

Ref. PDI/BK-BS-064/2019

12th November 2019

Re: Management Discussion and Analysis (MD&A)
For the three-month and nine-month periods ended September 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 nine-month periods ended September 30, 2019, which have been reviewed by an auditor as follows:

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS	For the three-month periods ended September 30,					
	Continuing operations		Discontinued operation		Total	
	2019	2018	2019	2018	2019	2018
REVENUES	97.04	103.02	1.17	1,118.45	98.21	1,221.47
<i>Revenue from sales electricity</i>	77.29	72.10	-	-	77.29	72.10
<i>Revenue from sales and services</i>	3.85	5.97	-	1,096.78	3.85	1,102.75
<i>Dividend income</i>	0.69	-	-	-	0.69	-
<i>Other income</i>	15.21	24.95	1.17	21.67	16.38	46.62
EXPENSES	(126.20)	(131.57)	(17.35)	(1,152.20)	(143.55)	(1,283.77)
<i>Cost of sales electricity</i>	(37.59)	(44.38)	-	-	(37.59)	(44.38)
<i>Cost of sales and services</i>	(2.71)	(4.45)	-	(1,119.45)	(2.71)	(1,123.90)
<i>Operating and administrative expenses</i>	(41.17)	(30.23)	(17.35)	(32.75)	(58.52)	(62.98)
<i>Loss on short-term investment</i>	(10.55)	-	-	-	(10.55)	-
<i>Loss on exchange rate</i>	-	(32.95)	-	-	-	(32.95)
<i>Finance costs</i>	(34.18)	(19.56)	-	-	(34.18)	(19.56)
SHARE OF LOSS OF INVESTMENT IN JOINT VENTURES ON EQUITY METHOD	(0.35)	(0.65)	-	-	(0.35)	(0.65)
LOSS BEFORE TAX	(29.51)	(29.20)	(16.18)	(33.75)	(45.69)	(62.95)
INCOME TAX INCOME (EXPENSE)	0.35	(0.18)	-	0.48	0.35	0.30
NET LOSS FOR THE PERIODS	(29.16)	(29.38)	(16.18)	(33.27)	(45.34)	(62.65)

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS	For the nine-month periods ended September 30,					
	Continuing operations		Discontinued operation		Total	
	2019	2018	2019	2018	2019	2018
REVENUES	344.61	305.59	558.40	3,487.91	903.01	3,793.50
<i>Revenue from sales electricity</i>	260.00	252.91	-	-	260.00	252.91
<i>Revenue from sales and services</i>	11.97	14.25	503.81	3,430.09	515.78	3,444.34
<i>Dividend income</i>	40.92	-	-	-	40.92	-
<i>Other income</i>	31.72	38.43	54.59	57.82	86.31	96.25
EXPENSES	(365.30)	(326.77)	(562.44)	(3,525.30)	(927.74)	(3,852.07)
<i>Cost of sales electricity</i>	(112.23)	(130.12)	-	-	(112.23)	(130.12)
<i>Cost of sales and services</i>	(7.60)	(9.93)	(508.06)	(3,359.28)	(515.66)	(3,369.21)
<i>Operating and administrative expenses</i>	(142.76)	(93.37)	(54.38)	(166.02)	(197.14)	(259.39)
<i>Loss on short-term investment</i>	(16.97)	(19.70)	-	-	(16.97)	(19.70)
<i>Loss on exchange rate</i>	(18.21)	(15.88)	-	-	(18.21)	(15.88)
<i>Finance costs</i>	(67.53)	(57.77)	-	-	(67.53)	(57.77)
SHARE OF LOSS OF INVESTMENT IN JOINT VENTURES ON EQUITY METHOD	(2.39)	(7.84)	-	-	(2.39)	(7.84)
LOSS BEFORE TAX	(23.08)	(29.02)	(4.04)	(37.39)	(27.12)	(66.41)
INCOME TAX INCOME (EXPENSE)	1.52	(0.40)	-	1.43	1.52	1.03
NET LOSS FOR THE PERIODS	(21.56)	(29.42)	(4.04)	(35.96)	(25.60)	(65.38)

Continuing operations

For the three-month period ended September 30, 2019, the Company announces net loss of Baht 29.16 million, compared to a net loss of Baht 29.38 million from the same period of previous year.

For the nine-month period ended September 30, 2019, the Company announces net loss of Baht 21.56 million, compared to a net loss of Baht 29.42 million from the same period of previous year.

Sales electricity and services for the three-month period ended September 30, 2019 reached Baht 81.14 million, an increase of 3.93% from Baht 78.07 million from the same period of previous year, of which 84% contributed from renewable energy business of the total revenues.

Sales electricity and services for the nine-month period ended September 30, 2019 reached Baht 271.97 million, an increase of 1.80% from Baht 267.16 million from the same period of previous year, of which 79% contributed from renewable energy business of the total revenues. In addition, the Company recognized dividend income from short-term investments and long-term investment amounting Baht 40.92 million during the period.

Total expenses for the three-month period ended September 30, 2019 reached Baht 126.20 million, a decrease of 4.08% from Baht 131.57 million from the same period of previous year and for the nine-month period ended September 30, 2019 reached Baht 365.30 million, an increase of 11.79% from Baht 326.77 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 September 30, 2019 was Baht 40.30 million decreased by 17.47% from the same period of previous year amounted Baht 48.83 and for the nine-month period ended September 30, 2019 was Baht 119.83 million decreased by 14.44% from the same period of previous year amounted Baht 140.05 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 September 30, 2019 was Baht 41.17 million increased by 36.19% from the same period of previous year amounted Baht 30.23 million and for the nine-month period ended September 30, 2019 was Baht 142.76 million increased by 52.90% from the same period of previous year amounted Baht 93.37 million. The increase in expense was mainly from feasibility study of new projects which will generate sustainable returns to the Company and shareholders.
- For the three-month period ended September 30, 2019, the Company has decreased in loss on exchange rate from the same period of previous year by Baht 32.95 million due to the Baht appreciation against JPY in Q3 2019 was improved when compared to the same period of previous year. The unrealized loss on exchange rate was mainly from revaluation foreign exchange rate in JPY of long-term investments.

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 onwards. As a result, the Company had discontinued operation in metals trading business. Loss for the period from discontinued operation for the three-month period ended September 30, 2019 was 16.18 million decreased by 51.37% compared to a net loss of Baht 33.27 million from the same period of previous year and for the nine-month period ended September 30, 2019, the Company has net loss in the amount of 4.04 million decreased by 88.77% compared to a net loss of Baht 35.96 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 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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