

The Stock Exchange of Thailand  
93 Ratchadapisek Road,  
Dindaeng, Dindaeng,  
Bangkok 10400

13<sup>th</sup> August, 2019

Dear Sirs,

Re : Submission of the Interim Financial Statements for the period ended June 30, 2019  
and Management Discussion and Analysis for the second quarter 2019 results

To: Directors and Manager  
The Stock Exchange of Thailand

Management Discussion and Analysis for the second quarter results

Summary

The continued decreasing sales from beginning of year was mainly from decreasing sales of Aluminium Slug, according to the low demand from our customers in India resulted to decreased sales in 2Q19 compared to 1Q19. The increase sales of Aluminium Cans-higher margin product while decreasing sales of Aluminium Slug-lower margin product, with this products composition, the company's margin was slightly improved compared to last year.

The factors affecting better profit were from the core raw material, Aluminium Ingots price was decreased in line with prices quoted by LME Market. Moreover, the decrease production cost from improved productivity of Aluminium Cans from increased sales volumes. In addition, the consolidation plan, Samrong and Sriracha is ongoing has helped improved energy efficiency and productivity as expected. However, the decrease production of Aluminium Slug effected from decreased sales volumes resulted to increase cost of production.

Furthermore, the decrease of net profit as such mainly derived according to the Labor Protection Act was amended to include a requirement that an employee who is terminated after having been employed by the same employer for an uninterrupted period of twenty years or more, receives severance payment of 400 days of wages at the most recent rate is effective from 5 May 2019. The Company has therefore amended the retirement plan in accordance with the changes in the Labor Protection Act in the second quarter of 2019. As a

result of this change, the retirement benefits expense increased by an amount of Baht 23 million.

In addition, there was an effect from loss on foreign exchange rate amount of Baht 23.8 million in 2Q19 and Baht 27.4 million in 6M19 mainly from unrealized loss on foreign exchange rate translations from USD currency to Baht currency of ending balance foreign cash and account receivable due to the Thai Baht depreciation against US\$ while in 2Q18 had gain on exchange rate Baht 40.1 million and in 6M19 had gain on exchange rate Baht 23.4 million.

In summary, the company reported total revenues in 2Q19 of Baht 1,498.2 million, down 9.5% from Baht 1,655.5 million in 2Q18 and net profit of Baht 112.3 million or down 37.6% from Baht 180 million in 2Q18. Total revenues for 6M19 was Baht 3,010.3 million, down 8% from Baht 3,271.9 million in 6M18 and net profit of Baht 273.7 million, down 11.8% from Baht 310.3 million in 6M18.

#### Operating Results for Second quarter of 2019

Unit : Million Baht

	2Q19	2Q18	Change %
Income			
Revenue from sales of goods	1,457.3	1,564.6	(6.9)
Net foreign exchange gain	-	40.1	-
Other income	40.9	50.8	(19.5)
Total income	1,498.2	1,655.5	(9.5)
Expenses			
Cost of sales of goods	1,254.8	1,351.8	(7.2)
Gross profit	202.5	212.8	(4.8)
Gross profit margin	13.9%	13.6%	
Selling expenses	40.8	42.3	(3.5)
Administrative expenses	41.6	39.9	4.3
Net foreign exchange loss	23.8	-	-
Finance costs	0.4	0.4	-
Total expenses	1,361.4	1,434.4	(5.1)
Profit before income tax expense	136.8	221.1	(38.1)
Income tax expense	24.5	41.1	(40.4)
Profit for the period	112.3	180.0	(37.6)
Earnings per share (in Baht)	2.60	4.17	(37.6)

The Company's net profit for 2Q19 was Baht 112.3 million representing a decrease of Baht 67.7 million from Baht 180 million in 2Q18 or significant down by 37.6%. The main reasons are as follows:

1.The company reported revenue from sales for 2Q19 of Baht 1,457.3 million, decreased by Baht 107.3 million. In terms of sales by operating segments are as below:

	2Q19		2Q18		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Can and Tube	904.7	62.1	868.5	55.5	36.2	4.2
Export sales	498.3	34.2	517.6	33.1	(19.3)	(3.7)
Domestic sales	406.4	27.9	350.9	22.4	55.5	15.8
Slug	552.6	37.9	696.1	44.5	(143.5)	(20.6)
Export sales	551.4	37.8	687.0	43.9	(135.6)	(19.7)
Domestic sales	1.2	0.1	9.1	0.6	(7.9)	(86.8)
Total sales	1,457.3	100.0	1,564.6	100.0	(107.3)	(6.9)

The decreasing sales of Baht 107.3 million comprised of Slug sales decreased Baht 143.5 million or 20.6% due to the decrease in sales volume of 997 MT mainly decreased export to India, Mexico and Australia and average selling price decreased in line with prices quoted by LME Market.

Can/Tube sales increased Baht 36.2 million or 4.2% contributed from local sales increased Baht 55.5 million or 15.8% while export decreased Baht 19.3 million or 3.7%.

In addition, Thai Baht was stronger against Japanese Yen by about 1.6% and against US dollar 1.1% compared to 2Q18 had decreased export sales. In 2Q19, the Yen was around Baht 28.42 per 100 Yen compared to Baht 28.88 per 100 Yen in 2Q18 and US dollar was around Baht 31.43 compared to Baht 31.78 in 2Q18.

Other income was Baht 40.9 million, decreased by Baht 9.9 million, mainly consisting of Aluminium Baled scrap which are scrap from production process sold to other industries for recycled. The decrease was due to decrease in average selling price by 19% from LME.

2.The decrease cost of sales was from Aluminium Ingots price was decreased by 6.6% compared to 2Q18 and decrease in sales volume of Aluminium Slug 997 MT. In addition, the

severance pay adjustment (Labor Law) as aforementioned increased cost of sales by Baht 18 million. Besides, an increase in crude oil price has led to the increasing natural gas price by about 5% compared to 2Q18. In summary, cost of sales for 2Q19 decreased of Baht 97 million or 7.2% from 1,351.8 million to Baht 1,254.8 million.

3.The Company's gross profit for 2Q19 was Baht 202.5 million or 13.9% of total sales, which had been decreased from 2Q18 amount of Baht 10.3 million or 4.8% from decreased sales.

4.Selling and administrative expenses for 2Q19 was Baht 82.4 million, increased of Baht 0.2 million or 0.2% due to the severance pay adjustment (Labor Law) as aforementioned increased expense by Baht 5 million and transportation, license fee increased while decreased from export expenses.

5. Net foreign exchange loss for 2Q19 was Baht 23.8 million from recognized foreign exchange differences arising on received/payment in foreign currency and from translated assets and liabilities denominated in foreign currencies to Thai Baht which was mainly from US\$.

6.Finance costs for 2Q19 was Baht 0.4 million, equal to 2Q18.

7.Income tax expense for 2Q19 decreased Baht 16.6 million from 2Q18 as a result of decrease profit before tax of Baht 84.3 million.

## Operating Results for six months period ended 30 June 2019

Unit : Million Baht

	6M19	6M18	Change %
Income			
Revenue from sales of goods	2,929.0	3,150.9	(7.0)
Net foreign exchange gain	-	23.4	-
Other income	81.3	97.6	(16.7)
Total income	3,010.3	3,271.9	(8.0)
Expenses			
Cost of sales of goods	2,485.5	2,723.6	(8.7)
Gross profit	443.5	427.3	3.8
Gross profit margin	15.1%	13.6%	
Selling expenses	76.4	80.3	(4.9)
Administrative expenses	81.2	83.4	(2.6)
Net foreign exchange loss	27.4	-	-
Finance costs	1.2	0.5	140.0
Total expenses	2,671.7	2,887.8	(7.5)
Profit before income tax expense	338.6	384.1	(11.8)
Income tax expense	64.9	73.8	(12.1)
Profit for the period	273.7	310.3	(11.8)
Earnings per share (in Baht)	6.34	7.18	(11.8)

The Company's net profit for 6M19 was Baht 273.7 million representing decrease of Baht 36.6 million from Baht 310.3 million in 6M18 or down by 11.8%. The main reasons are as follows:

1. The company reported revenue from sales for 6M19 of Baht 2,929 million, decreased by Baht 221.9 million. In terms of sales by operating segments are as below:

	6M19		6M18		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Can and Tube	1,800.8	61.5	1,750.5	55.6	50.3	2.9
Export sales	958.9	32.8	990.4	31.5	(31.5)	(3.2)
Domestic sales	841.9	28.7	760.1	24.1	81.8	10.8
Slug	1,128.2	38.5	1,400.4	44.4	(272.2)	(19.4)
Export sales	1,122.5	38.3	1,378.3	43.7	(255.8)	(18.6)
Domestic sales	5.7	0.2	22.1	0.7	(16.4)	(74.2)
Total sales	2,929.0	100.0	3,150.9	100.0	(221.9)	(7.0)

The decreasing sales of Baht 221.9 million comprised of Slug sales decreased Baht 272.2 million or 19.4% due to the decrease in sales volume of 2,377 MT or decreased 15.9% mainly decreased export to India, Mexico and Australia and average selling price decreased in line with prices quoted by LME Market.

Can/Tube sales increased Baht 50.3 million or 2.9% contributed from local increased Baht 81.8 million or 10.8%, export sales decreased Baht 31.5 million or 3.2%.

In addition, Thai Baht was stronger against Japanese Yen by about 1.4% and against US dollar 0.5% compared to 6M18 had decreased export sales. In 6M19, the Yen was around Baht 28.41 per 100 Yen compared to Baht 28.82 per 100 Yen in 6M18 and US dollar was around Baht 31.43 compared to Baht 31.57 in 6M18.

Other income was Baht 81.3 million, decreased of Baht 16.3 million mainly consisting of Aluminium Baled scrap which are scrap from production process sold to other industries for recycled. The decrease was due to decrease in average selling price by 16% from LME.

2.The decrease cost of sales was mainly from Aluminium Ingots price was decreased by 4.7% compared to 6M18 and decrease in sales volume of Aluminium Slug 2,377 MT. In addition, the severance pay adjustment (Labor Law) as aforementioned increased cost of sales by Baht 18 million. Besides, an increase in crude oil price has led to the increasing natural gas price by about 6% compared to 6M18. In summary, cost of sales for 6M19 decreased of Baht 238.1 million or 8.7% from 2,723.6 million to Baht 2,485.5 million.

3.The Company's gross profit for 6M19 was Baht 443.5 million or 15.1% of total sales, which had been increased from 6M18 amount of Baht 16.2 million or 3.8%. The increased of gross profit margin was due to the increased sales of high profit product-cans meanwhile decreased sales of low profit product-slugs and decreased Aluminium Ingots price as said.

4.Selling and administrative expenses for 6M19 was Baht 157.6 million, decreased of Baht 6.1 million or 3.7% due to the export expenses mainly from decreased sea freight to customer while increased from the severance pay adjustment (Labor Law) as aforementioned increased expense by Baht 5 million and transportation, license fee increased.

5. Net foreign exchange loss for 6M19 was Baht 27.4 million from recognized foreign exchange differences arising on received/payment in foreign currency and from translated assets and liabilities denominated in foreign currencies to Thai Baht which was mainly from US\$.

6.Finance costs for 6M19 was Baht 1.2 million, increased of Baht 0.7 million or 140% from 6M18 was from higher loan and interest from related.

7.Income tax expense for 6M19 decreased Baht 8.9 million from 6M18 as a result of decrease profit before tax of Baht 45.5 million.

### Financial position

Unit : Million Baht

	30-Jun-19	31-Dec-18	Change	Change
Total current assets	2,916.7	3,182.7	(266.0)	-8.4%
Total non-current assets	3,500.8	3,597.8	(97.0)	-2.7%
Total assets	6,417.5	6,780.5	(363.0)	-5.4%
Total current liabilities	541.9	768.8	(226.9)	-29.5%
Total non-current liabilities	490.8	468.6	22.2	4.7%
Total liabilities	1,032.7	1,237.4	(204.7)	-16.5%
Total equity	5,384.8	5,543.1	(158.3)	-2.9%
Total liabilities and equity	6,417.5	6,780.5	(363.0)	-5.4%

### Assets

As at 30 June 2019, the company reported total assets of Baht 6,417.5 million, decreased of Baht 363 million or 5.4% from 31 December 2018 was due to

- Cash and cash equivalents increased of Baht 413.1 million.
- Trade account receivables decreased Baht 119.1 million was from sales slugs decreased.
- Inventories decreased Baht 565.4 million mainly from decreased in raw materials, Aluminium Ingots.
- Property, plant and equipment net decreased Baht 95.1 million from increase in depreciation expense of Baht 219.5 million while investment in assets increased Baht 124.4 million.

### Liabilities

As at 30 June 2019, total liabilities was Baht 1,032.7 million, decreased from 31 December 2018 Baht 204.7 million or 16.5% was due to

- Loan from related party decreased Baht 200 million.
- Other payables increased Baht 51.6 million.
- Employee benefit obligations increased Baht 22.7 million mainly from the severance pay adjustment (Labor Law) as aforementioned.
- Trade accounts payable decreased Baht 23.2 million.
- Income tax payable decreased Baht 37.8 million.

### Equity

As at 30 June 2019, Shareholders' equity was Baht 5,384.8 million, decreased Baht 158.3 million from net profit for 6M19 of Baht 273.7 million deduct dividend payment to Shareholders Baht 432 million.



### Cash flow statements

Unit : Million Baht

	6M19	6M18
Net cash from operating activities	1,196.0	529.6
Net cash used in investing activities	(149.4)	(150.7)
Net cash used in financing activities	(633.5)	(283.6)
Net increase in cash and cash equivalents	413.1	95.3
Cash and cash equivalents at 1 January	248.9	201.9
Cash and cash equivalents at 30 June	662.0	297.2

-Net cash inflow of Baht 1,196 million from operation, increased by Baht 666.4 million or 125.8% mainly from decreased in inventory and account receivable.

-Cash for investment activities was Baht 149.4 million, decreased by Baht 1.3 million or 0.9% mainly consisted of the purchases of machineries and others equipments.

-Net cash used for financing activities was Baht 633.5 million, increased by Baht 349.9 million or 123.4% mainly for dividend payment and repayment loan.

-As a result of the above, the cash and cash equivalent at 30 June 2019 was Baht 662 million.

Yours faithfully,  
ALUCON Public Company Limited

(Mr. Takaaki Takeuchi)  
Managing Director

CC. The Office Security Exchange Commission (S.E.C.)