

Subject: Management Discussion and Analysis for the Second Quarter of 2019  
 To: The President, the Stock Exchange of Thailand

We, SCI Electric Public Company Limited would like to report the result of the Company and subsidiaries (all together as “SCI Group”) for the Second Quarter of 2019 which has been reviewed from the external auditor and approved by the Board of Directors’ meeting No. 4/2019 held on 14<sup>th</sup> Aug 2019. The details are as follows:

**The operating result analysis**

Unit: Million Baht

	For 3 months period ended 30 June			
	2019	2018	Increased (Decreased)	
			Amount	%
Total revenue	243.29	360.99	(117.69)	(32.60)
Net profit of Equity holders of the parent	(48.26)	21.03	(69.28)	(329.51)

**Net Profit**

For the first quarter of 2019, SCI Group had net loss of Baht 48.26 million, decreased by Baht 69.28 million or 329.51 % as compared to the net profit of Baht 21.03 million incurred in the same period last year. The main reasons are as follows:

**Revenue**

For the second quarter of 2019, SCI Group had total revenues of Baht 243.29 million, decreased by Baht 117.69 million or 32.60% compared to that of Baht 360.99 million the same period last year with details as follows:

- The sales revenues were Baht 233.68 million, decreased by Baht 89.70 million or 27.74%, compared to that of Baht 323.38 million in the same period last year. The sales decreased in transmission tower and telecom tower business and less water from the hydropower plant in Lao PDR.
- There was no progress on the project due to the delay in the high-voltage transmission tower and substation (500kV) project in Lao PDR, therefore, there was no service revenue recognition in 2Q2019. However, the management team still positive on the continuous of the projects.

## Cost and Expense

For the second quarter of 2019, SCI Group had total expenses of Baht 298.04 million, decreased by Baht 38.44 million or 11.42% compared to that of Baht 336.48 million in the same period last year with details as follows:

- Cost of sales were Baht 231.94 million, decreased by Baht 57.51 million or 19.87%, compared to that of Baht 289.46 million in the same period last year. Cost of sales decreased in proportion to the sales drop;
- There is no cost of services since there was no progress on the project due to the delay in the high-voltage transmission tower and substation (500kV) project in Lao PDR;
- Administration and financial expenses increased from increased from the expenses incurred from affiliated company in Myanmar.
- Administration expense increased from foreign exchange loss. In 2Q19, the company experienced foreign exchange loss amount Baht 15.37 million, compared to the foreign exchange gain amount Baht 29.53 million in the same period last year. Loss from foreign exchange increased due to USD mark-to-market from 500kV transmission line and substation project (Route1), Tadsalen USD loan as well as cash and deposits in USD currency.
- Financial costs were Baht 6.21 million, increased by Baht 5.87 million from interest on long-term loan borne by affiliate company in Myanmar.
- Other expenses increased from extra employee benefit expenses under the new Labor Protection Act

## Statement of financial position

Unit: Million Baht

	As of Jun 30,2019	As of Dec 31,2018	Increased (Decreased)	
			Amount	Percentage
Total Assets	3,203.83	3,213.88	(10.05)	(0.31)
Total Liabilities	1,508.33	1,395.41	112.92	8.09
Total Shareholder's Equity	1,695.51	1,818.47	(112.97)	(6.76)
D/E Ratio	0.89	0.77	0.09	15.93

## Total Assets

As of 30 June 2019, SCI Group had total assets of Baht 3,203.83 million, decreased by Baht 10.05 million or 0.31% from as of 31 December 2018 of Baht 3,313.88 million with details as follows:

- Cash and investment in marketable securities decreased from long-term loan repayment of the subsidiary in Myanmar;
- Inventory increased from production work in process and work pending for delivery in Thailand as well as raw material stocks for transmission towers and telecommunication towers manufacturing factory in Myanmar;

- Property, plant and equipment decreased from depreciation and the results of foreign currency conversion

### **Liabilities**

As of 30 June 2019, SCI Group had total liabilities of Baht 1,508.33 million, increased by Baht 112.92 million or 8.09% from as of December 31, 2018 of Baht 1,395.41 million with details as follows:

- Short-term loans from financial institutions increased from short-term credit lines of subsidiaries in the group;
- Account payables increased from purchasing equipment and raw materials for switchboard manufacturing and high-voltage transmission tower projects in Thailand;
- Employee benefit obligations increased from extra provision for employee benefit expenses under the new Labor Protection Act.

### **D/E Ratio**

As of 30 June 2019, SCI Group had D/E ratio of 0.89, slightly increased from 0.77 as of 31 December 2018. This was primarily due to long-term loan from EXIM bank used for setting up transmission tower and telecom tower manufacturing factory in Myanmar.

Kindly be informed accordingly.

Yours faithfully,

(Mr. Kriengkrai Pienwitthayasakul)  
Chief Executive Officer