

[Translation]

No. AQUA-070/SET-003/19

February 28, 2019

Subject Management Discussion and Analysis Yearly Ending 31 December 2018

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, 2018 which was audited by the auditor of the Company. The source of net profit summarized as follows.

Million Baht	2018	2017	Changed (%)
1. Profit from operations of businesses under subsidiaries	263.39	150.62	74.87%
1.1 Advertising media business	82.72	36.85	124.48%
1.2 Real estate for rent and services	184.71	166.43	10.98%
1.3 Others	(4.04)	(52.66)	92.33%
2. Share of profits from associates in proportion to the Company’s shareholding	136.05	79.56	71.00%
3. Non-recurring items	(1.42)	264.20	>-100.00%
3.1 Gain from sales of EPCO-W1 and investments	-	40.50	- 100.00%
3.2 Gain from changes in fair value net from income tax	12.01	234.58	- 94.88%
3.3 Write-off the fair value of assets at the acquisition date	(13.43)	(10.88)	23.44%
Net profit from consolidated financial statements	398.02	494.38	- 19.49%

The Company would like to explain the details of business operations and operating results of the AQUA group to enable users to understand the financial statements of the Company as follows.

1. Investment in subsidiaries and associates

Companies	Shareholding (%)	Business	Investment Status
1. Aqua Ad PLC (AA)	99.99	Media Billboard	Subsidiary
2. Boardway Media Co., Ltd. (BWM)	95.00	Media Billboard	Subsidiary
3. M.I.S. Media Co., Ltd. (MIS)	99.99	Media Billboard	Subsidiary of AA
4. Mantra Asset Co., Ltd. (MANTRA)	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)	39.69	Printing and Renewable Energy	Associate

2. Summary of income and profit from business

The subsidiaries and associates have full income and share of income calculated from the shareholding of AQUA as follows.

Million Baht	2018		2017	
	Income	Full income	Share of income	Full income
AA – Advertising media	352.29	352.25	293.89	293.86
BWM – Advertising media	360.55	342.52	290.40	261.36
TCDC – Warehouse	289.40	278.20	283.81	272.83
MA – Investment Property	65.44	65.43	37.59	37.59
EPCO – Electricity	567.61	225.28	485.95	186.60
EPCO – Printing	419.66	166.56	444.93	170.85
Total revenue	2,054.95	1,430.24	1,836.57	1,223.09

From the above share of income table, it was found that in 2018, total revenue from all 5 businesses increased by 16.94% from 2017 with the main reason from.

(1) Advertising media business has revenue service increased by 151.45 million baht or 27.31% compared to 2017 which is an increase from LED signs 170.23 million baht, representing 110.47%, Stationary sign 31.78 million baht or 9.52%, and decreased from special projects 50.56 million baht or 76.04%, and sales revenue decreased by 22.91 million baht, which is the sale of LED screens between each other.

(2) MANTRA's investment property business has revenue increased by 33.45 million baht or 10.41% compared to 2017 because full revenue recognition for both phases since October 2017.

(3) Printing and renewable energy business has revenue increased by 34.39 million baht or 9.62% compared to 2017 (Details can be considered from the EPCO clarification letter).

Full net profit and share of profit calculated from the shareholding of AQUA as follows.

Million Baht	2018		2017	
	Net profit	Full profit	Share of profit	Full profit
AA – Advertising media	70.81	70.80	38.86	38.86
BWM – Advertising media	11.91	11.31	(2.01)	(1.81)
TCDC – Warehouse	169.12	162.58	205.67	197.71
MA – Investment Property	27.60	27.60	195.34	195.32
EPCO	342.77	136.05	206.42	79.56
Total net profit	622.21	408.34	644.28	509.64

Share of profit from 5 businesses decreased by 19.88% from 2017, mainly from special items, decreased due to the above reasons. Profit from business operations of subsidiaries increased by 74.87% and the share of profits from associates increased by 71.00%.

Financial highlights of AQUA

Summarized consolidated statement of financial position

Million Baht	Dec 31, 2018	Dec 31, 2017	Changed
Cash and cash equivalents	43.89	266.55	(222.66)
Trade and other receivables-net	337.65	274.27	63.38
Investment in associates	984.66	756.38	228.28
Other long-term investments	29.90	29.90	-
Investment property	3,856.04	3,840.93	15.11
Property, plant and equipment-net	1,156.46	1,070.90	85.56
Goodwill	385.92	385.92	-
Total assets	6,861.63	6,685.70	175.93
Overdrafts / short-term loans	126.27	-	126.27
Bill of exchange discount	-	10.00	(10.00)
Trade and other payables	88.67	102.61	(13.94)
Loans from financial institutions	1,690.60	2,067.61	(377.01)
Debenture	289.46	158.55	130.91
Deferred tax liabilities and employee benefits	401.54	381.06	20.48
Other non-current liabilities	180.70	187.45	(6.75)
Total liabilities	2,802.69	2,923.02	(120.33)
Paid-up capital	2,296.50	2,296.50	-
Treasury shares	(66.38)	(66.38)	-
Share premium	312.84	312.84	-
Other elements	42.78	89.95	(47.17)
Legal reserve	43.08	34.57	8.51
Retained earnings	1,360.43	1,023.14	337.29
Non-controlling interests	69.69	72.06	(2.37)
Shareholders' Equity	4,058.94	3,762.68	296.26
Debt-to-equity ratio	0.69	0.78	(0.09)
Book value per share	0.87	0.80	0.07

Summary of cash flow statements for 1 year ended 31 December

Million Baht	2018	2017
Net cash received from (used in) operating activities	304.97	341.85
Net cash received from (used in) investment activities	(348.63)	(996.15)
Net cash received from (used in) financing activities	(179.01)	258.19
Cash received from business combination	-	3.17
Cash and cash equivalents increased (decreased)	(222.67)	(392.94)

In 2018, the Company used funds from operating 304.97 million baht, from loans 256.27 million baht, from dividend received 42.28 million baht, and from others 23.84 million baht, total cash flow is 627.36 million baht to invest in subsidiaries / associates 190.95 million baht, expand the business of subsidiaries 228.57 million baht, repay loans 387 million baht, and pay dividend 45.25 million baht included as money used in various activities total of 851.77 million baht. Resulting in a cash flow of 2018, negative 224.41 million baht, resulting in the cash balance as at 31 December 2018 decreased by 224.41 million baht approximately.

Summarized consolidated statement of income

Million Baht	Consolidated financial statements			Separate financial statements		
	2018	2017	Changed	2018	2017	Changed
Sales and services income	1,067.68	905.69	161.99	-	-	-
Gain from sale of investment	-	40.49	(40.49)	-	33.97	(33.97)
Dividend received	-	-	-	178.33	59.41	118.92
Gain from changes in fair value	15.01	293.24	(278.23)	-	-	-
Interest income	4.97	13.25	(8.28)	53.25	47.69	5.56
Other income	17.43	47.12	(29.69)	18.08	15.86	2.22
Total income	1,105.09	1,299.79	(194.70)	249.66	156.93	92.73
Cost of sales and services	(483.68)	(417.30)	66.38	-	-	-
Selling expenses	(58.63)	(35.56)	23.07	-	-	-
Administrative expenses	(161.70)	(200.31)	(38.61)	(44.75)	(60.49)	(15.74)
Share of profits from investments in associates	136.05	79.56	56.49	-	-	-
Financial cost	(92.93)	(116.08)	(23.15)	(35.14)	(45.34)	(10.20)
Income tax income (expense)	(46.18)	(115.72)	(69.54)	1.27	(2.72)	3.99
Net profit	398.02	494.38	(96.36)	171.04	48.38	122.66
Attributable to the non-controlling interests.	7.14	7.80	(0.66)	-	-	-
Net profit of AQUA	390.88	486.58	(95.70)	171.04	48.38	122.66

The Company classified the net profit for the year ended 31 December 2018 and 2017 according to the operations of each year as follows:

Million Baht	2018	2017	Changed (%)
1. Profit from operations of businesses under subsidiaries	263.39	150.62	74.87%
2. Share of profits from associates in proportion to the Company's shareholding	136.05	79.56	71.00%
3. Non-recurring items	(1.42)	264.20	>- 100.00%
Net profit from consolidated financial statements	398.02	494.38	-19.49%

From the table, it was found that in 2018, the AQUA group has profits increased from the year 2017 as follows.

- (1) From the business operation under subsidiaries increased by 112.77 million baht or 74.87%
- (2) Share of profits from associates increased by 56.49 million baht or 71.00%.
- (3) Profit from non-recurring items decreased by 265.62 million baht or more than 100%.

The operating results for the year ended December 31, 2018, compared to 2017, has the reasons for the changes as follows:

1. Total revenue decreased by 194.70 million baht from 2017 or 14.98% consisting of
 - 1.1 Sales and services income increased by 161.99 million baht which is an increase in advertising media business and income from real estate for rent and services increase as mentioned above.
 - 1.2 Gain from the sale of investment decreased by 40.49 million baht from the sale of EPCO-W2 and investment in Japan in 2017.
 - 1.3 Gain from changes in fair value decreased by Baht 278.23 million because the measurement of fair value of investment properties in the year 2017, such as (1) Construction of Health Rehabilitation Center for rent in Chiang Mai completed which the Company must consider adjusting the investment value to be fair value and gain from change in fair value of 223.94 million baht. (2) Warehouse for rent and services, the Company must measure the fair value of every warehouse at the end of the accounting period and record the changes into profit and loss. In 2017, gain from the change in fair value increased by 69.30 million baht, totaling 293.24 million baht. In the year 2018, the fair value of investment properties increased by 15.02 million baht.
 - 1.4 Interest income and other income decreased by 37.97 million baht, mainly from gains from the sale of investments in Japan.
2. Year 2018, the cost of service is 44.95% of service income and in 2017 the service cost is 44.26% of service income which increased slightly. Cost of sales is the related transactions with selling LED screens.

3. Selling expenses increased by 23.07 million baht compared to 2017, which is an increase in revenue and from paying higher sales compensation to boost sales.
4. Administrative expenses decreased by 38.61 million baht or 19.28% compared to 2017, mainly from 2017.
 - 4.1 Employee expenses increased by 19.10 million baht.
 - 4.2 Support for football team decreased by 8.20 million baht.
 - 4.3 Loss from sale of investment and exchange rate in Japan decreased by 41.46 million baht.
 - 4.4 Others decreased by 8.05 million baht
5. Share of profits from investments in associates increased by 56.49 million baht from year 2017 or 71% because net profit increased by 136.35 million baht or 66.05%. The reason for the increase in EPCO's profits can be considered from the information of EPCO.
6. Income tax (expenses) income decreased by 69.54 million baht from the adjustment in accordance with accounting standards.
7. AQUA's net profit decreased by 95.70 million baht from 2017 or 19.67%, mainly from non-recurring items as described above.

Please be informed accordingly,

Yours truly,

(Mr. Arak Ratboriharn)
Acting Chief Executive Officer

Company Secretary Section
Miss Rewadee Whanchid / Mrs. Orathai Nateruang
Tel .02-694-8888 Ext. 8804