

AIT (VP-SEC) 022E/2021

November 9, 2021

Subject: Management's Discussion and Analysis of Operating Results for Q3-2021

To: The President of the Stock Exchange of Thailand

Summary of Operations Q3–2021

	Balance by Quarter			Change			
	Q3-21	Q2-21	Q3-20	Q3-21 VS Q2-21		Q3-21 VS Q3-20	
	(Million Baht: MB)			(MB)	%	(MB)	%
Total revenue	1,509.1	2,081.2	2,241.1	(572.1)	(27.5)	(732.0)	(32.7)
Total operating expenses	1,357.0	1,901.2	2,056.1	(544.2)	(28.6)	(699.1)	(34.0)
Profit for the period	117.2	136.9	137.2	(19.7)	(14.4)	(20.0)	(14.6)

In Q3-2021, the overall Thai economy began to improve from Q2-2021, due to the following factors: 1) gradual relaxation of COVID-19 epidemic control measures and progress in vaccination 2) the impact of outstanding demand from the previous quarter and 3) government policies that bolstered purchasing power. Government expenditure also plays important role in sustaining the economy with fixed expenses continuing to expand in comparison to the same period last year, especially, expenses for personnel compensation and purchases of goods and services. Meanwhile, capital expenditures fell as a result of the high base effect of the government's accelerated budget disbursement last year.

However, the overall performance of the Company in Q3–2021 showed that the total revenue decreased from Q2–2021 and Q3–2020. Those decreases from Q2–2021 by 572.1 million baht or 27.5% and decrease from Q3–2020 by 732.0 million baht or 32.7%. This is because the majority of projects are scheduled to be completed in Q2-2021; therefore project delivery in Q3-2021 has been decreased. Furthermore, new projects starting in Q3–2021 are lower project value.

Total operating expenses in Q3-2021 decreased in line with revenue decreases when compare to Q2–2021 and Q3–2020 at a similar rate to the decreased rate in revenue.

In terms of the profit of Q3–2021 changes in line with the change in revenue, when compare to Q2–2021 and Q3–2020. The decreased rate in profit was less than the decreased rate in revenue. This is because in Q3-2020, an allowance for expected credit losses on long-term receivables was recorded and there was also a directors' bonuses expense, which has been approved at the shareholders' meeting on July 2, 2020, due to the postponement of the shareholders' meeting from the COVID-19 epidemic. Therefore, its bonuses expenses were paid in Q3-2020.

Operating Results and Capabilities to Make Profit

Performance from revenues, costs and expenses which has significant impact in Q3-2021 can be shown in the following table:

	Balance by Quarter			Change			
	Q3-21	Q2-21	Q3-20	Q3-21 VS Q2-21		Q3-21 VS Q3-20	
	(Million Baht: MB)			(MB)	%	(MB)	%
Revenue from sales and service	1,417.3	2,017.5	2,179.9	(600.2)	(29.7)	(762.6)	(35.0)
Rental income from equipment for lease	58.1	34.3	34.0	23.8	69.4	24.1	70.9
Cost of sales and service	1,203.1	1,729.9	1,820.0	(526.8)	(30.5)	(616.9)	(33.9)
Cost of equipment for lease	31.5	20.8	19.8	10.7	51.4	11.7	59.1
Selling expenses	52.5	69.0	77.2	(16.5)	(23.9)	(24.7)	(32.0)
Administrative expenses	69.9	81.4	139.1	(11.5)	(14.1)	(69.2)	(49.7)

Revenues and Costs of Sales and Services

The result of operations of the Company in Q3-2021 shows that revenues from sales and services decreased from Q2-2021, representing a decrease of 762.6 MB or 35.0%. This is because in Q3-2021, the delivered projects are smaller than those projects in Q2-2021 and Q3-2020. In this regard, most of the revenue came from ongoing projects from the previous quarter has been completed and their work can be delivered such as the Project of information and communication technology Installation of the New Parliament with assembly building Phase 2, the Construction Project of an underground cable to improve the electrical distribution system of the Provincial Electricity Authority. Furthermore, there are new projects starting to deliver in Q3-2021, such as the project of selling Advanced Service for Hybrid CSOC systems, the project of selling computer network equipment for supporting Cloud for Critical Information Infrastructure services and the Project of selling computer servers and equipment to increase the efficiency of information systems of Social Security Office.

In Q3-2021, the changed in cost of sales and services was in line with the changed in revenue in Q2-2021 and Q3-2020. However, the decreased rate of cost will be higher than the decreased rate of revenue because the gross margin of projects delivered in Q3-2021 is higher than those of Q2-2021. When compare to the decreased rate of cost of sales and services between Q3-2021 and Q3-2020, it found that it decreases at a lower rate than the decrease rate of revenue because the gross margin of projects delivered in Q3-2021 was lower than those of Q3-2020.

Revenues and Costs of Rental from equipment for lease

Rental revenues from equipment for lease of Q3-2021 increased from Q2-2021 and Q3-2020. This is because in Q3-2021, the Company began to generate rental income from the project of leasing the communication network system for services of Social Security Office. In this regard, the cost of equipment for lease, including depreciation and maintenance expenses of equipment for lease, has increased in line with increasing revenue.

Selling expenses

Selling expenses of Q3-2021 decreased from Q2-2021 and Q3-2020. Most of them decreased in line with decreasing revenue, such as commissions, employee expenses and certification cost, etc. However, those decreased less than the decreased in revenue due to cost savings in various parts. In addition, sales and marketing activities have also decreased during the COVID-19 epidemic.

Administrative expenses

Administrative expenses of Q3-2021 decreased from Q2-2021 and Q3-2020. Most of them decreased in line with decreasing revenue. In this regard, the administrative expenses in Q3 2021 decreased from Q2 2021 at a lower rate than the decreased in revenue. This is because in Q2-2021, the allowance for expected credit losses was reversed and those are also better able to cover fixed cost due to higher revenue in Q2-2021 compare to Q3-2021. On the other hand, the administrative expenses in Q3-2021 decreased from Q3-2020 at a higher rate than the decreased in revenue. This is because in Q3-2020, an allowance for expected credit losses on long-term receivables was recorded and there was also a directors' bonuses expense which paid later than the year 2021. The payment of directors' bonuses supposed to be approved by the shareholders meeting due to the postponement of the shareholders' meeting from the COVID-19 epidemic. Therefore, it was paid in Q3-2020.

Financial Analysis of the company

As of September 30, 2021, the Company has financial position that changed from its financial status as of December 31, 2020. The changes are described as follows:

Assets Items that has significant changes	Balance by Quarter		Change	
	Q3-21	Q4-20	Q3-21 VS Q4-20	
	(MB)		(MB)	%
Trade and other receivables	3,402.90	2,633.90	769.00	29.2
Contract assets	1,147.90	1,303.90	(156.0)	(12.0)
Inventories	936.90	1,575.90	(639.0)	(40.5)
Other current assets	164.5	130.6	33.9	26.0
Equipment for lease	217.4	88.7	128.7	145.1
Total Assets	6,578.3	6,429.2	149.1	2.3

Assets

As of September 30, 2021, the Company's total assets increased by 149.1 MB, representing an increase of 2.3% from 31 December 2020. The increase in total Assets is from the following major changes:

Trade and other receivables increased by 769.0 MB, representing an increase of 29.2%. This is because during Q3-2021, it is still in the COVID-19 epidemic, which requires some government and state enterprises employees to work from home. As a result, the process of approving work and disbursement of customers takes longer, especially for

government agencies and state enterprises. Most of the increasing receivables were government agencies and state enterprises which were receivables with outstanding obligations for more than 3-6 months from the due date.

Contract assets decreased by 156.0 MB, representing a decrease of 12.0%. This is because the projects that recognize revenue based on completion of work carried over from 2020 have already delivered. Furthermore, the quantity of new work delivered in during nine months was less than the amount carried forward, therefore the contract assets decreased.

Inventories decreased by 639.0 MB, representing a decrease of 40.5%. This is because during Q3–2021, many large-scale projects have been delivered which their projects value are greater than the additional investment in the projects therefore the inventories decreased. In this regard, the large-scale projects are in the process, such as the Project of information and communication technology Installation of the New Parliament with assembly building Phase2, the D–ticket Project of State Railway of Thailand and the Construction Project of information center building of the Department of Lands, etc.

Other current assets increased by 33.9 MB or representing an increase of 26.0% mainly due to an increase in maintenance costs for prepaid projects of the Q2–2021

Equipment for lease increased by 128.7 MB, representing an increase of 145.1% because of in 2021, the Company has received a project for equipment for lease, so it invested in equipment for lease which installed the equipment and delivered the project at the end of Q2-2021. As a result, the equipment for lease increased.

Liabilities Items that has significant changes	Balance by Quarter		Change	
	Q3–21	Q4–20	Q3–21 VS Q4–20	
	(MB)		(MB)	%
Short-term loan from financial institutions	900.0	250.0	650.0	260.0
Trade and other payables	764.0	1,341.0	(577.0)	(43.0)
Unbilled payables	1,042.7	830.4	212.3	25.6
Current portion of liabilities under financial arrangement agreements	87.1	143.2	(56.1)	(39.2)
Income tax payable	12.2	37.5	(25.3)	(67.5)
Liabilities under financial arrangement agreements - net of current portion	101.5	171.9	(70.4)	(41.0)
Total liabilities	3,679.9	3,504.0	175.9	5.0

Liabilities

As of September 30, 2021, the Company's total liabilities increased by 175.9 MB or 5.0% from December 31, 2020, the reasons for major changes are as follows:



Short-term loan from financial institutions increased by 650.0 MB, because in 2021, many large-scale projects are still in the process of payment from receivables which has been delayed due to the impact of the COVID-19 epidemic. Therefore, additional sources of financing from financial institutions are needed to operate the projects.

Trade and other payables decreased by 577.0 MB, representing a decrease of 43.0% due to Q3-2021, the Company paid for goods and services according to the credit term. Therefore, the trade accounts payable decreased while the short-term loans from financial institutions increased.

Unbilled payables increased by 212.3 MB, representing an increase of 25.6%, increasing in line with project delivered at the end of Q3-2021 which has not yet been charged by the supplier.

Liabilities under financial arrangement agreements (Both Current portion and Net of current portion) decreased by 126.5 MB due to during in the nine months of 2021, the Company has settled the liabilities under the financial management agreement according to the repayment period.

Income tax payable decreased by 25.3 MB, representing a decrease of 67.5% due to during in Q3-2021, the 2020 tax payment and the 2021 half-year income tax have been paid, thus, the income tax payable decreased.

Shareholders' Equity

As of September 30, 2021, the Company had total equity equals to 2,898.3 MB slightly decrease by 26.9 MB from as at December 31, 2020, which equals to 2,925.2 MB, such a decrease came from the annual and interim dividends payment subtract to the profit from operation in nine months 2021.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized signature on behalf of the Company