

2018 Management Discussion and Analysis

Performance Overview

In 2018, Samart Corporation Pcl., or SAMART, had a total revenue of 12,293 million baht. Decreased from 2017 by 6.38%. In 2018, the revenue from sales, contracted work and services decreased from 13,023 to 12,185 million baht or 6.43%. The decrease was due to reduced sales in the Digital business since last year the Company adjusted the business direction to be more stable and sustainable. From mainly mobile phone sales to full service Digital Network which has collaborated with CAT Telecom Public Company Limited to develop Digital Trunked Radio System (DTRS) that will be the business' future recurring income generator.

In 2018, the Company had 12,558 million baht of expenses, which decreased by 1,885 million baht or 13.05% from 2017. The Company had recorded the allowance for doubtful accounts by 929 million baht last year which mainly from the formerly Mobile business. The allowance for doubtful accounts was provided through an estimation of uncollectible receivables, which based on the Company's collection experience, analysis of debtors, and current status of receivables outstanding at balance sheets date. The management of the Company and its subsidiaries believe that the allowance for doubtful debts is reasonable and adequate. The gross profit margin was 20.13%, which increased from 16.74% of the preceding year. The Company's selling, distribution, administrative and other expenses were 2,823 million baht in total, which decreased by 776 million baht.

In 2018, there were 548 million baht of financial expenses in total, which increased by 12.70%. The Company loss in the shareholder part was 1,076 million baht. Decreased from the previous year due to the transformation in the Digital business.

Operational Outcome of the Company and Subsidiaries

In 2018, the Company earned 12,185 million baht from sales, contracted work and services. Decreased by 6.43% from the previous year.

Revenues from sales, contract works and services breakdown

Business	Revenue from sales, contract works and services in 2018 (million baht)	Revenue from sales, contract works and services in 2017 (million baht)	% Change
ICT Solution and Service	7,679	6,949	10.51%
Digital	744	1,334	-44.23%
Call Center	711	818	-13.08%
Utilities and Transportations	3,384	3,502	-3.37%
Technology Related Services	322	888	-63.74%
Adjustment and transactions	-655	-468	39.96%
Revenue from sales, contracted projects and services (before transactions)	12,185	13,023	-6.43%

ICT Solution and Service business (“SAMTEL”)

In 2018, ICT Solution and Service business had total of 7,679 million baht revenue from sales, contract works and services. Increased by 10.51% from the previous year. During the past year, SAMTEL signed the contracts in new projects in total of 6,960 million baht worth. Examples are 2,768 million baht on the development of the Land Information System (Phase 2) from Department of Lands, 972 million baht for the maintenance services of meters and accessories in Automatic Meter Reading (AMR) Phase 1 & 2 Project from Provincial Electricity Authority of Thailand and 994 million baht for the employment of efficiency improvement for real time charging system and the bandwidth expansion of Network connecting border and submarine cable station from CAT Telecom Public Company Limited. At the end of the year, there were still 7,693 million baht worth of backlog of which the revenue has not been realized.

Digital business (“SDC”)

The revenue decrease on sales, contract works, and services from the Digital business in 2018 resulted from the transformation of mobile business to full service of Digital Trunked Radio System (DTRS). The DTRS will focus on the government and stated-owned agency units which are much required on the network security and the one-to-many communication.

Call Center (“OTO”)

In 2018, One To One Contacts Pcl., or “OTO”, realized 711 million baht revenue from sales, contract works, and services. Decreased by 13.08% from the previous year because of the reduction in turnkey system design, development, and installation projects, fully outsourced contact center management service and maintenance service. The gross profit margin from last year was 15.38%. In 2019, the Company will still be focusing on abroad market expansion and offering new services to satisfy the customers.

Non-Listed business

Utilities and Transportations business

This year, the revenue from sales, contract works, and services has slice decreased from 3,502 million baht in the previous year to 3,384 million baht, or 3.37%. In 2018, the Cambodia Air Traffic Services Co., Ltd. or “CATS” continually sees the growth in flights from 109,060 to 123,820 flights, or 13.53% increased. Moreover the power substation business operated under Teda Company Limited also signed the contracts in new projects in total over 2,000 million baht worth.

Technology Related Services business

The revenue from sales, contract works, and services of Technology Related Service business decreased from 888 million to 332 million baht, or 63.74%, in 2018. The decrease was due to the revenue decrease from Vision and Security System Co., Ltd. that runs a security system and high-quality close-circuit camera installation business.

Financial Statement

Assets

As of 31 December 2018, the Company’s total asset has gone down to 21,467 million baht, a decrease of 742 million baht or 3.34% from the previous year. The current asset decreased by 1,693 million baht resulting in 12,149 million baht. This

is due to a reduction of trade receivables and other receivables. However, non-current asset increased from 8,368 to 9,319 million baht.

Cash and cash equivalents increased slightly from 2,646 to 2,671 million baht, or 0.95%.

Trade and Other Receivables

As of 31 December 2018, the corporate has a total of 4,017 million baht trade receivables, which is a decrease of 2,096 million baht from the previous year. The decrease was mainly due to the Digital business.

Debt-to-Equity Ratio

As of 31 December 2018, the D/E ratio (total debt divided by equity) has increased from 2.61 times from the previous year to 3.34 times while interest-bearing debt-to-equity ratio increased from 2.03 times to 2.34 times. The main reason was the decrease in equity.

Liquidity

As of 31 December 2018, the current ratio was 0.98 time, which slightly decreased from the previous year.

The Company has a total of 3,201 million baht resulting from operating activities, 2,317 million baht net cash flow spent on investment, and 904 million baht cash flow used in financing activities, resulting in cash and cash equivalents increasing by 25 million baht to 2,671 million baht this year.

Sources of Fund

As of 31 December 2018, the total equity of the Company and subsidiaries was 4,941 million baht. Decreased from the previous year 1,209 million baht, while the unappropriated retained earnings was 2,926 million baht.

The Company's total debt has slightly increased to 16,527 million baht or 2.90%.