

-Translation-

LWH/ACC/18/02/LT018

February 27, 2018

Subject : Management discussion and analysis for the year ended December 31, 2017

To Director and Manager of the Stock Exchange of Thailand

Referring to the submission of the audited financial statements of Wiik & Hoeglund Public Company Limited “the Company”, the management would like to discuss and analyse of the financial statements for the year 201 ended December 31, 2017 including the significant situation and attendance in the year and business operation of the Company and its subsidiary as follows;

1. Significant changes during the year

<p>Wiik & Hoeglund Public Company Limited (WIİK)</p>	<ul style="list-style-type: none"> ● Principally engaged in the manufacture and distribution of High Density Polyethylene (HDPE) pipe and related certain fittings, Low Density Polyethylene (LDPE) pipe, Polypropylene (PP) pipe, Polybutylene (PB) pipe, Weholite Spiro pipe. ● On 3 April 2017, the Annual General Meeting of the Company’s shareholders passed resolution approved a decrease in the Company’s registered capital from Baht 664,892,534 to Baht 474,917,334 by canceling the 189,975,200 unissued ordinary shares with a par value of Baht 1 each. The Company registered the decrease in its registered capital with the Ministry of Commerce on 7 April 2017. ● In April 2017, the Company got the orders for selling and welding of HDPE pipes and fittings from the contractor of Provincial Water Works Phetchaburi project, total Baht 242.95 million. ● In July 2017, the Company got the order of High Density pipe and fitting from a mining company in a foreign country total US dollar 2.14 million.
<p>Wiik Water Company Limited (WW)</p>	<ul style="list-style-type: none"> ● Principally engaged in the consultant and planning for pipe installation system and providing High Density Polyethelene (HDPE) pipe installation service and water management. ● On 8 March 2017, increased the issued and paid-up shares from 50 million Baht to 170 million Baht and allotment to existing shareholders at Baht 117 per share

	<p>(par value of Baht 100 per share) for subsidiary's liquidity. As at 31 December 2017, it's 100% paid-up.</p> <ul style="list-style-type: none"> ● On 15 September 2017, the Company relocated its registered office from No.90, CW Tower A, 35th Floor, Ratchadaphisek Road, Huaykwang, Bangkok to No.90, CW Tower B, 21st Floor, Ratchadapisek Road, Huaykwang, Bangkok. ● On 5 June 2017, the Company started recognizing revenue from the design, construct and operate a potable water production system for Wellgrow Industrial Estate for a period of 20 years. ● On 23 November 2017, signed an agreement for construction of Ultrafiltration (UF) water supply and center wastewater treatment system construction of Industrial Estate Project TFD2, total Baht 92.52 million.
--	---

Summarized of the Statement of income

Unit : million Baht	Year 2015	Year 2016	Changed (%)	Year 2017	Changed (%)
Sales	1,099.47	1,163.08	5.79	1,074.58	(7.61)
Service income	45.58	50.83	11.52	122.00	140.02
Other income	18.54	20.71	11.68	15.35	(25.88)
Total revenues	1,163.59	1,234.62	6.10	1,211.93	(1.84)
Cost of sales and services	959.24	952.66	(0.69)	956.72	0.43
Selling and administrative expenses	109.74	136.99	24.84	132.92	(2.97)
Finance cost	15.71	16.16	2.85	23.26	43.94
Income tax (expenses) income	4.42	4.95	11.89	(8.77)	(277.17)
Profit for the year	83.32	133.76	60.55	90.26	(32.52)

The operating results of the Company and its subsidiary in year 2017 which have increased over 20% from the previous year have the net profit amount of Baht 90.26 million. Compared to the year 2016 which had the net profit amount of Baht 133.76 million, the Company had increased the profit amount of Baht 43.50 million or 32.52% by the major reasons as follows;

1. Sales and service revenues in the year 2017 decreased from the year 2016 by Baht 88.50 million or 7.61%

1.1 Domestic sales revenue decreased from the year 2016 by Baht 114.18 million or 11.52% from slowdown in goods receive of customer and flood problem.



1.2 Export sales revenue increased from the year 2016 by Baht 25.68 million or 14.90% as in year 2017 the company sold to a major foreign customer who repeatedly purchased pipes in the cycle pattern.

2. Service revenues in the year 2017 increased from the year 2016 by Baht 71.17 million or 140.02%. The increase from operate a potable water production system for Wellgrow Industrial Estate amount of Baht 22.45 million and the rest is an increase in the welding and installation of other pipes.

3. Other income for the year of 2017 decreased by Baht 5.36 million or 25.88%. The major decreasing came from export delivery income by Baht 5.78 million. The prior year the sale abroad, the customer to the shipping company to reach the destination. While this year, customers pick up their own ship.

4. Cost of goods sold and services for the year 2017 was 79.95% of sales and service revenue increased from year 2016 that cost of goods sold and services was 78.48 % of sales and services revenue. This is because the customer extend the period of goods receiving which is the results of the Company reduced its production capacity to manage the inventory volume. This effects to the increasing in conversion cost

5. Selling expenses for the year 2017 decreased in amount of Baht 15.81 million or percentage of 22.05 by the major reason as follows;

Delivery expenses decreased in amount of Baht 5.85 million.

Commission and promotion expenses decreased in amount of Baht 6.35 million.

6. Administrative expenses for the year 2017 increased in amount of Baht 11.74 million or percentage of 17.97 by the reason as follows;

6.1 The Company set up allowance for doubtful accounts for a customer at Baht 3.03 million and at Baht 4.17 million for the subsidiary. This is because the changing in scope of work and it has to revise the contract so the customer delay in submission of work. However it's expected that the customer can revise the contract and submit the work and receive the money from the customer's party by 1st quarter of 2018.

6.2 Office rental and utilities expense increased by Baht 1.96 million from increasing in employee to support the expansion of water business. The subsidiary rent the office space by itself.

6.3 Other increasing in amount of 2.58 million Baht due to the increase in other expenses such as audit fee, premiums, legal and tax consultant fee, etc.,

7. Finance cost in year 2017 increased from last year in amount of Baht 7.11million or percentage of 44.01, the major increasing came from interest expense of subsidiary from the lending to invest in water management project by Baht 5.92 million and the increasing in lending and interest rate for the Company working capital by Baht 1.19 million.



บริษัท วิค แอนด์ ฮูกลันด์ จำกัด (มหาชน)

WIJK & HOEGLUND PUBLIC CO.,LTD

8. Income tax expense in the year 2017 amount of Baht 8.77 million compare to 2016 which is tax income amount to Baht 4.95 million which is increasing Baht 13.71 million. Because the subsidiary has income tax expenses increase by Baht 4.04 million. And as at 31 December 2016, the Company had accumulated retained loss for the five-year period in amount of Baht 96.79 million and recognized the accumulated retained loss to deferred tax assets and record tax income in full amount during year 2015-2016.

Backlog of the Company and its subsidiaries as at December 31, 2017.

(Million Baht)	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Group of polyethylene pipe and fittings business	758.07	802.60	601.38
Group of Water management business	162.45	87.25	-
Total	920.52	889.85	601.38

Yours Truly,

WIJK & HOEGLUND PUBLIC CO., LTD.

Mr. Wiboon Sangwithayanon
Chief Executive Officer