



GEL-ACC621536

14 August 2019

Subject: Management Discussion and Financial Analysis for the operating results of the second quarter of 2019, ended June 30, 2019

To: Director and Manager
The Stock Exchange of Thailand

The Board of Director's meeting No. 6/2019 of General Engineering Public Company Limited ("the Company") held on August 14, 2019 has approved and verified the financial statements of the Company and its subsidiaries for the second quarter of 2019 which reviewed by the auditor of the Company. Details are as follows.

1. The Operating Results Analysis

For the second quarter of 2019, ended June 30, 2019

The operating results of the Company and its subsidiaries for the second quarter of 2019, ended June 30, 2019 was described in the financial statement showing net loss at the amount of Baht 65.41 million, comparing with the same period of previous year, the net loss at the amount of Baht 23.19 million. In the second quarter of 2019, the net loss was increased by Baht 42.22 million which details are as following;

(1) Revenue from sales

In the second quarter of 2019, the Company and its subsidiaries had total revenue from sales at the amount of Baht 509.73 million, which increased from the same period of previous year by Baht 73.17 million or 16.76%. Due to the revenue from its subsidiaries was increased by Baht 71.21 million.

(2) Cost of sales

The Company and its subsidiaries had total cost of sales at the amount of Baht 508.91 million, which increased from the same period of previous year by Baht 67.09 million or 15.19%. The increase in cost of sales varies according to the increase in revenue from sales, but the ratio of increasing of cost of sales was lower than the ratio of increasing of revenue from sales because of the increased in production volume of pre-stressed concrete pile and precast concrete resulting in lower of cost per unit of such product comparing with the same period of previous year.

(3) Gross profit

The Company and its subsidiaries' total gross profit were Baht 0.82 million, which increased from the same period of previous year by Baht 6.08 million or 115.68%, due to an increased in production volume of pre-stressed concrete pile and precast concrete resulting to decrease in cost of production.

(4) Selling expenses

The Company and its subsidiaries had selling expenses at the amount of Baht 10.97 million, increased from the same period of previous year by Baht 0.33 million or 3.08%.

(5) Administrative expenses

The Company and its subsidiaries' administrative expenses were Baht 59.57 million, which increased from the same period of previous year by Baht 20.42 million or 52.15% due to an increase in staff and administrative expenses from the allowance for doubtful accounts in the amount of Baht 8 million and additional employee benefits for employees who have worked with the company 20 years or more to receive compensation not less than 400 days of their salary as at the date of retirement which total amount increased by Baht 7 million.

(6) Financial cost

The Company and its subsidiaries' financial cost from loan and permission note were Baht 18.07 million or increased from the same period of previous year by Baht 9.97 million or 123.15% due to in the same period of the previous year, the subsidiary recognized the borrowing costs for the plant construction as a cost of construction in respect of Property, Plant and Equipment. However, in this period the borrowing cost is recognized as the financial cost due to the completion of the plant construction.

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

In the second quarter of 2019, the Company recognized the profit sharing from Mctric Public Company Limited for the amount of Baht 5.25 million and the loss sharing amount of Baht 8.5 million from Wisdom Tree Investment (S) PTE. Limited comparing with the same period of previous year, which the Company recognized the profit sharing from Mctric Public Company at the amount of Baht 2.14 million and loss sharing from Wisdom Tree Investment (S) PTE. Limited. at the amount of Baht 2.57 million.

(8) Dividend

The Company received dividend from Millcon Steel Public Company Limited at the rate of 0.0033 baht per share, totaling Baht 23.36 million.

For the first half of 2019, ended June 30, 2019

The operating results of the Company and its subsidiaries for the first half of 2019, ended June 30, 2019 was described in the financial statement showing net loss at the amount of Baht 89.93 million, comparing with the same period of previous year, the net loss at the amount of Baht 63.59 million. In the first half of 2019, the net loss was increased by Baht 26.34 million which details are as following;

(1) Revenue from sales

In the first half of 2019, the Company and its subsidiaries had total revenue from sales at the amount of Baht 1,169.65 million, which increased from the same period of previous year by Baht 297.92 million or 34.18%. The increase was affected by an increase in the delivery volume of pre-stressed concrete piles, precast concrete, glass-fiber reinforced concrete and special cement which were Baht 169.47 million. However, the delivery of post-tensioned was decreased by Baht 33.48 million. and revenue from its subsidiaries was increased by Baht 163.49 million.

(2) Cost of sales

In the first half of 2019, the Company and its subsidiaries had total cost of sales at the amount of Baht 1,123.81 million, which increased from the same period of previous year by Baht 257.06 million or 29.66%. The increase in cost of sales varies according to the increase in revenue from sales, but the ratio of increasing of cost of sales was lower than the ratio of increasing of revenue from sales because of the increased in production volume of pre-stressed concrete pile and precast concrete resulting in lower of cost per unit of such product comparing with the same period of previous year.



(3) Gross profit

The Company and its subsidiaries' total gross profit were Baht 45.84 million, which increased from the same period of previous year by Baht 40.86 million or 820.79%, due to an increase in production volume of pre-stressed concrete pile and precast concrete resulting to decrease in cost of production.

(4) Selling expenses

The Company and its subsidiaries had selling expenses at the amount of Baht 22.26 million, decreased from the same period of previous year by Baht 0.55 million or 2.43%.

(5) Administrative expenses

The Company and its subsidiaries' administrative expenses were Baht 101.35 million, which increased from the same period of previous year by Baht 30.34 million or 42.72% due to an increase in staff and administrative expenses from the allowance for doubtful accounts in the amount of Baht 8 million and additional employee benefits for employees who have worked with the company 20 years or more to receive compensation not less than 400 days of their salary as at the date of retirement which total amount increased by Baht 9 million.

(6) Financial cost

The Company and its subsidiaries' financial cost from loan and permission note were Baht 31.04 million or increased from the same period of previous year by Baht 16.48 million or 113.19% due to in the same period of the previous year, the subsidiary recognized the borrowing costs for the plant construction as a cost of construction in respect of Property, Plant and Equipment. However, in this period the borrowing cost is recognized as the financial cost due to the completion of the plant construction.

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

In 2019, the Company recognized the profit sharing from Mctric Public Company Limited for the amount of Baht 10.51 million and the loss sharing amount of Baht 17.23 million from Wisdom Tree Investment (S) PTE. Limited comparing with the same period of previous year, which the Company recognized the profit sharing from Mctric Public Company at the amount of Baht 4.47 million and loss sharing from Wisdom Tree Investment (S) PTE. Limited. at the amount of Baht 4.86 million.

(8) Dividend

The Company received dividend from Millcon Steel Public Company Limited at the rate of 0.0033 baht per share, totaling Baht 23.36 million.

2. Financial Analysis

(Unit: Thousand Baht)

Items	30 June 2019	31 December 2018	Increase (Decrease)	%
Total Assets	6,241,877	6,724,090	(482,213)	(7.17)
Total Liabilities	2,094,412	2,078,080	16,332	0.79
Shareholders' equity	4,147,465	4,646,010	(498,545)	(10.73)

Assets

As at June 30, 2019, the Company and its subsidiaries had total assets of Baht 6,241.88 million, decreased by Baht 482.21 million or 7.17% comparing with December 31, 2018 due to the Company was adjusting in investment in available-for-sales securities to market price which decreased by Baht 506.06 million from ended December 31, 2018 and deferred tax assets increased by Baht 101.21 million due to such investment in available-for-sales securities prices were decreased. In addition, the Company and its subsidiaries are able to collect more debt from trade accounts receivable which increased by Baht 70.82 million.

Liabilities

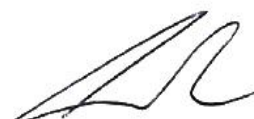
As at June 30, 2019, the Company and its subsidiaries' liabilities was Baht 2,094.41 million, increased by Baht 16.33 million or 0.79% comparing with December 31, 2018 due to short term loan for working capital was increased by Baht 145.37 million and the Company's account payable was decreased by Baht 66.85 million. In addition, the Company was repayment of long-term loans from financial institutions which amount of Baht 62.84 million.

Shareholders' equity

As at June 30, 2019, the shareholders' equity of the Company and its subsidiaries were Bath 4,147.47 million, decreased by Baht 498.55 million or 10.73% from December 31, 2018 due to an increase in market price of investment in available-for-sales securities which amount of Baht 506.06 million effecting to deferred tax assets increased by Baht 101.21 million. In addition, the operating result of the Company and its subsidiaries in the first half of 2019 showing net loss Baht 89.93 million resulting in a decrease in shareholders' equity.

Yours sincerely,

General Engineering Public Company Limited



(Mr. Wuttichai Sresthabutra)
Director