



AIT (VP-SEC) 017E/2020

May 11, 2020

Subject: Management's Discussion and Analysis of Operating Results for Q1-2020

To: The President of The Stock Exchange of Thailand

**Summary of Operations Q1- 2019**

	Balance by Quarter			Change			
	Q1-20	Q4-19	Q1-19	Q1-20 VS Q4-19		Q1-20 VS Q1-19	
	(Million Baht: MB)			(MB)	%	(MB)	%
Total Revenue	1,231.7	2,280.7	1,266.5	(1,049.0)	(46.0%)	(34.8)	(2.7%)
Total Operating Expenses	1,148.8	2,103.6	1,123.0	(954.8)	(45.4%)	25.8	2.3%
Profit for the period	59.7	132.8	102.8	(73.1)	(55.0)%	(43.1)	(41.9)%

Overall, the global economy is likely to slow down significantly due to the pandemic of COVID-19, which has a severe impact on tourism, production, exports and private consumption. Private investments tend to decline in 2020, according to both domestic and international demand. For Government expenses, in both consumption and investment are still expanding and also an important driving factor of the Thai economy. The government agencies have accelerated the procurement process to be shorter for faster disbursements. And also to compensate the Annual Budget Expenses that was announced late in the previous period. The Company foresees the opportunities from stimulating expenses through government projects, even during the economic crisis as a result of the pandemic of COVID-19.

In Q1-2020, the company's total revenue decreased form Q4-2019, representing a decrease of 1,049.0 MB or 46.0% and slightly decreased compared to Q1-2019 by34.8 MB or 2.7%. This is because in Q4-2019, the Company had delivered many large-scale projects which are continually operated from Q2-2019 and Q3-2019. In terms of the revenue in Q1-2020, it is recognized from projects that have just been bidding at the end of 2019 and at the beginning of 2020 and also large projects which have been ongoing since the year 2019. However, the value of those projects decreased because the remaining project value declined. Furthermore, the company has been affected by the ongoing outbreak of COVID-19, causing many customers to delay the delivery of equipment or project until this situation can be controlled. Therefore, the operations and delivered projects are delayed, resulting in the decrease of revenue in Q1-2020.

In terms of total operating expenses in Q1-2020, it decreased in line with the decreased in revenue. Comparing Q4-2019 showed that the total operating expenses in Q1-2020 have a similar decrease rate. This is because the gross profit margin of the delivered projects in Q1-2020 is higher than those in Q4-2019 while the total revenue in Q4-2019 is

much higher than Q1–2020, therefore its total revenue can cover more fixed expenses. As the result, the change rate in total operating expenses is similar.

In terms of the profit of the Company for Q1–2020, it has a lower change rate than the change rate in revenue when compare to Q4–2019, despite the similar change rate in total operating expenses since the total revenues of Q4–2019 is extremely higher than those of Q1–2020. As the result, the change rate of profit in Q1–2020 is lower than the decreased rate of the revenue. Compare to the profit of Q1–2020 and Q1–2019, it found that the decreased rate of the profit is higher than the decreased rate of the revenue, this is because the gross margin of the delivered project in Q1–2019 is higher than its in Q1–2020. In addition, selling and administrative expenses in Q1–2020 slightly increased from Q1–2019.

### Operating Results and Capabilities to Make Profit

Performance from revenues, costs and expenses which has significant impact in Q1-2020 can be shown in the following table:

	Balance by Quarter			Change			
	Q1–20	Q4–19	Q1–19	Q1–20 VS Q4–19		Q1–20 VS Q1–19	
	(Million Baht: MB)			(MB)	%	(MB)	%
Revenue from Sales, Service and Construction contracts	1,187.1	2,236.8	1,222.5	(1,049.7)	(46.9%)	(35.4)	(2.9%)
Cost of Sales, Service and Construction contracts	998.7	1,902.1	985.6	(903.4)	(47.5%)	13.1	1.3%
Selling expenses	52.0	75.6	50.1	(23.6)	(31.2%)	1.9	3.8%
Administrative expenses	79.7	111.6	74.1	(31.9)	(28.6)%	5.6	7.6%

#### Revenues and Costs of Sales, Services and Construction contracts

The results of operations of the Company in Q1–2020, which has revenues from sales, services and Construction contracts slightly decreased from Q1–2019 but it significantly decreased from Q4–2019, representing an increase of 35.4 MB and 1,049.7 MB, respectively. During in Q1–2020, the Company has the large–scale projects with continuous revenue recognition from the year 2019, such as the New Parliament Project in Information and Communication Technology and the High–Speed Internet Service Project in Remote Area. In addition, there are also many large-scale projects that have been bidding by the Government at the end of year 2019, such as the D–ticket Project of State Railway of Thailand. However, the ongoing outbreak of COVID–19 in the end of Q1–2020 caused many customers to delay the delivery of equipment or project until this situation can be controlled. Therefore, the revenue from Sales, Service and Construction contracts in Q1–2020 decreased. As the revenue from Sales, Service and Construction contracts in Q4–2019 was quite high when compare to those of the other quarters because it was the project delivery

period under the contract. In addition, since the beginning of the year 2019, the company has many large-scale projects. As result, the revenue is relatively high.

Cost of Sales, Services and Construction contracts for Q1-2020 decreased in line with the decreased in revenue. However, the decreased rate in expenses is higher than the decreased in revenue when compare to Q4-2019, this is because the gross margin of Q1-2020 was higher than those the Q4-2019.

#### **Selling and Administrative Expenses**

Selling and Administrative Expenses of Q1-2020 decreased in line with the decreased in revenue. When compare to Q4-2019, it found that the decreased rate in expenses is lower than the decreased in revenue, this is because the revenue in Q4-2019 was very high that it can be cover fixed cost. While the revenue in Q1-2020 decreased but this is still the fixed costs such as employee salaries, therefore the decreased rate in expense was lower than the decrease rate in revenue.

#### **Financial Analysis of the company**

As of March 31, 2020, the Company has financial position that changed from its financial status as of December 31, 2019. The changes are described as follows:

Assets Items that has significant changes	Balance by Quarter		Change	
	Q1-20	Q4-19	Q1-20 VS Q4-19	
	(MB)		(MB)	%
Cash and cash equivalent	357.1	190.2	166.9	87.7%
Trade and other receivables	2,512.5	2,268.6	243.9	10.8%
Inventories	1,244.8	745.9	498.9	66.9%
Advance payment for products and services	82.2	156.4	(74.2)	(47.4%)
Other Current Assets	201.9	150.8	51.1	33.9%
Right of Use Assets	23.6	-	23.6	100.0%
<b>Total Assets</b>	<b>6,698.0</b>	<b>5,728.6</b>	<b>969.4</b>	<b>16.9%</b>

#### **Assets**

As of March 31, 2020, the Company's total assets increased by 969.4 MB, representing an increase of 16.9% from 31 December 2019. The increase in total Assets is from the following major changes:

Cash and cash equivalent increased by 166.9 MB, representing an increase of 87.7% the main reason is that in Q1-2020, the Company received payment from trade accounts receivable but have not paid trade accounts payable since they are not due yet , as the result, cash and cash equivalents increased.

Trade and other receivables increased by 243.9 MB, representing an increase of 10.8% due in Q1-2020 because many projects have been delivered and they are still in process the bill.

Inventories increased by 498.9 MB, representing an increase of 66.9% due to the investment on many large-scale projects in Q1-2020, such as the D-ticket Project of State Railway of Thailand, the New Parliament Project in Information and Communication Technology, the High-Speed Internet Service Project in Remote Area and the Wide Area Network Project of Bank for Agriculture and Agricultural Cooperatives, which those are still in process but not yet complete according to the achievement stage, therefore those projects cannot be delivered. In addition, the ongoing outbreak of COVID-19 has hindered operations, project delivery and inspections. As the result, many customers delay the delivery of project and equipment.

Advance payment for products and services decreased by 72.4 MB, representing an increase of 47.4% because in Q1-2020, the Company received the product that had been paid in advance, resulting in the advance payment for products and services decreased.

Other current assets increased by 51.1 MB or representing an increase of 33.9% due to an increase in purchase tax for investments in many large-scale projects in Q1-2020.

Right of Use Assets increased by 23.6 MB or representing an increase of 100.0% due to the implementation of TFRS16 in 2020. It requires the renter to recognize assets and liabilities for every lease with a lease period of more than 12 months, unless the underlying asset is low.

Assets Items that has significant changes	Balance by Quarter		Change	
	Q1-20	Q4-19	Q1-20 VS Q4-19	
	(MB)		(MB)	(MB)
Short-term loan from finance institution	950.0	400.0	550.0	137.5%
Trade and Other Payables	1,163.6	738.5	425.1	57.6%
Unbilled payables	628.4	713.5	(85.1)	(11.9%)
Other current liabilities	81.2	95.0	(13.8)	(14.5%)
Current portion of liabilities under lease agreements	16.2	-	16.2	100.0%
Provision for long-term employee benefits	130.5	97.8	32.7	33.4%
Total liabilities	3,767.0	2,842.7	924.3	32.5%

#### Liabilities

As of March 31, 2020, the Company's total liabilities increased by 924.3 MB or 32.5% from December 31, 2019, the reasons for major changes are as follows:

Short-term loan from finance institution increased by 550.0 MB, representing an increase of 137.5%, because during in Q1-2020, there are the investments in many large-scale projects which are in operation. Therefore, the company must use additional sources of funds from loans from finance institutions.



Trade accounts payable and other Payables increased by 425.1 MB, representing an increase of 57.6% because in Q1–2020, the Company had recently purchased products and services of the large-scale project that had not yet been due for payment, resulting in the increase of its trade accounts payable.

Unbilled Payables decreased by 85.1 MB, representing a decrease of 11.9%. The reason is that the delivered projects in the end of Q1–2020 have to slow down because the ongoing outbreak of COVID–19, resulting in obstacles to operations. Therefore, unbilled payables decreased when it compared to the Q4–2019.

Other current liabilities decreased by 13.8 MB, representing a decrease of 14.5%, mainly due to the decrease of sale tax and withholding taxes in December 2019 and it has already delivered in January 2020.

Current portion of liabilities under lease agreements increased by 16.2 MB, representing an increase of 100.0%, due to the implementation of TFRS16 in 2020.

Provision for long-term employee benefits increased by 32.7 MB, representing an increase of 33.4%, this is because the discount rate for calculating liabilities with long-term employee benefits which was based on the interest rate of the long-term bonds had very decreased. The Company has re-evaluated the provision for long-term employee benefits in Q1–2020. As result, the company has to provision more employee benefits.

#### **Shareholders' Equity**

As of March 31, 2020, the Company had total equity equals to 2,931.1 MB, an increase by 45.2 MB from as at December 31, 2019, which equals to 2,885.9 MB, an increase of 1.6% by the increase came from the profit from operations in Q1–2020.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized signature on behalf of the Company