

-Translation-

LWH/ACC 19/02/LT014

February 22, 2019

Subject: Management discussion and analysis for the year ended December 31, 2018

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 the financial statements for the year 2018 ended December 31, 2018 including the significant situations and order taking in the year and business operation of the Company and its subsidiary as follows;

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 27 April 2018, the Annual General Meeting of the Company’s shareholders passed resolution approved an increase in the Company’s registered capital from Baht 474,917,334 to Baht 624,892,534 by issuing and allocating not more than 149,975,200 new ordinary shares with a par value of Baht 1 per share by the General Mandate. The Company registered the decrease in its registered capital with the Ministry of Commerce on 24 May 2018. Subsequently, On 13 December 2018, the Extraordinary General Meeting of the Company’s shareholders No. 1/2018 passed resolution approved the cancellation of capital increase by the General Mandate of All shares and approved the decreasing of registered capital from the existing registered capital of Baht 624,892,534 to Baht 374,938,533 The Company registered the decrease in its registered capital with the Ministry of Commerce on 25 December 2018. ● On 13 December 2018, the Extraordinary General Meeting of the Company’s shareholders No. 1/2018 passed resolution approved the issuance and allocation of warrants to purchase ordinary shares of the Company No.2 (WIİK-W2) of not
--	--

	<p>exceeding 124,979,511 units for free to the existing shareholders at the ratio of 3 existing ordinary shares for 1 unit of warrant whereby any fraction of the warrants from such calculation shall be discarded 1 unit of warrant can purchase 1 ordinary share at the exercise price of Baht 5.00 per share and approved the increasing of registered capital of Baht 124,979,511 from the existing registered capital of Baht 374,938,533 to Baht 499,918,044 by issuing ordinary shares of 124,979,511 shares at a par value of Baht 1.00 per share and allocated such shares to reserve for the exercise of warrants to purchase ordinary shares of the Company No.2 (WIİK-W2). The Company registered the increase in its registered capital with the Ministry of Commerce on 28 December 2018.</p>
<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 1 July 2018, the Company acquired the assets which comprised by contract rights, inventories and fixed assets from UFAS (Thailand) Limited amount of 28.5 million Baht (exclusive of VAT). The objectives of acquisition are decreasing in production cost and added product value and increase the Company service's abilities and support the water management business expansion. ● On 12 October 2018, the Board of Directors of WIİK passed resolution approved WW to invest in WOG ITR Water Solution Company Limited (“WOG ITR”) by purchased ordinary shares of 48,571 shares with a par value of Baht 100 per share, representing 100% of the paid-up capital from existing shareholders at the price of Baht 35 million and provide loans to WOG ITR of Baht 265 million (after becoming a subsidiary) with the purpose of using to repay loans and interest from previous shareholders amount of Baht 42 million and repay creditors arising from the purchase of assets used in WOG ITR's business amount of Baht 223 million. WOG ITR Water Solution Company Limited currently operate as a service provider in accordance with the agreement of production and / or supply of good water (RO) to Patong Municipality, Kathu District, Phuket Province (client) dated 16 July 2012 with period of 30 years. The Company had completed this transaction on 4 January 2019.

Overview of the 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, cost of HDPE resin in 1st quarter – 3rd quarter increased due to high demand of HDPE resin in China. This led to increasing of the production cost of the Company.

Analysis of the operating results of WIİK and Subsidiary for the year ended December 31, 2018 as follows:

Summarized of the Statement of income

Unit : million Baht	Year 2018	Year 2017	Changed (%)
Income from sale and installation of the pipeline	1,002.45	1,092.31	(8.23)
Incomes from the water management business	201.38	104.35	92.99
Other income	17.81	15.28	16.56
Total revenues	1,221.64	1,211.94	0.80
Cost from sale and installation of the pipeline	907.65	885.25	2.53
Cost from the water management business	144.48	71.48	102.13
Selling expenses	52.88	55.88	(5.37)
Administrative expenses	73.38	77.04	(4.75)
Finance cost	34.20	23.26	47.03
Profit before income tax income (expenses)	9.05	99.03	(90.86)
Income tax income (expenses)	3.25	(8.77)	(137.06)
Profit for the year	12.30	90.26	(86.37)

The operating results of the Company and its subsidiary in the year 2018 changed over 20%. The Company and its subsidiary have the net profit amount of Baht 12.30 million compared to Baht 90.26 million in the year 2017. The Company's profit decreased by Baht 77.96 million or 86.37% due to the major reasons as follows;

1. Incomes from sale and installation in the year 2018 decreased from the year 2017 by Baht 89.84 million or 8.22% from;

1.1 Domestic sales and installation decreased by Baht 184.96 million or 20.89% as the aforementioned reasons.

1.2 Export sales and installation revenue increased by Baht 95.12 million or 46.01%. The major increasing came from installation income from a customer in Philippines.

2. Incomes from the water management business in the year 2018 increased from the year 2017 by Baht 97.03 million or 92.99%. This came from turnkey construction projects of water treatment & waste water treatment plants.

3. Cost of sale and installation of the pipeline for the year 2018 was 90.54% of income compared to 81.04% in the year 2017. The major reason was the lower average selling price due to fewer big projects & price competition while the prices of plastic resin rose, and then caused lower gross profit margin.

4. Cost from the water management business for the year 2018 was 71.74% of income compared to 68.50% in the year 2017, because the cost ratio of turnkey construction projects was higher than the cost ratio of water management work.

5. Selling expenses for the year 2018 decreased from year 2017 in amount of Baht 3.00 million or 5.37% from decreasing in sale revenue.

6. Administrative expenses for the year 2018 decreased from year 2017 in amount of Baht 3.66 million or 4.75% as follows:

6.1 Employee benefits expense increased in amount of 7.93 million Baht. This came from increment of number of staff to support new incoming projects.

6.2 Provision for doubtful debt decreased in amount of Baht 7.17 million due to payment received from the debtors

6.3 Other expenses decreased by Baht 4.42 million form normal business operating.

7. Financial cost in the year 2018 increased from year 2017 in amount of Baht 10.94 million or 47.03%, the increasing came from interest expense of debenture and loans for general business operations, and loan for investing in a water management project.

8. Tax income in the year 2018 was Baht 3.25 million compared to the year 2017 which was tax expenses Baht 8.77 million. It is increased by Baht 12.02 million from decreasing of profit and the reversal of allowance for doubtful accounts has no deferred tax assets in the previous year.

9. Backlog

(Unit : Million Baht)	31 December 2018	31 December 2017
Sales and installation of the pipeline business group	598.69	758.07
Water management business group (Only amount to be recognized in year 2019)		
- Sales and service of water supply	144.22	97.55
- Installation of water production systems and construction of turnkey water treatment systems	25.56	64.90
Total	768.47	920.52

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

However in the year 2019, a meeting of the Company's Board of Directors No. 2/2019 on 22 February 2019 passed resolutions to propose shareholders in the General Meeting of the Company's shareholders for the year 2019 to consider allocating retained earning to pay dividends as follows;

1. A cash dividend of Baht 0.03 per share
2. A stock dividend at a rate of 1 dividend share for every 6 shares held, total stock dividend 62,489,756 shares at par value of Baht 1 each, or a total of Baht 62,489,756 equivalent to a total dividend payment of Baht 0.167 per share. In case there is any shareholders that have a remaining share after allocation of stock dividend, the dividend payment will be a cash dividend of Baht 0.167 per share.



บริษัท วิค แอนด์ ฮูกลันด์ จำกัด (มหาชน)

WIJK & HOEGLUND PUBLIC CO.,LTD

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

Mr. Wiboon Sangwithayanon
Chief Executive Officer