

AIT (AVP-SEC) 023E/2017

10 August, 2017

Subject: Management's Discussion and Analysis of Operating Results for Q2-2017

To: The President of The Stock Exchange of Thailand

Summary of Operations Q2- 2017

	Balance by Quarter			Change			
	Q2-2017	Q1-2017	Q2-2016	Q2-2017 VS Q1-2017		Q2-2017 VS Q2-2016	
	(MB)			(MB)	%	(MB)	%
Total Revenue	1,345.4	1,139.2	1,212.2	206.2	18.1%	133.3	11.0%
Total Operating Expenses	1,202.7	960.5	1,067.5	242.2	25.2%	135.1	12.7%
Profit for the period	105.3	133.3	108.5	(28.0)	(21.0)%	(3.2)	(3.0)%

In Q2-2017, the Company's total revenue increased from Q1-2017 and Q2-2016, representing an increase of 206.2 MB and 133.3 MB, respectively, due to the auctioned projects, which were bid at the end of Q1-2017, has gradually delivered in the Q2-2017. The overall economy expansion in Q2-2017 has continued to grow with driving force of the export of goods grew better and more thorough. And the tourism sector continues to expand. Meanwhile, the government investment slowed down somewhat after accelerated spending in the first half of fiscal year. The situation is expected to benefit the company from economic recovery and private investment.

In terms of total operating expenses, it usually varies with changes in revenue. Total operating expenses of Q2-2017 increased from Q1-2017 and Q2-2016, representing an increase of 242.2 MB and 135.1 MB, respectively. The change in total revenue of Q2-2017 and Q2-2016 increased in similar rate. This is because the gross margin of the projects submitted was not very different. However, the projects delivered in the Q1-2017 are projects with relatively high margins. As a result, the increase in total operating expenses in Q2-2017 was higher than the increase in total revenue.

The profit of Q2-2017 was significantly lower than those in Q1-2017 due to the relatively low gross margins of the projects delivered in Q2-2017, while the gross margin in Q1-2017 was so high that the change rate of profit for this period was not in line with the change rate of its revenue. The profit in Q2-2017 and Q1- 2016 were not much different.

Operating Results and Capabilities to Make Profit

Performance from revenues, costs and expenses which has significant impact in Q2-2017 can be shown in the following table:-

	Balance by Quarter			Changes			
	Q2-2017	Q1-2017	Q2-2016	Q2-2017 VS Q1-2017		Q2-2017 VS Q2-2016	
	(MB)			(MB)	%	(MB)	%
Revenue from Sales & Service	1,295.3	1,084.1	1,164.3	211.2	19.5%	131.0	11.3%
Cost of Sales & Service	1,047.7	803.3	893.6	244.4	30.4%	154.1	17.2%

Revenues and Costs of Sales and Services

The results of operations of the Company in Q2-2017, with revenues from sales and installation and maintenance services, increased from Q1-2017 and Q2-2016 representing an increase of 211.2 MB and 131.0 MB respectively. This is because at the end of Q1-2017 the Company has received a high value project called Internet Pracharat Project (Internet for Villages) which was partially delivered in Q2- 2017. As a result, the revenue of Q2-2017 is much higher than those of Q1-2017 and Q2-2016.

Costs of sales and services usually change in line with changes in revenue. However, the cost of sales and services of Q2-2017 was very high, especially when compared to the cost of sales and services of Q1-2017, representing an increase of 244.4 MB or 30.4%, while the increase of revenue was 19.5%. This is because the delivered projects in Q2-2017 have a relatively low gross margin, and the delivered projects in Q1-2017 had a relatively high gross margin. Therefore, the rate of change in cost and revenue is quite different.

Comparing the cost of sales and services of Q2-2017 with those in Q2-2016 shows that it increased by 154.1 MB or 17.2%, while the change in revenue of Q2-2017 and Q2 2016 decrease by 11.3%, which was not much different from those of Q1-2017 due to the nature of the project in Q2-2017 and Q2-2016 are similar but the gross margin in Q2-2016 was higher. Therefore, the gross margin of the projects delivered in Q2-2017 is lower than those in Q2-2016.

Financial Analysis of the company

As of June 30, 2017, the Company has financial position that changed from its financial status as of December 31, 2016. The changes are described as follows:

Assets Items that has significant changes	Balance by Quarter		Changes	
	Q2-2017	Q4-2016	Q2-2017 VS Q4-2016	
	(MB)		(MB)	%
Cash and cash equivalent	1,434.5	1,873.9	(439.4)	(23.4)%
Current Investment – Trading Securities	-	25.2	(25.2)	(100.0)%
Trade and Other receivables	1,956.2	1,330.5	625.7	47.0%
Unbilled Receivables	273.2	432.7	(159.5)	(336.9)%
Inventories	445.3	268.8	176.5	65.5%
Other Current Assets	139.1	94.5	44.5	47.1%
Investment in Joint Ventures	87.3	75.5	11.8	15.6%
Investments in related party	85.0	-	85.0	100.0%
Equipment for lease	182.6	215.7	(33.1)	(15.4)%
Total Assets	4,813.6	4,511.8	301.8	6.7 %

Assets

As of June 30, 2017, the Company's total assets increased 301.8 MB, representing an increase of 6.7% from 31 December 2016. The increase in total Assets is from the following major changes:

Cash and Bank deposits in Q2-2017 decreased by 439.4 MB, or 23.4 % the mainly reason is that the dividend payment for operation period of year 2016 was paid in Q2-2017. In addition, debt collection takes longer time to collect the money. As a result, cash and cash equivalents decreased.

Current Investment – Trading Securities decrease in Q4-2016 representing a decrease of 25.2 MB or 100% due to all securities the Company invested have repayment period within 3 months and there is no limitation of reimbursement. So this item is shown as Cash and cash equivalent.

Trade and other receivables increased by 625.7 MB, representing an increase of 47.0% since, during Q2-2017, the Company's account receivables which past due up to 3 months and over 12 months increased mainly resulted from long payment process of customer which are state enterprises that usually take longer time for payment. As a result, the trade receivables of the Q2-2017 increased from Q4-2016.

Unbilled Receivables decreased 159.5 MB, representing a decrease of 36.9% since Q2-2017 the Company has issued invoices to customers previously recognized as unbilled receivables in previous quarters. Therefore unbilled receivables decreased.

Inventories increased by 176.5 MB, representing an increase of 65.6% due in Q2-2016 the company obtain new projects which were is still work in progress and not yet completed for delivery.

Other current assets decreased by 44.5 MB or 47.1%, due to an increase in prepaid maintenance cost of the project during the 6 months period 2017.

Investments in joint ventures increased by 11.8 MB or representing an increase of 15.6% because during Q1-2017, the Company has paid the investment in Loxley & AIT Holding of 25.0 MB net of recognition of loss on investments during the period.

Investments in related parties increased by 85.0 MB or 100% because during Q2- 2017, the Company paid additional investment in Campana Group Pte. Ltd., a company incorporated in Singapore and a company that Loxley & AIT Holding has invested in its shares earlier.

Equipment for lease decreased by 33.1 MB or 15.4% mainly due to the depreciation and amortization of the operating leasehold rights during the period net of new project rental equipment during the period.

Assets Items that has significant changes Assets	Balance by Quarter		Changes	
	Q2-2017	Q4-2016	Q2-2017 VS Q4-2016	
	(MB)		(MB)	%
Trade and Other Payables	870.6	630.2	240.4	38.1%
Unbilled Payables	669.8	569.8	100.0	17.5%
Advanced receipts from customers	127.1	50.8	76.3	150.3%
Other current liabilities	53.6	71.5	(17.9)	(25.0)%
Long-terms loans, net of current portion	3.3	29.0	(25.7)	(88.7)%
Total liabilities	2,000.5	1,627.8	372.7	22.9%

As of June 30, 2017, the Company's total liabilities increased by 372.7 MB or 22.9% from December 31, 2016, The reasons for major changes are as follows:

Trade accounts payable and other Payables increased by 240.4 MB, representing an increase of 38.1% from Q4-2016. This is because in Q2-2017, the company has invested in products and services in the projects but not yet delivery. As a result, accounts payable increased as well as work in progress which was reflected in the inventories.

Unbilled payables increased by 100.0 MB representing an increase of 17.5% from Q4-2016 because the projects were delivered at the end of Q2-2017 so the project costs, which have not yet received invoices from the vendor or service provider at the end of the quarter was high. The project's gross margin for Q2-2017 was lower than those of Q4-2016. Therefore, unbilled payables increased as well.



Advanced receipts from customers increased by 76.3 MB or representing an increase of 150.3% compared to the balance as at December 31, 2016. This is because during the first half of 2017, the Company has received the advanced payment from both maintenance and contractor projects

Others current liabilities decreased 17.9 MB or representing an increase of 25.0% from Q4-2016 due to the decrease of withholding tax waiting for delivery in December 2016 and delivered in January 2017.

Long-terms loans, net of current portion decreased by 25.7 MB or representing an increase of 88.7% from Q4-2016 due to the fact that during the first half of 2017 the Company had paid repayment of long-term loans which was due.

Shareholders' Equity

As of June 30, 2017, the Company had total equity equals to 2,813.1 MB, or a decrease of 70.9 MB from as at December 31, 2016, which equals to 2,884.0 MB, or a 2.5%, decrease from the dividend payment net of profit from operations in Q2-2017.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized signature on behalf of the Company