

**EKARAT ENGINEERING PUBLIC COMPANY LIMITED**

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To: Director and Manager

The Stock Exchange of Thailand

Subject: Management Discussion and Analysis Year 2018

Ekarat Engineering Public Company Limited (the Company) would like to clarify the performance of the Company and the subsidiaries for Year 2018 which reviewed by the Company's auditor. The performance of the Company is as follow:

Summary of operating results

As for the Company's performance in Year 2018, with Net Loss of Baht 279.65 million and Loss per shares of Baht 0.208, decreased from last year. The main reason was loss on impairment of fixed assets' factory at Rayong province, including the decrease in sales of goods revenue as the economy hadn't recovered much and the competition in the market for transformers and solar energy continues to rise.

Key financial figures

	Unit	Year		Increase(Decrease)	
		2018	2017	Amount	%
Total revenue ^[1]	Million Baht	1,464.30	1,684.45	(220.15)	(13.07)
Total Expenses ^[2]	Million Baht	1,193.66	1,354.31	(160.65)	(11.86)
Gross Profit	Million Baht	270.64	330.14	(59.50)	(18.02)
Other Incomes	Million Baht	27.91	47.82	(19.91)	(41.63)
Loss on impairment of fixed assets	Million Baht	349.09	-	349.09	100.00
Selling and Administrative Expenses	Million Baht	275.01	291.39	(16.38)	(5.62)
Earnings (Loss)before interest and tax	Million Baht	(325.55)	86.57	(412.12)	(476.05)
Financial cost	Million Baht	22.13	36.55	(14.42)	(39.45)
Income tax revenue	Million Baht	68.03	(5.72)	73.75	1,289.34
Net Profit (Loss) of the period	Million Baht	(279.65)	44.30	(323.95)	(731.26)
Loss per share	Baht/Share	(0.208)	0.033	(0.241)	(730.30)
Gross Profit Margin	%	18.48	19.60		
Net Profit (Loss) Margin	%	(18.74)	2.56		

Note : [1] Total revenue consist of : (1) Revenue from sales of goods (2) Revenue from services and maintenance

(3) Revenue from service of installing a solar panel (4) Revenue from sales of electricity current

[2] Total Expenses consist of : (1) Cost of goods sold (2) Cost of services and maintenance (3) Cost of service of installing a solar panel (4) Cost of electricity current sales (5) Loss on devaluation of goods

Analysis of operating results in Year 2018

Revenue :

The total revenues from operation of the Company was Baht 1,464.30 million, decreased by Baht 220.15 million or about 13.07% compared to last year. Mainly due to the revenue from sale of transformers to government agencies reduced and the price competition in the transformer business soared as a result, revenue from sales of goods decreased.

Expenses :

The total expenses from operation of the Company was Baht 1,193.66 million decreased by Baht 16.65 million or about 11.86% compared to last year. As a result, in accordance with the decrease of revenue from operation and the Company can manage the production costs reduced. But also loss on devaluation of inventories increased with the age of the products.

Gross Profit:

Gross profit of the Company was Baht 270.64 million decreased by Baht 59.50 million or about 18.02% compared to last year and Gross Profit Margin was 18.48% lower than last year. As a result of the sales volume declined while production costs were mostly fixed costs.

Selling and Administrative Expenses :

Selling and Administrative Expenses of the Company was Baht 275.01 million decreased by Baht 16.38 million or about 5.62% compared to last year. The administrative expenses decreased significantly. The Company has managed to reduce expenses such as personnel and advisory related expenses. Cost of goods sold decreased in line with the revenue from operations that are reduced.

Loss on impairment of fixed assets :

Loss on impairment of fixed assets of the Company was Baht 349.09 million increased by 100% from last year. The main reason was the amount of production at the solar cell factory in Rayong province was very little, not enough to breakeven. It also had higher production cost than the market price. Thus causing impairment of machinery and equipment.

The subsidiaries didn't operate the business. However, the operating cost of the subsidiaries was the Financial cost only. In Year 2018 and Year 2017, Ekarat Solar Company Limited had the Net Loss of Baht 1.34 million and Net Profit of Baht 211.91 million, respectively. The Net Loss increased from Year 2017 by Baht 213.24 million or about 100.63%. Because in Year 2017, Ekarat Solar Co.,Ltd had income from the debt forgiveness from the Company as a result of Net Profit.

In Year 2018 and Year 2017, Ekarat Energy Company Limited had the Net Loss of Baht 0.05 million and Baht 0.37 million, respectively. The Net Loss decreased from Year 2017 by Baht 0.32 million or about 86.49%.

Please be informed accordingly,

Sincerely yours,



(Mr. Danucha Noichaiboon)

Managing Director

Authorized to sign on behalf of the Company