



T.K.S. Technologies Public Company Limited

Management Discussion and Analysis

Operating Results for the period as at 30 Jun 2018

Business Overview

2Q18 and 1H18 Performance

T.K.S. Technologies Public Company Limited (“Company”) reported total revenues growth of 93% y-y in 2Q18 or THB 283 mil., primarily due to business combination consolidated Thai British Security Printing Public Company Limited (“TBSP”) since April 4, 2018. Excluding TBSP, Company’s core revenues increased by 2% y-y in 2Q18, mainly caused by higher boost Hybrid and Digital Print & Mail business.

For 1H18, Company reported revenue growth of 38% y-y or THB 247 million, driven primarily by business combination. Excluding TBSP, Company’s core revenues dropped by 4%, primarily by lower Warehouse Management and Security business together decrement in Office Paper.

Revenue Breakdown

<i>THB million</i>	<u>2Q18</u>	<u>2Q17</u>	<u>%Chg</u>
<u>As Reported</u>			
Total Revenues	588	304	93%
<i>Company</i>	<i>311</i>	<i>304</i>	<i>2%</i>
<i>TBSP</i>	<i>276</i>	<i>-</i>	<i>100%</i>

Revenue Breakdown

<i>THB million</i>	<u>1H18</u>	<u>1H17</u>	<u>%Chg</u>
<u>As Reported</u>			
Total Revenues	900	653	38%
<i>Company</i>	<i>624</i>	<i>653</i>	<i>-4%</i>
<i>TBSP</i>	<i>276</i>	<i>-</i>	<i>100%</i>

2Q18 Key Highlight

On April 4, 2018, the Company had acquired the ordinary shares of TBSP by tender offer the ordinary shares of TBSP of 63,638,020 shares or determining in 57.85% of the total issued and paid-up ordinary shares of TBSP. When aggregated with the ordinary shares of TBSP which the Company previously held of 21,879,810 shares (19.89%), then the Company holds the ordinary shares in TBSP totaling of 85,517,830 shares or determining in 77.74% of the total issued and paid-up ordinary shares of TBSP.

Consequently, the Company has rights or interests in the returns of TBSP and able to use power to direct the activities that has significant effect to the amount of those returns. Therefore, the Company included the financial statements of TBSP in preparing the consolidated financial statements since April 4, 2018.



2Q18 Key Highlight con't

As a result of the acquisition of additional shares, the Company has reclassified the interests that the Company previously held from investments in associates to investments in subsidiaries, and remeasured by the fair value at the acquisition date in amount of THB 3 4 1 million, thence the Company has recognized the one-time gain on remeasuring in amount of THB 214 million in profit and classified the recognized loss in other comprehensive income (expense) in amount of THB (0 .1 8) million in profit or loss under the caption of “Gain on measuring the previously held interests before business combination” in amount of THB 214 million as if the Company has disposed those investments.

The information of the recognized business combination of TBSP at the acquisition date in the consolidated financial statements is summarized as follows:

	THB ‘000
The fair values of the identifiable assets	
acquired and liabilities assumed	
Cash and cash equivalents	34,696
Trade and other current receivables	258,568
Inventories	144,576
Current tax assets	5,335
Investments in joint ventures	17,141

	THB ‘000
Property, plant and equipment	678,347
Other intangible assets	
Customer relationship	39,993
Others	36,643
Deferred tax assets	12,583
Other non-current assets	
Prepaid for land	75,847
Others	32,680
Short-term borrowings	(175,000)
Trade and other current payables	(125,124)
Current portion of long-term borrowings	(28,333)
Current portion of liabilities	
under finance lease agreements	(16,842)
Current provisions for employee benefits	(3,016)
Long-term borrowings	(49,583)
Liabilities under finance lease agreements	(9,982)
Non-current provisions	
for employee benefits	(57,493)
Deferred tax liabilities	<u>(50,345)</u>
Net identifiable assets	820,691
Less Non-controlling interests	<u>(182,657)</u>
The interests in the net identifiable	
Assets	<u>638,034</u>



2Q18 Key Highlight con't

	THB '000
Carrying amount of the Company's previously held interests before business combination	127,462
Gain on remeasuring	<u>213,863</u> *
Fair value of the Company's previously held interests before business combination	341,325
Fair value of the consideration transferred	999,117
Less The company's interests in the net identifiable assets	<u>(638,034)</u>
Goodwill	<u>702,408</u>
Cash paid as the consideration transferred	999,117
Less Cash and cash equivalents of the subsidiary acquired	<u>(34,696)</u>
Cash paid for purchase of business	<u>964,421</u>

* One-time gain on remeasuring on fair value of the Company's previously held interests of 19.89% in TBSP before business combination of THB 214 m as complied with Thai Generally Accepted Accounting Principles (Thai GAAP).

Company reported %Gross Profit Margin of 23% in 2Q18, while showed of 25% in the same period of 2017. Excluding TBSP of 19% GP, Company's %GP represented at 26%, 1% growth primary by higher Security sales volumes in 2Q18.

For 1H18, Company showed %GP at 23%, while 1H17 represented at 26%. Excluding TBSP of 19% GP, Company's core %GP maintained at 25%, slightly dropped by 1%, primarily due to lower Security Sales volumes in 1Q18 when compared with the same period of last year.

%Gross Profit Margin

% GP	<u>2Q18</u>	<u>2Q17</u>
<u>As Reported</u>		
Total GP	23%	25%
<i>Company</i>	26%	25%
<i>TBSP</i>	19%	-

% GP	<u>1H18</u>	<u>1H17</u>
<u>As Reported</u>		
Total GP	23%	26%
<i>Company</i>	25%	26%
<i>TBSP</i>	19%	-



Company reported net profit amount of THB 273 million in 2Q18, increased by THB 199 mil. or 270% growth y-y in 2Q18, primarily due to one-time gain on remeasuring on fair value of the Company's previously held interests in TBSP. Excluding the non-recurring items, Company's core net profit increased by 1% y-y in 2Q18.

For 1H18, Company represented net profit of THB 368 million, a 137% growth from 1H17. Excluding the non-recurring items, Company delivered net profit growth of 10% y-y as well as Share of Profit of associates contribution.

Net Profit

THB million	<u>2Q18</u>	<u>2Q17</u>	<u>%Chg</u>
<u>As Reported</u>			
Total NP	273	74	270%
<i>Company</i>	75	74	1%
<i>TBSP</i>	8	-	100%
<i>One-time gain *</i>	214	-	100%
<i>One-time loss ^{A)}</i>	(24)	-	(100%)

Net Profit

THB million	<u>1H18</u>	<u>1H17</u>	<u>%Chg</u>
<u>As Reported</u>			
Total NP	368	163	137%
<i>Company</i>	180	163	10%
<i>TBSP</i>	8	-	100%
<i>One-time gain *</i>	214	-	100%
<i>One-time loss ^{A)}</i>	(24)	-	100%

* One-time gain on remeasuring on fair value of the Company's previously held interests of 19.89% in TBSP before business combination of THB 214 m as complied with Thai Generally Accepted Accounting Principles (Thai GAAP).

^{A)} One-time loss on impairment assets in 51% held on joint venture company regarding to Thai Generally Accepted Accounting Principles (Thai GAAP).