month period of 2019, with the amount of 17.65 million baht while the Company also had dividend payment amounting to 25.20 million baht in May 2019.

Please be informed accordingly

Yours sincerely

Miss Tiyaophon Vanagosoom

Managing Director

K. W. Metal Work Public Company Limited