



No. LWH/ACC 19/08/LT095

August 9, 2019

Subject: Management discussion and analysis for the three-month period ended June 30, 2019

To: Director and Manager of the Stock Exchange of Thailand

Referring to the submission of reviewed financial statements for quarter 2/2019 of Wiik & Hoeglund Public Company Limited (“the Company”), the management would like to clarify the operating results for the period of three month ended June 30, 2019 as follows;

Analysis of the operating results of WIJK and its subsidiaries for the three-month period ended June 30, 2019 as follows.

Summarized of the Statement of income

Unit : million Baht	Quarter 2/2019	Quarter 2/2018	Changed (%)
Income from sale and installation of the pipeline	269.18	227.86	18.13
Income from water business	54.63	36.54	49.51
Other income	3.32	5.05	(34.26)
Total revenues	327.13	269.45	21.41
Cost from sale and installation of the pipeline	242.25	209.99	15.36
Cost from the water management business	38.48	28.07	37.09
Selling expenses	11.52	9.45	21.90
Administrative expenses	23.80	7.31	225.58
Finance cost	11.67	7.33	59.21
Profit (loss) before income tax income	(0.59)	7.30	(108.08)
Income tax income	1.31	1.10	19.09
Profit for the period	0.72	8.39	(91.42)

The operating results of the Company and its subsidiaries changed over 20%. In the quarter 2/2019, the net profit was Baht 0.72 million, compared with the net profit of Baht 8.39 million in quarter 2/2018, decreased by Baht 7.67 million or 91.42% due to the major reasons as follows;

1. Income from sale and installation in the quarter 2/2019 increased from quarter 2/2018 by Baht 41.32 million or 18.13% with details as follows.

1.1 Domestic sales and installation income increased by Baht 25.97 million or 15.47%

1.2 Export sales and installation income increased by Baht 15.35 million or 25.62%

2. Income from the water management business dividing two types of income, as below;

2.1 Income from water production and distribution increased by Baht 9.33 million from investment in a company possessing a water production contract with Patong Municipality, Phuket Province of a subsidiary. It's started to recognize revenue from 4 January 2019.

2.2 Income from installation and distribution of water production systems increased from quarter 2/2018 by Baht 8.76 million the major increased from the contracting of water filtration systems for potable water. It's started to recognize revenue from 22 March 2019.

3. Cost of sales and installation of pipes for the quarter 2/2019 was 89.98% of income. Cost per income rate decreased when compared to cost per income rate in quarter 2/2018 which was 92.16 percent of income. The major reason was the cost of raw materials used in production is lower than the year 2018.

4. Cost from the water management business for quarter 2/2019 was 70.48% of income. Cost per income rate decreased compared to quarter 2/2018 which was 76.83% of income. Because in the quarter 2/2018, the cost of installation and distribution of water supply systems was higher than this quarter.

5. Selling expenses in the quarter 2/2019 increased from the quarter 2/2018 by Baht 2.07 million or 21.90% from increasing in sale revenue.

6. Administrative expenses in the quarter 2/2019 increased from the quarter 2/2018 by Baht 16.49 million or 225.58%. The major reason as follows.

6.1 Employee benefits expenses increased by Baht 5.47 million because (1) increasing in the improvement of employee benefit provision according to the Labor Protection Act from 300 days to 400 days by Baht 2.20 million, and (2) increasing from number of staff in subsidiaries to support business expansion by Baht 3.27 million.

6.2 In this quarter, there was a consulting fees for the audit of the business condition and legal aspects of the subsidiary investment in the amount of Baht 1.15 million.

6.3 In the quarter 2/2018, there was a reversal doubtful debt by Baht 7.69 million compared to this quarter, resulting in increased expenses according to that amount.

6.4 Other expenses increased by Baht 2.18 million form normal business operating.



7. Financial cost in quarter 2/2019 increased from quarter 2/2018 by Baht 4.34 million or 59.21%, the increasing came from issue of debenture, bill of exchange and loans from financial institutions to invest in water management business.

8. Tax income in the quarter 2/2019 increased from quarter 2/2018 by Baht 0.21 million or 19.09%.

Backlog

(Unit : Million Baht)	June 30, 2019	June 30, 2018
Sales and installation of the pipeline business group	1,016.02	646.76
Water management business group		
- Sale and service of water supply (Only amount to be recognized in one year)	170.44	97.55
- Installation of water production systems and construction of turnkey water treatment systems	14.74	27.13
Total	1,201.20	771.44

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

Mr. Wiboon Sangwithayanon
Chief Executive Officer