

Subject: Management Discussion and Analysis for the Third 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 Third Quarter of 2019 which has been reviewed from the external auditor and approved by the Board of Directors’ meeting No. 8/2019 held on 15th Nov 2019. The details are as follows:

The operating result analysis

Unit: Million Baht

	For 3 months period ended 30 Sep			
	2019	2018	Increased (Decreased)	
			Amount	%
Total revenue	343.61	329.24	14.37	4.36
Net profit of Equity holders of the parent	(32.36)	(7.21)	(25.15)	(348.66)

Net Profit

For the third quarter of 2019, SCI Group had net loss of Baht 32.36 million, increased by Baht 25.15 million or 348.66% as compared to the net loss of Baht 7.21 million incurred in the same period last year. The main reasons are as follows:

Revenue

For the third quarter of 2019, SCI Group had total revenues of Baht 343.61 million, increased by Baht 14.37 million or 4.36% compared to that of Baht 329.24 million the same period last year with details as follows:

- The sales revenues were Baht 333.56 million, increased by Baht 13.74 million or 4.30%, compared to that of Baht 319.82 million in the same period last year. The sales increased from switchboard and cable tray business.
- Service revenues increased from railway bridge EPC project, however, there was still no progress on the high-voltage transmission tower and substation (500kV) project in Lao PDR due to the delay. The management team still positive on the continuous of the 500kV project.

Cost and Expense

For the third quarter of 2019, SCI Group had total expenses of Baht 373.36 million, increased by Baht 40.89 million or 12.30% compared to that of Baht 332.47 million in the same period last year with details as follows:

- Cost of sales were Baht 320.79 million, increased by Baht 52.57 million or 19.59%, compared to that of Baht 268.23 million in the same period last year. Cost of sales increased in proportion to the sales increase. There were also costs incurred from transmission towers and telecommunication towers manufacturing factory in Myanmar in 3Q19 as the factory was still on construction in 3Q18;
- Cost of services increased from railway bridge EPC project;
- Administration and financial expenses increased from increased from the expenses incurred from affiliated company in Myanmar.
- Administration expense increased from foreign exchange loss 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 5.78 million, increased by Baht 5.01 million from interest on long-term loan borne by affiliate company in Myanmar.

Statement of financial position

Unit: Million Baht

	As of Sep 30,2019	As of Dec 31,2018	Increased (Decreased)	
			Amount	Percentage
Total Assets	3,042.97	3,213.88	(170.90)	(5.32)
Total Liabilities	1,381.64	1,395.41	(13.77)	(0.99)
Total Shareholder's Equity	1,661.34	1,818.47	(157.13)	(8.64)
D/E Ratio	0.83	0.77	0.06	8.38

Total Assets

As of 30 September 2019, SCI Group had total assets of Baht 3,042.97 million, decreased by Baht 170.90 million or 5.32% from as of 31 December 2018 of Baht 3,213.88 million with details as follows:

- Cash and investment in marketable securities decreased from long-term loan repayment of the subsidiary in Myanmar, investment in JV company – Yuemmai (Thailand) Co.,Ltd and investment in Bill of Exchange (BE) as for company cash management ;
- 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 September 2019, SCI Group had total liabilities of Baht 1,381.64 million, decreased by Baht 13.77 million or 0.99% from as of December 31, 2018 of Baht 1,395.41 million with details as follows:

- Short-term loans from financial institutions decreased from short-term loan repayment from subsidiaries in the group;
- Long-term loan from financial institutions decreased according to term loan in the contract;
- Employee benefit obligations increased from extra provision for employee benefit expenses under the new Labor Protection Act.

D/E Ratio

As of 30 September 2019, SCI Group had D/E ratio of 0.83, 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