



AIT (VP-SEC) 030E/2019

November 7, 2019

Subject: Management's Discussion and Analysis of Operating Results for Q3-2019

To: The President of The Stock Exchange of Thailand

Summary of Operations Q3- 2019

	Balance by Quarter			Change			
	Q3-19	Q2-19	Q3-18	Q3-19 VS Q2-19		Q3-19 VS Q3-18	
	(Million Baht: MB)			(MB)	%	(MB)	%
Total Revenue	1,799.1	1,730.1	1,053.3	69.0	4.0	745.8	70.8
Total Operating Expenses	1,677.5	1,628.5	965.5	49.0	3.0	712.0	73.7
Profit for the period	86.6	69.8	61.8	16.8	24.1	24.8	40.1

In Q3-2019, the company's total revenue increased from Q2-2019 and Q3-2018, representing an increase of 69.0 MB and 745.8 MB or increase of 4.0% and 70.8%, respectively. This is because the Company had delivered many large-scale projects which had been ongoing from Q1-2019 and Q2-2019, such as the High-Speed Internet Service Project in Remote Area and The New Parliament Project in Information and Communication Technology. In addition, there are some large-scale projects which had just received and delivered in Q2-2019, such as the Project of Ministry of higher Education, Science, Research and Innovation. Therefore, the total revenue significantly increased from Q3-2018.

In terms of total operating expenses increased in line with the company's revenue. Comparing the total revenue and the total operating expenses in Q3-2019 with Q2-2019 and Q3-2018 showed that the change rate had increased in the same direction and with similar rate.

The profit in Q3-2019 varied with the company's revenue which increased in the same direction with the increased in revenue. However, when compared to the Q2-2019, it found that the increased rate of the profit was higher than the increased rate of the revenue due to the higher revenue and the slightly higher gross profit margin. Comparing the profit in Q3-2019 with Q3-2018, the increased rate of profit was lower than the increased rate of revenue because the gross profit margin in Q3-2019 was lower than the Q3-2018. Consequently, many large-scale projects delivered in Q3-2019 were low gross profit margin.

Operating Results and Capabilities to Make Profit

Performance from revenues, costs and expenses which has significant impact in Q3-2019 can be shown in the following table:

	Balance by Quarter			Change			
	Q3-19	Q2-19	Q3-18	Q3-19 VS Q2-19		Q3-19 VS Q3-18	
	(Million Baht: MB)			(MB)	%	(MB)	%
Revenue from Sales, Service and Construction contracts	1,745.2	1,699.0	1,006.7	46.2	2.7	738.5	73.4
Cost of Sales, Service and Construction contracts	1,516.0	1,479.0	819.3	40.0	2.7	696.7	85.0
Administrative expenses	98.9	90.7	78.4	8.2	9.0	20.5	26.1

Revenues and Costs of Sales, Services and Construction contracts

The results of operations of the Company in Q3-2019, with revenues from sales and services, greatly increased from Q3-2018 representing of 738.5 MB or increase of 73.3%. Due to during Q3-2019, the Company had delivered many the large-scale project, such as the New Parliament Project in Information and Communication Technology, the High-Speed Internet Service Project in Remote Area and the Project of Ministry of higher Education, Science, Research and Innovation. As the result, The Company had a higher income in Q3-2019 when compared to Q3-2018

In term of cost of Sales, Services and Construction contracts in Q3-2019 varied in line with the revenue. However, the increased rate of the cost of Sales and Service was higher than the increased rate of the revenue when compare to Q3-2019 with Q3-2018, it found that the increased rate of cost was 85.0% while the increased rate in revenue was 73.4%. As a result, many large-scale projects which were recognized revenue during the nine-month period of the year 2019 that it had relatively low gross margins.

Administrative Expenses

Administrative Expenses of Q3-2019 increased from Q3-2018, mainly due to the allowance for doubtful accounts for the trade receivables which were expected to be unable to pay in Q3-2019.

Financial Analysis of the company

As of September 30, 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	
	Q3-19	Q4-18	Q3-19 VS Q4-18	
	(MB)		(MB)	%
Cash and cash equivalent	244.7	1,265.8	(1,021.1)	(80.7)
Trade receivables	1,271.6	1,500.2	(228.6)	(15.2)
Unbilled receivables	1,977.5	560.2	1,417.3	252.9

Assets Items that has significant changes	Balance by Quarter		Change	
	Q3-19	Q4-18	Q3-19 VS Q4-18	
	(MB)		(MB)	%
Inventories	1,523.2	268.0	1,255.2	468.4
Advance payment for products and services	47.1	-	47.1	100.0
Other Current Assets	167.1	186.8	(19.7)	(10.5)
Investments in joint ventures	40.2	71.7	(31.5)	(43.9)
Deferred tax assets	65.3	45.2	20.1	44.5
Other non-current assets	15.3	33.1	(17.8)	(53.8)
Total Assets	5,675.8	4,272.8	1,403.0	32.8

Assets

As of September 30, 2019, the Company's total assets increased by 1,403.0 MB, representing an increase of 32.8% from 31 December 2018. The increase in total Assets is from the following major changes:

Cash and cash equivalent in Q3-2019 decreased by 1,021.1 MB, or 80.7%, the main reason is in the year 2019, the Company has invested in many large-scale projects that were still in operation; as the result, cash and cash equivalents decreased.

Trade receivables decreased by 228.6 MB or 15.2% due to receiving payments from trade receivables. In addition, there were many large-scale projects that had been recognized the revenue by completed of work but not yet reached the invoice. As the result, the trade receivables decreased but the unbilled receivables increased.

Unbilled receivables increased 1,417.3 MB or 252.9%, because the large-scale projects had been implemented and recognized the revenue by completed of work, such as the New Parliament Project in Information and Communication Technology, the High-Speed Internet Service Project in Remote Area which they had not yet reached the invoice. As the result, the unbilled receivables increased.

Inventories increased by 1,255.2 MB, representing an increase of 468.4% because in Q3-2019, there were the investment on many large-scale projects such as the New Parliament Project in Information and Communication Technology, the High-Speed Internet Service Project in Remote Area and the E-ticket project of the Transport Computer Services Company Limited. Those projects were in the process of operation.

Advance payment for products and services increased by 47.1 MB, representing an increase of 100% because the advance payment for products and services in the nine-month period of the year 2019 was made, especially, to the Aluminum ingot for the fabrication project of the Provincial Electricity Authority.

Other current assets increased by 19.7 MB or representing an increase of 10.5%, mainly due to the gradual recognition of advance maintenance expenses that those covers the service periods within 1 year, which becomes to be expenses during the nine-month period of the year 2019.

Investments in joint ventures decreased by 31.5 MB or decrease of 43.9%, due to the recognition of share of loss from the joint venture in during the nine-month period of the year 2019.

Deferred tax assets increased by 20.1 MB or an increase of 44.5 due to the deferred tax from the recording of allowance for doubtful accounts and the provision for penalty on projects delay in Q3–2019.

Other non-current assets decreased by 17.8 MB or decrease of 53.8%, due to the reduction of maintenance project which was paid in advance covering part of the service periods over 1 year.

Assets Items that has significant changes	Balance by Quarter		Change	
	Q3–19	Q4–18	Q3–19 VS Q4–18	
	(MB)		(MB)	(MB)
Short-term loans from financial institutions	700.0	-	700.0	100.0
Trade and Other Payables	524.9	642.8	(117.9)	(18.3)
Unbilled payables	552.0	482.6	69.4	14.3
Current portion of liabilities under financial arrangement agreements	46.3	29.1	17.2	59.1
Income tax payable	19.3	-	19.3	100.0
Advanced receipts from customers	753.4	94.5	658.9	697.2
Provision for penalty on projects delay	115.6	90.8	24.8	27.3
Other current liabilities	39.1	60.0	(20.9)	(34.8)
Liabilities under finance lease agreements, net of current portion	71.6	44.0	27.6	62.7
Total liabilities	2,915.8	1,528.1	1,387.7	90.8

Liabilities

As of September 30, 2019, the Company's total liabilities increased by 1,387.7 MB or 90.8% from December 31, 2018, the reasons for major changes are as follows:

Short-term loans from financial institutions increased by 700.0 MB, representing an increase of 100.0% from Q4–2018. This is because the nine-month period of the year 2019, there were an investment in many large-scale projects that those were in the process of delivering and inspecting. Therefore, those investments require funding from financial institutions

Trade and Other Payables decreased by 117.9 MB, representing a decrease of 18.3% from Q4–2018. This is because in Q3–2019, the Company had made payment to the trade payable. In addition, the delivered of many large-scale projects had some cost which had not received the invoice from suppliers. With above factor, the trade accounts payable decreased.



Unbilled payables increased by 69.4 MB, or representing an increase of 14.3% from Q4–2018 the reason is that in Q3–2019, the Company had delivered many large-scale projects but some project costs had not received the invoice from suppliers. As the result, the unbilled payables increased while the trade Payables decreased.

Current portion of liabilities under financial arrangement agreements increased by 17.2 MB or representing an increase of 59.1% because in Q3–2019, the Company had requested a loan under financial arrangement agreements to be suitable of the project with long billing periods.

Income tax payable increased by 19.3 MB, or representing an increase of 100.0%, the reason is that in the year 2018, the withholding tax was higher than an income tax resulting in no income tax payable. While in nine-month period, the Company's net profit and income tax was higher than its withholding tax resulting in accrued income tax payable.

Advanced receipts from customers increased by 658.9 MB, representing an increase of 697.2% from Q4–2018, due to the receiving advance payment from the large-scale project which had implemented in the nine-month period of the year 2019, especially from the New Parliament Project in Information and Communication Technology.

Provision for penalty on projects delay increased by 24.8 or 27.3%, mainly due to the recording of provision for penalty on projects delay for the project submitted to customer which did not deliver on time.

Other current liabilities decreased by 20.9 MB, representing a decrease of 34.8%, mainly because of the decrease of output tax in December 2018 and the payment was made in January 2019. However, In September 2019, the Company had more input tax than the output tax due to the investment in the project which was operating. Therefore, the output tax in Q3–2019 decreased.

Liabilities under finance lease agreements, net of current portion increased by 27.6 MB, representing an increase of 62.7%, due in Q3–2019, the Company had requested a loan under financial arrangement agreements to be suitable of the project with long billing periods.

Shareholders' Equity

As of June 30, 2019, the Company had total equity equals to 2,760.0 MB, an increase by 15.3 MB from as at December 31, 2018, which equals to 2,744.7 MB, an increase of 0.6% by the increase came from operations in the nine-month period of the year 2019 which decrease by the annual dividend payment in Q2–2019 and the interim dividend payment in Q3–2019.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized signature on behalf of the Company