



AIT (VP-SEC) 033E/2020

November 10, 2020

Subject: Management's Discussion and Analysis of Operating Results for Q3–2020

To: The President of The Stock Exchange of Thailand

### Summary of Operations Q3–2020

	Balance by Quarter			Change			
	Q3–20	Q2–20	Q3–19	Q3–20 VS Q2–20		Q3–20 VS Q3–19	
	(Million Baht: MB)			(MB)	%	(MB)	%
Total Revenue	2,241.1	1,187.6	1,798.9	1,053.5	88.7	442.2	24.6
Total Operating Expenses	2,056.1	1,112.0	1,677.5	944.1	84.9	378.6	22.6
Profit for the period	137.2	50.4	86.6	86.8	172.2	50.6	58.4

The Thai Economy in Q3–2020 improved from the previous quarter, according to reduce the strictness of the lockdown measures both in domestic and foreign, resulting in the resumed economic activity. The government expenditure continued to expand both in current expenditure and capital expenditure. Those are partly from the expedited disbursement at the end of the year. In fact, the government expenditure plays a key role to support the recovery of the Thai economy during the COVID–19 outbreak.

In Q3–2020, the company's total revenue significantly increased from Q2–2020 and Q3–2019, representing an increase of 1,053.5 MB or 88.7% and 442.2 MB or 24.6%, respectively. This is because in Q3–2020, the projects have started their operation in accordance with the reduction of the strictness of the COVID–19 outbreak prevention policy. In addition, the several projects were due for submission, resulting in a relatively high delivery project value. Furthermore, in Q2–2020, the Company was affected by the ongoing outbreak of COVID–19 which caused the customers change their work methods and slow down their operation, resulting in the delay in delivery and acceptance of equipment or projects. As the result, the total revenue Q2–2020 was lower than those in other quarters.

In terms of total operating expenses in Q3–2020, it increased in line with the increased in revenue at a very similar rate when compare to Q2–2020 and Q3–2019. This is because gross margin of the delivered projects in each quarter is not different. In addition, the operating expenses were varied with the changed in revenue. As a result, the changed in total operating expenses was similar to the changed in total revenue.

In terms of the profit of the Company for Q3–2020, it had a higher change rate than the change rate in revenue when compare to Q2–2020 and Q3–2019. This is because in Q3–2020, there was higher revenue from the delivered projects so it could be covered the operating expenses, especially fixed expenses. As the result, the change in the profit of Q3–2020 was higher than the change in revenue.

## Operating Results and Capabilities to Make Profit

Performance from revenues, costs and expenses which has significant impact in Q3-2020 can be shown in the following table:

	Balance by Quarter			Change			
	Q3-20	Q2-20	Q3-19	Q3-20 VS Q2-20		Q3-20 VS Q3-19	
	(Million Baht: MB)			(MB)	%	(MB)	%
Revenue from Sales and Service	2,179.9	1,137.4	1,745.2	1,042.5	91.7	434.7	24.9
Cost of Sales and Service	1,820.0	909.4	1,516.0	910.6	100.1	304.0	20.1
Selling and distribution expenses	77.2	56.9	45.3	20.3	35.7	31.9	70.4
Administrative expenses	139.1	125.6	98.9	13.5	10.7	40.2	40.6

### Revenues and Costs of Sales and Services

The results of operations of the Company in Q3-2020, which had revenues from sales and services significantly increased from Q2-2020 and Q3-2019. This is because in Q3-2020, the Government has started measures to reduce the strictness of the COVID-19 outbreak prevention making it possible to complete the project even more. In addition, the several large-scale projects were due for delivery in this quarter such as the Purchasing and Installation of Cloud Project of CAT Telecom, the Distribution of Router and Switch to large private companies and the D-ticket Project of State Railway of Thailand. Furthermore, the several projects in Q2-2020 were affected by the ongoing outbreak of COVID-19, forcing many customers to adjust their working method which have an effect on the operation and delivery of the Company's projects that cause the operation to be delayed than usual.

Cost of Sales and Services for Q3-2020 has changed in the same direction as the changed in revenue. When it compare with the cost of sales and services in Q2-2020, it found that the increased rate in those was higher than the increased rate in revenue. This is because gross profit margin of the delivered projects in Q3-2020 is slightly lower than those in Q2-2020. While comparing the increased in cost of sales and services in Q3-2020 and Q3-2019, it found that gross profit margin of the delivered projects in Q3-2020 is slightly higher than those in Q3-2019.

### Selling and distribution expenses

Selling and distribution expenses in Q3-2020 increased from Q2-2020 and Q3-2019. This is because those increased in line with the increased in revenue such as commission and entertainment expenses.

### Administrative expenses

Administrative expenses in Q3-2020 increased from Q2-2020 and Q3-2019 according to the increased in results of operations. In addition, in Q3-2020, the provision for doubtful accounts for long-outstanding receivables has recorded in accordance with the Financial Reporting Standard No. 9 Financial Instruments (TFRS 9) and also the employee-related expenses have increased.

## Financial Analysis of the company

As of September 30, 2020, the Company has financial position that changed from its financial status as of December 31, 2019. The changes are described as follows:

Assets Items that has significant changes	Balance by Quarter		Change	
	Q3-20	Q4-19	Q3-20 VS Q4-19	
	(MB)		(MB)	%
Trade and other receivables	3,067.2	2,268.6	798.6	35.2
Contract assets - unbilled receivables	1,611.6	1,705.0	(93.4)	(5.5)
Inventories	1,854.8	745.9	1,108.9	148.7
Advance payment for products and services	83.4	156.4	(73.0)	(46.7)
Other non-current financial assets	85.0	-	85.0	100.0
Investments in related party	-	85.0	(85.0)	(100.0)
Right of Use Assets	24.6	-	24.6	100.0
Deferred tax assets	86.1	67.9	18.2	26.8
Other non-current assets	90.8	49.3	41.5	84.2
<b>Total Assets</b>	<b>7,536.6</b>	<b>5,728.6</b>	<b>1,808.0</b>	<b>31.6</b>

### Assets

As of September 30, 2020, the Company's total assets increased by 1,808.0 MB, representing an increase of 31.6% from 31 December 2019. The increase in total Assets comes from the following major changes:

Trade and other receivables increased by 798.6 MB, representing an increase of 35.2% mainly due to the delivery of large-scale projects in Q3-2020

Contract assets – unbilled receivables decreased by 93.4 MB, representing a decrease of 5.5%. This is because the invoice has been issued on the projects that were completed and delivered in Q3-2020. Therefore, the unbilled receivables decreased.

Inventories increased by 1,108.9 MB, representing an increase of 148.7% due to the investment in several large-scale projects during in the year 2020, such as the Purchasing and Installation of Cloud Project of CAT Telecom, the New Parliament Project in Information and Communication Technology, the D-ticket Project of State Railway of Thailand, the High-Speed Internet Service Project in Remote Area (USO), the IT Infrastructure Design and Consolidation Project of PEA (ITiDC) and the New Network SDN Project of Government Savings Bank, which those are still in process but have not yet completed according to the achievement stage.

Advance payment for products and services decreased by 73.0 MB, representing a decrease of 46.7% because in the year 2020, the Company received the product that has been paid in advance. As the result, the advance payment for products and services decreased.

Other non-current financial assets increased by 85.0 MB or representing an increase of 100.00% This is because TFRS9, which starts to enforce in 2020, and defines investments in related party as financial assets. As a result, the investments in related party shown in the financial statements as of December 31,2019 decreased by 85.0 million baht or representing a decrease of 100.0%.

Right of Use Assets increased by 24.6 MB or representing an increase of 100.0% due to the implementation of TFRS16 in 2020. It requires the renter to recognize assets and liabilities for every lease with a lease period of more than 12 months, unless the underlying asset is low.

Deferred tax assets increased by 18.2 MB or representing an increase of 26.8%, mainly due to the recording of deferred tax assets from the provision of allowance for doubtful accounts.

Other non-current assets increased by 41.5 MB or representing an increase of 84.2%, mainly due to the project maintenance fee, which is paid in advance and covered more than one year of insurance.

Assets Items that has significant changes	Balance by Quarter		Change	
	Q3-20	Q4-19	Q3-20 VS Q4-19	
	(MB)		(MB)	(MB)
Short-term loan from finance institution	1,330.8	400.0	930.8	232.7
Trade and Other Payables	1,521.9	738.5	783.4	106.1
Unbilled payables	809.8	713.5	96.3	13.5
Current portion of liabilities under financial arrangement agreements	129.4	42.6	86.8	203.8
Current portion of lease liabilities	9.7	-	9.7	100.0
Advances received from customers	465.8	544.5	(78.7)	(14.5)
Provision for penalty on projects delay	78.8	115.5	(36.7)	(31.8)
Current portion of liabilities under financial arrangement agreements - net of current portion	136.6	62.9	73.7	117.2
Lease liabilities - net of current portion	15.3	-	15.3	100.0
Provision for long-term employee benefits	139.0	97.8	41.2	42.1
<b>Total liabilities</b>	<b>4,758.3</b>	<b>2,842.7</b>	<b>1,915.6</b>	<b>67.4</b>

#### Liabilities

As of September 30, 2020, the Company's total liabilities increased by 1,915.6 MB or 67.4% as of December 31, 2019. The increase in total liabilities was due to the significant changes as follows:

Short-term loan from finance institution increased by 930.8 MB, representing an increase of 232.7%, consisting of Short-term loan increased by 500.0 MB and Trust Receipt increased by 430.8 MB because during 9-months of 2020, there were several investments in large-scale projects which were under operation. In addition,



those are still in the process of receiving payments from receivables. Therefore, the company must use additional sources of funds from finance institutions to operate the projects.

Trade and other Payables increased by 783.4 MB, representing an increase of 106.1% because in Q3-2020, the Company has purchased products and services of the large-scale project that has not yet been due for payment, resulting in the increase of its trade accounts payable.

Unbilled Payables increased by 96.3 MB, representing an increase of 13.5%. The reason is that the delivered projects in Q3-2020 were the large-scale projects but has not received invoices from trade payables. Therefore, unbilled payables increased when it compared to the Q4-2019

Liabilities under financial arrangement agreements (Both the Current portion and the Net of current portion) increased by 160.5 MB because during 9-months of 2020, the Company entered into an additional financial arrangement agreement for a new project in which the supplier conditions for payment in leasing installments.

Lease liabilities (Both the Current portion and the Net of current portion) increased by 25.0 MB, due to the implementation of TFRS16 in 2020.

Advances received from customers decreased by 78.7 MB, representing a decrease of 14.5%, because during 9-months of 2020, the Company has gradually delivered projects that used to receive advance payments from customers. Therefore, the advances received from customers decreased.

Provision for penalty on projects delay decreased 36.7 MB, representing a decrease of 31.8% because the recorded penalty on projects delay were paid during 9-months of 2020, thus the Provision for penalty on projects delay has been decreased.

Provision for long-term employee benefits increased by 41.2 MB, representing an increase of 42.1%, this is because the discount rate for calculating liabilities with long-term employee benefits which was based on the interest rate of the long-term bonds has extremely decreased. The Company has re-evaluated the provision for long-term employee benefits in during 9-months of 2020. As a result, the Company has to set more provision on employee benefits.

#### **Shareholders' Equity**

As of September 30, 2020, the Company had total equity equals to 2,778.3 MB, a decrease by 107.6 MB from December 31, 2019, which equals to 2,885.9 MB, a decrease of 3.7% such a decrease came from the annual dividend payment of 1.40 baht per share in Q2-2020 and the interim dividend payment of 0.25 baht per share in Q3-2020 which decreases the profit from operations in 9-months of 2020.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized signature on behalf of the Company