

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

We, SCI Electric Public Company Limited would like to report the operation results of the Company and its subsidiaries (all together as “SCI Group”) for the Year 2019 which has been reviewed from the external auditor and approved by the Board of Directors’ meeting No. 2/2020 held on 21st February 2019. The details are as follows:

The operating result analysis

Unit: Million Baht

	For the year ended 31 December			
	2019	2018	Increased (Decreased)	
			Amount	%
Total revenue	1,132.26	1,306.96	(174.70)	(13.37)
Net loss of Equity holders of the parent	(134.83)	(45.47)	89.36	196.52

Net Profit (Loss)

For the year 2019, SCI Group had net loss of Baht 134.89 million, increased of loss by Baht 89.36 million or 197.52% as compared to the net loss of Baht 45.47 million incurred last year. The main reasons are as follows:

Revenue

For the year 2019, SCI Group had total revenues of Baht 1,132.26 million, decreased by Baht 174.70 million or 13.37% compared to that of Baht 1,306.96 million last year with details as follows:

- The sales revenues were Baht 1,067.15 million, decreased by Baht 207.00 million or 4.30%, compared to that of Baht 1,274.15 million last year. The sales decreased from transmission tower, telecommunication tower and steel structures business;
- Service revenues increased of Baht 35.52 million from railway bridge EPC project. The high-voltage transmission tower and substation (500kV) project in Lao PDR still had no progress due to awaiting the result of negotiations on electricity trading between the government Lao PDR and the Thai government. The management team still positive on the continuous of the 500kV project.

Costs and Expenses

For the year 2019, SCI Group had total expenses of Baht 1,263.11 million, decreased by Baht 80.66 million or 5.63% compared to that of Baht 1,343.77 million last year with details as follows:

- Cost of sales were Baht 982.10 million, decreased by Baht 160.32 million or 14.03%, compared to that of Baht 1,142.42 million last year. Cost of sales decreased in proportion to the sales decrease from transmission towers and telecommunication towers manufacturing;
- Cost of services increased from railway bridge EPC project;
- Administration expense increased from foreign exchange loss due to USD mark-to-market from 500kV transmission line and substation project (Route1), loan of a subsidiary in Lao PDR as well as cash and deposits in USD currency. In addition, the Company has set up the allowance for diminution in expected cash flow value for 500kV transmission line and substation project (Route1);
- Financial costs were Baht 24.10 million, increased by Baht 16.68 million from interest on long-term loan borne by a subsidiary in Myanmar.

Statement of financial position

Unit: Million Baht

	As of 31 December		Increased (Decreased)	
	2019	2018	Amount	Percentage
Total Assets	2,968.37	3,213.88	(245.50)	(7.64)
Total Liabilities	1,340.77	1,395.41	(54.63)	(3.92)
Total Shareholder's Equity	1,622.60	1,818.47	(195.87)	(10.77)
D/E Ratio	0.82	0.77	0.06	7.35

Total Assets

As of 31 December 2019, SCI Group had total assets of Baht 2,968.37 million, decreased by Baht 245.50 million or 7.64% 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;
- Unbilled completed works decreased from the allowance for diminution in expected cash flow value of 500kV transmission line and substation project (Route1);
- Property, plant and equipment decreased from depreciation and the results of foreign currency conversion.

Liabilities

As of 31 December 2019, SCI Group had total liabilities of Baht 1,340.77 million, decreased by Baht 54.63 million or 3.56% from as of 31 December 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 from the repayment principle according to the loan repayment term of the subsidiary in Myanmar;
- Accrued cost related to 500kV transmission line and substation project (Route1) decreased from deferred discounts from devaluation expected cash flow to be paid;
- Employee benefit obligations increased from extra provision for employee benefit expenses under the new Labor Protection Act.

D/E Ratio

As of 31 December 2019, SCI Group had D/E ratio of 0.82, slightly increased from 0.77 as of 31 December 2018. This was primarily due to decreased of long-term loan from EXIM bank used for setting up transmission tower and telecom tower manufacturing factory in Myanmar and decreased of the operation results.

Kindly be informed accordingly.

Yours faithfully,

(Mr. Kriengkrai Pienwitthayasakul)
Chief Executive Officer