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Ref: IR61/002

26 February 2019

Re: Management Discussion and Analysis for Yearly Ending 2018  
To: President  
The Stock Exchange of Thailand

Pursuant to JMT Network Services Company Limited (the “Company”) Board of Meeting No.1/2019 on 26 February 2019, the resolution to certify the Company’s financial statements and performance for the yearly ending 31 December 2018 which has already been audited by the Company’s auditor can be summarized as follows:

#### **Overview of 2017 Business and Key Factors impact on the Company’s performance**

Overall of Non-Performing Loan situation in Thailand’s financial system support the Company’s business to grow in the future. Overall economy growth is expected to grow at around 4.2% per annual. This macroeconomic factor fuels the debtor to repay cash back to the Company. Not only macro factors benefit to the Company, but also the data from the Bank of Thailand support that Gross NPL at the end of 2018 was 439,790 million Baht higher than 14,211 million Baht from last year. This would support the overall performance of the Company further in the future.

In 2018, the Company was able to pursue a remarkably success in distress debt management business for 2nd year in consecutive. The Company achieved its record high in cash collection at 2,399 million Baht. Thanks to distress the quality of debt acquired, number of collection staff increasing and efficient of collection team, the Company’s net profit performance in 2018 reached to its highest in corporate history with net profit of 505.5 million Baht, increased at 27.6% from the previous year.

The Company expand its business toward insurance business in 2018 by become a majority shareholder in JP Insurance Public Company Limited for 55% of total shares which engages in non-life insurance business with InsurTech platform.

For the operation of debt management last year, the Company acquire distress debt amount 21,003 million Baht in term of outstanding balance of bad debt. The Company’s strategy is acquiring a good quality of bad debt to manage to bring a good return for its shareholders in future and be a No.1 in Private Company Debt Management in Thailand

## Summary of Profit and Loss Statement

	2017		2018		Change	
	MB	%	MB	%	MB	%
Total Revenues	1,356.3	100.0%	1,868.7	100.0%	512.4	37.8%
Cost of Services	574.4	42.4%	672.4	36.0%	98.0	17.1%
Gross Profit	781.9	57.6%	1,086.3	58.1%	304.4	38.9%
Other Revenues	5.4	0.4%	17.2	0.9%	11.8	217.8%
Administrative Expenses	211	15.6%	302.8	16.2%	91.8	43.5%
Operating Profit	567.3	41.8%	798.9	42.7%	231.6	40.8%
Finance Cost	76.9	5.7%	133.6	7.2%	56.7	73.8%
<b>Net Profit</b>	<b>396.1</b>	<b>29.2%</b>	<b>505.5</b>	<b>27.1%</b>	<b>109.4</b>	<b>27.6%</b>

### Revenues Analysis

In 2018, the Company's Total Revenues stood at 1,868.7 or increased by 37.8%. The changing revenues can be explained as following;

1. Revenues from collection of purchased account receivables was 1,480.5 million Baht in 2018, increase 370.7 million Baht or 33.4%. This was because efficiency in collection business increase number of collector staff increase and non-performing loan portfolio acquired in the past. The revenues from collection of purchased account receivables accounted 79.2% of total revenues in 2017. The revenues from collection of purchased account receivables is expected to grow further this year due to the number of fully amortized bad debt portfolio increase and the efficiency of debt collection team.
2. Service Income from debt collection in 2018 was 288.8 million Baht, increased by 46.7 million Baht or 19.3% from 2017. Service Income from debt collection accounted 15.4% of total revenues in 2017. An increasing in efficiency of management in debt tracking service is a key to growth the revenues last year.
3. Income from Insurance services in 2018 was 98.3 million Baht, this is the new revenues in consolidated financial statement.

### Analysis of Cost of Services and Gross Profit

In 2018, the Company's cost of services was 672.4 million Baht higher than 2017 of 574.4 million Baht or 17.1%. The reasons were an increasing of hiring new collector, commission from debt collection and cost related to insurance business. While, the Company's gross profit margin stood at 58.1% higher than 2017.

### Administrative Expenses

In 2018, the Company incurred administrative expenses 302.8 million Baht, increased by 91.8 million Baht or 43.5%. Most of administrative expenses increase is the employee remuneration, depreciation and advisory fee. The Company's administrative expenses to revenues stood at 16.2%.

### Finance Cost

Finance Cost for the year of 2018 was 133.6 million, decrease from 2017 56.7 million Baht or 73.8% increase. Major of the Company's liabilities in 2018 was a debenture for acquiring distress debt from financial institution.

### Net Profit

The Company's Net Profit in 2018 was 505.5 million Baht higher than 2017 of 109.4 million Baht or 27.6% increased. This represents net profit margin of 27%

### Analysis of Financial Statement of Position

	As of 31 Dec 17		As of 31 Dec 18		Change	
	MB	%	MB	%	MB	%
Cash and cash equivalents	513.4	9.8%	694.5	8.3%	181.1	35.3%
Asset from reinsurance	0	0.0%	120.8	1.4%	120.8	100.0%
Current portion of loans receivable from purchase	498.7	9.5%	470.8	5.6%	-27.9	-5.6%
Other Current Assets	159.2	3.0%	1,024.4	12.2%	865.2	543.5%
Current Assets	1,171.3	22.3%	2,310.6	27.6%	1,139.3	97.3%
Loans receivable from purchase of accounts receivable -Net	3,816.7	72.7%	5,418.2	64.8%	1,601.5	42.0%
Other long-term investment	104.3	2.0%	124.4	1.5%	20.1	19.2%
Good will	0	0.0%	273.8	3.3%	273.8	100.0%
Other Non-Current Asset	155.5	3.0%	236.5	2.8%	81.0	52.1%
Total Non-Current asset	4,076.6	77.7%	6,052.8	72.4%	1,976.2	48.5%
<b>Total Assets</b>	<b>5,247.9</b>	<b>100.0%</b>	<b>8,363.3</b>	<b>100.0%</b>	<b>3,115.4</b>	<b>59.4%</b>
Current Liabilities	430.6	8.2%	1,654.1	19.8%	1,223.5	284.1%
Debentures	2,084.3	39.7%	2,706.2	32.4%	621.9	29.8%
Other Non-Current Liabilities	2,492.1	47.5%	3,242.4	38.8%	750.3	30.1%
<b>Total Liabilities</b>	<b>2,922.7</b>	<b>55.7%</b>	<b>4,896.5</b>	<b>58.5%</b>	<b>1,973.8</b>	<b>67.5%</b>
<b>Total Shareholder's Equity</b>	<b>2,325.2</b>	<b>44.3%</b>	<b>3,446.8</b>	<b>41.2%</b>	<b>1,121.6</b>	<b>48.2%</b>

### Asset

As of the period ending 31 December 2018, the Company had total assets equal to 8,363.3 million Baht divided to current asset 2,310.6 million Baht or 27.6% of total asset and non-current asset 236.5 million Baht or 2.8% of total asset. Total asset increase 3,115.4 million Baht or 59.4% increase from 2017. Major component of the increase are asset related to insurance business and bad debt purchased from financial institution.

### Liabilities

As of the period ending 31 December 2018, the Company had total liabilities equal to 4,896.5 million Baht, increase by 1,973.8 million baht or 67.5%. The major changing in liabilities in 2018 is the Company issued more debentures 1,150 million Baht to acquire distress debt and liabilities from insurance business.

The Company' Debt to Equity Ratio and Interest Bearing Debt to Equity ratio at the end of 2018 were 1.42 times and 1.14 times respectively.

### Cash Flow Statement

In 2018, the company has a net increase of cash and cash equivalents of 181.0 million baht. Details of cash flows in each activity can be classified as follows:

	<b>2017</b>	<b>2018</b>
Cash flows from operation activities	(704.6)	(920.4)
Cash flows from investment activities	153.3	(605.4)
Cash flows from financing activities	954.0	1,706.3
Cash and cash equivalents – net increase (decrease)	402.4	181.0

In 2018 regarding cash flows from operation activities, the Company has net cash used in operation activities by the amount of 920.4 million Baht which is a result of acquisition of non-performing debts to manage and cash flow from insurance services activities.

In 2018, with respect to cash flows from investment activities, the Company has net cash gained from investment activities of 605.4 million baht.

Regarding cash flows from financing activities in 2018, the Company has net cash received from financing activities amounting to 1,706.3 million baht. The cash flow from financing gain was from the debenture issuance and cash received from capital increasing.

### Forward Looking

The Company is still confident to growth of business further. The factors that have impact on its business performance are as following;

1. Debt Management Business, in during 2017-2018, there is a bad debt purchased portfolio which is about to fully amortized for its investment. Once the portfolio has already fully amortized the cash collection from aforementioned portfolio can be fully recognize to be a revenues onward.
2. Insurance Business, although its incurred net loss last year, the Company attempt to change the quality of its insurance portfolio toward a loss ratio insurance type and also perform a serious cost control. And the Company is expected to turn profit in 2019.

Please be informed accordingly.

Sincerely Yours,

- *Singed* -

(Mr.Wongsakorn Kittitrakulkarn)

Company Secretary

Investor Relations Department

JMT Network Services Public Company Limited