

AIT (VP-SEC) 005E/2018

February 15, 2018

Subject: Management's Discussion and Analysis of Operating Results for the year 2017 and Q4-2017

To: The President The Stock Exchange of Thailand

Summary of operations and the factors that make a significant change

Summary of Operations for the Year 2017

Topic	Annual Balance		Change	
	2017	2016	2017 VS 2016	
	(MB)		(MB)	%
Total Revenue	5,397.2	4,419.1	978.1	22.1%
Total Operating Expenses	4,808.5	3,848.4	960.1	24.9%
Profit (Loss)	431.1	429.4	1.7	0.4%

For the Company's operation results in 2017, the total revenue and net profit increased from the year 2016, since in 2017, the Company received large-scale projects that delayed from previous auctions such as internet for village project or internet for public domain, which is a high value project but low margins since it is selling only hardware yet competitive. As a result, the changes in net profit increased at lower rate than the increase in revenue. Besides, the increase in revenue partly came from the economic recovery in export, tourism, investment of private sector, and the expansion of government spending, which is a good sign for the Company operation in 2018.

Topic	Annual Balance		Change	
	2017	2016	2017 VS 2016	
	(MB)		(MB)	%
Sales & Services Income and Revenue from construction contracts	5,171.6	4,197.2	974.4	23.2%
Cost of Sales & Service and Construction contracts	4,168.4	3,193.2	975.2	30.5%

Considering each type of income, the revenues from sales, services and construction contract of the year 2017 increased from those year 2016 because the Company received large-scale projects that delayed from previous auctions. Cost of sales and services was increased by the increased of sales in the same proportion; however, its increasing rate was higher than those in revenues due to the gross profit of the large-scale project was very low because it was selling only hardware and the price competition is very high in the

project auction. As the result, the cost of sales and services was increased at a higher rate than the increase in revenues.

Summary of Operation for Q4-2017

Topic	Outstanding by Quarter			Change			
	Q4 – 17	Q3 – 16	Q4 – 17	Q4 – 17 VS Q3 – 17		Q4 – 17 VS Q4 – 16	
	(MB)			(MB)	%	(MB)	%
Total Revenue	1,279.4	1,633.1	939.7	(353.7)	(21.7)%	339.7	36.1%
Total Operating Expenses	1,180.1	1,465.3	790.6	(285.2)	(19.5)%	389.5	49.3%
Profit (Loss)	69.1	123.4	110.9	(54.3)	(44.0)%	(41.8)	(37.7)%

In Q4-2017, the total revenue decreased by 21.7 percent from the previous quarter due to delivered relatively high value projects in Q3-2017, resulting in higher revenue. Meanwhile, the revenue increased by 36.1 percent from Q4-2016 because the project has already been delivered and recognized the accomplishment of the project completed rather than those in Q4-2016, due in 2017 the government has allocated budgets for various ICT projects. As the result, the revenue in the Q4-2017 increased from the Q4-2016

In terms of total operating expenses in the Q4-2017, the change is proportional to the decrease in revenue from Q3-2017 and decrease by declining revenue at similar rates because the project that have been auctioned in the year 2017 are relatively low in profitability. Therefore, the change in gross profit margin during the year 2017 was very low. As a result, the increase in total operating expense was higher than those in Q4-2016.

In Q4-2017, the profit of the Company was lower than the decrease in revenue of Q3-2017 due to the increase in doubtful debt in Q4-2017. As the result, the profit of the Q4-2017 was decreased. Comparing to the profit of the Q4-2017 and the Q4-2016, it found that the decrease rate in profit was lower than the decrease rate in revenue due to the reversal of provision for doubtful account of the Q4-2016.

Operating results and ability to make a profit

Revenues, costs and expenses that have significant change in Q4-2017 can be shown in the table below:

Topic	Outstanding by Quarter			Change			
	Q4 – 17	Q3 – 16	Q4 – 17	Q4 – 17 VS Q3 – 17		Q4 – 17 VS Q4 – 16	
	(MB)			(MB)	%	(MB)	%
Sales , Services Income and Revenue from construction contracts	1,219.4	1,572.9	875.0	(353.50)	(22.5)%	344.40	39.4%
Cost of Sale, Service and Construction contracts	1,017.2	1,300.3	651.7	(283.1)	(21.8)%	365.5	56.1%
Selling Expenses	63.5	56.3	65.3	7.2	12.8%	(1.8)	(2.8)%
Administrative Expenses	76.4	82.5	51.4	(6.1)	(7.4)%	41.4	80.5%

Revenue and Cost of Sales and Services and Construction contracts

The revenue of the Company in Q4-2017 decreased by 22.5 percent from Q3-2017 because the Netprcharat project that was high value project has been delivered to almost its completion of whole project value. Thus, the revenue in Q3-2017 was high. Meanwhile, compared to the same quarter of last year, revenue in Q4-2017 increased by 39.4 percent because the Internet project, a high value project, has already been partially delivered and recognized the project accomplishment.

The change in cost of sales, services and construction contract of Q4-2016 decreased in line with the rate of change in the revenue. The cost of sales and services of Q4-2016 decreased by 21.8 percent and the revenue decreased 22.5 percent due to the relatively low profitability of the auctioned projects in 2017 which were form the large-scale project with revenue from only equipment sales, and the gross profit margin in other projects were not different. As the result, the change in gross profit margin was very low during the year 2017. Meanwhile, most of projects in 2016 were sales of goods and installation and maintenance services, which were high margin projects. As a result, the increase in cost of the Q4-2017 is higher than those Q4-2016.

Selling and administrative expenses

The cost of sales in Q4-2017 slightly increased from Q3-2017 as opposed to the decline in the rate change in revenue due to the increase in sales promotion activities for customers e.g. government sectors, employee's costs e.g. annual bonus and employee salaries from the increase in the number of employees. Compare to Q4-2017 and Q4-2016, the cost of sales decreased while the revenue increased due to the decrease in commissions in Q4- 2017

Comparing to the administrative cost for the Q4-2017 and Q3-2017, it found that the rate of change in cost has been decreased when it compared to the rate of decrease in revenue in Q4-2017, due in Q4-2017, there was additional allowance for doubtful account of overdue receivables and uncollected receivables. In addition, the increase of staff. Compared to the Q4-2017 and the Q4-2016, it found that the increase rate in administrative cost was higher than the increase rate in revenue. This is because in Q4-2016, there was a reversal of provision for doubtful account receivables for a long time and the company received such payment for 22.7 million baht, as the result, the administrative cost for the Q4-2016 decreased.

Financial Analysis of the Company

As at December 31, 2017, the Company financial position change from that of December 31, 2016, is presented and explained the changes in the below table.

Assets Items which has significant changes	Annual Balance		Changes	
	2017	2016	2017 VS 2016	
	(MB)		(MB)	%
Cash and cash equivalent	1,286.2	1,873.9	(587.7)	(31.4)%
Current Investments - Trading Securities	-	25.2	(25.2)	(100.0)%
Trade Account Receivables	2,297.0	1,330.6	966.5	72.6%
Inventories	305.8	268.8	37.0	13.8%
Loan to related parties	18.0	-	18.0	100.0%
Other Assets	104.7	94.6	10.2	10.8%
Investments in Joint Ventures	102.6	75.5	27.1	35.9%
Investments in related parties	85.0	-	85.0	100.0%
Equipment for Lease and Services	149.3	215.7	(66.4)	(30.8)%
Intangible assets	38.6	25.1	13.5	53.8%
Other non-current assets	36.9	8.3	28.6	344.6%
Total Assets	5,024.9	4,511.8	513.1	11.4%



Assets

As at December 31, 2017, the Company's total assets increased 513.1 MB or 11.4 percent from the date of December 31, 2016, by the decrease in total assets was due to a significant increase or decrease of assets below.

Cash and cash equivalent of Q4-2017 decreased by 587.7 MB or 31.4 percent, the main reason due to the investment in the large-scale project and the projects with long collection period. In addition, in 2017, the Company invested in related companies and joint ventures, as the result, the cash and cash equivalent decreased.

Current Investments – Trading Securities decreased by 25.2 MB or 100 percent, because the in Q4-2017 current investments – trading securities mainly maturing within 3 months and was listed as cash and cash equivalent.

Trade Account Receivables increased by 966.5 MB or 72.6 percent, due to the increase in revenue. Therefore, the company has delivered the large-scale project to the state enterprise that take much time for the inspection and the payment approval. Besides, there were projects of government agency with long period in the payment process as well as credit term of trade was quite long.

The loan to related parties increased 18.0 million baht or 100 % since in the year 2017, Genesis Data Center Co., Ltd., which is a company AIT invested as joint ventures, delayed in applying loan with financial institution. For the construction of Data Center to be continued as planned, the shareholders lent the money to Genesis Data Center Co., Ltd. and repay when completed applying loan with financial institutions.

Other current assets increased 10.2 MB or 10.8 percent from the year 2016, since the company has paid the increase in prepaid of the maintenance and the warranty of the maintenance projects.

Investment in joint venture increased 27.1 million baht or 35.9 percent due to the increase in investment of Genesis Company Limited during the year 2017 decreased by recognizing the share of losses in equity method in the joint ventures during the year.

Investment in related parties increased 85 million baht or 100 percent due to the Investment in shares from the capital increase of Campana Group in place of Loxley & AIT Holding Company Limited, which waived its right to purchase the shares.

Equipment for lease and services of the year 2017 decreased 66.4 MB or 30.8 percent, due to the amortization of equipment for rent and leasehold right netted with investment in rental equipment during the year.

Other non-current asset increased 28.6 million baht or 344.6 percent, due to an increase in prepaid maintenance warranties with a warranty period of more than 12 months, which was in line with the maintenance contract of the customer.

Liabilities Items which has significant changes	Annual Balance		Changes	
	2017	2016	2017 VS 2016	
	(MB)		(MB)	%
Trade and other payables	1,294.3	630.2	664.1	105.4%
Unbilled Payables	459.8	569.8	(110.0)	(19.3)%
Current portion of long-term loans	29.0	51.4	(22.4)	(43.6)%
Advance Payment from Customers	87.8	50.8	37.0	72.8%
Other current liabilities	59.6	71.5	(11.9)	(16.6)%
Long-term Loans	-	29.0	(29.0)	(100.0)%
Total Liabilities	2,153.4	1,627.8	525.6	32.3%

Liabilities

As at December 31, 2017, the Company's total liabilities increased by 525.6 MB or 32.3 percent from the date of December 31, 2016, the increases in total liabilities are from major changes of the following:

Trade and other payables for the year 2017 increased by 664.1 MB or an increase of 105.4 percent from the 2016 due to a large-scale project with long period of credit term that taking much time in delivery and inspection of the equipment.

Unbilled payables for the year 2017 decreased 110 MB or decrease of 19.3 percent from the year 2016, since the invoice was issued to collect payment from the successfully delivered projects including the expiration of the project warranty, resulted a decrease in unbilled payables for the year 2017

Current portion of long-term loans decreased 22.4 MB or 43.6 percent due to the repayment of long-term of the project lease.

Advance payment from customers increased 37.0 MB or 72.8 percent because the turnkey projects were paid in advance in the end of 2017.

Other current liabilities decreased 11.9 MB or 16.6 percent due to the decrease of withholding tax waiting for delivery of liabilities which issued the invoices but have not been issued tax invoiced yet. In Q4-2017, the number of invoices that have already been invoiced but have not been issued tax invoiced yet is lower than those in the Q4-2016. Thus, tax waiting for delivery of Q4- 2017 decreased.

Long-term loans decreased by 29.0 MB or 100 percent due to the repayment of long-term loan agreements for use in the lease system projects that will be completed in 2018.



Shareholders' Equity

As at December 31, 2017, the Company's Shareholders' equity equal to 2,871.5 MB, an increase of 12.5 MB from the date of December 31, 2016, which is equal to 2,884.0 MB, an increase of 0.4 percent by the increase came from profit from operations for the year 2017 decreased with dividends payment from operation in 2016 in Q2-2017 and interim dividend payment from 6 month operation of 2017 in Q3-2017.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized Signature on behalf of the Company