

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

25th February, 2019

Dear Sirs,

Re : Submission of the Audited Financial Statements for the year ended
31 December 2019.
and Management Discussion and Analysis for the year ended 31 December 2019.

To: Directors and Manager
The Stock Exchange of Thailand

Management Discussion and Analysis for the year ended 31 December 2019

Summary

The Thai and the world economy are in the recession and are under pressure from the US-China trade war. Moreover, the appreciation of Thai Baht has affected to continue decreasing sales. According to some global customers such as India and China have policy to buy locally due to cost effective and short lead time benefits and the low demand of Aluminium Slugs from our customers in India, Australia and Japan including dropped in export sales of Aluminium Cans has resulted to decreased sales Baht 807.8 million in year 2019 compared to year 2018.

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

Furthermore, the retirement benefits expense increased by an amount of Baht 23 million in 2Q19 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 2Q19. As a result of this change, the net profit was decreased.

As more than 70% of revenue was export sales, the stronger of Thai Baht against Japanese Yen and US dollar had significantly decreased export sales.

In summary, the company reported total revenues for the year 2019 was Baht 5,644.4 million, down 13.4% from Baht 6,518 million in 2018 and net profit of Baht 532.1 million, down 26.1% from Baht 719.7 million in 2018.

Operating Results for the year 2019

Unit : Million Baht

	2019	2018	Change %
Revenue			
Revenue from sales of goods	5,496.6	6,304.4	(12.8)
Net foreign exchange gain	-	15.8	(100.0)
Other income	147.8	197.8	(25.3)
Total revenue	5,644.4	6,518.0	(13.4)
Expenses			
Cost of sales of goods	4,658.6	5,305.3	(12.2)
Gross profit	838.0	999.1	(16.1)
Gross profit margin	15.2%	15.8%	
Selling expenses	146.5	158.8	(7.7)
Administrative expenses	150.6	160.1	(5.9)
Net foreign exchange loss	29.6	-	-
Finance costs	1.2	2.1	(42.9)
Total expenses	4,986.5	5,626.3	(11.4)
Profit before income tax expense	657.9	891.7	(26.2)
Tax expense	125.8	172.0	(26.9)
Profit for the period	532.1	719.7	(26.1)
Earnings per share (in Baht)	12.32	16.66	(26.1)

The Company's net profit for the year 2019 was Baht 532.1 million representing decrease of Baht 187.6 million from Baht 719.7 million in 2018 or down by 26.1%. The main reasons are as follows:

1. The company reported revenue from sales for the year 2019 of Baht 5,496.6 million, decreased by Baht 807.8 million. In terms of sales by operating segments are as below:

	2019		2018		Change	
	Million Baht	%	Million Baht	%	Million Baht	%
Can and Tube	3,341.7	60.8	3,524.2	55.9	(182.5)	(5.2)
Export sales	1,823.2	33.2	2,030.1	32.2	(206.9)	(10.2)
Domestic sales	1,518.5	27.6	1,494.1	23.7	24.4	1.6
Slug	2,154.9	39.2	2,780.2	44.1	(625.3)	(22.5)
Export sales	2,146.3	39.0	2,744.3	43.5	(598.0)	(21.8)
Domestic sales	8.6	0.2	35.9	0.6	(27.3)	(76.0)
Total sales	5,496.6	100.0	6,304.4	100.0	(807.8)	(12.8)

The decreasing sales of Baht 807.8 million comprised of Slug sales decreased Baht 625.3 million or 22.5% due to the decrease in sales volume of 3,942 MT or decreased 13.7% mainly decreased export to India, Japan, Australia, Malaysia, South America, and average selling price decreased in line with prices quoted by LME Market.

Can/Tube sales decreased Baht 182.5 million or 5.2% contributed from export sales decreased Baht 206.9 million or 10.2%, local increased Baht 24.4 million or 1.6%.

In addition, Thai Baht was stronger against Japanese Yen by about 2.6% and against US dollar 3.9% compared to year 2018 had decreased export sales. In the year 2019, the Yen was around Baht 28.14 per 100 Yen compared to Baht 28.90 per 100 Yen in 2018 and US dollar was around Baht 30.90 compared to Baht 32.14 in year 2018.

Other income was Baht 147.8 million, decreased of Baht 50 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 19.4% from LME.

2.The decrease cost of sales was mainly from Aluminium Ingots price was decreased by 11% compared to year 2018 and decrease in sales volume of Aluminium Slug 3,942 MT. In addition, the severance pay adjustment (Labor Law) in 2Q19 as aforementioned increased cost of sales by Baht 18 million. In summary, cost of sales for the year 2019 decreased of Baht 646.7 million or 12.2% from 5,305.3 million to Baht 4,658.6 million.

3.The Company's gross profit for the year 2019 was Baht 838 million or 15.2% of total sales, which had been decreased from year 2018 amount of Baht 161.1 million or 16.1%. The decreased of gross profit margin was due to the decreased sales.

4.Selling and administrative expenses for the year 2019 was Baht 297.1 million, decreased of Baht 21.8 million or 6.8% due to the export expenses mainly from decreased sea freight to customers, salary and bonus, increased from transportation and increased from the severance pay adjustment (Labor Law) in 2Q19 as aforementioned increased expense by Baht 5 million.

5. Net foreign exchange loss for the year 2019 was Baht 29.6 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 the year 2019 was Baht 1.2 million, decreased of Baht 0.9 million or 42.9% from year 2018 was from repayment loan to related.

7.Income tax expense for the year 2019 decreased Baht 46.3 million from year 2018 as a result of decrease profit before tax of Baht 233.8 million Besides, decreased income tax from utilized tax privileged for investment in assets according to the Royal Decree no.604 and no.642 amount of Baht 5.9 million.

Financial position

Unit : Million Baht

	31-Dec-19	31-Dec-18	Change	Change
Total current assets	3,176.2	3,182.7	(6.5)	-0.2%
Total non-current assets	3,434.4	3,597.8	(163.4)	-4.5%
Total assets	6,610.6	6,780.5	(169.9)	-2.5%
Total current liabilities	451.4	768.8	(317.4)	-41.3%
Total non-current liabilities	554.1	468.6	85.5	18.2%
Total liabilities	1,005.5	1,237.4	(231.9)	-18.7%
Total equity	5,605.1	5,543.1	62.0	1.1%
Total liabilities and equity	6,610.6	6,780.5	(169.9)	-2.5%

Assets

As at 31 December 2019, the company reported total assets of Baht 6,610.6 million, decreased of Baht 169.9 million or 2.5% from 31 December 2018 was due to

- Cash and cash equivalents increased of Baht 635 million.
- Trade account receivables decreased Baht 187.2 million was from sales slugs decreased.
- Inventories decreased Baht 457 million mainly from decreased in raw materials, Aluminium Ingots.
- Property, plant and equipment net decreased Baht 166.1 million from increase in depreciation expense of Baht 419.3 million while investment in assets increased Baht 253.2 million.

Liabilities

As at 31 December 2019, total liabilities was Baht 1,005.5 million, decreased from 31 December 2018 Baht 231.9 million or 18.7% was due to

- Loan from related party decreased Baht 200 million.
- Other payables decreased Baht 31.6 million.
- Employee benefit obligations increased Baht 81 million mainly from the severance pay adjustment (Labor Law) as aforementioned.
- Trade accounts payable decreased Baht 18.3 million.
- Income tax payable decreased Baht 45 million.

Equity

As at 31 December 2019, Shareholders' equity was Baht 5,605.1 million, increased Baht 62 million from net profit for the year 2019 of Baht 532.1 million deduct dividend payment to Shareholders Baht 432 million and loss on remeasurements of employee benefit recognized in other comprehensive income amounting to Baht 38.1 million

Cash flow statements

Unit : Million Baht

	31-Dec-19	31-Dec-18
Net cash from operating activities	1,561.0	669.7
Net cash used in investing activities	(292.3)	(286.8)
Net cash used in financing activities	(633.7)	(335.9)
Net increase in cash and cash equivalents	635.0	47.0
Cash and cash equivalents at 1 January	248.9	201.9
Cash and cash equivalents at 31 December	883.9	248.9

-Net cash inflow of Baht 1,561 million from operation, increased by Baht 891.3 million or 133.1% mainly from decreased in inventory and account receivable.

-Cash for investment activities was Baht 292.3 million, increased by Baht 5.5 million or 1.9% mainly consisted of the purchases of machineries and others equipments.

-Net cash used for financing activities was Baht 633.7 million, increased by Baht 297.8 million or 88.7% mainly for dividend payment and repayment loan.

-As a result of the above, the cash and cash equivalent at 31 December 2019 was Baht 883.9 million.

Yours faithfully,
ALUCON Public Company Limited

(Mr. Takaaki Takeuchi)
Managing Director
CC. The Office Security Exchange Commission (S.E.C.)