



GEL.CS.025/2561

13 November 2018

Subject Management Discussion and Financial Analysis for the operating results of the third quarter of 2018, ended 30 September 2018

To Director and Manager  
The Stock Exchange of Thailand

The Board of Director's meeting No. 7/2018 of General Engineering Public Company Limited ("the Company") held on 13 November 2018 has approved and verified the financial statements of the Company and its subsidiaries for the third quarter of 2018 which reviewed by the auditor of the Company, details are following.

**1. The Operating Results Analysis**

**For the third quarter of 2018, ended 30 September 2018**

The operating results of the Company and its subsidiaries for the third quarter of 2018, ended 30 September 2018, was described in the financial statement showing net loss at the amount of Baht 56.48 million, comparing with the same period in 2017, the net loss at the amount of Bath 36.47 million. In the third quarter of 2018, the net loss was increased by Baht 20.01 million which details are as following;

(1) Revenue from sales

The Company and its subsidiaries' revenues from sales in the third quarter of 2018, ended 30 September 2018, was Baht 499.03 million, increased by Baht 73.98 million or 17.41% from the same period of previous year. This was due to decrease in the delivery of pre-stressed concrete piles and post-tensioned. However, the delivery of glass-fiber reinforced concrete, precast concrete, special cement and architecture was increased.

(2) Other incomes

The Company and its subsidiaries booked net exchange gain of Baht 2.81 million and revenue from concrete and steel products as other incomes in the third quarter of 2018

(3) Cost of sales

The Company and its subsidiaries' total cost of sales in the third quarter of 2018 was Baht 498.69 million, increased by Baht 105.31 million or 26.77% from the same period of previous year. The increase in cost of sales was not in line with the increase in revenue from sales due to the fixed cost of expenditure on factory staff and erection staff that was not able to occupy full capacity and the expenses for the erection was higher than estimated budget.

(4) Gross profit

The Company and its subsidiaries' gross profit was of Baht 0.31 million, decreased by Baht 31.32 million or more than 99.03% from the period of previous year. This was due to revenue from sales was increased slightly and a decrease in unit price. In addition, the increase in cost of sales and erection's cost was affected to decrease in gross profit.

(5) Selling expenses

The Company and its subsidiaries' selling expenses was Baht 13.93 million, decreased by Baht 0.56 million or 3.92% from the same period of previous year.

(6) Administrative expenses

The Company and its subsidiaries' administrative expenses was Baht 41.39 million, increased by Baht 10.29 million from the same period of previous year due to an increase in administrative expenses such as employees' salaries, over time, fuel and depreciation. In addition, the Company's subsidiaries' expenses of employees were Baht 5.09 million but its subsidiaries has not yet started its operations and on processing of test run.

(7) Financial cost

The Company and its subsidiaries' financial cost from loan and permission note was increased by Baht 7.72 million or 203.13% from the same period of last year due to long term loan and working capital.

(8) Share of profit (loss) from investment in associated company and joint ventures

In the third quarter of 2018, the Company recognized the profit sharing from Mctric Public Company Limited ("Mctric") which was Baht 10.04 million and the loss sharing from Wisdom Tree Investment (S) PTE. Limited (Wisdom Tree") which was Baht 2.97 million. The Company gained the profit sharing from investment in associated and joint ventures which was Baht 7.06 million compared to the same period of previous year which the Company recognized the loss sharing from Mctric and Wisdom Tree which was Baht 23.80 million and Baht 1.57 million respectively.

## **2. The Operating Results Analysis**

### **For the first 9 month of 2018, ended 30 September 2018**

The operating results of the Company and its subsidiaries for the first 9 months of 2018, ended 30 September 2018, was described in the financial statement showing net loss at the amount of Baht 120.06 million, comparing with the same period in 2017, with the net loss at the amount of Bath 57.29 million. In the first 9 month of 2018, the net loss was increased by Baht 62.77 million which details are as following;

(1) Revenue from sales

The Company and its subsidiaries' revenues from sales in the first 9 month of 2018, ended 30 September 2018, was Baht 1,370.73 million, increased by Baht 70.19 million or 5.39% from the same period of previous year. This was due to decrease in the delivery of pre-stressed concrete piles and post-tensioned which was Baht 49.89 million. However, the delivery of glass-fiber reinforced concrete, precast concrete, special cement and architecture was increased by Baht 118.99 million.

(2) Other incomes

The Company and its subsidiaries recognized dividend income for Baht 2.40 million and gain the profit from disposition of the common shares which was Baht 42.0 million. In addition, we booked profit from revenue from concrete for Baht 8.62 million and revenues from fuel and construction materials for Baht 11.45 baht as a other incomes.

(3) Cost of sales

The Company and its subsidiaries' total cost of sales in the first 9 months of 2018 was Baht 1,365.44 million, increased by Baht 183.24 million or 15.50% from the same period of previous year. The increase in cost of sales was not in line with the decrease in revenue from sales due to the fixed cost of expenditure on factory staff and erection that was not able to occupy full capacity. In addition, the expenses for the erection were higher than estimated budget. . The Company recorded an impairment of inventory which was higher than selling price by Baht 9.66 million.

(4) Gross profit

The Company and its subsidiaries' gross profit was of Baht 5.28 million, decreased by Baht 113.04 million or 95.53% from the same period of previous year. This was due to a decrease in revenue from sales and a decrease in unit price. In addition, the increase in cost of sales and increase in cost of service as aforementioned.

(5) Selling expenses



The Company and its subsidiaries' selling expenses was Baht 36.741 million, decreased by Baht 0.59 million or 1.58% from the same period of previous year.

(6) Administrative expenses

The Company and its subsidiaries' administrative expenses was Baht 112.41 million, increased by Baht 27.83 million or 32.91% from the same period of previous year due to an increase in administrative expenses which was Baht 18.68 million which its subsidiaries has not yet started its operations.

(7) Financial costs

The Company and its subsidiaries' financial cost from loan and permission note was increased by Baht 14.18 million or more than 100% from the same period of last year due to long term loan and working capital.

(8) Share of profit (loss) from investment in associated company and joint ventures

In the first 9 months of 2018, the Company recognized the profit sharing from Mctric Public Company Limited ("Mctric") which was Baht 14.52 million and the loss sharing from Wisdom Tree Investment (S) PTE. Limited ("Wisdom Tree") which was Baht 7.84 million which the Company recognized the loss sharing from investment in associated company and joint ventures was Baht 6.68 million comparing with the same period of previous year, the Company gained the profit sharing from Mctric which was Baht 50.62 million and the loss sharing from Wisdom Tree which was Baht 4.17 million.

**3. Financial Analysis**

(Unit: Thousand Baht)

Items	30 September 2018	31 December 2017	Increase (Decrease)	%
Net Assets	6,774,631	6,229,084	545,547	8.75
Net Liabilities	1,943,799	1,365,377	578,422	42.36
Shareholders' equity	4,830,832	4,863,707	(32,875)	(0.67)

**Assets**

As at 30 September 2018, the Company had total assets of Baht 6,774.63 million, increased by Baht 545.54 million or 8.75% from 31 December 2017 due to;

1. A decrease in cash and cash equivalent at amount of Baht 13.90 million which was due to a decrease in accounts receivable and account receivable of related company at amount of Baht 60.13 million.
2. An increase in inventories at amount of Baht 150.24 million which was due to delay of project and delivery.
3. An increase in other current assets at amount of Baht 37.57 million due to withholding tax of investment in machine of the Company's subsidiaries was on processing for tax refund which was Baht 37.28 million.
4. Restricted bank deposits decreased by Baht 27.93 million due to changed in collateral.
5. The Company was adjusting in available-for-sales to market price at amount of Baht 108.99 million increased from ended 31 December 2017.
6. The subsidiaries' property, plant and equipment increased by Baht 336.31 million from the factory which is under construction and commissioning.

**Liabilities**

As at 30 September 2018, the Company and its subsidiaries' liabilities was Baht 1,943.79 million, increased by Baht 578.42 million or 42.36% from 31 December 2017.

1. The Company's current liabilities increased by Bath 330.12 million due to;



- a. The Company and its subsidiaries short term loan increased by Baht 517.25 million which comes from the Company's short term loan was Baht 151 million and subsidiaries short term loan was Baht 351 million and overdrafts was Baht 15.76 million for the Company's working capital and for construction and procurement of machinery.
  - b. The Company reallocated term loan to current liabilities from last year effecting to a decrease in long term loan at amount of Baht 275 million. The Company's subsidiaries recognized short term loan increased by Baht 25 million.
  - c. The Company's account payable increased by Baht 79.75 million and advance received decreased by Baht 10.90 million.
2. Non-current liabilities increased by Baht 248.30282.29 million due to
- a. Last year the Company categorized term loan to current liabilities and changed to non-current liabilities this period which affected to an increase in non-current liabilities by Baht 276.97 million.
  - b. The Company recognized the employee benefits obligation - net at amount of Baht 8.31 million.

### **Shareholders' equity**

As at 30 September 2018, the shareholders' equity of the Company and its subsidiaries were Bath 4,830.83 million, decreased by Baht 32.87 million or 0.67% from 31 December 2017. The available for sale of securities was increased due to the market price was higher. This was effecting in increased in number of shareholders' equity by Baht 91.61 million. The operating result of the Company and its subsidiaries in the first 9 months of 2018 showing a loss resulting in a decrease in shareholders' equity at the amount of Baht 120.06 million.

Yours sincerely,

General Engineering Public Company Limited

(Mr. Wuttichai Sresthabutra)

Director