

Ref: UWC 025/2562

November 13, 2019

Subject: Management Discussion and Analysis 3rd Quarter ended September 30, 2019

To: President
The Stock Exchange of Thailand

Ua Withya Public Company Limited (“Company”) and its subsidiaries (“The Group”) would like to clarify operating results for the 3rd quarter of 2019 as follows:

1. Performance Analysis

Company's Performance as at September 30 (Million Baht)	3 Months		+ (-)	9 Months		+ (-)
	2019	2018	%	2019	2018	%
Revenue from steel tower manufacturing	257.08	418.24	-38.53%	870.08	1,067.34	-18.48%
Other Revenues	0.91	9.67	-90.63%	10.27	32.00	-67.92%
Total Revenue	257.99	427.91	-39.71%	880.34	1,099.34	-19.92%
Cost of goods sold and cost of services	293.50	402.13	-27.01%	1,170.02	1,048.72	11.57%
Gross Profit (Loss)	(35.51)	25.78	-237.77%	(289.67)	50.63	-672.19%
Selling and Administrative Expenses	25.59	34.15	-25.06%	104.06	85.93	21.11%
Operating Profit (Loss)	(61.10)	(8.37)	629.71%	(393.74)	(35.30)	1015.40%
Non-operating expense	20.37	66.04	-69.15%	81.61	73.18	11.52%
Loss from sales investment in subsidiary	0.28	3.68	-92.36%	2.79	9.69	-71.20%
Financing Cost	16.54	16.80	-1.58%	52.15	50.74	2.79%
EBITDA	(98.29)	(94.89)	3.58%	(530.29)	(168.90)	213.96%
Corporate Tax	(5.89)	(3.73)	58.03%	35.81	(7.82)	-557.93%
Net Profit (Loss)	(92.40)	(91.16)	1.36%	(566.10)	(161.08)	251.43%
Actualrial gain/(loss)	-	-		(3.53)	-	
Currency differences on translation	0.03	0.04	-5.98%	(0.50)	0.18	-383.97%
Total Comprehensive income for ther period	(92.37)	(91.12)	1.36%	(570.13)	(160.91)	254.33%
Total comprehensive income (loss) attributable to owners of the parent	(91.10)	(69.47)	31.13%	(558.09)	(130.49)	327.68%
Gross Profit Margin	-13.76%	6.02%	-19.79%	-32.90%	4.61%	-37.51%
Net Profit Marging	-35.82%	-21.30%	-14.51%	-64.30%	-14.65%	-49.65%

1.1 Revenue

Revenue structure as at September 30 (Million Baht)	3 Months				+ (-) %	9 Months				+ (-) %
	2019	%	2018	%		2019	%	2018	%	
Revenue from steel tower manufacturing	144.87	56.15%	303.35	70.89%	-52.25%	519.19	58.98%	722.74	65.74%	-28.16%
Revenue from sale of industrial equipment	1.99	0.77%	2.78	0.65%	-28.58%	6.80	0.77%	9.00	0.82%	-24.41%
Revenue from sale of other products	-	0.00%	3.57	0.84%	-100.00%	-	0.00%	8.37	0.76%	-100.00%
Revenue from sales of electricity	110.23	42.73%	108.53	25.36%	1.57%	344.08	39.08%	327.22	29.77%	5.15%
Other Revenues	0.91	0.35%	9.67	2.26%	-90.63%	10.27	1.17%	32.00	2.91%	-67.92%
Total Revenue	257.99	100.00%	427.91	100.00%	-39.71%	880.34	100.00%	1,099.34	100.00%	-19.92%

Major revenue of The Group mainly came from revenue from steel tower manufacturing and revenue from sales of electricity. In 3rd quarter of 2019, The Group reported revenue from steel tower manufacturing and revenue from sale of electricity in the amount of THB 144.87 million and THB 110.23 million, accounted for 56.15% and 42.73% of total revenue respectively.

The Group recorded THB 257.99 million of total revenue in 3rd quarter of 2019, decreased by 39.71% comparing to THB 427.91 million of the same period last year (“QoQ”).

Revenue from steel tower manufacturing decreased by 52.25% QoQ as a result of decreasing in number of unit deliverables.

Revenue from sale of electricity rose by 1.57% QoQ as a result of ongoing repair and maintenance of the overall power generator which gradually improve power supply capacity and escalate power to grid.

Revenue from sale of industrial equipment dropped by 28.58% QoQ due to decrease in demand on products in the quarter.

Other revenues comprise of revenue from machinery rental, revenue from sale of scrap and zinc together with interest income from loan to subsidiaries.

1.2 Cost of Goods Sold

Cost of good sold as at September 30 (Million Baht)	3 Months				+ (-) %	9 Months				+ (-) %
	2019	% of Sale	2018	% of Sale		2019	% of Sale	2018	% of Sale	
Cost of steel tower manufacturing	183.22	126.47%	277.20	91.38%	35.10%	818.86	157.72%	658.27	91.08%	66.64%
Cost of sale of industrial equipment	1.68	84.50%	1.88	67.42%	17.08%	5.04	74.02%	6.40	71.16%	2.85%
Cost of sale of other products	-		12.01		0.00%	-		33.95		0.00%
Cost of sales of electricity	108.60	98.52%	111.05	102.32%	-3.80%	346.12	100.59%	350.10	106.99%	-6.40%
Total Cost of Good Sold and Service	293.50	113.76%	402.13	93.98%	19.79%	1,170.02	132.90%	1,048.72	95.39%	37.51%

Cost to revenue from steel structure manufacturing ratio in 3rd quarter of 2019 rose 35.10 QoQ resulting from condition to sorting tower before delivery in some projects cause additional labor and operating cost. However, those projects will all be delivered within this year. To accomplish cost management policy, The Group will no longer accept such condition project in the future.

Cost to revenue from sale of industrial equipment ratio in 3rd quarter of 2019 increased 17.08% resulting from mix of cost structure products. Even though the cost was higher than those from last year, but gross margin still in the range of 15-30%.

Cost to revenue from sale of other products ratio was mostly from cost of operating wood chip in Cambodia which is currently under temporarily nationwide suspension of production and processing of wood products license from Cambodia government in order to stop the illegal smuggling of the wood.

Cost to revenue from sale of electricity ratio in 3rd quarter of 2019 dropped 3.80% QoQ resulting from ongoing repair and maintenance of the overall power generator which gradually improve power supply capacity and escalate power to grid.

1.3 Expenses

Selling and Administrative Expenses as at September 30 (Million Baht)	3 Months				+ (-) %	9 Months			
	2019	% of Total Revenue	2018	% of Total Revenue		2019	% of Total Revenue	2018	% of Total Revenue
Selling Expenses	1.01	0.39%	1.35	0.32%	0.08%	3.45	0.39%	4.63	0.42%
Administrative Expenses	24.58	9.53%	32.80	7.66%	1.86%	100.61	11.43%	81.30	7.39%
Total Selling and Administrative Expenses	25.59	9.92%	34.15	7.98%	1.94%	104.06	11.82%	85.93	7.82%

Selling expenses to total revenue ratio in 3rd quarter of 2019 rose 0.08% QoQ resulting primarily from decreasing in total revenue.

Administrative expenses to total revenue ratio in 3rd quarter of 2019 increased 1.86% QoQ due to realization of depreciation of the shut-down subsidiary and reclassification of PEA's operating fee.

1.4 Net Profit (Loss)

Net loss in 3rd quarter of 2019 was THB 92.37 million, rose 1.36% QoQ from THB 91.12 million. Net loss attributed to owners of the parent was THB 91.10 million, rose 31.13% QoQ from THB 69.47 million.

However, set aside of THB 20.37 million of loss from impairment, net loss from operation only accounted for 70.73 million.

2. Discussion of Financial Position

Statement of Financial Position as at September 30	Sep-30	Dec-31	+ (-)	
	2562	2561	THB Million	%
ASSETS				
Total Current Assets	855.42	1,371.59	(516.17)	-37.63%
Total Non-current Assets	1,554.57	1,745.09	(190.52)	-10.92%
TOTAL ASSETS	2,409.99	3,116.68	(706.69)	-22.67%
LIABILITIES				
Total Current Liabilities	1,110.05	926.47	183.58	19.82%
Total Non-current Liabilities	394.25	714.40	(320.15)	-44.81%
TOTAL LIABILITIES	1,504.30	1,640.87	(136.57)	-8.32%
SHAREHOLDERS' EQUITY				
Issued and paid-up share capital	1,316.25	1,316.25	0.00	0.00%
Premium on ordinary shares	264.33	264.33	-	0.00%
Surplus - warrants	310.00	310.00	-	0.00%
Retained earnings	(1,205.55)	(643.93)	(561.62)	87.22%
Other components of shareholders' equity	216.54	216.89	(0.35)	-0.16%
Non-controlling Interests	4.11	12.27	(8.15)	-66.48%
TOTAL SHAREHOLDERS' EQUITY	905.68	1,475.81	(570.13)	-38.63%

2.1 Assets

As of September 30, 2019, total assets on consolidated basis amounted to THB 2,409.99 million dropped from THB 706.69 million as at December 2018 primarily due to:

- Trade and Other Current Receivables decreased THB 225.38 million from THB 578.51 million as at December, 2018 to THB 353.13 million as at September 30, 2019 as a result of collection of the receivables along with low receivable balance from decreasing in total revenue.
- Inventories decreased from THB 544.13 million as at December 31, 2018 to THB 326.96 million as at September 30, 2019 due to impairment of dead stock.
- Non-current assets classified as held for sale decreased THB 152.17 million from December 31, 2018 due to disposal of such assets of its shut-down subsidiary and already received full payment.
- Deposits used as collateral decreased THB 15.20 million from THB 53.04 million as at December 31, 2018 to THB 37.84 owing to return of collateral deposit for performance bond.
- Investments in associated decreased THB 51.52 million from THB 133.19 million as at December 31, 2018 to THB 81.67 million as a result of impairment of investment.
- Deferred tax assets decreased THB 47.44 million from THB 54.36 million as at December 31, 2018 to THB 6.92 million resulting from revision of assets to expenses in 2 of its power plants subsidiaries due to expiration of retained loss to be used as tax benefit.

Decreasing in Trade and Other Current Receivables along with Deposits used as Collateral caused an increasing in Cash and Cash Equivalents from THB 69.07 million as at December 31, 2018 to THB 128.82 million.

2.2 Liabilities

As of September 30, 2019, total liabilities on consolidated basis dropped THB 136.57 million to THB 1,504.30 million primarily due to:

- Trade and other current payables decreased THB 154.02 million from THB 543.46 million as at December 31, 2018 to THB 389.44 million as a result of payables repayment.

- Short-term borrowings from related companies decreased THB 20.00 million from THB 238.50 million as at December 31, 2018 to THB 218.50 million due to principal repayment.
- Realization of loss from onerous project contract in the amount of THB 32.19 million as a result of variation of current raw material price from quotation price. However, this transaction would be reviewed in the year-end financial statement.

2.3 Equity

As of September 30, 2019, total equity on consolidated basis dropped THB 570.12 million to THB 905.69 million from THB 1,475.81 million mainly due to increasing in THB 561.97 million of Net Loss and decreasing in THB 8.15 million of Non-controlling Interests.

Please be informed accordingly

Yours sincerely,

Mr. Monthon Chatuwallopkul

Company Secretary