



Ref. FPI.011/2019

14 November 2019

Subject : Management Discussion & Analysis of Performance

Results of Quarter 3/2019

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 and nine-month period ended 30 September 2019 which has been reviewed by certified public auditor as follows:

Overall performance results of the Company for the three-month and nine-month period ended 30 September 2019, compared to the same period of the previous year were as highlighted below;

**Separate financial statements**

(Unit : Million Baht)

	<u>Q3/2</u>	<u>Q3/2</u>	<u>%</u>	<u>9</u>	<u>9</u>	<u>%</u>
	<u>019</u>	<u>018</u>	<u>Chan</u>	<u>Month</u>	<u>Month</u>	<u>Chan</u>
			<u>ge</u>	<u>2019</u>	<u>2018</u>	<u>ge</u>
Sales and Service	533	451	18	1,526	1,369	11
Income						

Cost of Sales and Services	424	361	17	1,224	1,120	9
Selling and Administrative Expenses	44	32	38	130	130	-
Finance Cost	5	6	(17)	15	21	(29)
Net Profit	54	51	6	142	103	38

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

(Unit : Million Baht)

	<u>Q3/2</u>	<u>Q3/2</u>	<u>%</u>	<u>9</u>	<u>9</u>	<u>%</u>
	<u>019</u>	<u>018</u>	<u>Chan</u>	<u>Month</u>	<u>Month</u>	<u>Chan</u>
			<u>ge</u>	<u>2019</u>	<u>2018</u>	<u>ge</u>
Sales and Service Income	533	451	18	1,526	1,369	11
Cost of Sales and Services	424	361	17	1,224	1,120	9

Selling and Administrative Expenses	44	32	38	130	130	-
Share of profit (loss) from investments in joint ventures	(2)	(1)	100	(2)	1	(300)
Finance Cost	5	6	(17)	15	21	(29)
Net Profit	52	50	4	140	104	35

### Total Revenues

In the three-month period ended 30 September 2019 and 2018, total revenues of the Company were Baht 538 million and Baht 457 million, respectively, which increased by Baht 81 million or increased by 18%. Sales and service income for in the three-month ended 30 September 2019 amounted to Baht 533 million increased by Baht 82 million or increased by 18%. This was mainly due to the increased in export sales in Asian and The Middle East zones by Baht 37 million or increased by 20%. In prior year, these zones are facing economic problems. However, in this year, the sales soared as the economy is getting better and there is a higher demand of automotive parts in the country. Moreover, the domestic sales increased from Baht 77 million in Quarter 3 2018 to Baht 110 million in Quarter 3 2019 or increased by 43% from the sales of OEM of Toyota, IZUZU and Mitsubishi. What is more, the revenue in South

America zone increased by 14% one of the main customers in South America expanded more branches and the new policy of the Company to sell products to only one customer in some country where the customer has high market shares in automotive product which lead to increase in the sales volume in this zone.

However, the Company's revenue was affected by the appreciation of exchange rate of 6% from an average of 32.75 per 1 Dollar in Quarter 3 2018 to 30.68 per 1 Dollar in Quarter 3 2019. Nevertheless, the Company could maintain the growth rate of revenue of 18%.

### **Cost of Sales and Services**

In the three-month period ended 30 September 2019 and 2018, total cost of sales and services of the Company, which is accounted for Baht 424 million and Baht 361 million, respectively, increased by Baht 63 million or 17%. This is mainly because of the increased in direct labor and overhead for manufacturing costs. However, the Company could manage to maintain the percentage of revenue and cost of sales comparing to the same period last year.

### **Selling and Administrative Expenses**

For the three-month period ended 30 September 2019, the Company's selling and administrative expenses increased by Baht 12 million or 38% from Baht 32 million in the six-month period ended 2018 to Baht 44 in the period. The main reason is from the increase

in allowance for doubtful account of Baht 9 million since the company's sale increased in Quarter 3 2019. Furthermore, the selling expenses increased by Baht 1.6 million which is in line with the increase in sales revenue.

### **Financial Cost**

In three-month period ended 2018 and 2019, the finance cost of the Company was Baht 5 million and Baht 6 million, respectively, which reduce by Baht 1 million from 2018 because the Company could manage and obtain cheaper source of finance than the prior period.

### **Net Profit**

In the three-month period ended 30 September 2019 and 2018, net profit of the Company which were amounting to Baht 54 million and Baht 51 million, respectively, increased by Baht 3 million or increased by 6%. This was mainly because the increase in sales and service income. Furthermore, for the nine-month period ended 30 September 2019, the Company has net profit of Baht 142 million which is more than the profit for the year ended 31 December 2019.

For Financial statements in which the equity method is applied in Quarter 3 2019 and 2018 have net profit of Baht 52 million and Baht 50 million, respectively which increased by Baht 2 million or increased 4%. For share of loss from investments in joint ventures in

the three-month and nine-month period ended 30 September 2019, the balance of Baht 2 million and Baht 2.5 million respectively were 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 three-month and nine-month period ended 30 September 2019, the Company recognized the profit from investment in joint venture of Baht 3 million and Baht 10.87 million, respectively.

2. FORTUNE-PARTS INDUSTRY ECUADOR CIA.LTDA., the joint venture of FPI, was held 45% by the Company. For the three-month and nine-month period ended 30 September 2019, the Company recognized loss from investment in joint venture of Baht 0.001 million and Baht 0.041 million, respectively.

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 5 million and Baht 13.29 million in the three-month and nine-month period ended 30 September 2019.

### **Financial Position (in comparison to as of 31 December 2018)**

Overall financial position of the Company as of 30 September 2019, compared to the statement of financial position as of 31

December 2018, the balance of total assets which were Baht 2,635 million and Baht 2,553 million, respectively, increased by Baht 82 million, or increased by 3% due to the following reasons.

### **Total Assets**

As at 30 September 2019, total assets were Baht 2,635 million, increased by Baht 82 million from the balance at the ended of 31 December 2018. This were mainly because the increase in trade receivable and other receivable, increase in inventory for OEM customers. Moreover, property, plant and equipment, and intangible assets increased as the company bought fixed assets and software to use in the operation during the period.

### **Total Liabilities**

Total liabilities decreased by Baht 184 million from Baht 876 million as at 31 December 2018 to Baht 1,060 million as at 30 September 2019. It was mainly because the increased in short-term loans from Trust receipt for buying assets, trade payable of buying raw material for manufacturing, and accrued income tax.

### **Shareholders' Equity**

As at 30 September 2019, shareholders' equity was Baht 1,575 million, which decreased by Baht 103 million from Baht 1,678 million as at 31 December 2018. This is mainly due to the net profit from operating for the period by Baht 140 million, treasury stock of Baht 103 million, and dividend payment of Baht 134 million.

Please be informed accordingly.

Yours sincerely,

Mr. Sompol Tanadumrongsak  
Managing Director