

No. AQUA-026/SET-005/18

February 28, 2018

Subject Management Discussion and Analysis Yearly Ending 31 December 2017

To Director and Manager
The Stock Exchange of Thailand

As Aqua Corporation Public Company Limited (“AQUA”) submitted the financial statements for the year ended December 31, 2017 which was audited by the auditor of the Company. The Company would like to explain the business operation and performance of Aqua Corporation Public Company Limited Group to makes the user of financial statements understand as follows.

Investments in Subsidiaries and Associates

Companies	Symbol	Shareholding (%)	Business	Investment Status
1. Aqua Ad PLC	AA	99.99	Media Billboard	Subsidiary
2. Boardway Media Co., Ltd.	BWM	90.00	Media Billboard	Subsidiary
3. M.I.S. Media Co., Ltd.	MIS	99.99	Media Billboard	Subsidiary of AA
4. Mantra Asset Co., Ltd.	MA	99.99	Real estate for rent and service	Subsidiary
5. Thai Consumer Distribution Center Co., Ltd.	TCDC	96.13	Warehouse for rent and service	Subsidiary
6. Accomplish Way Holdings Co., Ltd.	AWH	99.99	Warehouse for rent and service	Subsidiary of TCDC
7. Eastern Printing PLC	EPCO	38.40	Printing and Renewable Energy	Associate

Financial highlights of Aqua

Summarized consolidated statement of financial position

Million Baht	2016	2018	Change
Cash and cash equivalents	659.49	266.54	-59.58%
Temporary investment	150.00	0.20	-99.87%
Trade and other receivables-net	100.33	275.98	175.07%
Investment in associates	674.65	756.38	12.11%
Investment property	3,283.21	3,840.93	16.99%
Property, plant and equipment-net	342.16	1,070.90	212.68%
Goodwill	35.96	385.92	973.19%
Total assets	5,432.01	6,685.70	23.08%
Bill of exchange discount	100.00	10.00	-90.00%
Trade and other payables	84.37	106.84	26.63%
Loans from financial institutions	1,616.48	2,067.61	27.91%

Million Baht	2016	2018	Change
Debenture	-	158.55	>100.00%
Deferred income tax liabilities	240.25	369.00	53.59%
Other non-current liabilities	96.39	187.45	94.47%
Total liabilities	2,163.07	2,923.02	35.13%
Paid-up capital	2,296.50	2,296.50	-
Treasury shares	(66.38)	(66.38)	-
Share premium	312.84	312.84	-
Retained earnings	680.61	1,147.66	68.62%
Non-controlling interests	45.37	72.06	58.83%
Shareholders' Equity	3,268.94	3,762.68	15.10%

In 2017, the consolidated financial position of AQUA had cash and temporary investment decreased by Baht 543 million or 67.05% from the end of 2016. The main reason was the acquisition of 2 companies in the amount of Baht 676 million, financial assistance to subsidiaries in the amount of Baht 836 million to repay the loan in accordance with investment conditions and business expansion as a total of Baht 1,512 million.

Such investments included loans from financial institutions and debt securities issuance totaling Baht 870 million. (The balances as at 31 December 2017 amounted to Baht 795 million).

Summarized consolidated statement of income

Million Baht	2016	2017	Change
Sales and services income	592.97	905.69	52.74%
Gain on sales of investments	-	33.97	>100.00%
Gains on divestment abroad	-	6.52	>100.00%
Gain on fair value changes in real estate	-	293.24	>100.00%
Interest income	20.36	13.25	-34.92%
Other income	24.49	47.12	92.41%
Total revenues	637.82	1,299.79	103.79%
Cost of sales and services	(190.96)	(417.30)	118.53%
Selling expenses	(13.12)	(35.56)	171.04%
Administrative expenses	(103.39)	(200.31)	93.74%
Losses on fair value changes in real estate	(3.67)	-	> -100.00%
Share of profit from investments in associates	45.59	79.56	74.51%
Financial costs	(81.11)	(116.08)	43.11%
Income Tax income (expense)	(48.54)	(115.72)	138.38%
Net profit	242.62	494.38	103.77%
Attributable to the non-controlling interests	6.05	7.80	28.93%

Million Baht	2016	2017	Change
Net profit of AQUA	236.57	486.58	105.68%

The operating performance of the Company and its subsidiaries for the year 2017 has changed more than 20% compared to the same period last year. In the year 2017, the net profit was Baht 494.38 million, an increase of Baht 251.76 million or 103.77% compared to 2016, that net profit was Baht 242.62 million. The main reasons for this change are:

1. Recognition of gain on changes in fair value of real estate, if calculate net profit **excluding** gain on changes in fair value, the AQUA Group's profitability is as follows.

Million Baht	2016	2017	Change
Net profit	242.63	494.38	103.77%
Gain (Loss) on fair value changes in real estate **	(3.67)	293.24	> 100.00%
Amortization of goodwill	-	(10.88)	>100.00%
Income tax expense according to Thai Accounting Standard No. 12	(19.09)	(91.32)	>100.00%
Net profit from business operation	265.39	303.34	14.30%

** Increased from the fair value measurement of real estate for investment in subsidiaries such as (1) Health Rehabilitation Center Project in Chiang Mai finished construction that the Company has to adjust its fair value, the gain on change in fair value was Baht 223.94 million. (2) Warehouse for rent and service, the Company has to measure the fair value of all inventories at the end of accounting period and record the change into profit. For the year 2017, gain on change in fair value increased by Baht 72.97 million.

2. As shown in article 1 table, net profit from operation increased 14.30% compared to 2016 with mainly reasons as follows:

2.1 Total revenue increased by Baht 661.97 million from 2016 or 100% with mainly reasons as follows:

- 1) Income from media business increased by Baht 290.39 million from the acquisition of Boardway Media Co., Ltd. (BWM) with revenue recognized on February 24, 2560 onwards.
- 2) Income from rental and services of Mantra Asset Co., Ltd. (MANTRA) increased by Baht 37.59 million by recognize revenue from real estate rental and service phase 1 from April 2017 and realize full income project from August 2017.
- 3) Interest incomes decreased by Baht 7.11 million because the Company's cash balance decreased from the business acquisition and the financial assistance to the subsidiaries for invests in various projects.

2.2 Cost of sales and services increased by Baht 226.34 million separated as cost of advertising business increased from the acquisition of BWM in amounting of Baht 211 million as a result, the average cost of advertising business in 2017 is 66.70% of income which higher than last year, the cost is 60.53%

- 2.3 Selling and administrative expenses increased by Baht 119.36 million or 102.45% as a result, BWM acquisition by recognize expenses on February 24, 2017 onwards.
- 2.4 Share of profit from investments in associates increased by Baht 33.97 million from 2016 because EPCO's net profit increased by Baht 88.44 million .The reason for the increase in EPCO's earnings please consider the EPCO's information.
- 2.5 Finance costs increased by Baht 34.97 million from the loan interest that funding for the acquisition of business and investment to expand the AQUA group's business by loans from financial institutions, the issuance and offering of short-term and long-term debt instruments. As at the end of 2017, the AQUA group had loan liabilities increased by Baht 519.68 million.

Please be informed accordingly,

Yours Truly,

(Mr. Arak Ratboriharn)
Acting Chief Executive Officer

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