



THAIRUNG

President
Stock Exchange of Thailand

12 November 2019

Dear Sir,

Explanation and Analysis of Financial Statements for the Quarter ended 30 September 2019

We enclose herewith two sets of the consolidated financial statements of Thai Rung Union Car Public Company Limited (“the Company”) for the quarter ended 30 September 2019, duly reviewed by the Company’s auditors and approved by the Company’s Board of Directors, for onward distribution as appropriate.

Management has the following comments on the Company’s results for the quarter ended 30 September 2019 compared with the same quarter of last year (ended 30 September 2018), and the financial position at 30 September 2019 compared with that at 31 December 2018. These comments are intended to be read in conjunction with the consolidated financial statements.

Income statement for the quarter ended 30 September 2019

	Unit: millions of baht				
	Item	Q3'2019	Q3'2018	Change	
1.1	Operating revenue	639.19	683.92	(44.73)	(7%)
	Other income	197.36	11.61	185.75	1,600%
	Total revenue	836.55	695.53	141.02	20%
1.2	Cost of sales and service	549.25	557.08	(7.83)	(1%)
1.3	Sales & administrative expenses	90.45	75.02	15.42	21%
1.4	Net finance cost	0.23	0.00	0.23	11,450%
	Share of profits/(losses) of associates (joint ventures)	3.24	2.82	0.42	15%
	Profit before income tax	199.87	66.24	133.62	202%
1.5	Income tax income (expense)	(2.53)	(3.59)	1.06	29%
	Net profit/(loss)	197.34	62.65	134.68	215%
	Other comprehensive income (expense)	(14.65)	0.00	(14.65)	(100%)
1.7	Total comprehensive income	182.68	62.65	120.03	192%

Unit: millions of baht	Q3'2019	Q3'2018	Change	
Item				
Distribution of consolidated profit/(loss)				
Attributable to owners of the parent company	197.27	61.46	135.80	221%
Attributable to non-controlling interests	0.07	1.19	(1.12)	(94%)
Distribution of comprehensive income				
Attributable to owners of the parent company	182.61	61.46	121.15	197%
Attributable to non-controlling interests	0.07	1.19	(1.12)	(94%)

1. General

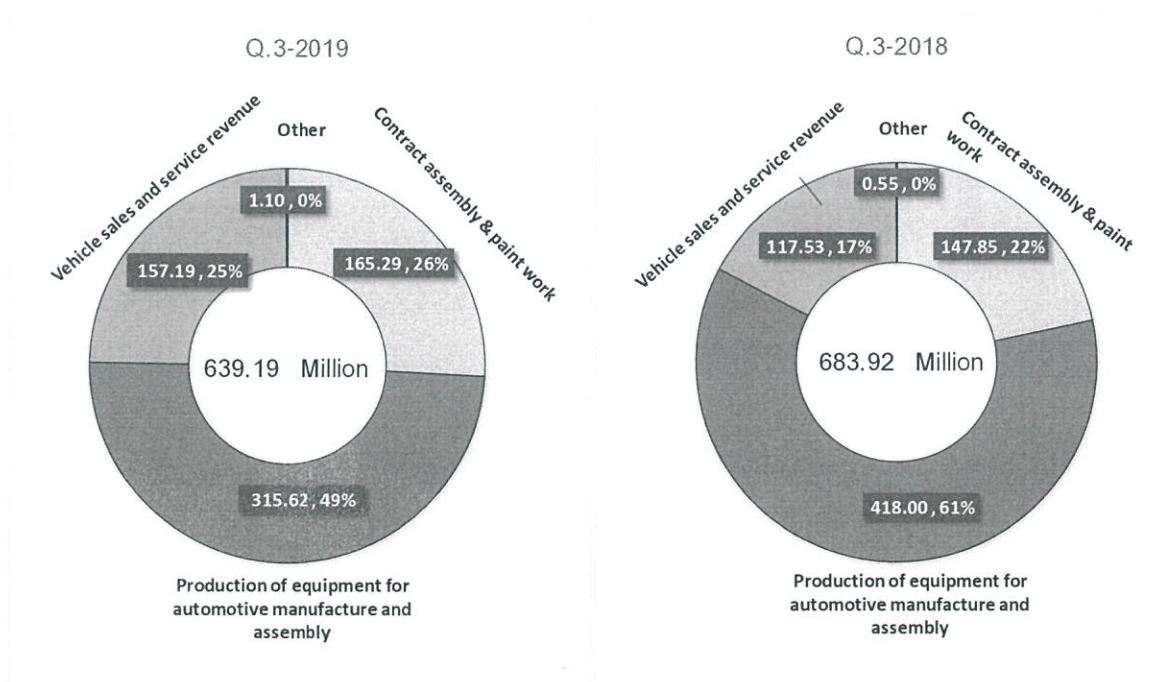
The Company is a manufacturer and distributor in the automotive industry. Its consolidated results for the third quarter of 2019 compared with the same quarter of 2018 were as follows:

1.1 Revenues

Total consolidated revenues for the third quarter of 2019, not including share in profit/(loss) of associates, amounted to Bt.836.55 million, representing an increase of Bt.141.02 million or 20% compared with the same quarter of last year, consisting of:

1.1.1 Operating income Bt.639.19 million, down by Bt.44.73 million or 7% on the same quarter of last year due to lower customers orders for goods and services.

Breakdown of Operating Revenue by Business Unit Q3 2019/Q3 2018 = (Bt.44.73 million) (7%)



Note: Operating income (does not include Other Income or share of profit/loss of associates (joint ventures)).

- Revenue from the production of vehicle manufacturing equipment (die and jig making, plus the production and sale of parts, both OEM and spare) amounted to Bt.315.62 million, representing 49% of total sales and service revenue, showing a fall of Bt.102.38 million or 24% from the same period of the previous year, due to a fall in orders for auto parts.
- Revenue from vehicle assembly and other vehicle-related contract work was Bt.165.29 million, representing 26% of total sales and service revenue. This was Bt.17.44 million or 12% more than in the same quarter of the previous year, mainly thanks to increased orders from customers in the agricultural machinery industry.
- Revenue from sales of vehicles and from service centres was Bt.157.19 million, representing 25% of total sales and service revenue and Bt.39.66 million or 34% up on Q3 of last year thanks to sales of special project vehicles for government departments.
- Other sales and service income, at Bt.1.10 million, was up by Bt.0.55 million on the same quarter of the previous year.

1.1.2 Other Income came to Bt.197.36 million, Bt.185.75 million more than in Q3 2018, due to:

- Net gain on the acquisition of a business Bt.189.41 million. The Company subscribed to a capital increase and bought the shares of the partner shareholder in a joint venture company, recognising the difference between the purchase price and the value of the assets acquired as a gain of Bt.393.56 million in accordance with Thai Financial Reporting Standards and also recognising a loss of Bt. 204.15 million due to the change in the fair value of the original investment in the joint venture.
- Other income fell by Bt.3.66 million: sales of scrap metal Bt.1.37 million, interest received Bt.1.06 million, gains on disposals of assets Bt.0.95 million and miscellaneous Bt.0.28 million.

1.2 Cost of sales and service

Consolidated cost of sales and service for Q3 2019 was Bt.549.25 million. As a proportion of sales and service revenue for the quarter it was 85.9%, 4.4 percentage points higher than the 81.5% of Q3 2018, due to the improvement of employee benefits of the person entitled to the compensation from 300 to 400 days, the amount of baht 9.24 million and the shift in the product mix, with different products having different margins, partly offset by the Company's efforts to increase efficiency and control production costs.

1.3 Selling and administrative expenses

Consolidated selling and administrative expenses for Q3 2019 amounted to Bt.90.45 million, Bt.15.42 million or 21% up on the same quarter of last year. Selling and administrative expenses amounted to 14% of revenues in Q3 2019 compared with 11% in Q3 2018, the three percentage point increase being due to:

- Bt.11.85 million in selling and administrative expenses of a subsidiary company acquired by the Company during the quarter;
- An adjustment of Bt.5 million to provisions for post-employment benefits in accordance with the amendments to the Thai Labour Protection Act establishing the amount of statutory severance pay for employees who have worked at least 20 years at 400 days at the employee's last wage rate.

1.4 Share of income/(loss) from investments in associates

Share in profit of associates (joint venture companies) was Bt.3.24 million, Bt.0.42 million or 15% up compared with Q3 2018.

1.5 Net income

The Company posted net income of Bt.197.34 million for the third quarter of 2019, of which Bt.197.27 million attributable to owners of the parent company, an increase of Bt.135.80 million relative to the same period last year when profit attributable to owners of the parent company was Bt.61.46 million.

1.6 Other comprehensive income/(loss)

Other comprehensive income/(loss) amounted to a negative Bt.14.65 million for the third quarter of 2019, composed of an actuarial loss of Bt.18.32 million due to changes in demographic and financial assumptions and experience adjustments and a Bt.3.67 million gain in respect of deferred taxation.

1.7 Total comprehensive income

Total comprehensive income for the third quarter of 2019 was Bt.182.68 million, of which Bt.182.61 million attributable to owners of the parent company, an increase of Bt.121.15 million relative to the same period last year when comprehensive income attributable to owners of the parent company was Bt.61.46 million.

2. Analysis of Consolidated Balance Sheet at 30 September 2019 compared with 31 December 2018 (Bt. Millions)

THB millions

Assets	Consolidated Balance Sheet			
	30-Sep 2019	31-Dec 2018	Change	%
Current assets	1,196.99	1,552.52	(355.53)	(23%)
Investments in associates	476.84	524.83	(47.99)	(9%)
Investment property, net	161.98	162.00	(0.01)	(0%)
Property, plant & equipment, net	2,085.32	1,596.54	488.78	31%
Other non-current assets, net	122.53	90.85	31.68	35%
Total Assets	4,043.66	3,926.73	116.93	3%
Liabilities				
Current liabilities	485.71	523.33	(37.62)	(7%)
Non-current liabilities	109.99	60.84	49.15	81%
Total Liabilities	595.70	584.17	11.53	2%
Equity				
Attributable to owners of the parent company	3,384.86	3,268.25	116.61	4%
Non-controlling interests	63.09	74.31	(11.22)	(15%)
Total Equity	3,447.96	3,342.56	105.40	3%
Total Liabilities and Equity	4,043.66	3,926.73	116.93	3%

The Company's total consolidated assets at 30 September stood at Bt.4,043.66 million compared with Bt.3,926.73 million at 31 December 2018, an increase of Bt.116.93 million, the main components being as follows:

2.1 Assets

2.1.1 Current assets at 30 September 2019 stood at Bt.1,196.99 million, down by Bt.355.53 or 23% as a result of:

- Cash and cash equivalents at 30 September 2019 stood at Bt.287.13 million, Bt.104 million less than at year-end 2018 as a result of subscribing to a capital increase and buying shares in a company from a former joint venture partner.
- Short-term investments at 30 September 2019 were down by Bt.290.45 million as a result of withdrawals to use in the above mentioned capital increase and share purchase.
- Net trade and other receivables, loans and other current assets at 30 September 2019 stood at Bt.478.05 million, Bt.65.78 million less than the 2018 year-end figure, mainly due to reimbursement of a Bt.90 million loan although at the same time trade receivables and advance payments increased by Bt.24.22 million.
- The value of work completed but not yet invoiced at 30 September 2019 stood at Bt.62.80 million, Bt.6.22 million up on year-end 2018 in line with the percentage completion of die and jig making for which payment is not yet due in accordance with the terms of the contracts.
- Inventories at 30 September 2019 stood at Bt.369.01 million, representing an increase of Bt.98.48 million on year-end 2018 and reflecting increased purchases of raw materials to cater to customer orders for the following quarter.

2.1.2 Investments in associates (joint ventures) at 30 September 2019 stood at Bt.476.84 million, representing a reduction of Bt.47.99 million, of which Bt.32.84 million corresponds to a reduction in investments in associates upon the change of status to subsidiary of a former joint venture of which the Company acquired total ownership, Bt.17.54 million refers to recognition of dividends received from two joint ventures and Bt.2.39 million to the Company's share in profits of associates.

2.1.3 Property, plant & equipment at 30 September 2019 stood at Bt.2,085.32 million, Bt.488.78 million up due to the net effect of the Bt.497.01 million of assets acquired in taking over the former joint venture referred to above, Bt.75.43 of capital expenditure on plant machinery and equipment, Bt.80.33 million of scheduled depreciation for the year to date and disposals of Bt.3.33 million.

2.1.4 Other non-current assets at 30 September 2019 stood at Bt.122.53 million, Bt.31.68 million up on year-end 2018. The bulk of this, Bt.17.26 million, relates to new projects where the investment is made by the customer and amounts are gradually taken from the account; Bt.4.9 million relates to intangible assets and Bt.7.12 million to development assets in the former of a subsidiary company acquired by the Company during the quarter.

2.2 Liabilities

Total consolidated liabilities at 30 September 2019 and 31 December 2018 stood at Bt.595.70 million and Bt.584.17 million respectively, an increase of Bt.11.53 million or 2%, due to:

- remeasurement of actuarial liabilities Bt.18.32 million due to changes in demographic and financial assumptions and experience adjustments.
- change in the present value of future post-employment benefit commitments as a result of the change from 300 to 400 days equivalent wage, Bt.14.26 million.

- Increase finance lease liabilities Bt.17.4 million
- Reduction in trade creditors as they fell due and were paid in Q3 Bt.37.62 million

Equity

Consolidated equity at 30 September 2019 and 31 December 2018 stood at Bt.3,447.96 million and Bt.3,342.56 million respectively, representing a net increase of Bt.105.40 million as a result of payment of a dividend of Bt.147.71 million, reversal of provisions for share-based payments of Bt.264.14 million and a reduction of Bt.11.22 million in non-controlling interests.

3. Liquidity

The Company's consolidated cash situation for the quarter ended 30 September 2019 showed a net decrease of Bt.104 million, with a net period-end cash position of Bt.287.13 million. Details are shown in the following table.

Consolidated statement of cash flows for the nine months to 30 September 2019

	<u>Million</u>
Cash & cash equivalents at start of period	391.13
Net cash from operating activities (mainly from increased activities)	57.96
Net cash from investing activities	4.14
<u>mainly from</u> o Reduction in short-term investments	290.45
o Repayment of short-term loan to related party	90.00
o Disposal of property , plant & equipment	9.06
o Cash acquired in business purchased	68.27
o Dividends received from associates (JVs)	17.55
o Interest received	8.13
o Cap.Incr. & purchase of shares in former J/V	(396.83)
o Acquisition of plant & equipment	(82.49)
Net cash used in financing activities	(166.10)
o Payment of dividend	(162.12)
o Payment of liabilities under finance leases	(3.98)
Cash & cash equivalents at end of period	287.13

4. Outlook for the Thai automotive industry

The Automotive Industry Club of the Federation of Thai Industries has reduced its estimate for vehicle production for 2019 by 0.15 million from 2.15 million to 2 million units, compared with the 2.16 million units produced in 2018. Of the estimated 2 million, 1 million are for export (down by 0.1 million) compared with the 1.14 million units in 2018 in view of the trade war between China and the United States which is slowing the global economy, and 1 million units for the domestic market (forecast down by 0.05 million) compared with 1.02 million last year, due to the floods and to tighter credit conditions being applied by finance companies.

In any case, the Company continues to concentrate on income from OEM parts making and contract assembly work, while developing its business in the field of parts for industrial and agricultural machinery as well as expanding the market for its vehicles both at home and abroad and searching for business partners so as to be able to seize the new business opportunities which are likely to increase in the next two to three years and thus strengthen the Group and its results in the near future.

Accordingly, the Company is confident that its reputation and all-round capabilities in the automotive industry together with its continuous development will provide it with steadily increasing opportunities in line with the development of the Thai auto industry over the next two to three years.

Trusting this meets your requirements we remain,

Yours faithfully,



Sakchai Komgris
Company Secretary

