

Translation

CEN 013-2019

August 14, 2019

Subject Management discussion and analysis for business operation Quarter 2-2019

To The Manager and President

The Stock Exchange of Thailand

Operating results for the three-month period ended June 30, 2019 of Capital Engineering Network Public Company Limited "Company" and its subsidiaries has loss 233.21 million baht, an increase 247.80 million baht in loss compared to the same period of the previous year, which had loss 14.59 million baht. The details as follow:

Performance Analysis

(1) Revenue

Quarter 2-2019 the company and its subsidiaries has total revenue of 543.13 Million Baht. The company has 205.10 Million Baht decreased or 27.41 percent when compared to the same period of previous year had 748.23 Million Baht in revenue the details as follow:

- Revenue from sales is 389.02 Million Baht decreased 38.95 Million or 9.10 percent when compared to the same period of previous year was 427.97 Million Baht. Subsidiaries have decline in sales of steel wires and subsidiaries that sells electricity and heat energy has increased income from sales
- Revenue from project work of 147.41 Million Baht. The company has 104.41 Million Baht decreased or 41.46 percent when compared to the same period of previous year had 251.82 Million Baht due to subsidiaries has less delivered of work than the same period of previous year.
- Other revenue of 6.70 Million Baht as 19.27 Million Baht decreased or 74.20 percent when compared to the same period of previous year that had 25.79 Million Baht.

(2) Gross Profit

Quarter 2-2019 Company and its subsidiaries had loss from gross profit margin from sales of products and project work in the amount of 178.82 Million Baht or 33.34 percent decreased when compared to the same period of previous year that has 3.46 percent in profit. Due to the decrease in the volume and the selling price of steel wire and UWC has cost of work and project work increased. Due to the recognition of all remaining expenses of the project that has closed according to the purchase order along with the revenue from the delivered of work.

(3) Expenses

Quarter 2-2019 company and its subsidiaries has total expenses of 1,007.08 Million Baht or 261.57 Million Baht increased from year 2018 which has total expense of 745.50 Million Baht or 35.09 percent by following reasons:.

- Cost of sales is 381.41 Million Baht when compared to the same period of previous had decreased 41.00 million baht or 9.71 percent when compared to the same period of previous year. The cost of sale was fluctuates from sale volume
- Cost of project work of 333.84 Million Baht is 99.97 Million Baht increased or 42.75 percent when compared to the same period of previous year was 233.87 Million Baht. The cost of services fluctuates from project deliver to customer and recognition of all remaining expenses of the project that has closed according to the purchase order along with the revenue from the delivered of work.
- Cost of Administrative of 79.44 Million Baht is 28.86 Million Baht or 57.06 percent increase when compared to same period of previous year was 50.58 Million Baht. There is an estimate of employee benefits after leaving the job, increasing from 300 days to 400 days, amounting to 11.21 million baht and Specific business tax from subsidiaries that sell unused assets.
- Other expenses amounted to 58.84 million baht, an increase of 51.70 million baht because the subsidiary UWC recorded loss from impairment of investment in the amount of 22.84 million baht and loss from project contract in the amount of 36.00 Million Baht.

- Loss from investment of 124.77 million baht is an unrealized loss. From the change in the fair value of investments 126.06 Million Baht and recognize profits from sale of investments 1.29 Million Baht.
- Cost of financial is 16.70 Million Baht. It is 0.49 Million Baht decreased or 3.04 percent when compared to same period of previous year was 16.20 Million Baht.

Financial Status

As at June 30, 2019 the company and its subsidiaries has a total asset of 5,159.33 Million Baht when compared to December 31, 2018 of 5,904.07 Million Baht the details as below:

- Current asset is 2,347.95 Million Baht or 503.66 Million Baht decreased compared to December 31, 2018 had 2,851.61 Million Baht. The company have more cash and equivalent to cash of 111.03 Million short- term investment increased 74.32 Baht and decreased 284.29 Million Baht (Trade receivable decreased 198.68 Million Baht, Other receivable decreased 79.21 Million Baht and Accrued income decreased 11.28 Million Baht). Decrease in inventories 267.14 Million Baht, Other current assets increased 18.29 Million Baht and Non-current assets classified as assets held for sale have been disposed on December 31, 2018 in the amount of 152.17 Million Baht.
- Non-current asset as amount of 2,811.34 Million Baht decreased of 241.09 Million Baht when compared to December 31, 2018 was 3,052.46 Million Baht. It was decline from bank deposits that are pledged as collateral 14.98 Million Baht, available-for-sale investments decreased 106.78 Million Baht, finance lease receivables decreased 15.43 Million Baht, investment in associated companies decreased 27.06 Million Baht, fixed assets decreased 42.83 Million Baht (buy additional assets 21.12 Million Baht and decrease from depreciation 62.29 Million Baht), intangible assets decreased from amortization 12.74 Million Baht, deferred income tax decreased 40.59 Million Baht and non-current assets increased 19.32 Million Baht.

Source of Fund

Liabilities

- As at June 30, 2019 the company has total liabilities of 1,894.38 Million Baht or 192.94 Million Baht decreased when compared to December 31, 2018 was 2,087.32 Million Baht by subsidiary of Ua Withya Public Company Limited has long term loan from financial institution of 330.00 Million Baht, Bank overdraft and Short-term loans from financial institutions decreased 108.83 Million Baht, Trade accounts payable and other current creditors decreased 157.09 Million Baht (Third party trade payables decreased by 156.36 million baht, other external parties decreased by 18.08 million baht, pay the creditors from the purchase of subsidiary 9.45 Million Baht, advanced receipts from outsiders 39.35 Million Baht). Subsidiary has short-term loans from other companies increased by 27.50 million baht, repayment of debentures 300.00 Million Baht, long term repayment 19.59 Million Baht and loan repayment under financial lease agreement 5.71 Million Baht, estimated liabilities from project contract 36.00 Million Baht, deferred tax liabilities decreased 14.68 Million Baht, provision for additional employee benefits 15.94 Million Baht and increased revenue for recognition 14.91 Million Baht.

Proportion of Shareholder

- As June 30, 2019 the company has proportion of shareholders of 2,328.12 Million Baht or 265.96 Million Baht decreased when compared to December 31, 2018 was 2,594.08 Million Baht due to the company has loss from business operation

Please be informed for acknowledgement,

Sincerely yours,

Mr. Wutichai Leenabanchong

Chairman