

AIT (VP-SEC) 026E/2017

7 November, 2017

Subject: Management's Discussion and Analysis of Operating Results for Q3-2017

To: The President of The Stock Exchange of Thailand

Summary of Operations Q3- 2017

	Balance by Quarter			Change			
	Q3-2017	Q2-2017	Q3-2016	Q3-2017 VS Q2-2017		Q3-2017 VS Q3-2016	
	(MB)			(MB)	%	(MB)	%
Total Revenue	1,633.1	1,345.4	1,144.5	287.7	21.3%	488.6	42.7%
Total Operating Expenses	1,465.3	1,202.7	1,007.9	262.6	21.8%	457.4	45.4%
Profit for the period	123.4	105.3	102.0	18.1	17.2%	21.4	20.1%

In Q3-2017, the Company's total revenue increased from Q2-2017 and Q3-2016, representing an increase of 287.7 MB and 488.6 MB, respectively, due to the auctioned projects, which were bid at the previous quarter, has gradually delivered in the Q3-2017. The overall economy expansion in Q3-2017 has continued to grow with driving force of the export of goods grew better and the tourism sector continues to expand. Including the private consumption and private investment has expanded. Also, the specifically investment expenditure for the Telecommunication Infrastructure Project of Ministry of Digital Economy and Society has been expanded. Meanwhile, the government investment slowed down because the government stimulated the economy from relatively high investment expenditure in 2016.

In terms of total operating expenses, it usually varies with changes in revenue. Total operating expenses of Q3-2017 increased from Q2-2017 and Q3-2016, representing an increase of 262.6 MB and 457.4 MB, respectively. The changes in total revenue of Q3-2017 and Q2-2016 increased in similar rate as the gross margin of the projects submitted was not that very different. However, the projects delivered in the Q3-2017 are projects with relatively high margins. As a result, the increase in total operating expenses in Q3-2017 was higher than the increase in total revenue.

The profit of Q3-2017 has increased in line with the increased revenue that compare with Q2-2017 and Q3-2016; however, such the increased rate of profit is less than the increased rate of revenue because the relatively low gross margins of the projects were delivered in Q2-2017.

Operating Results and Capabilities to Make Profit

Performance from revenues, costs and expenses which has significant impact in Q3-2017 can be shown in the following table:-

	Balance by Quarter			Changes			
	Q3-2017	Q2-2017	Q3-2016	Q3-2017 VS Q2-2017		Q3-2017 VS Q3-2016	
	(MB)			(MB)	%	(MB)	%
Revenue from Sales & Service	1,572.9	1,295.3	1,084.6	277.6	21.4%	488.3	45.0%
Cost of Sales & Service	1,300.3	1,047.7	818.1	252.6	24.1%	482.2	58.9%
Selling expenses	56.3	58.5	71.1	(2.2)	(3.8)%	(14.8)	(20.8)%
Administrative expenses	82.5	74.8	93.7	(7.7)	(10.3)%	(11.2)	(12.0)%

Revenues and Costs of Sales and Services

The results of operations of the Company in Q3-2017, with revenues from sales and installation and maintenance services, increased from Q2-2017 and Q3-2016 representing an increase of 277.6 MB and 488.3 MB respectively. This is because many large projects that generated revenue over 100 MB had delivered. And Most of revenues that were partially delivered in Q2-2017 and Q3-2017 came from the high value project called Internet Pracharat Project (Internet for Villages).

Costs of sales and services usually vary in line with changes in revenue. However, the cost of sales and services of Q3-2017 was very high, especially when compared to the cost of sales and services of Q2-2017 and Q3-2016, representing an increase of 252.6 MB or 24.1% and 482.2 MB or 58.9%, respectively. Meanwhile, the revenue in Q3-2017 when compared to Q2-2017 and Q3-2016 representing by 21.4% and 45.0%, respectively, because the gross margin of the large projects that delivered in Q3-2017 was rather low. In addition, the general projects delivered in Q3-2016 had relatively high margins, resulting in a very different rate of change in costs and revenues.

Selling Expenses of Q3-2017 was decreased from Q3-2016 representing decrease of 14.8 MB or 20.8% due to the decrease in the commission rate.

Administrative Expenses of Q3-2017 decreased from Q3-2016, representing decrease of 112.2 MB or 12.0%, because the reversal of doubtful accounts for long term receivables has been recorded in Q3-2016

Financial Analysis of the company

As of September 30, 2017, the Company has financial position that changed from its financial status as of December 31, 2016. The changes are described as follows:

Assets Items that has significant changes	Balance by Quarter		Changes	
	Q3-2017	Q4-2016	Q3-2017 VS Q4-2016	
	(MB)		(MB)	%
Cash and cash equivalent	1,258.8	1,873.9	(615.1)	(32.8)%
Current Investment – Trading Securities	-	25.2	(25.2)	(100.0)%
Trade and Other receivables	2,464.3	1,330.5	1,133.8	85.2%
Unbilled Receivables	309.6	432.7	(123.1)	(28.5)%
Inventories	325.4	268.8	56.6	21.1%
Other Current Assets	128.8	94.5	34.3	36.3%
Investment in Joint Ventures	111.6	75.5	36.1	47.8%
Investments in related party	85.0	-	85.0	100.0%
Equipment for lease	160.7	215.7	(55.0)	(25.5)%
Intangible assets	38.6	25.1	13.5	53.8%
Total Assets	5,055.7	4,511.8	543.9	12.1 %

Assets

As of September 30, 2017, the Company's total assets increased 543.9 MB, representing an increase of 12.1% from 31 December 2016. The increase in total Assets is from the following major changes:

Cash and Bank deposits in Q3-2017 decreased by 615.1MB, or 23.4 % the mainly reason is that the dividend payment for operation period of year 2016 and the interim dividend payment for operation period of year 2017 was paid during the nine-month period ended 30 September, 2017. In addition, the Company has invested in joint ventures and related parties. As a result, cash and cash equivalents decreased.

Current Investment – Trading Securities decrease in Q4-2016 representing a decrease of 25.2 MB or 100% because all securities the Company invested have repayment period within 3 months and there is no limitation of reimbursement. So this item is shown as Cash and cash equivalent.

Trade and other receivables increased by 1,133.8 MB, representing an increase of 85.2%, since the account receivables of the project during Q3-2017 that had delivered and the Company's account receivables increased, mainly

resulted from long payment process of customers which are state enterprises that usually take longer time for payment. As a result, the trade receivables of the Q3-2017 increased from Q4-2016.

Unbilled Receivables decreased by 123.1 MB, representing a decrease of 28.5% since Q3-2017 the Company has issued invoices to customers previously recognized as unbilled receivables in previous quarters. Therefore unbilled receivables decreased.

Inventories increased by 56.6 MB, representing an increase of 21.1% because in Q3-2017 the Company obtains new projects which were still work in progress and not yet completed for delivery.

Other current assets decreased by 34.3 MB or 36.3%, due to an increase in prepaid maintenance cost of the project during the nine-month period ended 30 September, 2017.

Investments in joint ventures increased by 36.1 MB or representing an increase of 47.8% because during the nine-month period ended 30 September, 2017, the Company has paid the investment in Loxley & AIT Holding of 25.0 MB and Campana Group Pte. Ltd., of 33.0 MB that decrease the recognition of loss on investments during the period of 21.9 MB

Investments in related parties increased by 85.0 MB or 100% because during Q2-2017, the Company paid additional investment in Campana Group Pte. Ltd., a company incorporated in Singapore and a company that Loxley & AIT Holding, has invested in its shares earlier.

Equipment for lease decreased by 55.0 MB or 25.5% mainly due to the depreciation and amortization of the operating leasehold rights during the period net of new project rental equipment during the period.

Intangible assets increased by 13.5 MB or 53.8% because the during nine-month period ended 30 September, 2017, the Company had developed program that improved efficiency in both internal and customer service.

Assets Items that has significant changes Assets	Balance by Quarter		Changes	
	Q3-2017	Q4-2016	Q3-2017 VS Q4-2016	
	(MB)		(MB)	%
Trade and Other Payables	1,393.8	630.2	763.6	121.2%
Unbilled Payables	451.0	569.8	(118.8)	(20.9)%
Income tax payable	18.7	32.3	(13.6)	(42.1)%
Advanced receipts from customers	106.2	50.8	55.4	109.1%
Other current liabilities	59.5	71.5	(12.0)	(16.8)%
Long-terms loans, net of current portion	-	29.0	(29.0)	(100.0)%
Liabilities under finance lease agreements, net of current portion	15.9	28.7	(12.8)	(44.6)%
Total liabilities	2,253.3	1,627.8	625.5	38.4%



As of September 30, 2017, the Company's total liabilities increased by 625.5 MB or 38.4% from December 31, 2016, The reasons for major changes are as follows:

Trade accounts payable and other Payables increased by 763.6 MB, representing an increase of 121.2% from Q4-2016. This is because in during the nine-month period ended 30 September, 2017, the company has invested in products and services in the projects and received the invoices from overdue costs carried forward from previous periods. In addition, the credit term of trade accounts payable of the large project is quite long. As a result, accounts payable increased.

Unbilled payables decreased by 118.8 MB representing decrease of 20.9% from Q4-2016. This is because in Q3-2017 had received the invoice of outstanding costs carried forward from the previous period. As a result, the unbilled payables have decreased.

Income tax payable decreased by 13.6 MB representing decrease of 42.1% due to the corporate income tax of the year 2016 and mid-year corporate income tax of the year 2017 had paid.

Advanced receipts from customers increased by 55.4 MB or representing the increase of 109.1% compared to the balance as at December 31, 2016. This is because during the nine-month period ended 30 September, 2017, the Company has received the advanced payment from the new project.

Others current liabilities decreased by 12.0 MB or representing decreased of 16.8% from Q4-2016 because the decrease of withholding tax waiting for delivery in December 2016 and delivered in January 2017.

Long-terms loans, net of current portion decreased by 29.0 MB or representing decreased of 100% from Q4-2016 due to the fact that during the nine-month period ended 30 September, 2017, the Company had paid repayment of long-term loans which was due and this long-term loan agreement will be due in 2018.

Liabilities under finance lease agreements, net of current portion decreased by 12.8 MB or representing decreased of 44.6% from Q4-2016 due to the fact that during the nine-month period ended 30 September, 2017, the Company had paid repayment in period time.

Shareholders' Equity

As of September 30, 2017, the Company had total equity equals to 2,802.4 MB, or a decrease of 81.6 MB from as at December 31, 2016, which equals to 2,884.0 MB, or a 2.8%, decrease from the dividend payment net of profit from operations in the nine-month period ended 30 September, 2017.

Sincerely yours,

(Ms. Sarin Chandranipapongse)

Company Secretary

Authorized signature on behalf of the Company