

AIT (VP-SEC) 022E/2022

August 11, 2022

Subject: Management's Discussion and Analysis of Operating Results for Q2-2022

To: The President of the Stock Exchange of Thailand

Summary of Operations Q1-2022

Topic	Balance by Quarter			Change			
	Q2-22	Q1-22	Q2-21	Q1-22 VS Q1-22		Q2-22 VS Q2-21	
	(Million Baht: MB)			(MB)	%	(MB)	%
Total revenue	1,711.8	1,399.2	2,081.2	312.6	22.3	(369.4)	(17.7)
Total operating expenses	1,557.6	1,199.2	1,901.2	358.4	29.9	(343.6)	(18.1)
Profit for the period	121.6	166.2	136.9	(44.6)	(26.8)	(15.3)	(11.2)

In Q2-2022, The Thai Economy improved from the previous quarter and the number of foreign tourists continued to increase due to the relaxing of outbreak control measures and international travel restrictions. As the result, the commerce and service sectors recovered and the private investment increased in line with the economic recovery. Meanwhile, the government expenditures spending grew primarily through regular spending. However, government expenditures increased from the same period last year, mainly to compensate for the cost of dealing with the COVID-19 disease problem, while capital expenditures decreased from the same period last year which was in line with the transportation agency's disbursement that had accelerated in the previous period.

The Company's overall performance in Q2-2022 was consistent with the overall economic situation. The total revenue in Q2-2022 increased from Q1-2022, representing an increase of 312.6 MB or 22.3% because the overall project value of Q2-2022 is greater than Q1-2022. However, the total revenue in Q2-2022 decreased from Q2-2021, representing a decrease of 369.4 MB or 17.7% because in Q2-2021, the Company has completed and delivered more large projects than the projects delivered in Q2-2022.

The total operating expenses in Q2-2022 had changed in line with the same direction of revenue. When comparing Q2-2022 to Q2-2021, it found that the decreasing rate of operating expenses is similar to the decreasing rate of revenue. However, comparing Q2-2022 to Q1-2022, it found that the increasing rate of operating expenses is higher than the increasing rate of revenue due to gains from selling investment in Genesis Data Center Co., Ltd. in Q1-2022, resulting in the increasing rate of revenue in Q2-2022 is not very high when comparing in total revenue.

Typically, the profit for the period changes in line with the change in revenue. When comparing Q2-2022 with Q2-2021, it found that the changed rate of profit for the period and the total income are different. This is because the projects delivered in Q2-2022 were higher gross margins. As the result, the change rate of profit decreased by 11.2%, which was lower than the change rate of revenue, representing decreased by 17.7%. However, the profit of Q2-2022 change in

opposite direction to the change of revenue in Q1-2022 because in Q1-2022, the Company had gain on selling investment in Genesis Data Center Co., Ltd. amounting to 108.6 MB. Despite the fact that, the revenue in Q2-2022 was higher than the revenue in Q1-2022, the profit in Q2-2022 was lower than the profit in Q1-2022 due to the gain on sales of investment.

Operating Results and Capabilities to Make Profit

Performance from revenues, costs and expenses, which has significant impact on Q2-2022, can show in the following table:

	Balance by Quarter			Change			
	Q2-22	Q2-22	Q2-22	Q1-22 VS Q1-22		Q2-22 VS Q2-21	
	(Million Baht: MB)			(MB)	%	(MB)	%
Revenue from sales and service	1,641.0	1,216.8	2,017.5	424.2	34.9	(376.5)	(18.7)
Rental income from equipment for lease	55.2	54.5	34.3	0.7	1.3	20.9	60.9
Gain on sales of investment	-	108.6	-	(108.6)	(100.0)	-	-
Cost of sales and service	1,366.0	1,015.4	1,729.9	350.6	34.5	(363.9)	(21.0)
Cost of equipment for lease	31.3	24.5	20.8	6.8	27.8	10.5	50.5
Administrative expenses	95.9	94.0	81.4	1.9	2.0	14.5	17.8

Revenues and Costs of Sales and Services

Most of the Company's revenue from sales and service in Q2-2022 which come from government and state enterprise, increased from Q1-2022 due to the higher value of the delivered projects. However, the revenue from sales and service in Q2-2022 decreased from Q2-2021. This is because the projects completed and delivered in Q2-2021 are significantly larger than projects delivered in Q2-2022. Major projects delivered in Q2-2022 such as the Project of trading equipment and communication network of the system Software-Define Network and DNS server of Government Savings Bank, the Project of information and communication technology Installation of the New Parliament Phase 2, the Project of the cables underground to enhance the area for the Eastern Aviation City form the entrance of U-Tapao roundabout junction and also form Mahidoladulyadej Naval Dockyard Intersection to Chuk Samet Pier of the Naval Public Works Department, the Project of procurement for server computers to support information systems of the Social Security Office, the Project of procurement and sale of network equipment connecting the Expressway Control Center building and installation of the Expressway Authority of Thailand, and the construction project of three power stations according to the transmission and distribution system development project of the Provincial Electricity Authority, etc.

Comparing Q2-2022 to Q1-2022, the change rate of the cost of sales and service was very similar to the change of the revenue. This is because many of projects delivered in Q2-2022 are the same project that are gradually delivered and continuously. In addition, the new projects that can auction have higher gross margins than the large projects in 2020-2021. The change in cost of sales and services in Q2-2022 decreased at a higher rate than the change in revenue in Q2-2021 because in 2020-2021, the Company has operated large projects with lower gross margins.

Rental income and Cost of equipment for lease

Rental income from equipment for lease in Q2-2022 increased from Q2-2021 because of the installation and delivery of the new equipment lease project's in 2022

Cost of equipment for lease in Q2-2022 increased at lower rate than the change in revenue when compared to Q2-2021. This is because the equipment for lease project that recognizes revenue in 2022 has a higher gross margin.

Gain on sales of investment

Gain on sales of investment in Q2-2022 decreased from Q1-2022 because in Q1-2022, the company sold all investment in Genesis Data Center Co., Ltd. with a gain on the sale in amount of 108.6 MB.

Administrative expenses

Administrative expenses in Q2-2022 increased from Q1-2022 and Q2-2021 mainly because in Q2-2022, a loss on fair value adjustment of investment in Campana Group Pte. Ltd. was recorded approximately 20.0 MB.

Financial Analysis of the company

As of June 30, 2022, the Company has financial position that changed from its financial status as of December 31, 2021. The changes described as follows:

Assets Items that has significant changes	Balance by Quarter		Change	
	Q2-22	Q4-21	Q2-22 VS Q4-21	
	(MB)		(MB)	%
Cash and cash equivalent	727.80	378.5	349.3	92.3
Other current financial assets	-	720	(720.0)	(100.0)
Contract assets	1,303.5	913.5	390.0	42.7
Inventories	1,310.0	863.6	446.4	51.7
Assets held for sale	-	37.8	(37.8)	(100.0)
Other current assets	227.7	168.6	59.1	35.1
Other non-current financial assets	62.2	82.2	(20.0)	(24.3)
Equipment for lease	336.8	197.5	139.3	70.5
Total Assets	6,282.3	5,752.1	530.2	9.2

Assets

As of June 30, 2022, the Company's total assets increased by 530.2 MB or 9.2% from 31 December 2021. The increase in total assets is from the following major changes:

Cash and cash equivalent increased by 349.3 MB, representing an increase of 92.3% mainly because the Company receives money from the sale of investment unit trust in open-end mutual funds - debt instruments and receives payments from major receivables.

Other current financial assets decreased by 720.0 MB, representing a decrease of 100.0% because in Q2-2022, There are many investments in new projects; therefore, short-term deposits have been withdrawn to be used as working capital for project operations.

Contract assets increased by 390.0 MB, representing an increase of 42.7% because in Q2-2022, the Company has implemented projects that have an increased success rate but not yet reached the threshold for invoicing.

Inventories increased by 446.4 MB, representing an increase of 51.7% because during in Q2-2022, there are several large projects that have recently received and those are in the process. Major projects in progress such as the Project of the development for train tracking system and cargo management of the State Railway of Thailand, the GDCC Service Expansion (VM) Trading Project of National Telecommunications PCL., the Project of the construction for the Land Information Center Building of the Department of Lands, and the Project of procurement and installation of systems for the Development of National Education Network Phase 4 of the Office of the Permanent Secretary for Higher Education, Science, Research and Innovation etc.

Assets held for sale decreased by 37.8 MB, representing a decrease of 100.0% because at the end of 2021, the Company was in the process of selling all investments in Genesis Data Center Co., Ltd. which shown such investments under the heading "Assets held for sale" and the sale of such investment has been completed. As a result, there is no balance in Q2-2022.

Other current assets increased by 59.1 MB, representing an increase of 35.1% mainly because the increase in VAT credit (input tax) resulting from investments in projects during in Q2-2022.

Other non-current financial assets decreased by 20.0 MB, representing a decrease of 24.3% due to the loss on fair value adjustment based on the performance of the investment in Campana Group Pte. Ltd. in Q2-2022.

Equipment for lease increased by 139.3 MB, representing an increase of 70.5% because during in Q2-2022, the Company has invested in the equipment for lease project which is in the process of installation. As a result, the equipment for lease increases by deducted from accumulated depreciation of equipment for lease.

Liabilities Items that has significant changes	Balance by Quarter		Change	
	Q2-22	Q4-21	Q2-22 VS Q4-21	
	(MB)		(MB)	%
Trade and other payables	1,351.8	790.8	561.0	70.9
Unbilled payables	996.6	896.1	100.5	11.2
Contract liabilities	349.5	405.9	(56.4)	(13.9)
Other current liabilities	51.9	133.3	(81.4)	(61.1)
Liabilities under financial arrangement agreements - net of current portion	131.6	118.0	13.6	11.5
Total liabilities	3,242.8	2,690.9	551.9	20.5



Liabilities

As of June 30, 2022, the Company's total liabilities increased by 551.9 MB or 20.5% from December 31, 2021, the reasons for major changes are as follows:

Trade and other payables increased by 561.0 MB, representing an increase of 70.9% because during in Q2-2022, the Company has invested in new projects that are in progress but not yet due to make payments for goods and services according to the credit term. As a result, trade accounts payable increased.

Unbilled payables increased by 100.5 MB, representing an increase of 11.2% because at the end of Q2-2022, the Company had delivered the large project and had not received an invoice from the trade account payable. As the result, the unbilled payables are higher than those comparing to Q4-2021.

Contract liabilities decreased by 56.4 MB, representing a decrease of 13.9% because during in Q2-2022, the Company has gradually delivered projects that had received advance payments from customers. As a result, the income received in advance from customers decreased.

Other current liabilities decreased by 81.4 MB, representing a decrease of 61.1% mainly because the reduction of withholding tax and VAT payable (sales tax) incurred in December 2021 had already remitted in January 2022.

Liabilities under financial arrangement agreements-net of current portion increased by 13.6 MB, representing an increase of 11.5% because during in the six-month period of 2022, the Company has entered into additional financial agreements in order to increase liquidity for new project.

Shareholders' Equity

As of June 30, 2022, the Company had total equity equals to 3,039.5 MB, a decrease by 21.7 MB or 0.7% from as at December 31, 2021, which equals to 3,061.2 MB such a decrease came from the annual dividend payment in Q2-2022, which decreases the profit from operations for the first six months of 2022

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized signature on behalf of the Company