



AIT (VP-SEC) 016E/2019

May 7, 2019

Subject: Management's Discussion and Analysis of Operating Results for Q1-2019

To: The President of The Stock Exchange of Thailand

Summary of Operations Q1- 2019

	Balance by Quarter			Change			
	Q1-19	Q4-18	Q1-18	Q1-19 VS Q4-18		Q1-19 VS Q1-18	
	(Million Baht: MB)			(MB)	%	(MB)	%
Total Revenue	1,266.5	1,109.5	1,044.9	157.0	14.2	221.6	21.2
Total Operating Expenses	1,123.0	1,045.9	948.1	77.1	7.4	174.9	18.5
Profit for the period	102.8	35.5	67.4	67.3	189.6	35.4	52.5

In Q1-2019, the company's total revenue increased from Q4-2018 and Q1-2018, representing an increase of 157.0 MB and 221.6 MB, respectively. This is because the Company had delivered many large-scale projects which had just been auctioned in Q1-2019. In fact, those large-scale projects had delayed their procurement in previous years, such as the High-Speed Internet Service Project in Remote Area and the New Parliament Project in Information and Communication Technology.

In terms of total operating expenses in Q1-2019, it increased in line with the increased in revenue. Comparing Q1-2019 and Q4-2018 showed that the increased rate of total operating expenses was much lesser than the increased rate of revenue, especially when it compared to the Q4-2018. This is because the gross margin in Q4-2018 was a relatively low. In addition, it had recorded the allowance for doubtful accounts for long outstanding receivables, the employee expenses and the provision for penalty on project delay, therefore, the total operating expenses in Q4-2018 was high. While the gross profit margin of the Q1- 2019 increased and also the revenue increased, as the result, the increased rate of total operating expenses was lesser than the increased rate of total revenue.

When compared the profit of the Company for Q1-2019 to Q4-2018 and Q1-2018, it found that there were the higher gross margin and the higher sales in Q1-2019, causing to the profit of Q1-2019 increased significantly.

Operating Results and Capabilities to Make Profit

Performance from revenues, costs and expenses which has significant impact in Q1-2019 can be shown in the following table:

	Balance by Quarter			Change			
	Q1-19	Q4-18	Q1-18	Q1-19 VS Q4-18		Q1-19 VS Q1-18	
	(Million Baht: MB)			(MB)	%	(MB)	%
Revenue from Sales, Service and Construction contracts	1,222.5	1,066.8	1,000.5	155.7	14.6	222.0	22.2
Revenue from Rental income from equipment for lease	27.3	27.2	40.0	0.1	0.4	(12.7)	(31.8)
Other Income	17.0	15.6	4.5	1.4	9.0	12.5	277.8
Cost of Sales, Service and Construction contracts	985.6	872.0	819.7	113.6	13.0	165.9	20.2
Selling expenses	50.1	58.0	40.4	(7.9)	(13.6)	9.7	24.0
Administrative expenses	74.1	96.4	64.6	(22.3)	(23.1)	9.5	14.7

Revenues and Costs of Sales, Services and Construction contracts

The results of operations of the Company in Q1-2019, with revenues from sales and services, increased from Q4-2018 and Q1-2018 representing an increase of 155.7 MB and 222.0 MB, respectively. Due to during Q1-2019, the Company had delivered some of the large-scale project, namely the New Parliament Project in Information and Communication Technology, which its project value was 3,131.8 MB. In addition, there were many large-scale projects that had started bidding from the government procurement in the end of year 2018 since the procurement was less during year 2018. Therefore, the Company had a higher income.

Comparing to cost of Sales, Services and Construction contracts for Q1-2019 with Q4-2018 and Q1-2018, it found that the increased rate of those was lesser than the increased rate of revenue due to the higher gross profit margin of the Q1-2019.

Revenue from Rental income from equipment for lease

In Q1-2019, the Revenue from Rental equipment for lease decreased form Q1-2018. This is because the lease of IBM OTCA project had expired in early Q3-2018, resulting in the revenue from rental for Q1-2019 decreased.

Other income

In Q1-2019, the Other income increased form Q1-2018. This is because the Company had not yet received money of sales support from the vendors according to the sale promotion in Q1-2018, resulting in the other income for Q1-2018 was relatively low.

Selling and Administrative Expenses

Selling Expenses of Q1-2019 increased from Q1-2018, mainly due to the increased in commission and employee expenses which those were in line with the increase in sales.

Administrative Expenses of Q1–2019 decreased from Q4–2018, mainly because the additional allowance for doubtful accounts for long overdue receivables and unbilled receivables, the annual bonus for employees and the provision for penalty on project delay were recorded in Q4–2018. However, the administrative expenses of Q1–2019 were also higher than those of Q1–2018.

Financial Analysis of the company

As of March 31, 2019, the Company has financial position that changed from its financial status as of December 31, 2018. The changes are described as follows:

Assets Items that has significant changes	Balance by Quarter		Change	
	Q1–19	Q4–18	Q1–19 VS Q4–18	
	(MB)		(MB)	%
Cash and cash equivalent	1,072.3	1,265.8	(193.5)	(15.3)
Inventories	949.0	268.0	681.0	254.1
Advance payment for products and services	496.2	-	496.2	100.0
Other Current Assets	209.5	186.8	22.7	12.2
Equipment for lease	116.8	97.6	19.2	19.7
Total Assets	5,296.9	4,272.8	1,024.1	24.0

Assets

As of March 31, 2019, the Company's total assets increased by 1,024.1 MB, representing an increase of 24.0% from 31 December 2018. The increase in total Assets is from the following major changes:

Cash and cash equivalent in Q1–2019 decreased by 193.5MB, or 15.3 % the mainly due in Q1–2019, there was the investment on many large–scale projects which had recently received. Those projects were in operation, as the result, cash and cash equivalents decreased.

Inventories increased by 681.0 MB, representing an increase of 254.1% due to the investment on many large–scale projects in Q1–2019, such as the New Parliament Project in Information and Communication Technology, the High–Speed Internet Service Project in Remote Area and The project of CAT.

Advance payment for products and services increased by 496.2 MB, representing an increase of 100% because in Q1–2019, there was an advance payment for products and services of the New Parliament Project in Information and Communication Technology.

Other current assets increased by 22.7 MB or representing an increase of 12.2% due to an increase in purchase tax for investments in many large–scale projects in Q1–2019.

Equipment for lease increased by 19.2 MB or representing an increase of 19.7% due to the investment on Equipment for lease in Q1–2019, which was in the process of installation according to the contract.



Assets Items that has significant changes	Balance by Quarter		Change	
	Q1-19	Q4-18	Q1-19 VS Q4-18	
	(MB)		(MB)	(MB)
Trade and Other Payables	1,079.6	642.8	436.8	68.0
Unbilled payables	450.2	484.0	(33.8)	(7.0)
Advanced receipts from customers	673.0	94.5	578.5	612.2
Other current liabilities	26.7	60.0	(33.3)	(55.5)
Total liabilities	2,481.7	1,528.1	953.6	62.4

Liabilities

As of March 31, 2019, the Company's total liabilities increased by 953.6 MB or 62.4 % from December 31, 2018, the reasons for major changes are as follows:

Trade accounts payable and other Payables increased by 436.8 MB, representing an increase of 68.0% from Q4-2018. This is because in Q1-2019, the company had recently purchased products and services of the large-scale project that had not yet been due for payment, resulting in the trade accounts payable increased.

Unbilled Payables decreased by 33.8 MB, representing a decrease of 7.0% from Q4-2017. Due to the delivered project in the end of Q1-2019, resulted in the unbilled payables decreased while the large-scale project which was recently invested in Q1-2019 had not been completed and not yet due for delivery.

Advanced receipts from customers increased by 578.5 MB, representing an increase of 612.2% from Q4-2018, due to the receiving advance payment from the project which had just implemented in Q1-2019.

Other current liabilities decreased by 33.3 MB, representing a decrease of 55.5% from Q4-2018, mainly due to the decrease of sale tax and withholding taxes in December 2018 and delivered in January 2019.

Shareholders' Equity

As of March 31, 2019, the Company had total equity equals to 2,851.1 MB, an increase by 70.5 MB from as at December 31, 2018, which equals to 2,744.7 MB, an increase of 2.6% by the increase came from the profit from operations in Q1-2019.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized signature on behalf of the Company