

Ref. PDI/BK-BS-076/2018

7th November 2018

Re: Management Discussion and Analysis (MD&A)
For the three-month and nine-month periods ended September 30, 2018

To: President
The Stock Exchange of Thailand

Due to depletion of Mae Sod Mine's reserves, PDI stopped its mining activities in 2016 and ceased the conventional zinc business end 2017. Whilst sustaining part of the zinc related activities under a metal trading business, PDI reassessed its business structure to move towards Green Businesses targeting renewable energy, materials recycling and eco management. To pursue its business strategy, 36 MW solar farms in Thailand have been acquired in 2016 and 2017. In 2018, the revenues from renewable energy are starting to contribute a significant portion of the profits.

Padaeng Industry Public Company Limited and its subsidiaries ("the Company") would like to announce the operating results for the three-month and nine-month periods ended September 30, 2018, which has been reviewed by an auditor as follows:

Unit: Million Baht

CONSOLIDATED FINANCIAL STATEMENTS	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2018	2017	2018	2017
REVENUES	1,200.88	1,474.17	3,778.47	4,421.99
<i>Revenue from sales and services</i>	1,102.75	1,411.21	3,444.35	4,256.95
<i>Revenue from sales electricity</i>	72.11	28.15	252.91	70.53
<i>Other income</i>	26.02	34.81	81.21	94.51
EXPENSES	(1,263.16)	(1,351.49)	(3,837.04)	(3,773.22)
<i>Cost of sales and services</i>	(1,123.90)	(1,148.18)	(3,369.21)	(3,321.51)
<i>Cost of sales electricity</i>	(44.38)	(14.82)	(130.12)	(36.59)
<i>Selling expenses</i>	(4.60)	(12.82)	(21.12)	(36.84)
<i>Operating and administrative expenses</i>	(58.39)	(146.94)	(238.28)	(346.64)
<i>Loss on short-term investment</i>	-	-	(19.70)	(6.72)
<i>Loss on exchange rate</i>	(12.34)	(25.11)	(0.84)	(21.27)
<i>Finance costs</i>	(19.55)	(3.62)	(57.77)	(3.65)
SHARE OF PROFIT (LOSS) OF INVESTMENT IN JOINT VENTURES	(0.66)	(2.11)	(7.84)	8.17
INCOME (LOSS) BEFORE TAX	(62.94)	120.57	(66.41)	656.94
INCOME TAX INCOME (EXPENSE)	0.29	(7.05)	1.03	(20.05)
NET PROFIT (LOSS) FOR THE PERIODS	(62.65)	113.52	(65.38)	636.89

For the 3Q 2018, the Company announces a consolidated net loss of 62.65MB, compared to a net profit of 113.52MB for the same period of previous year.

For the 9M 2018, the Company announces a consolidated net loss of 65.38MB, compared to a net profit of 636.89MB for the same period of previous year.

Sales and services of 3Q 2018 reached 1,174.86MB, a decrease of 18% from 1,439.36MB in 3Q 2017, of which 92% contributed from zinc trading business and 6% from renewable energy.

Sales and services of 9M 2018 reached 3,697.26MB, a decrease of 15% from 4,327.48MB in 9M 2017, of which 91% contributed from zinc trading business and 7% from renewable energy. The decrease is mainly from a drop in total sales volumes of zinc. As a result of the ceasing of the zinc operations, the sales volumes of imported metals increased to 98% of the total sales in 9M 2018, marking a complete make-over into PDI's Metals business. On top, the continuous decrease in LME Zinc price in 2018 had a major impact on the sales and services income in 2018.

Total expenses of 3Q 2018 reached 1,263.16MB, a decrease of 7% from 1,351.49MB in 3Q 2017 and total expenses of 9M 2018 reached 3,837.04MB, an increase of 2% from 3,773.22 in 9M 2017. The main reasons for the substantial difference are as follows:

- Costs of goods sold increased by 1% to 1,168.28MB in 3Q 2018 from 1,163.00MB in 3Q 2017 and costs of goods sold increased by 4% to 3,499.33MB in 9M 2018 from 3,358.10MB in 9M 2017. This is because the company had lower cost of goods sold from its zinc production in 2017 compared to higher cost of goods sold from imported zinc in 2018.
- The recognition of a provision of forestry restoration compensation after the cessation zinc operation as stipulated by law and new regulations imposed by the Department of Royal Forest of 48.80MB.
- Finance costs increased by 15.93MB and 54.12MB in 3Q 2018 and 9M 2018, respectively, mainly from energy projects of the Company.

The 9-month of 2018 needs to be evaluated as the early stage into the transition of the company to new sustainable business. To speed up its return to profitability PDI will:

- Carefully screen its assets and sell those that are no longer useful. In doing so expenses will be reduced and cash will be generated to invest in new M&A targets.
- Further manage down its OPEX to minimize spending.
- Continue its quest for new projects with controllable risks and sustainable returns, in and beyond Thailand, targeting area's in Energy, Eco and Materials. M&A targets in any other area, when encouraging, will be considered as well.

Please be informed accordingly.

Yours truly,

-- Signature --

(Ms. Suthathip Pilasarom)
Company Secretary

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