

Feb 13, 2018

Subject Management Discussion and Analysis for the period of three months and the period of nine months ended 31st December 2017

To President of the Stock Exchange of Thailand
Secretary of the Office of Securities and Exchange Commission

Lohakit Metal Plc. (the "Company") would like to notify the financial status and operating performance for the period of three months and the period of nine months ended 31st December 2017 of the Company and its subsidiaries as details below:

(Unit: Baht millions)

Consolidated financial statement	For the period of three months ended 31 st Dec 2017				For the period of nine months ended 31 st Dec 2017			
	Oct - Dec 2017	Oct - Dec 2016	Change	% Change	Apr - Dec 2017	Apr - Dec 2016	Change	% Change
Revenue from sales & service	793.67	839.34	-45.67	-5.4%	2,531.58	2,397.25	134.33	5.6%
Other income	9.58	5.96	3.62	60.7%	23.60	19.70	3.90	19.8%
Total revenue	803.25	845.30	-42.05	-5.00%	2,555.18	2,416.95	138.23	5.7%
Cost of goods sold & service	674.63	736.71	-62.08	-8.4%	2,178.16	2,097.84	80.32	3.8%
Selling expenses	15.98	15.30	0.68	4.4%	47.65	51.67	-4.02	-7.8%
Administrative expenses	25.39	26.03	-0.64	-2.5%	75.93	75.97	-0.04	0.1%
Total expenses	716.00	778.04	-62.04	-8.0%	2,301.74	2,225.48	76.26	3.4%
Earning before interest and tax	87.25	67.26	19.99	29.7%	253.44	191.47	61.97	32.4%
Financial expenses	-1.22	-1.91	0.69	-36.1%	-4.25	-6.67	2.42	-36.3%
Share of income from investment in associate	0.58	0.42	0.16	38.1%	1.24	1.22	0.02	1.6%
Corporate Income tax expenses	-17.27	-13.11	-4.16	31.7%	-49.88	-36.87	-13.01	35.3%
Net profit for the period	69.34	52.66	16.68	31.7%	200.55	149.15	51.40	34.5%
Profit Sharing for non-controlling interest of a subsidiary company	-16.29	-9.82	-6.47	65.9%	-44.74	-28.54	-16.20	56.8%
Net profit for the company and its subsidiaries	53.05	42.84	10.21	23.8%	155.81	120.61	35.20	29.2%

1. Operating Performance

For the period of three months ended 31st Dec 2017, the net profits for the company and its subsidiaries was Baht 53.05 million or increased by 10.21 million which accounting for 23.8 percent, the results for the current three-month period was better when comparing to the same period of the previous year. Mainly due to the good gross margin gained from the metal products, especially the automotive exhaust pipes. In this quarter, the company put more controls over wholesale sales to cautiously control the overall sales credit in this channel. As a result, sales for the current period decreased slightly by 5.4%. Despite the gradual economic growth and the export sector has expanded well from the economic recovery of trade relevant countries.

Beside, company and its subsidiaries recorded the profit sharing to non-controlling interest in a subsidiary by Baht 16.29 million, increased by Baht 6.47 million from the same period of previous year due to the better sales and net profit of a subsidiary company who manufacture and supply the automotive exhausted pipes to automotive industry.

For the period of nine months ended 31st Dec 2017, the Company and its subsidiaries had net operating profit of Baht 200.55 million which accounting for the increase by 34.5 percent, Net profit for the company and its subsidiaries was 155.81 million or increase by 29.2 percent when compared with the net profit of Baht 120.61 million of the same period

of the previous year. Net profit increased for the nine month period as a result of overall economic recovery and higher sales of exhaust pipes in the automotive industry.

1.1 Revenue

For the period of three months ended 31st Dec 2017, the Company and its subsidiaries had revenue from sales and service of Baht 793.67 million compared with Baht 839.34 million in the same period of the previous year, which decreased by 5.4 percent. The decrease in sales was due to the decrease in overall sales volume to cautiously control the overall sales credit in wholesale channel.

The sales of company and its subsidiaries mostly came from Copper, Aluminum and Stainless products.

For the period of nine months of year ended 31st Dec 2017, the Company and its subsidiaries had revenue from sales and service of Baht 2,531.58 million compared with Baht 2,397.25 million in the same period of the previous year or increase by 5.6 percent. The increase in sales was from the economic recovery with good gross profit of the metal products, especially the automotive exhaust pipes.

1.2 Other income

Other income consists of interest income, gain from asset sales and revenue from scrap sales. For the period of three months and period of nine months ended 31st Dec 2017, the Company and its subsidiaries had other income of Baht 9.58 million and 23.60 million baht respectively, which increased by 60.7 percent and 19.8 percent from the same periods of previous year. The significant other income is income from scrap sales which were the results from the processing of cold rolled stainless steel sheet and coil such cut to length as per customers' requirements. The Company and its subsidiaries therefore sold scrap and recorded as the other income.

1.3 Cost of goods sold

Major cost of goods sold are cost of raw material such cold rolled stainless steel sheet and coil and special grade stainless which the Company and its subsidiaries process. For the period of three months ended 31st Dec 2017, the Company and its subsidiaries had cost of goods sold of Baht 674.73 million, or accounting for 83.99 percent of the total revenue, decrease in comparing with Baht 736.71 million or accounting for 87.15 percent of total revenue of previous year. Cost of good sold for the period of three months ended 31st Dec 2017 decreased by 8.4 percent. This represents a decrease in cost over the decrease in revenue by 5.4% from the same period of last year.

For the period of nine months ended 31st Dec 2017, the Company and its subsidiaries had cost of goods sold of Baht 2,178.16 million, or accounting for 85.24 percent of the total revenue in comparing with Baht 2,097.84 million of same period of last year, or representing 86.80 percent of total revenue.

1.4 Selling expenses

Selling expenses consist of sale staff expenses, transportation expenses, commissions and promotion expenses. For the period of three months and period of nine months ended 31st Dec 2017, the Company and its subsidiaries had selling expenses of Baht 15.98 million and 47.65 million, compared with selling expenses of Baht 15.30 million and 51.67 million in the same periods of the previous year, or increased by 4.4 percent for three month period and decreased by 7.8 percent for the nine months year respectively. The majority of selling expense was sale personal expenses annually adjusted as usual. However, there was bad

debt reserved in 1st quarter last year where no such reserve needed during this year. So the period of nine months showed the decrease in selling expenses.

For the period of three months and nine months ended 31st Dec 2017, the selling expenses were 1.88 percent and 2.01 percent of total sales and service respectively, compared with 1.82 percent and 2.16 percent in the same period of previous year.

1.5 Administrative expenses

Administrative expenses consist of executive expenses and staff expenses other than sale department, office rental expenses and other management and administrative expenses. For the period of three months and period of nine months ended 31st Dec 2017, the Company and its subsidiaries had administrative expenses of Baht 25.39 million and 75.93 million, compared with administrative expenses of Baht 26.03 million and 75.97 million in the same period of the previous year which decreased by 2.5 percent and decrease by 0.1 percent respectively.

The major expenses are in area of personnel costs due to salary normally increased year by year and other administrative expenses.

1.6 Share of income from investment in associate

In April 2009, the Company invested in the ordinary shares of Mory Lohakit (Thailand) Co.,Ltd. ,who is the marketing and sale force for the company and its subsidiaries and joint venture, by holding 49 percent of total shares. As for the period of three months and nine months year ended 31st Dec 2017, the company and its subsidiaries recognized share of income, by using equity method, of Baht 0.58 million and 0.42 million in consolidated income statements respectively in comparison with the same period of previous year.

1.7 Earning (loss) before interest and tax and Net Profit (loss)

For the period of three months and period of nine months ended 31st Dec 2017, the Company and its subsidiaries had earning before interest and tax of Baht 87.25 million and Baht 253.44 million respectively. After deducting the financial costs of Baht -1.22 million and Baht -4.25 million, adding the share of income from investment of Baht 0.58 million and Baht 1.24 million, deducting the corporate income tax of Baht -17.27 million and Baht -49.88 million, the net profit of the Company and its subsidiaries were at Baht 69.34 million and Baht 200.55 million. When comparing to the same periods of the previous year, the earning before interest and tax and net profit for the period of the three months were both increased by 29.7 percent and by 31.7 percent respectively, whereas the earning before interest and tax and net profit for the period of nine months were both increased by 32.4 percent and 34.5 percent respectively.

In addition to the period of three month and period of nine months ended 31st Dec 2017, the company and its subsidiaries had profit sharing to minority interest in a subsidiary for the amount of Baht 16.29 million and 44.74 million respectively. The higher profit sharing was due to the higher in net profit of a subsidiary. As a result, the net profit for the company and its subsidiary were amount of Baht 53.05 million and Baht 155.81 million respectively.

1.8 Corporate income tax

For the period of three month and nine months of year ended 31st Dec 2017, the Company and its subsidiaries recognized corporate tax expenses by Baht 17.27 million and 49.88 million, increase from the same period of previous year of Baht 13.11 million and 36.87 million as the result of higher operating profit.

1.9 Profit Sharing for non-controlling interest of a subsidiary company

On Oct 1' 2010, the company sold partial investment in a subsidiary company to Japanese alliance, Mory Industrial Inc. the Company and its subsidiaries recognized profit sharing to minority shareholders according to the percentage of shareholding of net profit in subsidiary through the period of its holding which was amount by Baht 16.29 million and 44.74 million for the period of three month and nine months year ended 31st Dec 2017.

1.10 Profitability

For the period of three months ended 31st Dec 2017, the Company and its subsidiaries had gross profit margin of 15.00 percent, compared with gross profit margin of 12.23 percent in the same period of the previous year. This is mainly due to the higher gross margin in car exhaust pipes and other metal products.

For the period of nine months ended 31st Dec 2017, the Company and its subsidiaries had gross profit margin of 13.96 percent compared with gross profit margin of 12.49 percent in the same period the previous year. The gross profit margin increased by Baht 54.01 million.

(Unit: Baht million)

Consolidated balance sheets	As at 31st Dec 2017		As at 31 st Mar 2017	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	297.56	13.86%	237.45	10.45%
Short-term investment	4.84	0.23%	21.35	0.94%
Account receivable, trade and others	680.07	31.69%	679.83	29.93%
Inventories, net	653.32	30.44%	792.71	34.90%
Other current assets	3.21	0.15%	5.71	0.25%
Total current assets	1,639.00	76.37%	1,737.05	76.47%
Non-current assets				
Investment in related company	12.22	0.57%	10.99	0.48%
Long-term investment	2.66	0.12%	2.73	0.12%
Property, plant and equipment, net	422.09	19.67%	448.52	19.75%
Intangible assets – net	0.62	0.03%	0.76	0.03%
Restricted fixed deposits	46.18	2.15%	45.98	2.03%
Deferred tax assets	19.71	0.92%	21.60	0.95%
Other non-current assets	3.72	0.17%	3.83	0.17%
Total non-current assets	507.20	23.63%	534.41	23.53%
TOTAL ASSETS	2,146.20	100.00%	2,271.46	100.00%
LIABILITIES				
Current liabilities				
Bank overdraft and borrowing from financial institutions	38.20	1.78%	53.56	2.36%
Account payables, trade and others	430.72	20.07%	531.90	23.42%
Current portion of financial lease	-	-	1.17	0.05%
Accrued corporate income tax	15.29	0.71%	29.49	1.30%
Other current liabilities	12.26	0.57%	8.23	0.36%
Total current liabilities	496.47	23.13%	624.35	27.49%
Non-current liabilities				
Provision for employee benefit	34.00	1.59%	31.07	1.36%
Total non-current liabilities	34.00	1.59%	31.07	1.36%
TOTAL LIABILITIES	530.47	24.72%	655.42	28.85%
SHAREHOLDERS' EQUITY				
Shareholder equity				
Registered capital	383.00		383.00	
Issued and Paid up capital	383.00	17.84%	383.00	16.86%
Premium on stock	519.67	24.21%	519.67	22.88%
Retained earnings				
Legal reserve	73.40	3.42%	72.60	3.20%
Un-appropriated	442.29	20.61%	440.35	19.39%
Non-controlling interest of a subsidiary	197.37	9.20%	200.42	8.82%
Total shareholders' equity	1,615.73	75.28%	1,616.04	71.15%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,146.20	100.00%	2,271.46	100.00%

2. Financial Status

2.1 Assets

As for the assets value as at 31st Dec 2017 and 31st Mar 2017, the Company and its subsidiaries had total assets of Baht 2,146.20 million and Baht 2,271.46 million respectively. The decrease was Baht 125.26 million, mainly decreased in inventories, following the decrease in reserve of raw material for wholesale customers. The outstanding cash and cash equivalents was Baht 297.56 million. The Company and its subsidiaries operated integrated stainless center which provided many kinds of services such as procurement, transformation, manufacture and stainless products wholesale and a subsidiary who is the finish goods trader of metal and non-ferrous metal. Therefore, the Company and its subsidiaries' major assets are inventories, account receivables, land, plant and equipment as details below:

- 2.1.1 Inventories: As at 31st Dec 2017 and 31st March 2017 the Company and its subsidiaries had net inventories of Baht 653.32 million (or 30.44 percent of total assets) and Baht 792.71 million (or 34.90 percent of total assets) respectively
- 2.1.2 Trade account receivables, net – other parties: As at 31st Dec 2017 and 31st March 2017, the Company and its subsidiaries had Trade account receivables, net – other parties of Baht 680.07 million (or 31.69 percent of total assets) and Baht 679.83 million (or 29.93 percent of total assets) respectively.
- 2.1.3 Land, plant and equipments - Land and improvements, building, machinery, office equipments, vehicles and work on progress of construction: As at 31st Dec 2017 and 31st March 2017, the Company and its subsidiaries had Land, plant and equipments – net of Baht 422.09 million (or 19.67 percent of total assets) and Baht 448.52 million (or 19.75 percent of total assets) respectively. During the period, there were some investment in machine and equipment to expand the production capacities.
- 2.1.4 Restricted fix deposit: As at 31st Dec 2017 and 31st March 2017, the Company and its subsidiaries had the net value of Baht 46.18 million and Baht 45.98 (or 2.15 percent of total assets and 2.03 percent of total assets) respectively. The restricted fix deposit by a subsidiary was used as guarantee for loans from financial institution.
- 2.1.5 Deferred tax assets: As at 31st Dec 2017 and 31st March 2017, the Company and its subsidiaries had net value of Baht 19.71 million and Baht 21.60 million respectively (0.92 percent and 0.95 percent of total assets respectively).

2.2 Liabilities

The total liabilities of the Company and its subsidiaries as at 31st Dec 2017 and 31st March 2017 stood at Baht 530.47 million and Baht 655.42 million respectively. The decreasing in liabilities was mainly due to the settlement of trade creditors.

2.3 Shareholders' equity

As at 31st Dec 2017 and 31st March 2017, shareholders' equity was Baht 1,615.73 million and Baht 1,616.04 million respectively. The major changes were from the net profit amounting to Baht 200.55 million, dividend payment by company and its subsidiaries of Baht 199.76 million. Therefore, portions of company shareholding interest and non-controlling interest of subsidiary stood at Baht 1,418.36 million and Baht 197.37 million respectively.

Debt to Equity ratio as at 31st Dec 2017 and 31st March 2017 were 0.33 and 0.41 times respectively.

(Unit: Baht million)

Consolidated cash flows statement	As at 31st Dec 2017	As at 31st Dec 2016
Net cash from (used in) operating activities	283.00	338.78
Net cash used in investing activities	-6.67	-7.16
Net cash from (used in) financing activities	-216.29	-302.93
Effect of exchange rate to cash and cash equivalent	0.07	0.14
Net increase (decrease) in cash	60.11	28.83

3. Cash flows

For the three month period ended 31st Dec 2017, the Company and its subsidiaries generated net increase in cash from operating activities of Baht 283.00 million, consisting of baht 225.50 million positively from operating performance and net increase of Baht 57.50 million of working capital from decrease in inventories despite the settlement of trade creditor.

There was also net pay in investing activities of Baht -6.67 million with Investments in machinery and equipment by Baht -29.14 million, while cash received from disposal of short-term investments by Baht 20.07 million baht and from disposal of equipment by Baht 6.66 million.

The financing part was net pay in Baht -216.29 million. The major activity was payment of dividend by Baht -199.76 million to shareholders and minor shareholder in a subsidiary company. The short term loan from bank was also settled by -15.36 million baht.

In total, net cash for the year was increased by Baht 60.11 million.

Sincerely yours,

(Mr. Anan Manatchinapisit)
Deputy Managing Director