

Ref. PDI/BK-BS-013/2014

28 February 2014

To: President  
The Stock Exchange of Thailand

Re: Clarification on Company's performance of the 4<sup>th</sup> Quarter and Year to date 2013

Consolidated Performance Summary

Unit : Baht million	4 <sup>th</sup> Quarter		Full Year	
	2013	2012	2013	2012
Sales and services	1,355.44	1,605.57	5,466.27	7,601.74
Cost of sales and services	(1,251.00)	(1,555.27)	(5,175.94)	(7,616.71)
Gross Profit / (Loss)	104.44	50.30	290.33	(14.97)
Gain/(Loss) on exchange rate	(28.71)	15.14	(39.83)	49.98
Other Income	8.39	10.40	28.77	33.91
Profit/(Loss) before expenses	84.12	75.84	279.27	68.92
Selling and Administrative expenses	(1,009.93)	(309.56)	(1,303.66)	(606.61)
Share of Gain/(Loss) from equity method	0.05	(6.82)	(14.15)	(24.25)
Finance cost	(1.79)	(2.85)	(8.71)	(13.01)
Profit/(Loss) before tax	(927.54)	(243.38)	(1,047.25)	(574.96)
Corporate Income Tax	114.65	(0.10)	114.32	(0.71)
<b>Net Profit/(Loss) after tax-attributed to Company</b>	<b>(413.40)</b>	<b>(241.32)</b>	<b>(530.06)</b>	<b>(569.36)</b>
Earning per share (Baht/share)	(1.82)	(1.05)	(2.35)	(2.52)

Padaeng Industry Public Company Limited posted a consolidated loss of 413.40MB for the 4<sup>th</sup> Quarter of 2013 and a consolidated loss of 530.06MB for full year of 2013. A provision of 926.28MB from impairing of exploration assets of the subsidiary Puthep was included in the result of the 4<sup>th</sup> quarter and the full year of 2013. This is reflected in high administrative expenses in Q4 2013 and negatively affects the full year 2013.

The capitalized exploration costs of 926.28MB have been incurred by Puthep, a 51% subsidiary of the company. Puthep has a concession agreement for copper exploration in the Loei province, in the North East of Thailand. Based on actualized assumptions for metal prices, investment and operating costs the viability of the project is confirmed. However, obtaining mining operation permits remains a major hurdle, due to the increasing general public concerns with respect to mining in Thailand and more specific the Loei region. Consequently, after 13 years of exploration, the Company has decided to cease any further activities and has recognized a provision for impairment of 926.28MB in 2013. The decision taken by the board to impair the Puthep exploration assets supports the company's strategy to clean the balance sheet from all high risk assets. There are no major remaining assets in the balance sheet that carry an impairment risk.

**Excluding these exceptional provisions, the full year 2013 consolidated result improved to a net loss of 116.10 MB from a loss of 342.99MB in 2012. The operational performance of the company improved significantly against sharp increasing operational expenses and raw material costs.**

Sales and services in Q4 2013 have been reduced with 250.13MB to 1,355.44MB from the same period in 2012. The lower sales volume is in line with the strategic optimization plan of the company to cut high expensive production during peak electricity periods. Despite a reduction in sales and services, the company's gross profit significantly increased from 50.30MB in Q4 2012 to 104.44MB in Q4 2013.

The average LME zinc price of the 4<sup>th</sup> quarter 2013 reached 1,909 USD/t slightly below the 1,951 USD/t during the same quarter of previous year. The average exchange rate of THB against the USD of Q4 2013 reached THB 31.87/USD, depreciated from THB 30.82/USD during the same period last year.

Encouraged by the depreciation of the Thai Baht currency during the 4<sup>th</sup> quarter, the strategic plan of the company proved to be successful: increased alloy sales, increased sales from by-products and strict control of operating expenses. The company was able to significantly reduce variable operational expenses against the inflation.

For the full year 2013, sales and services decreased from 7,601.74MB to 5,466.27MB, for reasons explained earlier. However, the gross profit of the full year 2013 improved significantly from a loss of 14.97MB in 2012 to a profit of 290.33MB in 2013. The key drivers for this positive gross profit are the increase of by-product sales, the strategic hedging of zinc metal and a significant decrease in cost of sales.

The full year 2013 LME zinc price reached 1,910 USD/t, slightly below the 1,948 USD/t in 2012. The exchange rate in 2013 reached THB 30.86/USD compared to THB 31.22/USD previous year.

During the 4<sup>th</sup> quarter of 2013 the zinc market started to improve, due to a reduction of the global oversupply. In Thailand the shortage in zinc metal was reflected in an increase of the metal premium, especially for Special High Grade zinc metal. Additionally, the company increased the sales of zinc alloy from 42% in 2012 to 57% in 2013, again in line with the strategic plan.

The strategic roadmap for operational improvement from supply, over operations to sales, continues at the highest pace. New process and technology innovations have been fully implemented. Supported by an improved operational performance and the expected increase in zinc prices, the company is ready to post positive results in the coming years.

Additionally, the company continues to explore new business opportunities to grow its performance in a robust and sustainable way.

Please be informed accordingly.

Yours truly,

- Signature -

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