

Registration No. 0107555000341

AUCT- OP 18/2019

(Translation)

May 14, 2019

Subject: Management Discussion and Analysis for the first quarter of 2019, ended on March 31, 2019.

To: The President of the Stock Exchange of Thailand

Union Auction Public Company Limited ("the Company") would like to submit the financial statements for the first quarter of 2019, ended on March 31, 2019 which was reviewed by the company's external auditor, together with the management discussion and analysis for the company's operating results of the Q1/2019 as follows.

- The Company's overall operating results for the first quarter of 2019 had a total revenue of 199.24 million Baht, an increase of 22.9% compared to the same quarter of the previous year, due to the overall market condition of the automotive industry has a tendency to improve since the end of 2017. The total revenue of Q1/2019 decreased from Q4/2018 at the rate of 2.9% which is in accordance with the industry season. Since the majority of the Company's costs are semi-fixed costs which caused an economy of scale. This made the Company's net profit in Q1/2019 increase by 43.4% yoy and increased by 17.0% compared to Q4/2018.
- The financial status of the Company is strong from no debt. This enabled the Company to generate returns for shareholders (ROE) at the high level of 36.80% (23.68% as of March 31, 2018; 36.92% as of December 31, 2018).

(Unit: Millions of Baht)

Statement of Comprehensive Income	Q1/2019	Q1/2018	%YoY	Q4/2018	%QoQ
Service Revenue	197.91	161.21	22.8%	203.45	(2.7%)
Other Revenue	1.33	0.95	40.1%	1.81	(26.6%)
Total Revenue	199.24	162.16	22.9%	205.26	(2.9%)
Cost of Service	(89.81)	(75.99)	(18.2%)	(97.90)	(8.3%)
Gross Profit	108.11	85.21	26.9%	105.55	2.4%
Gross Profit Margin (%)	54.6%	52.9%	1.8%	51.9%	2.7%
Sales and Administrative Expenses	(34.69)	(33.82)	(2.6%)	(43.28)	(19.8%)
Share of Loss of Investment in a Joint Venture	-	(0.48)	100.0%	(0.11)	(100.0%)
Income Tax	(15.18)	(10.34)	(46.9%)	(13.03)	16.4%
Net Profit	59.56	41.52	43.4%	50.93	17.0%
Net Profit (%)	29.9%	25.6%	4.3%	24.8%	5.1%

Note: The % YoY is the rate of change compared to the same period in the previous year and the % QoQ is the rate of change compared to the previous quarter.

The good operating results of the first three months of 2019 were successful because the Company has a vision to lay a foundation for the business by closely monitoring the economic conditions of both macro and micro-sector in the short-term, medium-term and long-term of the automotive industry. The Company has adjusted its business strategies in accordance with the situation, focuses on providing services with policies to promote and develop excellent services that have been done continuously since the end of 2018 through "Change Together" which has intensely worked in continuation until now. Successful marketing communication through social media channels that has been done, resulted in the increase number of buyer customers as planned, especially small buyers which is an important target have increased at a satisfactory rate. This corresponds to the number of 168,066 likes people who clicked like on Facebook in 2018, an increase rate of 110.0% per year. The number of likes increased to 187,588 or an increase of 11.6% in the first quarter of 2019. This increase is able to meet the needs and satisfaction of both existing and new sellers as well and enables the Company to increase its market share by increasing the number of cars from more partners, together with the issue that various financial institutions have to hold vehicles in a longer period in order to comply with the new government regulations regarding the car and motorcycle hire purchase business. This makes it necessary to use more storage space. As the Company has a number of warehouses and branches that are ready to store vehicles and convenient locations distributed in all regions throughout the country, the Company is able to perfectly meet the needs of various financial institutions.

Revenue

The Company's service revenue in Q1/ 2019, amounted to 197.91 million Baht, an increase of 36.70 million Baht or 22.8% from the same quarter last year. This was mainly due to an increase in revenue from car and agricultural auctions which increased by 26.5% and transportation fee increased by 20.3% compared to the first quarter of 2018.

The service revenue from in Q1/ 2019 when compared to the fourth quarter in 2018 decreased by 2.7% due to the seasonal impact which resulted in lower revenue.

Service Revenue consists of

Revenue from Services	Q1/ 2019	Q1/ 2018	%YoY Variation	Q4/ 2018	%QoQ Variation
1) Revenue from Vehicle and Agricultural Auctions	155.84	123.19	26.5%	158.15	(1.5%)
2) Revenue from Motorcycle Auctions	16.49	17.00	(3.0%)	16.90	(2.4%)
3) Revenue from Transport	22.70	18.87	20.3%	22.74	(0.2%)
4) Revenue from Other Auctions	2.88	2.15	34.0%	5.66	(49.1%)
	197.91	161.21	22.8%	203.45	(2.7%)

The increase in such revenue has strong momentum from the continued economic expansion in the previous quarter, both existing and new customers still have purchasing power. This continues to follow the marketing strategy although the overall economic growth of the country has slowed down due to the expansion in the past period. Car hire-purchase loans have continued to expand in line with the increase in new car sales in countries at an increasing rate. Together with a higher efficiency of the Company's auction sales, reflected by the high success rate of the auction sales.

Quarterly New Car Sales

	2019	2018				2017			
	Q 1	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1
No. of Vehicles	263,549	295,155	257,466	252,025	237,093	250,935	210,732	199,490	210,490
% QoQ Variation	-10.7%	14.6%	2.2%	6.3%	-5.5%	19.1%	5.6%	-5.2%	
% YoY Variaton	11.2%	17.6%	22.2%	26.3%	12.6%				

Source: Toyota Motor Thailand Company Limited

Gross Profit

The gross profit for Q1/ 2019 was 108.11 million Baht, an increase of 26.9% from Q1/ 2018, as a result of increased revenue which caused an economy of scale or in other words, the cost of most services of the Company, such as rent, depreciation, and employee expenses are semi-fixed costs and the development of operational systems increased the efficiency. The number of total auctioned cars in Q1/2019 increased by 67.6% compared to the first quarter of 2018.

Service Costs

The service costs for Q1/ 2019 was 89.81 million Baht, an increase of 18.17% from Q1/ 2018. This was due to a higher cost of moving vehicles resulting from the increase in the number of vehicles moving into the courtyard, especially at the headquarters and Rangsit. Personnel expenses increased from organizational restructuring and the increase of personnel to support business growth and increased workloads. Land rentals increased due to an increase in parking space at the head office and adding a new parking area in Sra Kaew Province.

Sales and Administrative Expenses

The selling and administrative expenses in Q1/ 2019 was 34.69 million Baht, an increase of 2.57% from Q1/ 2018, because of an increase in staff expenses due to the increase in the number of employees which resulted from organizational restructuring and an increase in personnel for business development and market expansion in order to support the increasing volume of vehicles and auction sales.

Net Profit

For the first quarter of 2019, the Company's net profit amounted to 59.56 million Baht, an increase of 43.4% from Q1/2018, according to the equity method. This was due mainly to an increase in revenue and gross profit. In addition, it is the result of efforts to control costs and expenses.

Statement of Financial Position

Total assets as of March 31, 2019 were 937.52 million Baht, an increase of 196.81 million Baht or 26.6% from December 31, 2018. The increase was mainly due to an increase in cash and car loan receivables due to auctions in late March 2019. Thus, there was a high amount of money received from bidders in order to pay sellers back in early April 2019.

Total liabilities were 402.46 million Baht, an increase of 137.25 million Baht or 51.8% from December 31, 2018. This was mainly due to an increase in car payables due to the large amount of auctioned cars in late March 2019. There is a high amount of money waiting to be paid to vehicle sellers.

The shareholders' equity amounted to 535.06 million Baht, an increase of 59.56 million Baht or 12.5% from December 31, 2018 as the Company had unappropriated retained earnings as of March 2019 amounted to 199.81 million Baht, an increase of 59.56 million Baht resulting from the net profit of Q1/2019. The unappropriated retained earnings as of March 2019 increased by 42.47% from December 31, 2018.

(Unit: Millions of Baht)

Statement of Financial Position	March 31, 2019	December 31, 2018	% Diff.
Total Assets	937.74	740.71	26.6%
Total Liabilities	402.68	265.21	51.8%
Total Equity	535.06	475.50	12.5%
Unappropriated Retained Earnings	199.81	140.25	42.5%
ROA (%)	27.68	31.98	
ROE (%)	36.80	36.92	

Cash Flow Statement

(Unit: Millions of Baht)

Cash Flow Statement	January - March			
	2019	2018	Variation	%YoY
Net Cash Received from Operating Activities	185.02	148.63	36.39	24.5%
Net Cash (Spent) Received from Investment Activities	(88.53)	(71.57)	(16.96)	23.7%
Net Cash (Spent) Received from Fund raising Activities	-	-	-	0.0%
Cash	207.64	121.18	86.47	71.4%

For the first quarter of 2019, the Company had a net cash flow from operating activities of 185.02 million Baht, net cash used in investment activities of 88.53 million Baht, cash used for short-term investments of 79.91

million Baht and cash paid to purchase buildings and equipment of 8.44 million Baht, which resulted in cash and cash equivalents at the end of the period of March 31, 2019 equal to 207.64 million Baht, which increased by 71.4% over the same period of last year.

Trends for the Second Quarter of 2019

Regarding the evaluation of operations and continually monitoring the automobile industry situation, including the overall economic direction and the beginning of dry season, the overall economy slowed down or decreased as expected, the Company views the direction of operating results in Q2/ 2019 remain stable.

Please be informed accordingly.

Yours sincerely

- *Mr. Varunyoo Sila* -

(Mr. Varunyoo Sila)

Deputy Managing Director

Authorized signatory