

AIT (VP-SEC) 005E/2019

February 26, 2019

Subject: Management's Discussion and Analysis of Operating Results for the year 2018 and Q4-2018

To: The President of the Stock Exchange of Thailand

Summary of operations and the factors that make a significant change

Summary of Operations for the Year 2018

| Topic | Annual Balance | | Change | |
|--------------------------|----------------|---------|--------------|---------|
| | 2018 | 2017 | 2018 VS 2017 | |
| | (MB) | | (MB) | % |
| Total Revenue | 4,237.6 | 5,397.2 | (1,159.6) | (21.5)% |
| Total Operating Expenses | 3,887.7 | 4,808.5 | (920.8) | (19.1)% |
| Profit (Loss) | 236.8 | 431.1 | (194.3) | (45.1)% |

For the Company's operation results in 2018, the total revenue and net profit decreased from the year 2017. This is because the government expenditure budget focused on the infrastructure and transportation, while the expenditure in information communication technology did not increased significantly. In addition, resulting the need to postpone a large-scale project auction and there are a few SI project in the market, thus those had a higher competition, resulting gross margin was declined. Besides, part of the operating expenses is fixed costs, although revenue will decrease. Therefore, the decreased rate of profit was higher than the decreased rate of total revenue.

| Topic | Annual Balance | | Change | |
|---|----------------|---------|--------------|---------|
| | 2018 | 2017 | 2018 VS 2017 | |
| | (MB) | | (MB) | % |
| Sales & Services Income and Revenue from construction contracts | 4,042.6 | 5,171.6 | (1,129.0) | (21.8)% |
| Rental income from equipment for lease | 141.0 | 175.1 | (34.1) | (19.5)% |
| Cost of Sales & Service and Construction contracts | 3,301.1 | 4,168.4 | (867.3) | (20.8)% |
| Cost of equipment for lease | 89.4 | 91.5 | (2.1) | (2.3)% |
| Selling Expenses | 185.0 | 241.4 | (56.4) | (23.4)% |

Considering each type of income, the revenues from sales, services and construction contract of the year decreased from 2017, the mainly reason is that the number of large-scale project auction declined and the

delay in procurement process. In 2018, the Company delivered the large-scale projects with a value of more than 100 million baht such as a project of mobile signal and high-speed internet in a border area, a project of Data Center for Icon Siam, a project of substation construction in Lopburi and Saraburi for Provincial Electricity Authority, and a project of network system for Krungthai Computer Services, which these mentioned projects were high in value but relatively low in gross profit due to high competition. As the result, the decreased rate of the revenues from sales, services and construction contract was higher than the decreased rate of cost from sales, services and construction contract when those compare between the year 2018 and 2017.

In 2018, the rental income from equipment for lease decreased from 2017. This is because the lease of IBM OTCA project had expired in early Q3-2018, as a result, the revenue for rental of whole year declined. In fact, the decreased rate in cost of equipment for lease was lower than the decreased rate in revenue, since the rest of equipment for lease project had a quite low gross profit margin and a higher equipment maintenance expense.

Summary of Operation for Q4-2018

| Topic | Outstanding by Quarter | | | Change | | | |
|--------------------------|------------------------|---------|---------|--------------------|---------|--------------------|---------|
| | Q4 – 18 | Q3 – 18 | Q4 – 17 | Q4 – 18 VS Q3 – 18 | | Q4 – 18 VS Q4 – 17 | |
| | (MB) | | | (MB) | % | (MB) | % |
| Total Revenue | 1,109.5 | 1,053.3 | 1,279.4 | 56.2 | 5.3% | (169.9) | (13.3)% |
| Total Operating Expenses | 1,045.9 | 965.5 | 1,180.1 | 80.4 | 8.3% | (134.2) | (11.4)% |
| Profit (Loss) | 35.5 | 61.8 | 69.1 | (26.3) | (42.6)% | (33.6) | (48.6)% |

In Q4-2018, the total revenue increased slightly from Q3-2018. It found that the total revenue decreased 169.9 MB or 13.3 percent. This is because there are quite a few projects from the governmental sector in 2018 and those projects were delayed.

The total operating expenses in the Q4-2018 that has increased was higher than those in revenue of Q3-2018. This is because the decreased rate gross profit margin of the recognized revenue from project in Q4-2018, due to high competition in the market. In addition, there were records of the doubtful debt of the long trade receivables, the employee expenses such as bonus and the provision for penalty on project delay. Therefore, comparing the total operating expenses with Q4-2017, it found that those were declined in line with the decreased revenue but the decreased rate of those were lower than the decreased rate revenue due to the auctioned projects in 2018, those had the decreased gross profit margin which were caused by competition in the auction of projects that were higher than the competition in 2017.

In Q4-2018, the profit of the Company decreased form Q3-2018 while the total revenue increased due to the decreased in gross profit margin in Q4-2018. In addition, there were the operating expenses such as the doubtful debt, the employee expenses and the provision for penalty on project delay. As the result, the change

in profit of Q4-2018 was opposite to the change in revenue. Besides, resulting the profit of Q4-2018 decreased form Q4-2017 as the same above reason that the decreased rate of profit was higher than the decreased rate of revenue.

Operating results and Profitability

Revenues, costs and expenses that have significant change in Q4-2018 can be shown in the table below:

| Topic | Outstanding by Quarter | | | Change | | | |
|--|------------------------|---------|---------|--------------------|---------|--------------------|---------|
| | Q4 – 18 | Q3 – 18 | Q4 – 17 | Q4 – 18 VS Q3 – 18 | | Q4 – 18 VS Q4 – 17 | |
| | (MB) | | | (MB) | % | (MB) | % |
| Revenue from Sales , Services and construction contracts | 1,066.8 | 1,006.7 | 1,219.4 | 60.1 | 6.0% | (152.6) | (12.5)% |
| Rental income from equipment for lease | 27.2 | 32.8 | 42.5 | (5.6) | (17.1)% | (15.3) | (36.0)% |
| Cost of Sale, Service and Construction contracts | 872.0 | 819.3 | 1,017.2 | 52.7 | 6.4% | (145.2) | (14.3)% |
| Administrative Expenses | 96.4 | 78.4 | 76.4 | 18.0 | 23.0% | 20.0 | 16.18% |

Revenue and Cost of Sales and Services and Construction contracts

The revenue of the Company in Q4-2018 increased slightly from Q3-2018 but it decreased from Q4-2017 due to quite a few projects from the governmental sector in 2018 and those projects were also delayed. A delivered high value project was the project of high-speed internet in a border area that was the auctioned project at the end 2017.

In Q4-2018, comparing the cost of sales, services and construction contracts with Q3-2018, it found that those were vary according to the increased in revenue at the same rate. Meanwhile, comparing those with Q4-2017, it found that the decreased rate was higher than the decreased in revenue due in Q4-2560, those had delivered a large-scale project but had a low gross margin. As the result, the decreased rate of the cost of sales, services and construction contracts in Q4-2561 was higher than the Q4-2560

Rental income from equipment for lease

In Q4-2018, the rental income form equipment for lease slightly decreased from Q3-2018 but those highly decreased form Q4-2017 due to the lease of IBM OTCA project that it had expired in early Q3–2018, resulting the revenue for rental of Q4-2018 decreased.

Administrative expenses

Comparing to the administrative expenses for the Q4-2018 and Q3-2018, it found that the increased rate of those was higher than the increased in revenue, due in Q4-2018, those had been recorded the additional allowance for doubtful account of overdue receivables and uncollected receivables, the annual bonus of employees and the provision for penalty on projects delay. As the above reason, the administrative expenses in Q4-2018 were higher than its in the Q4-2017, even if the revenue of the Q4-2018 decreased from the Q4-2017.

Financial Analysis of the Company

As at December 31, 2018, the Company financial position change from that of December 31, 2017, is presented and explained the changes in the below table.

| Assets Items which has significant changes | Annual Balance | | Changes | |
|---|----------------|---------|--------------|----------|
| | 2018 | 2017 | 2018 VS 2017 | |
| | (MB) | | (MB) | % |
| Trade Account Receivables | 1,500.2 | 2,297.0 | (796.8) | (34.7)% |
| Unbilled receivables | 560.2 | 434.2 | 126.0 | 29.0% |
| Short-term Loan to related parties | - | 18.0 | (18.0) | (100.0)% |
| Inventories | 268.0 | 305.8 | (37.8) | (12.4)% |
| Other current assets | 186.8 | 104.7 | 82.1 | 78.4% |
| Investments in joint ventures | 71.7 | 102.6 | (30.9) | (30.1)% |
| Property, plant and equipment | 109.4 | 128.6 | (19.2) | (14.9)% |
| Equipment for Lease | 97.6 | 149.3 | (51.7) | (34.6)% |
| Advance withholding tax | 12.8 | - | 12.8 | 100.0% |
| Total Assets | 4,272.8 | 5,024.9 | (752.1) | (15.0)% |

Assets

As at December 31, 2018, the Company's total assets increased 752.1 MB or 15.0 percent from the date of December 31, 2017, by the decrease in total assets was due to a significant increase or decrease of assets below.

Trade Receivables decreased by 796.8 MB or 34.7 percent from the year 2017, due to the decrease in revenue. In addition, in the year 2018, the Company had received the payment from the trade receivables who got a quite long credit term and the trade receivables of the large project which had a long delivered period that those was carried forward from the trade receivables of the year 2017. As the result, the trade receivables of the year 2018 decreased.



Unbilled receivables increased 126.0 MB or 29.0% from the year 2017 due to the large-scale project in the end of the year 2018 that the Company had received which those had already worked partly but not yet reached the invoice. As the result, those had recognized the revenue by completed of work.

The Short-term loans to related party decreased 18.0 MB or 100 % from the year 2017, since in the early 2018, Genesis Data Center Co., Ltd., which is a company AIT invested as joint ventures, had already repaid the loan. Due in the end of the year 2017, Genesis Data Center had 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 82.1 MB or 78.4 percent from the year 2017, since the company had paid the increase in prepaid of the maintenance and the warranty of the maintenance projects.

Investments in joint ventures decreased by 30.9 MB or decrease of 30.1%, due to the recognition of share of loss from joint venture 's performance in during the year 2018

Property, plant and equipment decreased by 19.2 MB or 14.9% due to the depreciation of buildings and equipment during the year 2018

Equipment for lease decreased 51.7 MB or 34.6 percent, due to the amortization of equipment for rent and leasehold right of the year 2018 decreased with investment in rental equipment during the year.

Withholding tax increased 12.8 MB or 100%, due in 2018, the Company had been withholding tax from receiving money in the large-scale project that was a trade receivable of the beginning of the year 2018, rather than taxes that paid as a result of operations in 2018.

| Liabilities Items which has significant changes | Annual Balance | | Changes | |
|--|----------------|---------|--------------|----------|
| | 2018 | 2017 | 2018 VS 2017 | |
| | (MB) | | (MB) | % |
| Trade and other payables | 642.8 | 1,294.3 | (651.5) | (50.3)% |
| Current portion of long-term loans | - | 29.0 | (29.0) | (100.0)% |
| Income tax payable | - | 24.8 | (24.8) | (100.0)% |
| Provision for penalty on projects delay | 90.8 | 77.1 | 13.7 | 17.8% |
| Liabilities under financial arrangement | 44.0 | 25.5 | 18.5 | 72.5% |
| Total Liabilities | 1,528.1 | 2,153.4 | (625.3) | (29.0)% |

Liabilities

As at December 31, 2018, the Company's total liabilities decreased by 625.3 MB or 29.0 percent from the date of December 31, 2017, the decreases in total liabilities are from major changes of the following:

Trade and other payables for the year 2018 decreased by 651.5 MB or 50.3 percent from the 2017, the mainly due in during 2018, the Company had already delivered project and received the payment from a large-



scale project that the Company had the trade payable with long period of credit term that taking much time in delivery and inspection of the equipment. Therefore, the Company had paid the money to the one.

Current portion of long-term loans decreased from the year 2017 due to the repayment of long-term loan since the beginning of 2015 for using in the lease of the system project which has paid completely during the year 2018.

Income tax payable of the year 2018 decreased by 24.8 million baht or 100% from year 2017 with the same reason as the increase of withholding tax.

Provision for penalty on projects delay increased 13.7 MB or 17.8% from the year 2017 due to the penalty on project that it had been delivered but waiting to consider the acceptance, approval of penalty and the payment which there were a number of additional projects from the year 2017.

Liabilities under financial arrangement increased 18.5 MB or 72.5% from the year 2017 due to the financing for the new project which there was a quite long payment period, thus the liabilities under financial arrangement increased

Shareholders' Equity

As at December 31, 2018, the Company's Shareholders' equity equal to 2,744.7 MB, an increase of 126.8 MB from the date of December 31, 2017, which is equal to 2,871.5 MB, an increase of 4.4 percent that those decreased from the annual dividend payment of the year 2017 in Q2-2018 and interim dividend payment from 6 month operation of 2018 in Q3-2018.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized Signature on behalf of the Company