

Ref. PDI/BK-BS-050/2019

9th August 2019

Re: Management Discussion and Analysis (MD&A)
For the three-month and six-month periods ended June 30, 2019

To: President
The Stock Exchange of Thailand

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. The revenues from renewable energy are starting to contribute a significant portion of the profits since 2018 onward.

Subsequently, on November 6, 2018, the Board of Directors of the Company had resolved the resolution to the Company that it shall cease metals trading business at the end of the first quarter of 2019. (“Discontinued operation”)

Padaeng Industry Public Company Limited and its subsidiaries (“the Company”) would like to announce the operating results for the three-month and six-month periods ended June 30, 2019, which have been reviewed by an auditor as follows:

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS	For the three-month periods ended June 30,					
	Continuing operations		Discontinued operation		Total	
	2019	2018	2019	2018	2019	2018
REVENUES	139.61	126.62	25.95	1,140.20	165.56	1,266.82
<i>Revenue from sales electricity</i>	90.50	89.30	-	-	90.50	89.30
<i>Revenue from sales and services</i>	4.67	3.53	-	1,120.54	4.67	1,124.07
<i>Dividend income</i>	32.34	-	-	-	32.34	-
<i>Other income</i>	12.10	33.79	25.95	19.66	38.05	53.45
EXPENSES	(136.22)	(135.94)	(20.06)	(1,227.94)	(156.28)	(1,363.88)
<i>Cost of sales electricity</i>	(39.29)	(43.80)	-	-	(39.29)	(43.80)
<i>Cost of sales and services</i>	(0.60)	(2.33)	-	(1,130.72)	(0.60)	(1,133.05)
<i>Operating and administrative expenses</i>	(65.40)	(19.39)	(20.06)	(97.22)	(85.46)	(116.61)
<i>Loss on short-term investment</i>	(7.69)	(50.26)	-	-	(7.69)	(50.26)
<i>Loss on exchange rate</i>	(6.14)	-	-	-	(6.14)	-
<i>Finance costs</i>	(17.10)	(20.16)	-	-	(17.10)	(20.16)
SHARE OF LOSS OF INVESTMENT IN JOINT VENTURES ON EQUITY METHOD	(1.47)	(2.79)	-	-	(1.47)	(2.79)
INCOME (LOSS) BEFORE TAX	1.92	(12.11)	5.89	(87.74)	7.81	(99.85)
INCOME TAX INCOME (EXPENSE)	0.61	(0.60)	-	0.95	0.61	0.35
NET PROFIT (LOSS) FOR THE PERIODS	2.53	(12.71)	5.89	(86.79)	8.42	(99.50)

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS	For the six-month periods ended June 30,					
	Continuing operations		Discontinued operation		Total	
	2019	2018	2019	2018	2019	2018
REVENUES	247.98	233.74	557.23	2,369.46	805.21	2,603.20
<i>Revenue from sales electricity</i>	182.71	180.80	-	-	182.71	180.80
<i>Revenue from sales and services</i>	8.12	8.28	503.81	2,333.32	511.93	2,341.60
<i>Dividend income</i>	32.34	-	-	-	32.34	-
<i>Other income</i>	24.81	44.66	53.42	36.14	78.23	80.80
EXPENSES	(239.51)	(226.38)	(545.09)	(2,373.10)	(784.60)	(2,599.48)
<i>Cost of sales electricity</i>	(77.82)	(85.86)	-	-	(77.82)	(85.86)
<i>Cost of sales and services</i>	(1.72)	(5.48)	(508.06)	(2,239.83)	(509.78)	(2,245.31)
<i>Operating and administrative expenses</i>	(101.59)	(63.01)	(37.03)	(133.27)	(138.62)	(196.28)
<i>Loss on short-term investment</i>	(6.41)	(33.81)	-	-	(6.41)	(33.81)
<i>Loss on exchange rate</i>	(18.63)	-	-	-	(18.63)	-
<i>Finance costs</i>	(33.34)	(38.22)	-	-	(33.34)	(38.22)
SHARE OF LOSS OF INVESTMENT IN JOINT VENTURES ON EQUITY METHOD	(2.04)	(7.18)	-	-	(2.04)	(7.18)
INCOME (LOSS) BEFORE TAX	6.43	0.18	12.14	(3.64)	18.57	(3.46)
INCOME TAX INCOME (EXPENSE)	1.17	(0.21)	-	0.95	1.17	0.74
NET PROFIT (LOSS) FOR THE PERIODS	7.60	(0.03)	12.14	(2.69)	19.74	(2.72)

Continuing operations

For the three-month period ended June 30, 2019, the Company announces net profit of Baht 2.53 million, compared to a net loss of Baht 12.71 million from the same period of previous year.

For the six-month period ended June 30, 2019, the Company announces net profit of Baht 7.60 million, compared to a net loss of Baht 0.03 million from the same period of previous year.

Sales electricity and services for the three-month period ended June 30, 2019 reached Baht 95.17 million, an increase of 2.5% from Baht 92.83 million from the same period of previous year, of which 65% contributed from renewable energy business of the total revenues. In addition, the Company recognized dividend income from long-term investment amounting Baht 32.34 million during the period.

Sales electricity and services for the six-month period ended June 30, 2019 reached Baht 190.83 million, an increase of 0.9% from Baht 189.08 million from the same period of previous year, of which 74% contributed from renewable energy business of the total revenues. In addition, the Company recognized dividend income from long-term investment amounting Baht 32.34 million during the period.

Total expenses for the three-month period ended June 30, 2019 reached Baht 136.22 million, an increase of 0.2% from Baht 135.94 million from the same period of previous year and for the six-month period ended June 30, 2019 reached Baht 239.51 million, an increase of 5.8% from Baht 226.38 million from the same period of previous year. The main reasons for the substantial difference are as follows:

- Costs of sales electricity and service for the three-month period ended June 30, 2019 was Baht 39.89 million decreased by 13.5% from the same period of previous year amounted Baht 46.13 and for the six-month period ended June 30, 2019 was Baht 79.54 million decreased by 12.9% from the same period of previous year amounted Baht 91.34 million. This was due to cost management by carefully set up own operational and maintenance for machines and equipment of solar farms.
- Operating and Administrative expenses for the three-month period ended June 30, 2019 was Baht 65.40 million increased by 237.3% from the same period of previous year amounted Baht 19.39 million and for the six-month period ended June 30, 2019 was Baht 101.59 million increased by 61.2% from the same period of previous year amounted Baht 63.01 million. The increase in expense was mainly from feasibility study of new projects which will generate sustainable returns during the period.
- Loss on short-term investment for the three-month period ended June 30, 2019 was Baht 7.69 million decreased by 84.7% from the same period of previous year amounted Baht 50.26 million and for the six-month period ended June 30, 2019 was Baht 6.41 million decreased by 81.0% from the same period of previous year amounted Baht 33.81 million from efficient investment strategy.
- Loss on exchange rate for the three-month period ended June 30, 2019 increased from the same period of previous year by Baht 6.14 million and for the six-month period ended June 30, 2019 increased from the same period of previous year by Baht 18.63 million due to the Baht appreciation. The Company recognized unrealized loss on exchange rate from revaluation foreign exchange rate.

Discontinued operation

During 2018, the Board of Directors' Meeting of Padaeng Industry Public Company Limited had resolved the resolution to cease metals trading business at the end of the first quarter of 2019 onward. As a result, the Company had discontinued operation in metals trading business. Profit for the period from discontinued operation for the three-month period ended June 30, 2019 was 5.89 million increased by 106.8% compared to a net loss of Baht 86.79 million from the same period of previous year and for the six-month period ended June 30, 2019, the Company has net profit in the amount of 12.14 million increased by 551.3% compared to a net loss of Baht 2.69 million from the same period of previous year. The company cooperates with the Department of Royal Forest ("RFD") to forestry restoration compensation after the cessation zinc operation as stipulated by law and new regulations imposed by RFD.

In year 2019, it needs to be evaluated as the early stage into the transition of the company to new sustainable business. To enhance 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 within 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 --

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