



Padaeng Industry Public Company Limited and its subsidiaries

Management Discussion and Analysis (MD&A)

For the year ended December 31, 2019



Ref. PDI/BK-BS-008/2020

20th February 2020

Re: Management Discussion and Analysis (MD&A)
 For the year ended December 31, 2019

To: President
 The Stock Exchange of Thailand

Padaeng Industry Public Company Limited and its subsidiaries (“the Company”) reassessed its business structure to move towards Green Businesses targeting renewable energy and real estate business. 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 onwards.

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”)

The Company would like to announce the operating results for the year ended December 31, 2019, which have been audited by the auditor as follows:

Consolidated Financial Statements

Unit : Million Baht

	For the years ended December 31,					
	Continuing operations		Discontinued operation		Total	
	2019	2018	2019	2018	2019	2018
REVENUES	434.15	440.30	690.85	4,586.75	1,125.00	5,027.05
Revenue from sales electricity	340.33	330.85	-	-	340.33	330.85
Revenue from sales and services	14.05	17.97	503.81	4,525.72	517.86	4,543.69
Dividend income	41.09	-	-	-	41.09	-
Other income	38.68	91.48	187.04	61.03	225.72	152.51

Consolidated Financial Statements

Unit : Million Baht

	For the years ended December 31,					
	Continuing operations		Discontinued operation		Total	
	2019	2018	2019	2018	2019	2018
EXPENSES	(549.15)	(445.02)	(580.96)	(4,611.18)	(1,130.11)	(5,056.20)
Cost of sales electricity	(156.77)	(165.89)	-	-	(156.77)	(165.89)
Cost of sales and services	(11.19)	(11.38)	(508.06)	(4,401.74)	(519.25)	(4,413.12)
Operating and administrative expenses	(161.56)	(145.88)	(72.90)	(209.44)	(234.46)	(355.32)
Loss on short-term investment	(30.16)	(45.13)	-	-	(30.16)	(45.13)
Loss on exchange rate	(50.38)	-	-	-	(50.38)	-
Loss on impairment of investments						
in joint ventures	(37.87)	-	-	-	(37.87)	-
Finance costs	(101.22)	(76.74)	-	-	(101.22)	(76.74)
SHARE OF LOSS OF INVESTMENT IN						
JOINT VENTURES ON EQUITY METHOD	(2.62)	(11.51)	-	-	(2.62)	(11.51)
GAIN (LOSS) BEFORE TAX	(117.62)	(16.23)	109.89	(24.43)	(7.73)	(40.66)
INCOME TAX INCOME (EXPENSE)	1.97	(1.10)	-	-	1.97	(1.10)
NET GAIN (LOSS) FOR THE YEARS	(115.65)	(17.33)	109.89	(24.43)	(5.76)	(41.76)



Overview the performance for the year 2019

For the year 2019, the Company announces net loss of Baht 5.76 million, a decrease of Baht 36 million from net loss of the previous year. The main reasons for the substantial difference are as follows:

Renewable energy business

The Company reached gross profit for the year 2019, an increase of Baht 18.60 million compared to the previous year from increased revenue and cost management by carefully set up own operational and maintenance for machines and equipment of solar farms.

During 2019, the Company recognized dividend income amounting Baht 32.34 million from the long-term investment - solar farms in Japan.

Performance

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS		
For the years ended December 31,		
	2019	2018
Revenue from sales electricity	340.33	330.85
Cost of sales electricity	(156.77)	(165.89)
Gross profit	183.56	164.96
Gross profit margin (%)	53.94	49.86



Metals trading business

The Company reached net profit from discontinued operation in metals trading business of Baht 109.89 million increased by Baht 134.32 million from the previous year. This was due to sell assets that are no longer useful to follow the plan of transition of the Company. 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.

Operating and administrative expenses

The Company has operating and administrative expenses for the year 2019 of Baht 234.46 million, a decrease by Baht 120.86 million from the previous year which follow the plan of transition of the company. However, the Company has increment of expenses from the previous year that was mainly from feasibility study of new projects which will generate sustainable returns to the Company and shareholders.

Operating and administrative expenses

Unit : Million Baht

CONSOLIDATED FINANCIAL STATEMENTS		
For the years ended December 31,		
	2019	2018
Employee benefits expense	97.87	113.61
Provisions for employee benefit expense	22.78	14.72
Other expenses	113.81	226.99
Total	234.46	355.32

Loss on exchange rate

For the year 2019, the Company has loss on exchange rate by Baht 50.38 million due to the Baht appreciation against JPY. The unrealized loss on exchange rate was mainly from revaluation foreign exchange rate in JPY of long-term investments.



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, the Company will:

- Deliver reliable return with long-term growth opportunity through long-term acquisition in high quality “Real Assets”.
- Enhance our assets’ operational excellence with active asset management focused on profitability and sustainability of cash flows.
- Build and extend our in-house team passion and expertise to be professionals with the most capable, honest, and hard-working for long-term business success.

Please be informed accordingly.

Yours truly,

-- Signature --

(Mr. Tommy Taechaubol)

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