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No. AQUA-115/SET-015/19

August 14, 2019

Subject Management Discussion and Analysis for three-month period ended 30 June 2019

To Director and Manager
The Stock Exchange of Thailand

As Aqua Corporation Public Company Limited (“Company / AQUA”) submitted the interim financial statements ended 30 June 2019 which was reviewed by the Company’s auditor, summarized as follows.

Million Baht	Quarter 2/2019	Quarter 2/2018	Changed (%)
1. Profit from the business operations	64.36	64.71	-0.54%
<i>1.1 Advertising media business</i>	36.23	18.57	95.10%
<i>1.2 Real estate for rent and services</i>	41.76	47.62	-12.31%
<i>1.3 Others</i>	(13.63)	(1.48)	>100.00%
2. Share of profits from the associates in proportion to the Company’s shareholding	50.10	3.35	> 100.00%
3. Non-recurring items			
<i>3.1 Write-off the fair value of assets at the acquisition date</i>	(3.36)	(3.36)	-
<i>3.2 Adjust employee benefits as the accounting standards No. 19</i>	(3.13)	-	100.00%
Net profit from consolidated financial statements	107.97	64.70	66.88%

The Company would like to explain the details of business and operating results of the AQUA group to enable the users to understand the Company’s financial statements as follows.

1. Investment in subsidiaries and associates

Companies	Shareholding (%)	Business	Investment Status
1. Aqua Ad PLC (AA)	99.99	Media	Subsidiary
2. Boardway Media Co., Ltd. (BWM)	99.99	Media	Subsidiary
3. M.I.S. Media Co., Ltd. (MIS)	99.99	Media	Subsidiary of AA
4. Mantra Asset Co., Ltd. (MANTRA)	99.99	Real estate for rent and service	Subsidiary
5. Thai Consumer Distribution Center Co., Ltd. (TCDC)	96.13	Warehouse for rent and service	Subsidiary
6. Accomplish Way Holdings Co., Ltd. (AWH)	99.99	Warehouse for rent and service	Subsidiary of TCDC
7. Eastern Printing PLC (EPCO)	40.08	Printing and Renewable Energy	Associate

2. Summary of income and profit from the business

The subsidiaries and associates have full income and share of income calculated from the shareholding of AQUA as follows.

Million Baht	Quarter 2/2019		Quarter 2/2018		
	Income	Full income	Share of income	Full income	Share of income
AA – Advertising media		87.76	87.75	86.61	86.60
BWM – Advertising media		112.74	112.73	77.25	73.39
TCDC – Warehouse		67.70	65.08	72.41	69.61
MA – Investment Property		16.57	16.57	16.29	16.29
EPCO – Electricity		281.56	112.85	138.94	53.98
EPCO – Printing		130.72	52.39	110.35	42.87
Total revenue		697.05	447.37	501.85	342.74

From the above share of income table, it was found that in Q2/2019, total share of income from all 5 businesses increased by 30.53% from 2018 with the main reasons from.

(1) Advertising media business, LED screen sales decreased by Baht 3.32 million that in 2019, there is no this transaction and service income increased by Baht 36.63 million or 22.35% compared to Q2/2018 divided the increasing as follows.

Type (Million baht)	Quarter 2/2019	Quarter 2/2018	Increase (decrease)	%
STATIC	85.91	91.91	(6.00)	-6.53%
LED	111.00	69.74	41.26	59.16%
PROJECT	3.58	2.21	1.37	61.99%
Total	200.49	163.86	36.63	22.35%

(2) Warehouse business decreased by Baht 4.71 million compared to Q2/2018, because a AWH's renter does not renew a contract and the Company is in the process of finding a new renter.

(3) Printing and renewable energy business had revenue increased by Baht 162.99 million or 65.38% compared to Q2/2018 (Details can be considered from the EPCO clarification letter).

Full net profit and share of profit calculated from the shareholding of AQUA as follows.

Million Baht	Quarter 2/2019		Quarter 2/2018		
	Net profit	Full profit	Share of profit	Full profit	Share of profit
AA – Advertising media		18.48	18.48	17.41	17.41
BWM – Advertising media		17.75	17.75	3.15	2.99
TCDC – Warehouse		34.65	33.31	40.35	38.79
MA – Investment Property		7.08	7.08	7.27	7.27
EPCO		125.01	50.10	8.62	3.35
Total net profit		202.97	126.72	76.80	69.81

Share of profit from 5 businesses increased by 81.52% from 2018, mainly from advertising media business and profit sharing from EPCO increase more than 100% (Details can be considered from the EPCO clarification letter).

Financial highlights of AQUA

Summarized consolidated statement of financial position

Million Baht	Jun 30, 2019	Dec 31, 2018	Changed
Cash and cash equivalents	84.73	43.89	40.84
Temporary investments - net	100.00	-	100.00
Trade and other receivables-net	324.35	337.65	-13.30
Investment in associates	1,052.01	984.66	67.35
Other long-term investments	29.90	29.90	-
Investment property	3,855.90	3,856.04	-0.14
Property, plant and equipment-net	1,222.59	1,156.46	66.13
Goodwill	385.92	385.92	-
Other current and non-current assets	126.41	67.11	59.30
Total assets	7,181.81	6,861.63	320.18
Overdrafts / short-term loans	40.00	126.27	-86.27
Trade and other payables	123.62	88.67	34.95
Loans from financial institutions	1,722.41	1,690.60	31.81
Debenture / Discounted bill of exchange	374.98	289.46	85.52
Liabilities under hire purchase agreements	104.80	2.41	102.39
Deferred tax liabilities and employee benefits	424.65	401.54	23.11
Other non-current liabilities	202.48	203.74	-1.26
Total liabilities	2,992.94	2,802.69	190.25
Paid-up capital	2,296.50	2,296.50	-
Treasury shares	-	(66.38)	66.38
Share premium	312.84	312.84	-
Other component	38.73	42.78	-4.05
Legal reserve	43.08	43.08	-
Retained earnings	1,435.38	1,360.43	74.95
Non-controlling interests	62.34	69.69	-7.35
Shareholders' Equity	4,188.87	4,058.94	129.93
Debt-to-equity ratio	0.71	0.69	0.02
Book value per share	0.90	0.87	0.03

Summary of cash flow statements for six-month period ended 30 June

Million Baht	2019	2018
Net cash received from (used in) operating activities	208.26	153.10
Net cash received from (used in) investment activities	(235.27)	(223.06)
Net cash received from (used in) financing activities	67.86	(144.89)
Cash and cash equivalents increased (decreased)	40.85	(214.85)

For 6 months of 2019, the Company had cash received from operations of Baht 208.26 million, from loan Baht 408.62 million, sell treasury shares and EPCO-W3 total of Baht 52.75 million, and dividends received from associated companies Baht 36.94 million representing total cash flow received of Baht 706.57 million. With cash flow paid on the purchase of shares in subsidiaries / associates of Baht 48.27 million, Dividend payment Baht 92.74 million, Deposit paid for business due diligence to invest Baht 38 million, Invest in short-term debt instruments Baht 100 million, Repayment of loan Baht 286.30 million, Investment in assets Baht 101.79 million, representing total money spent in various activities of Baht 667.10 million. Resulting in the cash flow of the year 2019 remaining approximately Baht 39.47 million.

Summarized consolidated statement of income for three-month period ended 30 June.

Million Baht	Consolidated financial statements			Separate financial statements		
	2019	2018	Changed	2019	2018	Changed
Sales and services income	284.77	255.89	28.88	-	-	-
Dividend received	-	-	-	55.56	25.99	29.57
Interest income	0.67	1.37	-0.70	11.86	13.29	-1.43
Others income	2.61	3.81	-1.20	4.21	4.55	-0.34
Total income	288.05	261.07	26.98	71.63	43.83	27.80
Cost of sales and services	(126.19)	(116.43)	9.76	-	-	-
Selling expenses	(11.24)	(8.56)	2.68	-	-	-
Administrative expenses	(53.11)	(37.81)	15.30	(21.68)	(12.02)	9.66
Share of profits from investments in associates	50.10	3.35	46.75	-	-	-
Financial cost	(23.86)	(23.36)	0.50	(10.00)	(8.71)	1.29
Income tax income (expense)	(15.78)	(13.55)	2.23	0.34	0.24	0.10
Net profit	107.97	64.71	43.26	40.29	23.34	16.95
Attributable to the non-controlling interests	1.22	1.60	-0.38	-	-	-
Net profit of AQUA	106.75	63.11	43.64	40.29	23.34	16.95

The operating results for three-month period ended 30 June 2019 compared to 2018, has the reasons for the changes as follows:

1. Total revenue increased by Baht 26.98 million from 2018 or 10.33% consisting of;
 - 1.1 Sales and services income increased by Baht 28.88 million which was increased from advertising media business of Baht 33.31 million and rental and warehouse services business decreased by Baht 4.71 million.
 - 1.2 Interest income and other income decreased by Baht 1.90 million.
2. Year 2019, the cost of service is 44.31% of service income and year 2018, the cost of service is 44.78% of service income which decreased slightly. Because in Q2/2019, the advertising media business managed to reduce costs by 2.96% from increased revenue and the warehouse rental business had cost increased by 4.66% due to a AWH's renter does not renew a contract.
3. Selling expenses increased by Baht 2.68 million compared to 2018, which was increased from revenue of advertising media business.
4. Administrative expenses increased by Baht 15.30 million compared to 2018, which was increased from normal staff expenses and adjustment of employee benefits as the Accounting Standard No. 19, included an increase from normal operations.
5. Share of profits from investments in associates increased by Baht 46.75 million from year 2018 because the net profit that is allocated to the Company increased of Baht 116.39 million. Reason for the increase of EPCO's profits can be considered from the information of EPCO.
6. Income tax (expenses) income increased by Baht 3.06 million and corporate income tax decreased by Baht 0.83 million.
7. AQUA's net profit increased by Baht 43.64 million from 2018 or 69.15%, mainly from the share of profits from investments in associated (EPCO) increased by Baht 46.75 million and others transaction as described above.

Please be informed accordingly,

Yours truly,

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