

MD&A

SAHAMITR PRESSURE CONTAINER PUBLIC COMPANY LIMITED

For the three-month period ended September 30, 2019

Major attributes to the Company's operating performance variations between Q3/2019 and Q3/2018 are:

1. Total sale revenues decreased Baht 433.28 million (37.5%) from Baht 1,155.63 million to Baht 722.35 million because compared to Q3/2018, sale quantities of Q3/2019 decreased by 31% because Baht currency is stronger and global recession affects general consumption. In addition, customers in South Asia delayed order from weaker value of their local currency to U.S. Dollar, as well as, local commercial banks are stricter on credit facilities provided. On the other hand, trade war between the U.S and China encouraged U.S. customers to increase orders, as a result, U.S. sales increased. However, proportion of sale revenues much more decreased than proportion of sale quantities because size of cylinders sold in the U.S. is smaller than other countries as well as Exchange rate from Baht to U.S. Dollar is stronger by 7%. Among current high competitive situation, the Company still focus on expanding to new market and research on new product which have high margin in order to maintain company's profitability.
2. Cost of Sales decreased Baht 322.49 million (36.1%) from Baht 892.89 million to Baht 570.40 million in concurrent with a decrease in total sale revenues.
3. Gross profit decreased Baht 110.79 million (42.2%) from Baht 262.74 million to Baht 151.95 million due to a decrease in sale revenues. For gross profit margin, it decreased from 22.7% to 21.0% because of stronger Baht currency. After netting with a decrease in cost of raw material (steel), gross profit margin slightly decreased.
4. Other Incomes decreased Baht 35.36 million (48.1%) from Baht 73.49 million to Baht 38.13 million primarily due to an decrease in scrap sales which is concurrent with a decrease in production quantities. Moreover, the company increased the usage of scrap by modifying as parts of cylinders and sale price of scrap in the market decreased
5. Selling Expenses decreased Baht 34.10 million (48.8%) from Baht 69.84 million to Baht 35.74 million because of a decrease in freight expense and sale promotion expense.
6. Administrative Expenses decreased Baht 7.53 million (15.9%) from Baht 47.42 million to Baht 39.89 million because bonus recognition decreased in concurrent with operating incomes decreased
7. Financial Cost decreased Baht 1.11 million (26.4%) from Baht 4.21 million to Baht 3.10 million because the lesser of raw material purchases decreased the principle of working capital needed.

8. Income Tax decreased Baht 21.10 million (49.8%) from Baht 42.33 million to Baht 21.23 million in concurrent with an decrease in operating incomes at the same tax rate of 20%
9. Net Income for the period decreased Baht 82.31 million (47.7%) from Baht 172.43 million to Baht 90.12 million because of a decrease in sale revenues, net with a decrement in cost of sales and selling expenses.

Yours sincerely,

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Mr. Surasak Urpsirisuk

Managing Director