

Translation

CEN 003-2018

February 23, 2018

Subject : Management Discussion and Analysis for business operation of year 2017

To : The Manager and President

The Stock Exchange of Thailand

Business operation for 12 months period as ended December 31, 2017 of Capital Engineering Network Public Company Limited "Company" and Subsidiaries which has loss from operation of 156.66 Million Baht as 33.46 Million Baht increased when compared to same period of previous year of 123.20 Million Baht. The details are as follow:

### Performance Analysis

#### (1) Revenue

Year 2017, the company and its subsidiaries has total revenue of 2,550.55 Million Baht as 569.75 Million Baht increased or 28.75 percent when compare to same period of previous as total revenue of 1,980.98 Million Baht by following details:

- Revenue from sales of 1,560.58 Million Baht as 397.63 Million Baht increased or 34.19 percent when compared to same period of previous year as amount of 1,162.95 Million Baht due to subsidiary (RWI) has more volume in sales, UWC is selling electricity to Provincial Electricity Authority (PEA) Nakhon Ratchasima Province (more revenue from selling electricity from Buriram Province as well)
- Revenue from services of 932.13 Million Baht as 150.03 Million Baht increased or 19.18 percent when compared to same period of previous year as amount of 782.10 Million Baht due to more delivery to customers.
- Other revenue of 88.58 Million Bhat as 20.60 Million Baht increased or 30.30 percent when compared to same period of previous year as amount of 67.98 Million Baht due to more selling scrap of materials.

## (2) Gross Profit

Year 2017, the company and its subsidiaries has gross profit from selling products and services of 168.16 Million Baht (6.75 percent) when compared to same period of previous year as 7.56 percent due to more volume in selling High Tensile Steel, Electricity however there is burden on cost of Buriram Power Plant (during the repairmen of equipment which damage during power generation process which lead to reducing in gross profit

## (3) Expenses

In year 2017 the company and its subsidiaries has total expenses of 2,899.23 Million Baht as 712.08 Million Baht increased from year 2016 which has total expenses of 2,187.15 Million Baht or 32.56 percent increased

- Cost of product of 1,471.82 Million Baht as 399.10 Million Baht increased or 37.20 percent when compared to same period of previous year as amount of 1,072.72 Million Baht as fluctuate in sale volume and expenses in part of Power Plant in Buriram
- Cost of service as amount of 852.73 Million Baht as 127.35 Million Baht or 17.56 percent increase when compared to same period of previous year as amount of 725.38 Million Bhat by fluctuate from projects deliver to customers.
- Administration expenses of 240.33 Million Baht as decreased of 37.34 Million Baht when compared to same period of previous year as amount of 277.67 Million Baht
- Other expenses of 237.71 Million Baht due to subsidiary (Pipe Line Engineering Company Limited) has loss from impairment of machinery of 22.40 Million Baht thus subsidiaries has loss from impairment of investment in affiliate company of 165.70 Million Baht and also from Paradise Green Energy Company Limited of 52.32 Million Baht
- Financial Cost of 56.81 Million Baht as 8.44 Million Baht decreased or 12.93 percent as amount of 65.25 Million Baht due to payback loan to Financial Institution

## Financial Analysis

As at December 31, 2017 company and its subsidiaries has total assets of 6,052.97 Million Baht as 125.43 Million Baht increased when compared to same period of previous year as total assets of 5,927.63 Million Baht due to following reasons:

- Total current assets equal to 2,640.99 Million Baht as 290.93 Million Baht increased when compared to period of December 31, 2016 as amounting of 2,350.06 Million Baht by more short term loan of 299.49 Million Baht, trade receivable and other debtor of 282.30 Million Baht (more external trade account receivable of 320.49 Million Baht thus decline in accrued income of 24.23 Million Baht and prepaid expenses off 10.89 Million Baht), more left in stock of 108.04 but decline in cash of 476.65 Million Baht
- Total non-current assets equals to 3,411.99 Million Baht as 165.58 Million Baht decreased when compared to period of December 31, 2016 as amount of 3,577.57 Million Baht – Ua Withya PCL. has more deposit secured of 39.60 Million Baht in order to guarantee employment contract to customer on project and UWC has more invested with affiliate company of 192.47 Million Baht, decline in depreciation charge of 134.09 Million Baht, subsidiary (UWC) decrease in investment in affiliate company of 105.14 Million Baht (loss on impairment of investment in Dimet (Siam) Public Company Limited of 110.75 Million Baht, shares losses of 6.26 Million Baht and 3 more investment in other company as amount of 11.88 Million Baht) decrease in investment of associate of 59.47 Million Baht and amortization of intangible assets

## Source of Funding

### Liabilities

- As at December 30, 2017 the company has total liabilities of 2,136.79 Million Baht as 214.63 Million Baht increased when compared to December 31, 2016 as amount of 1,922.16 Million Baht thus company and its subsidiaries has decline in short term loans from financial institution of 22.48 Million Baht, more trade account payable and other payable of 220.50 Million Baht (more external account payable of 214.61 Million Baht as purchase more raw materials, materials of 37.24 Million Baht, decline in expenses of

14.34 Million Baht) more income tax payable of 6.62 Million Baht thus subsidiary (Enesol) has repayment of long term loans as amount of 24.96 Million Baht

#### **Proportion of Shareholders**

As at December 30, 2017 the company has proportion of shareholders of 2,473.09 Million Baht as 29.14 Million Baht decreased when compared to December 31, 2016 of 2,443.95 Million Baht due to changes in proportion in subsidiaries and decline in loss from business operation.

Please be informed for acknowledgement,

Sincerely yours,

Mr. Wutichai Leenabanchong

Chairman