

AIT (VP-SEC) 018E/2018

August 9, 2018

Subject: Management's Discussion and Analysis of Operating Results for Q2-2018

To: The President of The Stock Exchange of Thailand

Summary of Operations Q2- 2018

	Balance by Quarter			Change			
	Q2-18	Q1-18	Q2-17	Q1-18 VS Q1-18		Q2-18 VS Q2-17	
	(Million Baht: MB)			(MB)	%	(MB)	%
Total Revenue	1,029.9	1,044.9	1,345.4	(15.0)	(1.4)	(315.5)	(23.5)
Total Operating Expenses	928.3	948.1	1,202.6	(19.8)	(2.1)	(274.3)	(22.8)
Profit for the period	72.1	67.4	105.3	4.7	7.0	(33.2)	(31.5)

In Q2-2018, the Company's total revenue was similar to Q1-2018 with a slight decrease. Compared with the Q2-2017, the total revenue decreased significantly by 315.5 MB or representing a decreased of 23.5% because in the first half of 2018, the Company received a few government projects and those projects are delayed

In terms of total operating expenses will vary according to revenue of the company. Therefore, comparing the total revenue and total expenses between Q2-2018 and Q1-2018 and Q2-2017, it found that the change rate was decreasing in the same direction and a very similar.

In Q2-2018, the Company's profit slightly increased compared to Q1-2018, despite the decrease in revenue. This is because in Q2-2018, the gross margin on sale and service project was slightly increased. In addition, the selling expenses decreased, resulting the profit in Q2-2018 was a higher than those in Q1-2018. Compared with Q2-2017, it found that the change rate of profit was significantly decreased due to the decrease in gross margin; this is because of price competition in the highly competitive IT market. And it was also a consequence of the administrative expenses in Q2-2018, which was similar to Q2-2017, which those were a fixed cost that continues to occur even if the revenue was decreased. As a result, the profit in Q2-2018 decreased significantly compared to Q2-2017.

Operating Results and Capabilities to Make Profit

Performance from revenues, costs and expenses which has significant impact in Q2-2018 can be shown in the following table:

	Balance by Quarter			Change			
	Q2-18	Q1-18	Q2-17	Q2-18 VS Q1-18		Q2-18 VS Q2-17	
	(Million Baht: MB)			(MB)	%	(MB)	%
Revenue from Sales & Service	968.6	1,000.5	1,295.2	(31.9)	(3.2)	(326.6)	(25.2)
Cost of Sales & Service	790.1	819.7	1,047.7	(29.6)	(3.6)	(257.6)	(24.6)
Selling expenses	38.0	40.4	58.5	(2.4)	(5.9)	(20.5)	(35.0)
Administrative expenses	72.8	64.6	74.8	8.2	12.7	(2.0)	(2.7)

Revenues and Costs of Sales and Services

The results of operations of the Company in Q2-2018 had decreased significantly on its revenues from sales and services from Q2-2017, representing a decrease of 326.6 MB or 25.2%. This is because the delivered projects during Q2-2018 were relatively low value projects. In addition, the public and private expenses had slowed down in the first half of 2018. As a result, the Company received fewer projects.

Cost of sales and services will vary according to sales. Consequently, comparing to the cost of sales and services for Q2-2018 and Q2-2017, it found that the decrease rate was similar to the decrease rate of the revenue. Therefore, the Company's sales decreased. As a result, the cost of sales and services decreased in the same way.

Selling and Administrative Expenses

Selling Expenses in Q2-2018 was decreased from Q2-2017, representing decrease of 20.5 MB or 35%, mainly due to the commission and selling expenses and expenses on sales staff that those were decreased in line with decreasing sales.

Financial Analysis of the company

As of June 30, 2018, the Company has financial position that changed from its financial status as of December 31, 2017. The changes are described as follows:

Assets Items that has significant changes	Balance by Quarter		Change	
	Q2-18	Q4-17	Q2-18 VS Q4-17	
	(MB)		(MB)	%
Cash and cash equivalent	893.7	1,286.2	(392.5)	(30.5)
Trade receivables	2,162.7	2,297.0	(134.3)	(5.9)
Unbilled receivables	890.2	434.2	456.0	105.0
Short-term loan to related parties	-	18.0	(18.0)	(100.0)

Assets Items that has significant changes	Balance by Quarter		Change	
	Q2-18	Q4-17	Q2-18 VS Q4-17	
	(MB)		(MB)	%
Inventories	224.4	305.8	(81.4)	(26.6)
Investments in joint ventures	85.0	102.6	(17.6)	(17.2)
Equipment for lease	116.3	149.3	(33.0)	(22.1)
Total Assets	4,793.6	5,024.9	(231.3)	(4.6)

Assets

As of June 30, 2018, the Company's total assets decreased by 231.3 MB or decrease of 4.6% from December 31, 2017. The decrease in total assets was from the following major changes:

Cash and cash equivalent in Q2-2018 decreased by 392.5 MB or decrease of 30.5%. The mainly reason was that the Company had been invested in the projects since Q1-2018, but it cannot get payment from those projects. As the result, cash and cash equivalents decreased.

Trade receivables decreased by 134.3 MB or decrease of 5.9%, due to the large project that had been implemented and recognized the revenue by completed segment but not yet completed which those reached the invoice. As a consequence, trade receivables decreased, resulting in an increase unbilled receivables.

Unbilled Receivables increased by 456.0 MB or increase of 105.0%, due to the large project that had been implemented and recognized the revenue by completed segment but not yet completed which those reached the invoice. As the result, unbilled receivables increased.

Short-term loan to related parties decreased by 18.0 MB or decrease of 100%, due to Genesis Data Center Co., Ltd., which was joint ventures of the Company, had paid all of loans to the Company.

Inventories decreased by 81.4 MB or decrease of 26.6%. This is because the project in accordance with the contract had completed for delivery in the end of Q2-2018. In addition, the new winning projects had decreased.

Investments in joint ventures decreased by 17.6 MB or decrease of 17.2%, due to the recognition of share of loss from joint venture 's performance

Equipment for lease decreased 33.0 MB or decrease of 22.1%, due to the amortization of equipment for rent and leasehold right of IBM OTCA system.

Assets Items that has significant changes	Balance by Quarter		Change	
	Q2-18	Q4-17	Q2-18 VS Q4-17	
	(MB)		(MB)	%
Unbilled Payables	505.8	459.8	46.0	10.0
Long-terms loans, current portion	3.3	29.0	(25.7)	(88.6)
Income tax payable	13.7	24.8	(11.1)	(44.8)

Assets Items that has significant changes	Balance by Quarter		Change	
	Q2-18	Q4-17	Q2-18 VS Q4-17	
	(MB)		(MB)	%
Advanced receipts from customers	59.9	87.8	(27.9)	(31.8)
Other current liabilities	35.3	59.6	(24.3)	(40.8)
Total liabilities	2,071.4	2,153.4	(82.0)	(3.8)

Liabilities

As of June 30, 2018, the Company's total liabilities decreased by 82.0 MB or decrease of 3.8% from December 31, 2017, the reasons for major changes are as follows:

Unbilled Payables increased by 46.0 MB or an increase of 10.0%. This is because the Company had delivered the project in the end of Q2-2018 and had not received the invoice from supplier, resulting in an increase unbilled payables.

Long-terms loans, current portion decreased by 25.7 MB or decrease of 88.6%, due to repayment of long-term loans with maturity.

Income tax payable decreased by 11.1 MB or decrease of 44.8%, due to the company's performance that the net profit had decreased.

Advanced receipts from customers decreased by 27.9 MB or decrease of 31.8%, due to the delivery of project, which received advanced receipt from customers. As the result, the advanced receipts decreased.

Other current liabilities decreased by 24.3 MB or decrease 40.8%, mainly due to the decrease of withholding tax waiting for delivery in December 2017 and it was delivered in January 2018.

Shareholders' Equity

As of June 30, 2018, the Company had total shareholders' equity equals to 2,722.2 MB or a decrease of 149.3 MB from the date of December 31, 2017, which was equal to 2,871.5 MB, representing decrease of 5.2%. This is because the Company had paid the annual dividend payment in Q2-2018, which decreased its profit from operations in the first half of 2018.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized signature on behalf of the Company