

AIT (VP-SEC) 028E/2022

November 10, 2022

Subject: Management's Discussion and Analysis of Operating Results for Q3-2022

To: The President of the Stock Exchange of Thailand

Summary of Operations Q3-2022

Topic	Balance by Quarter			Change			
	Q3-22	Q2-22	Q3-21	Q3-22 VS Q2-22		Q3-22 VS Q3-21	
	(Million Baht: MB)			(MB)	%	(MB)	%
Total revenue	1,886.5	1,711.8	1,509.1	174.7	10.2	377.4	25.0
Total operating expenses	1,713.7	1,557.6	1,357.0	156.1	10.0	356.7	26.3
Profit for the period	142.7	121.6	117.2	21.1	17.4	25.5	21.8

In Q3-2022, The Thai Economy improved from the previous quarter. This is because the service sector continued to recover as the number of foreign tourists increased due to the relaxing of travel restrictions, especially international travel, and the relaxing the practice of wearing masks across the country. Public spending contracted compared to the same period last year due to the decreased in both regular and capital expenditures by the central government. In addition, they were disbursed in the previous period.

The Company's overall performance in Q3-2022 was consistent with the overall economic situation. The total revenue in Q3-2022 increased from Q2-2022 and Q3-2021, representing an increase of 174.7 MB or 10.2% and 377.4 MB or 25.0%, respectively. This is because the overall project value of Q3-2022 is greater than Q2-2022 and Q3-2021.

The total operating expenses in Q3-2022 had changed in line with the same direction of the increased in revenue. When comparing Q2-2022 to Q3-2021, it found that the change rate of operating expenses is very similar to the change rate of revenue. However, if you look at the details of expenses, it found that the cost of sales and services in Q3-2022 has the rate of increased in those that is lower than the rate of increase in revenue compared to Q2-2022 and Q3-2021 due to higher gross margins of projects delivered in Q3-2022. The rate of increase in selling and administrative expenses in Q3-2022 was higher than those in Q2-2022 and Q3-2021. This is because in Q3-2022, the allowance for expected credit losses incurred from long-standing receivables and the loss on fair value adjustments of equity investments higher than other quarters were recorded. The above factors cause the overall change in total operating expenses in Q3-2022 to change at a similar rate to the change in total revenue compared to Q2-2022 and Q3-2021.

The profit in Q3-2022 changes in line with the change in revenue. When comparing Q3-2022 with Q2-2022, it found that the changed rate of profit higher than the changed rate of revenue. This is because there is no share of loss from joint venture investment. Moreover, when comparing the rate of change in profit of Q3-2022, it found that it was lower

than the rate of change of Q3-2021. This is because the increased rate in operating expenses in 2022 slightly higher than the rate of change in revenue.

Operating Results and Capabilities to Make Profit

Performance from revenues, costs and expenses, which has significant impact on Q3 -2022, can show in the following table:

	Balance by Quarter			Change			
	Q3-22	Q2-22	Q3-21	Q3-22 VS Q2-22		Q3-22 VS Q3-21	
	(Million Baht: MB)			(MB)	%	(MB)	%
Revenue from sales and service	1,794.8	1,641.0	1,417.3	153.8	9.4	377.5	26.6
Rental income from equipment for lease	69.7	55.2	58.1	14.5	26.3	11.6	20.0
Cost of sales and service	1,436.4	1,366.0	1,203.1	70.4	5.2	233.3	19.4
Selling and distribution expenses	72.7	64.4	52.5	8.3	12.9	20.2	38.5
Administrative expenses	165.2	95.9	69.9	69.3	72.3	95.3	136.3

Revenues and Costs of Sales and Services

The result of operations of the Company in Q3-2022 shows that revenue from sales and service greatly increased from Q2-2022 and Q3-2021. This is because in Q3-2022, the government has issued more relaxed measures to prevent the COVID-19 outbreak, making the project easier to operate. In addition, the Company had delivered several large-scale projects in this quarter, such as the GDCC Service Expansion (VM) Trading Project of National Telecommunications PCL, the Project of procurement for server computers to support information systems of the Social Security Office, 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, the Project of information and communication technology Installation of the New Parliament Phase 2, the Project of the development central digital platform to connect social security services to the insured specifically of the Social Security Office, the Project of the development of train tracking system and cargo management of the State Railway of Thailand, etc.

In Q3-2022, the change of cost of sales and service was similar to the change of the revenue. However, when compare to the costs of sales and service in Q2-2022 and Q3-2021, it found that the increased rate in costs of sales and service were lower than the increased rate in revenue. This is because the delivered project in Q3-2022 have higher gross margins when comparing the cost of sales and services of Q2-2022 and Q3-2021.

Rental income and Cost of equipment for lease

Rental income from equipment for lease in Q3-2022 increased from Q2-2022 and Q3-2021. This is because in Q3-2022, there is revenue from the new equipment rental project that has just been gradually delivered in 2022.

Selling and distribution expenses

Selling and distribution expenses in Q3-2022 increased from Q2-2022 and Q3-2021, mainly due to an increase in revenue. Moreover, the government's relaxation of COVID-19 outbreak prevention measures have enabled the Company to engage in more promotional activities. The increased selling and distribution expenses such as commission fees, customer testimonials, etc.

Administrative expenses

Typically, administrative expenses were in line with the rate of change in revenue. However, the increased rate of administrative expenses in Q3-2022 were quite higher than the increased rate of revenue compared to Q2-2022 and Q3-2021. This is because in Q3-2022, the allowance for expected credit losses incurred from long-standing receivables and the loss on fair value adjustments of investments in Campana Group Pte. Ltd.

Financial Analysis of the company

As of September 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	
	Q3-22	Q4-21	Q3-22 VS Q4-21	
	(MB)		(MB)	%
Cash and cash equivalent	1,367.3	378.5	988.8	261.2
Other current financial assets	-	720.0	(720.0)	(100.0)
Trade and other receivables	2,247.5	2,070.8	176.7	8.5
Contract assets	803.5	913.5	(110.0)	(12.0)
Inventories	935.1	863.6	71.5	8.3
Other current assets	143.6	168.6	(25.0)	(14.8)
Assets held for sale	-	37.8	(37.8)	(100.0)
Other non-current financial assets	48.2	82.2	(34.0)	(41.4)
Equipment for lease	346.4	197.5	148.9	75.4
Deferred tax assets	133.5	103.3	30.2	29.2
Total Assets	6,246.9	5,752.1	494.8	8.6

Assets

As of September 30, 2022, the Company's total assets increased by 494.8 MB or 8.6% from 31 December 2021. The increase in total assets is from the following major changes:

Cash and cash equivalent increased by 988.8 MB, representing an increase of 261.2% mainly due to receiving money from the exercise of convertible warrants AIT-W2 to ordinary shares amounting to 599.0 MB in Q3-2022 and also from withdrawals from short-term deposits.



Other current financial assets decreased by 720.0 MB, representing a decrease of 100.0% because in Q3-2022, There are many investments in new projects; therefore, short-term deposits have been withdrawn to be used as working capital for project operations.

Trade and other receivables increased by 176.7 MB, representing an increase of 8.5% mainly due to the delivered several projects in Q3-2022 and the accrued income from projects that recognized revenue by stage of completion in the previous quarter which have been invoiced for billing from customers in Q3-2022.

Contract assets decreased by 110.0 MB, representing a decrease of 12.0% mainly because in Q3-2022, the Company issued a billing invoice for projects that recognized revenue by stage of completion in the previous quarter.

Inventories increased by 71.5 MB, representing an increase of 8.3% because during in Q3-2022, the several large projects were 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 Project of the development of train tracking system and cargo management of the State Railway of Thailand, the Hybrid CSOC Project (Procurement of Computer Equipment, Personnel, Process Improvement including improving the workplace to cope and prevent cyber threats) of Krungthai Computer Services Co., Ltd. and the Project of the construction for the Land Information Center Building of the Department of Lands, etc.

Other current assets decreased by 25.0 MB, representing a decrease of 14.8% mainly due to the reduction of upfront expenses at the end of the contract and the maintenance expenses for prepaid projects that decrease with service duration.

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 in early 2022. As a result, there is no balance in Q3-2022.

Other non-current financial assets decreased by 34.0 MB, representing a decrease of 41.4% due to the equity loss from the fair value through profit or loss on equity instrument in Campana Group Pte. Ltd. in Q3-2022.

Equipment for lease increased by 148.9 MB, representing an increase of 75.4% because during in Q3-2022, 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.

Deferred tax assets increased by 30.2 MB, representing an increase of 29.2% mainly due to the recording of deferred tax assets from the allowance for expected credit losses and the fair value adjustments through profit or loss on additional financial assets in Q3-2022

Liabilities Items that has significant changes	Balance by Quarter		Change	
	Q3-22	Q4-21	Q3-22 VS Q4-21	
	(MB)		(MB)	%
Trade and other payables	985.6	790.8	194.8	24.6
Unbilled payables	748.0	896.1	(148.1)	(16.5)
Contract liabilities	285.1	405.9	(120.8)	(29.8)
Other current liabilities	104.5	133.3	(28.8)	(21.6)
Liabilities under financial arrangement agreements - net of current portion	139.1	118.0	21.1	17.9
Total liabilities	2,620.3	2,690.9	(70.6)	(2.6)

Liabilities

As of September 30, 2022, the Company's total liabilities decreased by 70.6 MB or 2.6% from December 31, 2021, the reasons for major changes are as follows:

Trade and other payables increased by 194.8 MB, representing an increase of 24.6% because during in Q3-2022, the Company has invested in new projects that are in progress. In addition, Accounts payable for unbilled costs has issued an invoice for payment 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 decreased by 148.1 MB, representing a decrease of 16.5% because at the end of Q3-2022, the Company invoiced some unbilled payables resulting in unbilled payables decreased. Meanwhile, trade and other payables increased.

Contract liabilities decreased by 120.8 MB, representing a decrease of 29.8% because during in the nine months period of 2022, the Company has gradually delivered projects that had received advance payments from customers. As a result, Contract liabilities decreased.

Other current liabilities decreased by 28.8 MB, representing a decrease of 21.6% 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 21.1 MB, representing an increase of 17.9% because during in the nine months period of 2022, the Company has entered into additional financial agreements in order to increase liquidity for new project.

Shareholders' Equity

As of September 30, 2022, the Company's shareholder equity increased by 565.4 MB, representing an increase of 18.5% of December 31, 2021. The increase in shareholder equity is from the following major changes:

shareholders' equity Items that has significant changes	Balance by Quarter		Change	
	Q3-22	Q4-21	Q3-22 VS Q4-21	
	(MB)		(MB)	%
Share Subscriptions received in advance from exercise of warrants	599.0	-	599.0	100.0
Retained earnings - Unappropriated	1,561.2	1,594.9	(33.7)	(2.1)
Total shareholders' equity	3,626.6	3,061.2	565.4	18.5

Share Subscriptions received in advance from exercise of warrants increased by 599.0 MB, representing an increase of 100% because the Company received advance payment for shares subscriptions in Q3-2022 from the exercise of 299,520,866 warrants at a price of 2 baht per share, with a par value of 1 baht per share. The Company registered the increase in its paid-up share capital with the Department of Business Development, Ministry of Commerce on 6 October 2022.

Retained earnings - Unappropriated decreased by 33.7 MB, representing a decrease of 2.1% due to the annual dividend payment in Q2-2022 and the interim dividend payment in Q3-2022 which decreases the profit from operations in nine-months 2022.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized signature on behalf of the Company