

2Q 2015: Management Discussion and Analysis

2Q 2015 Highlights

The second quarter of 2015, Thai economy was still slowed down. The main drivers were from the tourism sector and the government budget disbursement. On another hand, the private investment and the country's export was still weak.

In this quarter, Samart Corporation Public Company Limited or "SAMART" recorded the total revenue for the three-month period of THB 4,917 million with net profit attributable to equity holders of the Company of THB 275 million.

SAMART's performance by business lines;

Samart Corporation PCL., divided its businesses into four lines of business

- 1.) Mobile Multimedia Business or "SIM"
- 2.) ICT Solutions and Services Business or "SAMTEL"
- 3.) Contact Center Business or "OTO"
- 4.) Non-listed Business

Mobile Multimedia Business

(Samart i-Mobile Pcl. or "SIM")

SIM continues to provide variety of products and services for end-users in telecommunication and multimedia industries. The Company still tries to offer the best to our existing and prospect customers through integrating and creating innovative products and services.

Handset Business: Our strategy is to provide the best devices to customers. This quarter, SIM sold the total of 834,607 units of handset with the average selling price (ASP) of THB 2,675. We launched ten models which are all smart phones and five of these are DTV integrated. SIM continues focusing on the strength in i-Style and IQ series. i-Mobile devices are well known for their better value-for-money which has been one of our core values in providing the best devices to customers. Compared to competitors, our devices always have better specifications; screen, performance, camera and battery, combining with new photographic technologies which is one of i-mobile main selling points.

Moreover, we have expanded our business to international markets. We have joined several international mobile exhibitions and identified prospect strategic partners.

Multimedia Business: Our content services continue to grow in terms of numbers of traffic, both for website and social media. We also have EDT free booklets and TV programs as communication channels with our customers. Other than these, we plan to publish EDT pocket books in the next quarter, which will be available at 7-Eleven. In addition, our mobile VAS service is arranging Lucky Draw Campaign with mobile operators, which will last until January next year.

ICT Solutions and Services

(Samart Telcoms Pcl. or "SAMTEL")

In this quarter, the new projects were signed with the total value of THB 1,430 million. The major projects sign were the Digital Trunked Radio System installation with Bangkok Metropolitan Administration (BMA) and the Communication Network improvement and development with Ministry of Interior etc. We believe that the government will speed up the government investment projects which affect to our potential projects are going to bid and sign in the second half of the year. By the end of 2Q2015, SAMTEL has total backlog worth THB 6,033 million.

Contact Center

(One to One Contacts Pcl. or "OTO")

In this quarter, OTO signed a several new projects together with renewal some existing projects with the total value worth over THB 120 million for example; the projects from Provincial Electricity Authority (PEA), Department of Tourism and the Royal Thai Police etc. By the end of 2Q2015, OTO has total backlog of THB 1,307 million.

Non-Listed Businesses

For non-listed businesses, there are divided into two lines of businesses which are technology related business and utilities and transportations business. However, our focus is to expand on utilities and transportations business. Currently, Samart U-Trans Co.,Ltd. or "SUT" is under study the possibility to do power plants both in Thailand and neighboring countries for waste power plant, coal fired power plant and hydro power plant. For waste power plant, SAMART

Waste2Power Co.,Ltd., a subsidiary of SUT, set up and invest in a new joint venture company named "Chiang Mai Waste2Power Co.,Ltd." with Mlink Energy Co.,Ltd. with an intention to expand our business into renewable energy. Chiang Mai Waste2Power will provide a professional waste management to Chiang Mai municipal and also produce and sell 6-8 MW of electricity by using waste (RDF: Refused Derived Fuel). Currently, we already signed an agreement with private company who owned and managed waste and landfill in Chiang Mai.

For coal fired power plant, currently, we already got an approval from Cambodia government to build 2,000 MW coal fired power plant in Kong Island. We are now under negotiation with EGAT (the purchaser of electricity) and expect to sign the MOU of tariff as soon as possible.

Apart from power plant business, Samart Engineering Co.,Ltd. or "SE", one of the companies under technology related businesses, sold over 300,000 units of set top box and over 100,000 units of antenna in the 2Q2015.

Financial Performance

Revenues

The consolidated sales and services revenues (after elimination of related parties transaction) in 2Q2015 were THB 4,861 million, dropped by 24.40% YoY mainly from the following reasons;

Mobile Multimedia Business

Sales and Services Revenues from Mobile Multimedia Business (after elimination of related parties' transaction) were THB 2,128 million, decreased by 38.39% YoY mainly from the declining in units of i-mobile handset sold in the quarter as the higher market competition in the industry and the domestic economic slowdown.

ICT Solution and Services Business

The revenues from sales and services (after elimination of related parties' transaction) were THB 1,482 million, dropped by 3.32% YoY caused from a decrease in revenue recognition from turnkey projects.

Non-Listed Businesses

The revenues from sales and services from non-listed businesses (after elimination of related parties' transaction) were THB 1,193 million, slightly dropped by 16.75% YoY. The drop in sales and services revenues mainly came from the decline in revenues from Vision and Security System Co., Ltd.

Cost of Sales and Services

Cost of sales and services decreased significantly by 25.09% YoY. The decrease in cost of sales and services were mainly due to the decrease in revenues. However, in this quarter, gross profit margin improved from 21.55% in 2Q2014 to 22.26% in this quarter.

Selling and Administrative Expenses

Selling and Administrative expenses were THB 618 million, dropped by 14.87% YoY due to lower dealer

incentive, advertising expense and also the after-sale service expense from Mobile Multimedia Business.

Finance Cost

Finance cost increased by 38.34% YoY mainly from a significant increase in finance cost from Mobile Multimedia Business.

Net Profit

Net profit attributable to the equity holders of the company was THB 275 million, fell by 33.32% YoY as a result of the lower net profit from SIM, SAMTEL and some business in non-listed businesses.

Financial Position

As of 30 June 2015, SAMART reported the total assets of THB 26,525 million, a slight decrease as compared to year end 2014.

The total liabilities jumped from THB 17,874 million by the end of year 2014 to THB 18,054 million in this quarter due to the decrease in non-current liabilities.

The total shareholders' equity rose to THB 8,470 million as the unappropriated retained earnings increase.