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LWH/ACC/18/08/LT096

August 10, 2018

Subject: Management discussion and analysis for the period ended June 30, 2018

To Director and Manager of the Stock Exchange of Thailand

Referring to the submission of the reviewed financial statements for quarter 2/2018 of Wiik & Hoeglund Public Company Limited (“the Company”), the management would like to explain the situation that effect to the operating result of the Group companies for the first half of year 2018 as follows;

1. Delay of purchasing from the projects which have already been awarded by the project owners. This led to decreasing of demand and effected to decreasing in backlog compared to the same period of time in year 2017.
2. The cost of plastic raisin (which was the major cost of the production about 80% of total cost) increased from the demand of plastic raisin in China. This led to increasing of the production cost of the Company. The rapid increment of pipe prices led to delay the customer purchasing. Consequently the Company could not increase the price in the same proportion because need of production volume.
3. Thai Baht was strong in first half year which led to lower of margin of export when translate to Thai Baht.

However in year 2016, the Company expanded to the water management business which has recurring income. The change in the past 3 years is as follows;

Unit : Thousand Baht	1 st half 2018	1 st half 2017	1 st half 2016
Income	85,812	31,519	4,931
Net profit	11,630	4,937	549

From year 2016, the Group Companies earned profit from water management business to compensate fluctuation of profit from pipe business. The Group companies expect in long term that water management business can continuously secure the profit of the Group Companies.

Analysis of the operating results of WIJK and Subsidiary for the period three month ended June 30, 2018 as follows:

Summarized of the Statement of income

Unit : million Baht	Quarter 2/2018	Quarter 2/2017	Changed (%)
Incomes from sale and installation of the pipeline	227.86	300.27	(24.11)
Incomes from the water management business	36.54	17.16	112.94
Other income	5.05	2.09	141.63
Total revenues	269.45	319.52	(15.67)
Cost from sale and installation of the pipeline	207.28	241.89	(14.31)
Cost from the water management business	28.09	11.34	147.71
Selling expenses	12.15	14.96	(18.78)
Administrative expenses	7.31	15.40	(52.53)
Finance cost	7.33	5.46	34.25
Profit before income tax income (expenses)	7.29	30.47	(76.07)
Income tax income (expenses)	1.10	(2.90)	(137.93)
Profit for the period	8.39	27.57	(69.57)

The operating results of the Company and its subsidiary in quarter 2/2018 are changed over 20%. The Company and its subsidiary have the net profit amount of Baht 8.39 million compared to the quarter 2/2017 which had the net profit amount of Baht 27.57 million, the Company had decreased the profit amount of Baht 19.18 million or 69.57% by the major reasons as follows;

1. Incomes from sale and installation of the pipeline in the quarter 2/2018 decreased from the quarter 2/2017 by Baht 72.41 million or 24.11% from;

1.1 Domestic sales and installation decreased by Baht 96.60 million or 36.52% as the reasons which mentioned above.

1.2 Export sales and installation revenue increased Baht 24.19 million or 67.61%. The major increasing came from sold pipes to customer in laos.

2. Incomes from the water management business in quarter 2/2018 increased from the quarter 2/2017 by Baht 19.38 million or 112.94%. which increase from operate potable water production system for Wellgrow Industrial Estate and design &

construction of wastewater treatment system for TFD2 Industrial Estate, amount of Baht 6.86 million and Baht 12.81 million respectively.

3. Other income for the quarter 2/2018 increased by Baht 2.96 million or 141.63%. The major increasing came from export delivery income from customers use the company's transportation service.

4. Cost of sale and installation of the pipeline for the quarter 2/2018 was 90.97% of income. It increased compared to the quarter 2/2017 which was 80.56% of income. The major reason came from the lower average selling price due to fewer big projects & price competition while the prices of plastic raisin rose, and caused lower gross profit margin.

5. Cost from the water management business for the quarter 2/2018 was 76.88% of income which is increased comparing to the quarter 2/2017 which was 66.12% of income. Because in the quarter 2/2018, there was turnkey sales and installation of water supply system project whose cost was higher than the water management work, and made the average cost increased.

6. Selling expenses for the quarter 2/2018 decreased from quarter 2/2017 in amount of Baht 2.81 million or 18.78% from decreasing in sale revenue.

7. Administrative expenses for the quarter 2/2018 increased from quarter 2/2017 in amount of Baht 8.09 million or 52.53% the major increasing came from provision doubtful debt decreased in amount of Baht 7.17 million due to receiving payment from the debtors and the other decreased by Baht 0.92 million from the increased and decreasing and inflation of expenses in operation of the normal business.

8. Finance cost in quarter 2/2018 increased from quarter 2/2017 in amount of Baht 1.87 million or 34.25%, the increasing came from interest expense of issue debenture, loans for use in business operations and the lending to invest in water management project.

9. Tax income in the quarter 2/2018 was Baht 1.10 million compared to quarter 2/2017 which was tax expenses Baht 2.90 million. It is increased by Baht 4.00 million from decreasing of profit and the reversal of allowance for doubtful accounts has no deferred tax assets in the previous year.



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WIJK & HOEGLUND PUBLIC CO.,LTD

10. Backlog

(Unit : Million Baht)	30 June 2018	30 June 2017
Sale and installation of the pipeline business group	646.76	756.45
Water management business group (only amount to be recognized in year 2018)	124.68	49.18
Total	771.44	805.63

Yours Truly,
WIJK & HOEGLUND PUBLIC CO., LTD.

Mr. Wiboon Sangwithayanon
Chief Executive Officer