



Ref. FPI.008/2020

11 August 2020

Subject : Management Discussion & Analysis of Performance Results of Quarter 2 2020

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 three-month period ended 30 June 2020 which has been audited by certified public auditor as follows:

Overall performance results of the Company for the three-month period ended 30 June 2020, compared to the same period of the previous year were highlighted as below;

(Unit : Million Baht)

Consolidated financial statements

	<u>Q2' 2020</u>	<u>Q2' 2019</u>	<u>% Change</u>
Sales and Service Income	333	511	-35
Other Revenue	8	4	100
Less Cost of Sales and Services	276	412	-33
Selling and Administrative Expenses	35	46	-24
Allowance for doubtful account (Reverse)	7	(2)	450
Allowance for diminution in value of goods	7	(3)	333
Operating Profit	16	62	-74
Less Loss from exchange rate	4	2	100
Loss on recognition of other comprehensive	-	(1)	-100
Finance Cost	7	5	40
Profit (Loss) before Tax income (expense)	5	56	-91
Tax Income (Expense)	(1)	(8)	88
Net Profit	<u>4</u>	<u>48</u>	<u>-92</u>

Total Revenues

In the three-month period ended 30 June 2020 and 2019, total revenues of the Company were Baht 369 million and Baht 516 million, respectively, which decreased by Baht 28 million or decreased by 28%. Sales and service income for the quarter 2 ended 30 June 2020 amounted to Baht 333 million decreased by Baht 178 million or decreased by 35%.

This was mainly due to the export sales to Asian and The Middle East, South America, and Africa zone dropped by Baht 83 million or 34%, Baht 46 million or 56% and Baht 11 million or 24%, respectively as many manufacturer countries have been facing the outbreak of Coronavirus (COVID-19), causing those countries to close their territories. Therefore, the customers cannot import products to their countries. Moreover, domestic declined by Baht 7 million or 9% since April has long vacations as well as car assemble manufacturers temporarily closed their production lines leading to lower sales orders and the month of May is Ramadan period which will affect the sale volume in Middle East and Africa. However, our sale volume in June increase from May 50.58% and reach to 87.05% of normal sale volume and trend for export sale will resume back to normal.

Cost of Sales and Services

In the three-month period ended 30 June 2020 and 2019, total cost of sales and services of the Company, which is accounted for Baht 276 million and Baht 412 million, respectively, decreased by Baht 136 million or 33%. This is mainly because of the decrease in sales of 35% leading to the decrease in cost of sales and services. However, the Company could maintain the proportion of cost of sales and services to revenue. The company does not have policy to decrease production capacity since the Company has normal sales orders from customers. The Company continue the production according with customers' order, so that when their countries open their territories, the Company could ship the order.

Selling and Administrative Expenses

For the three-month period ended 30 June 2020 and 2019, the Company's selling and administrative expenses decreased by Baht 11 million or 24% from Baht 46 million in the three-month period ended 2019 to Baht 35 million in this period. This is mainly because of the decrease in sales and services.

Operating Profit

For quarter 2 2020 and 2019, the company has operating profit of Baht 16 million and Baht 62 million, respectively, which is decreased by Baht 46 million or 74%.

Net Profit

In the three-month period ended 30 June 2020 and 2019, consolidated financial statement has net profit of Baht 4 million and Baht 48 million, respectively. This was resulted from the effect of the outbreak of Coronavirus (COVID-19) in customers' countries that are more severe so the customers could not import goods into the countries. In addition, the Company has effect from loss of exchange rate at Baht 4 million.

Financial Position (in comparison to as of 31 December 2019)

Overall financial position of the Company as of 30 June 2020, compared to the statement of financial position as of 31 December 2019, the balance of total assets which were Baht 2,941 million and Baht 2,758 million, respectively, increased by Baht 183 million, or increased by 7% due to the following reasons.

Total Assets

As at 30 June 2020, total assets were Baht 2,941 million, increased by Baht 183 million from the balance at the ended of 31 December 2019. This were mainly because the Company acquired share capital from the former shareholders in ALP FPI PARTS PRIVATE LIMITED, a subsidiary in India, in which on 24 June 2020, has changed the name to FPI AUTOPARTS INDIA PRIVATE LIMITED, so that the Company has to consolidate the financial information of the subsidiary. Property, plant and equipment increased by Baht 230 million. Moreover, there is unallocated cost from business acquisition in the consolidated financial statements of Baht 25 million from the difference of acquisition costs exceeded the attributable net book value of investment. Furthermore, trade receivable and other receivable decreased by Baht 10 million as the sales in Quarter 2 2020 and allowance for doubtful debt decline.

Total Liabilities

Total liabilities increased by Baht 265 million from Baht 1,143 million as at 31 December 2019 to Baht 1,403 million as at 30 June 2020. It was mainly because the increased short-term loans from packing credit and letter of credit by Baht 186 million for buying raw material for manufacturing. Moreover, there is an increase in current liability by Baht 11 million. The Company also has an increase in long-term loan from bank of Baht 90 million.

Shareholders' Equity

As at 30 June 2020, shareholders' equity was Baht 1,533 million, which decreased by Baht 82 million from Baht 1,615 million as at 31 December 2019. This is mainly due to the net loss from operating for the sixed-month period ended 30 June 2020 by Baht 37 million, dividend payment by Baht 66 million, and loss from recognition of other comprehensive income resulting from change in status of investment of Baht 22 million.

Please be informed accordingly.

Yours sincerely,

Mr. Sompol Tanadumrongsak
Managing Director