

February 13, 2020

Subject: Management's Discussion and Analysis of Operating Results for the year 2019 and Q4-2019

To: The President of the Stock Exchange of Thailand

**Summary of operations and the factors that make a significant change**

**Summary of Operations for the Year 2019**

Topic	Annual Balance		Change	
	2019	2018	2019 VS 2018	
	(MB)		(MB)	%
Total Revenue	7,076.7	4,237.6	2,839.1	67.0
Total Operating Expenses	6,532.6	3,887.7	2,644.9	68.0
Profit (Loss)	392.1	236.8	155.3	65.6

For the Company's performance in 2019, the Company had achieved the highest total revenue since the establishment of the Company. In fact, the majority of the company's revenue was revenue from sale and service. In 2019, the Company had received many large-scale projects from government agencies and state enterprise in which some projects were postponed bidding from previous years. In the year 2019, the Company had delivered large-scale project more than 1,000 MB, which was the largest-scale project that the Company had ever received before, as well as there were many large projects which their value were more than 100 MB such as The New Parliament Project in Information and Communication Technology, the High-Speed Internet Service Project in Remote Area and the Core and Access Switch for Core Network Replacement and SDN project. Therefore, the total revenue increased while the total operation expenses and the net profit increased in the same rate with the increased revenue.

Topic	Annual Balance		Change	
	2018	2017	2018 VS 2017	
	(MB)		(MB)	%
Sales and Services Income	6,903.4	4,042.6	2,860.8	70.8
Rental income form equipment for lease	118.9	141.0	(22.1)	(15.7)
Cost of Sales and Service	5,882.8	3,301.1	2,581.7	78.2
Cost of equipment for lease	59.1	89.4	(30.3)	(33.9)
Selling Expenses	215.3	185.0	30.3	16.4
Administrative Expenses	375.4	312.2	63.2	20.2

Considering each type of income, the revenues from sales and services of the year 2019 increased from 2018, the main reason is that the receiving of large-scale project came from project that postponed procurement process from previous years. The Company had delivered 7 large-scale projects with their value were more than 100 MB, resulting in total revenue from those large-scale project of approximately 3,212.7 MB, such as The New Parliament Project in Information and Communication Technology, the High-Speed Internet Service Project in Remote Area. However, some large-scale projects have relatively low gross profit margin due to the high competition. Those can be shown from the increased rate of cost of sales and services higher than the increased rate of revenue.

In 2019, the rental income form equipment for lease decreased from 2018. This is because some projects of the equipment for lease had expired and did not renew their contracts. As the cost of equipment for lease, it found that the decreased rate in cost of equipment for lease was higher than the decreased in revenue. It shows that the gross profit margin of equipment for lease of the year 2019 was higher, since some projects of equipment for lease have already been depreciated but those have been extended.

Selling and administrative expenses for the year 2019 increased in the same direction as the increased revenue but the increased rate of those were less than the increased of revenue, since the increased revenue can cover some fixed cost, which can be compensated with low gross profit in 2019.

#### Summary of Operation for Q4-2019

Topic	Outstanding by Quarter			Change			
	Q4 – 19	Q3 – 19	Q4 – 18	Q4 – 19 VS Q3 – 19		Q4 – 19 VS Q4 – 18	
	(MB)			(MB)	%	(MB)	%
Total Revenue	2,280.7	1,799.1	1,109.5	481.6	26.8	1,171.2	105.6
Total Operating Expenses	2,103.6	1,677.5	1,045.9	426.1	25.4	1,057.7	101.1
Profit (Loss)	132.8	86.6	35.5	46.2	53.3	97.3	274.1

In Q4–2019, the Company’s total revenue increased from Q3–2019 and Q4–2018 representing an increase of 481.6 MB and 1,171.2 MB or increase of 26.8% and 105.6%, respectively. This is because the Company had delivered many large-scale projects which had been ongoing from Q2–2019 and Q3–2019, such as the High-Speed Internet Service Project in Remote Area and The New Parliament Project in Information and Communication Technology. Furthermore, there were some large-scale projects which had just received and delivered in Q3–2019, such as the Network development project and the Improve the efficiency of the remote communication network system project of Bank for Agriculture and Agricultural Cooperatives, and the Equipment trading project of Krungthai Bank; Firewall, Network, Network MGT, IPS and VPN. Therefore, the total revenue significantly increased from Q4–2018.

In terms of total operating expenses increased in line with the Company's revenue. Comparing the total revenue and the total operating expenses in Q4-2019 with Q3-2019 and Q4-2018 showed that the change rate had increased in the same direction and with similar rate.

The profit of the Q4 – 2019 increased in alignment with the company's revenue. However, when compared to the Q3-2019 and the Q4-2018, it found that the increased rate of the profit was higher than the increased rate of the revenue. This is because some selling and administrative expenses were fixed cost. When the revenue increases, resulting in the increased rate of Selling and administrative expenses were less than the increased rate of revenue.

### Operating results and Profitability

Revenues, costs and expenses that have significant change in Q4-2019 can be shown in the table below:

Topic	Outstanding by Quarter			Change			
	Q4 – 19	Q3 – 19	Q4 – 18	Q4 – 19 VS Q3 – 19		Q4 – 19 VS Q4 – 18	
	(MB)			(MB)	%	(MB)	%
Revenue from Sales and Services	2,236.8	1,745.2	1,066.8	491.6	28.2	1,170.0	109.7
Cost of Sale and Service	1,902.1	1,516.0	872.0	386.1	25.5	1,030.1	118.1
Selling Expenses	75.6	45.3	58.0	30.3	66.9	17.6	30.3

#### Revenue and Cost of Sales and Services

The performance of the Company in Q4-2019, with revenues from sales and services increased from Q3-2019 representing of 491.6 MB or increase of 28.2%, and increased from Q4-2018 representing of 1,170.0 MB or increase of 109.7%. 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 Network development project of Bank for Agriculture and Agricultural Cooperatives. As the result, the Company received a higher income when compared to Q3-2019 and Q4-2018.

In term of cost of Sales and Services of the Q4 – 2019 varied in line with the revenue. However, the increased rate of the cost of Sales and Service was less than the increased rate of the Q3-2019, another that the gross profit margin of the Q4 – 2019 was higher than those of the Q3 – 2019 due to the Provision for penalty on projects delay in Q3 – 2019, which was included in cost of sales and services. In Q4 – 2019, the increased rate of cost of sales and services was higher than the increased rate of revenue, when it compared to Q4 – 2018. This is because project bidding in 2019 had relatively low profit margins due to the high competition.

### Selling expenses

In Q4 – 2019, the selling expenses increased from Q3 – 2019 and Q4 – 2018 mainly due to the commission according to higher performance. In addition, the selling expenses increasing rate in Q4 – 2019 was higher than those in Q3 – 2019. This is because there were sales promotion expenses during the New Year festival in the 4thquarter of each year.

### Financial Analysis of the Company

As at December 31, 2019, the Company financial position change from that of December 31, 2018, is presented and explained the changes in the below table.

Assets Items which has significant changes	Outstanding by Quarter		Changes	
	Q4 – 19	Q4 – 18	Q4 – 19 VS Q4 – 18	
	(MB)		(MB)	%
Cash and Cash equivalents	190.2	1,265.8	(1,075.6)	(85.0)
Trade Account Receivables	2,268.6	1,500.2	768.4	51.2
Unbilled receivables	1,705.0	560.2	1,144.8	204.4
Inventories	745.9	268.0	477.9	178.3
Advances for goods and services	156.4	-	156.4	100.0
Other current assets	150.8	186.8	(36.0)	(19.3)
Investments in joint ventures	38.0	71.7	(33.7)	(47.0)
Equipment for Lease	120.6	97.6	23.0	23.6
Deferred tax assets	67.9	45.2	22.7	50.2
Other non-current assets	49.3	33.1	16.2	48.9
<b>Total Assets</b>	<b>5,728.6</b>	<b>4,272.8</b>	<b>1,455.8</b>	<b>34.1</b>

### Assets

As at December 31, 2019, the Company's total assets increased 1,455.8 MB or 34.1 percent from the date of December 31, 2018, by the increase in total assets was due to a significant increase or decrease of assets below.

Cash and cash equivalent of the Q4 – 2019 decreased by 1,075.6 MB, or 85.0%, the main reason is that 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 from the Q4–2018 when there was not an investment in the large-scale project.

Trade Receivables of the Q4 – 2019 increased by 768.4 MB or 51.2 percent from the year 2018, due to the decrease in revenue. Furthermore, the Company had the trade receivables that got a quite long credit term.



In addition, the Company had received the large project which had a long delivered period. As the result, the trade receivables in Q4 – 2019 decreased.

Unbilled receivables of the Q4 – 2019 increased 1,144.8 MB or 204.4%, because the large-scale projects had been implemented and recognized the revenue by completed of work, such as some part of the New Parliament Project in Information and Communication Technology, the High-Speed Internet Service Project in Remote Area and the project to bring the communication system underground in Bangkok area. However, those projects had not yet reached the invoice. As the result, the unbilled receivables increased from Q4 – 2018.

Inventories of the Q4 – 2019 increased by 477.9 MB, representing an increase of 178.3% because in 2019, the Company had received many large-scale projects which took longer to process than the short-term project. As a result, at the end of the Q4 – 2019, the Company had quite a lot of the equipment and the work in process waiting to be delivered according to the period. Therefore the inventories of the Q4 – 2019 increased when compared to the Q4 – 2018

Advances for goods and services of the Q4 – 2019 increased by 156.4 MB or 100% from the year 2018, due to the New Parliament Project in Information and Communication Technology, which it was a large scale-project that the Company has to pay an advance payment for goods and services to suppliers in order to buy the products.

Other current assets of the Q4 – 2019 decreased 36.0 MB or 19.3 percent, mainly due to the maintenance fee, which had been a rather long warranty period of more than 1 year. It has been shown in the other non-current asset, and also cause by the prepaid expenses brought from 2018 and amortized in 2019.

Investments in joint ventures decreased by 33.7 MB or decrease of 47.0%, due to the recognition of share of loss from joint venture 's performance in during the year 2019

Equipment for lease of the Q4 – 2019 increased by 23.0 MB or 23.6 percent, due to the additional investment in new equipment rental project, which deducts from equipment depreciation during the year.

Deferred tax assets of the Q4 – 2019 increased by 22.7 MB or 50.2 percent, mainly due to the increased deferred income tax for allowance for doubtful accounts and the provision for penalty on projects delay, which those additional recorded during the year 2019. And the effect of adoption of the financial reporting standard regarding revenue from contracts with customers.

Other non-current assets in Q4 – 2019 increased by 16.2 MB or decrease of 48.9%, due to the increment of maintenance project which was paid in advance covering part of the service periods over 1 year.

Liabilities Items which has significant changes	Outstanding by Quarter		Changes	
	Q4 – 19	Q4 – 18	Q4 – 19 VS Q4 – 18	
	(MB)		(MB)	%
Short-term loans from financial institutions	400.0	-	400.0	100.0
Trade and other payables	738.5	642.8	95.7	14.9
Unbilled payables	713.5	484.0	229.5	47.4
Current portion liabilities under financial arrangement agreements	42.6	29.1	13.5	46.4
Income tax payable	32.4	-	32.4	100.0
Advanced receipts from customers	544.5	94.5	450.0	476.2
Provision for penalty on projects delay	115.5	90.8	24.7	27.2
Other current liabilities	95.0	60.0	35.0	58.3
Liabilities under financial arrangement agreements	62.9	44.0	18.9	43.0
Provision for long-term employee benefits	97.8	83.0	14.8	17.8
<b>Total Liabilities</b>	<b>2,842.7</b>	<b>1,528.1</b>	<b>1,314.6</b>	<b>86.0</b>

#### Liabilities

As at December 31, 2019, the Company's total liabilities decreased by 1,314.6 MB or 86.0 percent from the date of December 31, 2018, the increases in total liabilities came from major changes of the following:

In Q4 – 2019, Short-term loans from financial institutions increased by 400.0 MB, representing an increase of 100.0% from Q4–2018. Due to during in 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. While in Q4–2018, there was not a large-scale project received so the working capital in the company was sufficient.

Trade and other payables of the Q4 – 2019 increased by 95.7 MB or 14.9 percent from the Q4 – 2018, the same as the unbilled payables of the Q4 – 2019 increased by 229.5 MB or 47.7 percent from the Q4 – 2018. This is because in 2019, many large-scale projects were being processed or waiting to deliver. The cost of sales and services occurred even though the invoice had not been received and already been received from the increased service providers according to project size. As the result, Trade and other payables and Unbilled payables of the Q4 – 2019 increased.

Both current portion liabilities under financial arrangement agreements and net of current portion of the Q4 – 2019 increased by 32.4 MB or representing an increase of 44.2% because during in 2019, the Company had requested a loan under financial arrangement agreements to be suitable of the project with long billing periods.



Income tax payable of the Q4 – 2019 increased by 32.4 MB, or representing an increase of 100.0%, this is because in Q4 – 2018, the withholding tax was higher than an income tax resulting in no income tax payable. While in 2019, the Company's net profit and income tax was higher than its withholding tax resulting in accrued income tax payable.

Advanced receipts from customers of the Q4 – 2019 increased by 450.0 MB, representing an increase of 476.2% from Q4–2018, due to the receiving advance payment from the large-scale project of the year 2019, especially from the New Parliament Project in Information and Communication Technology.

Provision for penalty on projects delay of the Q4 – 2019 increased by 24.7 or 27.2%, mainly because the recording of provision for penalty on projects delay for the project submitted to customer did not deliver on time.

Other current liabilities of the Q4 – 2019 increased from the Q4 – 2018 representing by 35.0 MB or 58.3%, mainly due to the increased unpaid output tax of service income, which was in the process of payment.

Provision for long-term employee benefits of the Q4 – 2019 increased from the Q4 – 2018 representing by 14.8 MB or 17.8%, because the change rates for the employer terminates the employment for the employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. And also at the end of the year 2019, the discount rate for calculating liabilities with long-term employee benefits which was based on the interest rate of the long-term bonds had decreased. Therefore, Provision for long-term employee benefits of the year 2019 increased.

#### **Shareholders' Equity**

As at December 31, 2019, the Company's Shareholders' equity equal to 2,885.9 MB, an increase of 141.2 MB from the date of December 31, 2018, which is equal to 2,744.7 MB, an increase of 5.1 percent by the increase came from operation of the year 2019 which decreased by the annual dividend payment in Q2-2019 and interim dividend payment in Q3-2019.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized Signature on behalf of the Company