



Ref. FPI.007/2019

14 August 2019

Subject : Management Discussion & Analysis of Performance Results of Quarter 2/2019 (edit)

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 six-month period ended 30 June 2019 which has been reviewed by certified public auditor as follows:

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

Separate financial statements

(Unit : Million Baht)

	<u>Q2/2019</u>	<u>Q2/2018</u>	<u>% Change</u>	<u>6 Month 2019</u>	<u>6 Month 2018</u>	<u>% Change</u>
Sales and Service Income	516	467	10	1,001	934	7
Cost of Sales and Services	412	375	10	800	759	5
Selling and Administrative Expenses	43	48	(10)	87	99	(12)
Finance Cost	5	8	(38)	10	15	(33)
Net Profit	48	29	66	88	51	73

Financial statements in which the equity method is applied

(Unit : Million Baht)

	<u>Q2/2019</u>	<u>Q2/2018</u>	<u>% Change</u>	<u>6 Month 2019</u>	<u>6 Month 2018</u>	<u>% Change</u>
Sales and Service Income	516	467	10	1,001	934	7
Cost of Sales and Services	412	375	10	800	759	5
Selling and Administrative Expenses	43	48	(10)	87	99	(12)
Share of profit (loss) from investments in joint ventures	1	1	-	(1)	2	(150)
Finance Cost	5	8	(38)	10	15	(33)
Net Profit	48	29	66	88	51	73

Total Revenues

In the six-month period ended 30 June 2019 and 2018, total revenues of the Company were Baht 1,001 million and Baht 934 million, respectively, which increased by Baht 67 million or increased by 7%. Sales and service income for the six-month period ended 30 June 2019 amounted to Baht 993 million increased by Baht 75 million or increased by 8%. This was mainly due to the increased in export sales in Asian and The Middle East zones by Baht 121 million or increased by 31%. 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 revenue in South America zone increased by 11% from new customers and rental mold income. In addition, one of the main customers in South America expanded more branches which lead to increase in the sales volume this quarter.

In addition, Company's revenue was affected by the appreciation of exchange rate of 3% from 32.14 in Quarter 2 2018 to 31.36 in Quarter 2 2019. Nevertheless, the Company could maintain the growth rate of revenue of 7%.

The revenue in European zones decrease Baht 17 million or 21%, respectively. For the decreased in sales of European zone, this is because of the decline in order of automotive accessories from the United Kingdom is facing Brexit problem.

Cost of Sales and Services

In the six-month period ended 30 June 2019 and 2018, total cost of sales and services of the Company, which is accounted for Baht 800 million and Baht 759 million, respectively, increased by Baht 41 million or 5%. This is mainly because of the increased in direct labor and overhead for manufacturing costs. However, the percentage of revenue and cost of sales comparing to Quarter 2 in

2019 decreased as the company managed to reduce the cost of raw material to be cheaper than the same period last year.

Selling and Administrative Expenses

For the six-month period ended 30 June 2019, the Company's selling and administrative expenses decreased by Baht 12 million or 12% from Baht 99 million in the six-month period ended 2018 to Baht 87 in the period. The main reason is from the decrease in allowance for doubtful account of Baht 14 million since the company has a better policy to collect money from customers. Furthermore, there is a reversal of allowance for diminution in value of inventories of Baht 6 million. However, the selling expenses increased by Baht 3 million which is in line with the increase in sales revenue. Also, the company recorded employee benefit of Baht 4 million during the period following a new labor law of providing retirement compensation from 300 days to 400 days.

Financial Cost

In six-month period ended 2018 and 2019, the finance cost of the Company was Baht 10 million and Baht 15 million, respectively, which reduced by Baht 5 million from 2018 because the Company could manage and obtain cheaper source of finance than the prior period.

Net Profit

In the six-month period ended 30 June 2019 and 2018, net profit of the Company which were amounting to Baht 88 million and Baht 51 million, respectively, increased by Baht 37 million or increased by 73%. This was mainly because the increase in sales and service income of Baht 67 million, decreased in administrative expense of Baht 12 million from the decreased in allowance for doubtful expenses of Baht 14 million since the Company could manage to collect debt faster, and decreased in the finance cost of Baht 5 million.

For share of loss from investments in joint ventures in the six-month period ended 30 June 2019, the balance of Baht 1 million was 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 six-month period ended 30 June 2019, the Company recognized the profit from investment in joint venture of Baht 8 million.

2. FORTUNE-PARTS INDUSTRY ECUADOR CIA.LTDA., the joint venture of FPI, was held 45% by the Company. In the six-month period ended 30 June 2019, the Company recognized loss from investment in joint venture of Baht 0.04 million.

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 8 million during this period.

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

Overall financial position of the Company as of 30 June 2019, compared to the statement of financial position as of 31 December 2018, the balance of total assets which were Baht 2,496 million and Baht 2,553 million, respectively, decreased by Baht 57 million, or decreased by 2% due to the following reasons.

Total Assets

As at 30 June 2019, total assets were Baht 2,496 million, decreased by Baht 57 million from the balance at the ended of 31 December 2018. This were mainly because there was a decrease in trade and other receivables from sales and inventory as the Company sold a large amount of trading products in the period. However, 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 29 million from Baht 876 million as at 31 December 2018 to Baht 847 million as at 30 June 2019. It was mainly because the repayment of short-term loans especially in Packing Credit. In addition, trade payable decreased from the payment to the Company's suppliers.

Shareholders' Equity

As at 30 June 2019, shareholders' equity was Baht 1,648 million, which decreased by Baht 30 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 88 million, treasury stock of Baht 53 million, and dividend payment of Baht 60 million.

Please be informed accordingly.

Yours sincerely,

Mr. Sompol Tanadumrongsak
Managing Director