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LWH/ACC 18/11/LT123

November 9, 2018

Subject: Management discussion and analysis for the period three-month ended September 30, 2018

To Director and Manager of the Stock Exchange of Thailand

Referring to the submission of the reviewed financial statements for quarter 3/2018 of Wiik & Hoeglund Public Company Limited (“the Company”), the management would like to clarify the operating results for the period of three month ended September 30, 2018 as follows;

Overall of the 9 months of year 2018, sale and installation of the pipeline business was adversely affected by purchasing from pipe laying projects; waiting for bidding, waiting for contract signing, and pending to start the work after contract signing. Besides the cost of plastic raisin significantly increased due to demand of plastic raisin in China. This led to increasing of the production cost of the Company.

Analysis of the operating results of WIİK and Subsidiary for the period three month ended September 30, 2018 as follows;

Summarized of the Statement of income

| Unit : million Baht | Quarter 3/2018 | Quarter 3/2017 | Changed (%) |
|--|----------------|----------------|-----------------|
| Incomes from sale and installation of the pipeline | 260.74 | 280.05 | (6.89) |
| Incomes from the water management business | 72.11 | 24.72 | 191.71 |
| Other income | 4.19 | 4.01 | 3.99 |
| Total revenues | 337.04 | 308.78 | 9.16 |
| Cost from sale and installation of the pipeline | 240.49 | 236.17 | 1.83 |
| Cost from the water management business | 54.20 | 14.51 | 273.54 |
| Selling expenses | 13.52 | 12.90 | 4.81 |
| Administrative expenses | 18.94 | 14.96 | 26.60 |
| Finance cost | 10.12 | 7.04 | 43.75 |
| Profit (loss) before income tax income (expenses) | (0.23) | 23.20 | (100.95) |
| Income tax income (expenses) | 1.35 | (2.60) | (151.92) |
| Profit for the period | 1.13 | 20.60 | (94.51) |

The operating results of the Company and its subsidiary in quarter 3/2018 changed over 20%. The Company and its subsidiary have the net profit amount of Baht 1.13 million compared to Baht 20.60 million in the quarter 3/2017. The Company's profit decreased by Baht 19.47 million or 94.51% due to the major reasons as follows;

1. Incomes from sale and installation in the quarter 3/2018 decreased from the quarter 3/2017 by Baht 19.31 million or 6.90% from;

1.1 Domestic sales and installation decreased by Baht 51.16 million or 24.45% as the aforementioned reasons.

1.2 Export sales and installation revenue increased by Baht 31.85 million or 44.99%. The major increasing came from installation income from a customer in Philippines.

2. Incomes from the water management business in quarter 3/2018 increased from the quarter 3/2017 by Baht 47.39 million or 191.71%. This came from turnkey construction projects of water treatment & waste water treatment plants.

3. Cost of sale and installation of the pipeline for the quarter 3/2018 was 92.23% of income compared to 84.33% in the quarter 3/2017. The major reason was the lower average selling price due to fewer big projects & price competition while the prices of plastic raisin rose, and then caused lower gross profit margin.

4. Cost from the water management business for the quarter 3/2018 was 75.16% of income compared to 58.71% in the quarter 3/2017. Because the cost ratio of turnkey construction projects was higher than the cost ratio of water management work.

5. Administrative expenses for the quarter 3/2018 increased from quarter 3/2017 in amount of Baht 3.98 million or 26.60%:

5.1 Employee benefits expense increased in amount of 4.01 million Baht. This came from increment of number of staff to support new incoming projects.

5.2 Profit on exchange rate increased by Baht 0.85 million. In the quarter 3/2018, the company has gain on exchange rate and forward contract by Baht 0.46 million while quarter 3/2017, the company has loss on exchange rate by Baht 0.39 million.

5.3 Other income increased by Baht 0.82 million form normal business operating.

6. Financial cost in quarter 3/2018 increased from quarter 3/2017 in amount of Baht 3.08 million or 43.75%, the increasing came from interest expense of issue debenture, loans for use in business operations, and the lending to invest in water management project.



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WIJK & HOEGLUND PUBLIC CO.,LTD

7. Tax income in the quarter 3/2018 was Baht 1.67 million compared to quarter 3/2017 which tax expenses was Baht 2.60 million.

8. Backlog

| (Unit : Million Baht) | 30 September 2018 | 30 September 2017 |
|---|-------------------|-------------------|
| Sales and installation of the pipeline business group | 511.88 | 815.89 |
| Water management business group (only amount to be recognized in year 2018) | 114.94 | 24.59 |
| Total | 626.82 | 840.48 |

The reasons of decreasing in backlog from sale and installation of the pipeling business group are as aforementioned.

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

Mr. Wiboon Sangwithayanon
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