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May 13th, 2019

Subject Management Discussion and Analysis for the first quarter of 2019
To The Director and the Manager of the Stock Exchange of Thailand
Enclosed A copy of the financial statement that ended on March 31st, 2019 (1 set)

Sky ICT Public Company Limited (“the Company”) would like to submit the financial statement for the three-month period that ended on March 31st, 2019 which has been reviewed by the Auditor as well as the explanation and analysis from the Management in order to provide the information of interest to the investors and the public. The operational performance of the Company for the three-month period that ended on March 31st, 2019, in comparison to 2018, is as follows:

Executive Summary

On 30th, January 2019 the Company has signed 2 big project as follows:

1. Sky ICT Public Company Limited (“ the Company”) and Loxley Wireless Public Company Limited (“Loxwire”) have jointly established “LOXWIRE-SKY Consortium” and submitted the bidding proposal to be a Broadband Internet Service Provider in rural area (Zone C), Group 3, Northeast Region 1 project to the Office of the National Broadcasting and Telecommunications Commission (“NBTC”) which project period is 5 years and 360 days from the signed contract date.

The project value is 2,658,000,000.00 baht (Two Thousand Six Hundred and Fifty-Eight Million Baht) which is included VAT

2. Sky ICT Public Company Limited (“ the Company”) and Interlink Telecom Public Company Limited (“ITEL”) have jointly established “ITEL and SKY Consortium” and submitted the bidding proposal to be a Broadband Internet Service Provider in rural area (Zone C), Group 6, Central Region 1 project to the Office of the National Broadcasting and Telecommunications Commission (“NBTC”) which project period is 5 years and 360 days from the signed contract date.

The project value is 2,196,000,000.00 baht (Two Thousand One Hundred and Ninety-Six Million Baht) which is included VAT

Moreover, On January 28th, 2019, The Board of Director and Audit Committee passed a resolution approving the increase of registered capital in Astro Solutions Company Limited (“Astro”) 9 million baht totaling 15 million baht to maintain the 30% of shareholding by funding source from the company's working capital.

In the First Quarter of 2019, the Company has delivered and recognized the revenue from major projects that were won in 2018, such as: (1) the Phase 2 of the procurement and the installation of the Digital Trunked Radio System for the Royal Thai Police, (2) the project to increase the network capacity along the border areas as well as in the submarine cable station of CAT Telecom Public Company Limited, (3) the service contract for the providing the system to monitor and identify the internet access within the project of providing mobile and broadband internet service along the border areas. In addition, the Company has recognized the revenue that were won in 2017, such as the project of providing mobile and broadband internet service along the edges of the villages of the border areas (Zone C+), Group 4 (the Central-Southern Sectors) and Group 5 (the three southern border provinces including 4 districts of Songkhla) along with Part 2, providing the mobile service for the National Broadcasting and Telecommunications Commission (NBTC). There was also revenue from distributing the Unified Communication System (UC) as well.

As such, the Company recognized that the revenue of the First Quarter of 2019, amounting to 699.30 million baht, has increased 388.4 million baht, or 125% in comparison to the First Quarter of the previous year (in 2018, the revenue was 310.9 million baht). In turn, the Company's net profit in terms of the parent company is 9.94 million baht, decreasing from the previous amount of 26.16 million baht, or 72% in comparison to the First Quarter of the previous year (in 2018, the net profit of the parent company was 36.10 million baht).

Performances of the First Quarter, Ended on March 31st, 2019, and 2018

1. Total Revenues

Revenue	Amount (Million baht)		Increase (Decrease)	
	2019	2018	Million Baht	%
Revenue from system integration service	596.36	62.10	534.26	860
Revenue from sales	63.89	-	63.89	-
Revenue from finance lease contracts	32.45	31.73	0.72	2
Revenue from services	6.60	217.07	(210.47)	(97)
Total Revenues	699.30	310.90	388.40	125

The Company's total revenue of the First Quarter of 2019 amounted to 699.30 million baht, a 388.4 million baht or 125% increase. The increase in revenue was mainly due to the Company's being able to distribute the products and services to the customers in 2019.

The increase in revenue could be divided into different types of revenue changes as follows:

- 1.1 Revenue from integrated sale and system installation, amounting to 596.36 million baht, percentage-wise: 85% of total revenue, an increase in 534.26 million baht, or 860 %. In 2019, the Company recognized the revenue from the project of procurement and the installation of the Digital Trunked Radio System for the Royal Thai Police and the project to increase the network capacity along the border areas as well as in the submarine cable station of CAT Telecom Public Company Limited
- 1.2 Revenue from distribution, amounting to 63.89 million baht or 9% of total revenue, due to the Company's distributing the solutions to private customers through the distribution of the Unified Communication System (UC) at the amount of 55.30 million baht.
- 1.3 Revenue from providing service, amounting to 32.45 million baht or 5% of total revenue, an increase in 0.72 million baht or 2%. The revenue is from providing the luggage trolley service at Suvarnabhumi Airport, which is a service contract with a service period of 7 years. The Company has been providing the service since January 24th, 2018. In addition, G Finn (Thailand) Company Limited, a subsidiary of the company, has also recognized the revenue from consulting to one of private company.
- 1.4 Revenue from financial lease, amounting to 6.60 million baht or 1% of total revenue, a decrease from the previous year's amount of 210.47 million baht or 97%, due to that in 2019, the Company strategy has focus more on the System Integration (SI) projects. The revenue from financial lease currently mainly from the ongoing projects such as the rental of computers and mailing machines. In 2018, the Company has revenue from financial lease mainly from the delivery of luggage trolleys according to the contract for the service of the luggage trolley project at Suvarnabhumi Airport in January.

2. Total Costs

Cost and Gross Profit	Amount (Million baht)		Increase (Decrease)	
	2019	2018	Million Baht	%
Cost of system integration service	575.10	49.84	525.26	1,053
Cost of sales	58.13	-	58.13	-
Cost of services	18.93	27.16	(8.23)	30.30
Cost of sales from finance lease contracts	1.75	170.35	(168.6)	99
Total Cost	653.91	247.35	406.56	164
Total Gross Profit	45.38	63.55	(18.17)	29
Gross Profit ratio (%)	6.48	20.44		

The total cost in 2019 currently amounts to 653.91 million baht, an increase from the total cost of the previous year at 406.56 million baht or 164%. This was mainly due to the system integration service projects that have increased from the projects that are recognized in 2019.

In 2019, the Company has adopted the new Thai Financial Reporting Standards (TFRS) no. 15, which effective on Jan 1st, 2019. The adoption of TFRS 15 mainly affects revenue and cost recognition of goods/services transfer to customers.

The Company will recognize revenue and cost of uninstalled material that transferred to customer in the same proportion. Thus, these transactions will impact the gross profit ratio. In Q1 2019, the gross profit was amounting to 6.48 million baht, decreased by 13.96 million baht compare to last year.

3. Expenses

Expense	Amount (Million baht)		Increase (Decrease)	
	2019	2018	Million Baht	%
Selling expenses	16.67	7.27	9.4	56
Administrative expenses	43.93	22.31	21.62	97
Financial costs	9.17	1.78	7.39	415
Total expenses	69.77	31.36	38.41	122
% to Revenue	9.97	10.08		

The overall expenses of the Company for the First Quarter of 2019 have increased from the previous year by 38.41 million baht or 122 percent, as a result of the Company and subsidiary has begun to recruit new managements, engineers and also project teams to support the expansion of business since Q2 2018.

The financial costs of the Company in the First Quarter of 2019 totaled 9.17 million baht, an increase of 7.39 million baht or 415% from 2018, which was mainly due to the use of working capital from financial institutions to support the business expansion and new projects. The financial costs are mostly Bank Guarantee Fee, Front End Fee, L/C Fee and Interest for Short-term Loans and Promissory Notes.

Other Incomes

For the First Quarter of 2019, the Company has other income of 32.04 million baht, an increase of 30.28 million baht, which was mainly due to recognition of foreign exchange gain of 27.76 million baht.

4. Share of profit from associated company

In 2019, the Company recognized the sharing profit from Turnkey Communication Service Company Limited (“TKC”) amounting to 25.72 million baht which is 34% of the net profit of 75.65 million baht, in which the majority of the profit is due to TKC recognizing the revenue and profit from delivering services to government and many private customers.

In the part of Astro Solutions Company Limited (“Astro”), in Q1 2019, the marketing campaign/program to generate income was still under developing. So, Astro has losses from employees cost amounting to 0.25 million baht.

5. Net profit (Loss)

Due to the reasons stated above, in the First Quarter of 2019, the Company has a net profit of the owners of the parent 30.08 million baht, a decrease of 6.03 million baht, which, in comparison to the previous year, is a decrease of 17%.

Profit (Loss)	Amount (Million Baht)		Increase(Decrease)	
	2019	2018	Million Baht	%
Owner of the Parent	30.08	36.10	(6.02)	(17)
Non-Controlling Interest	2.96	(1.67)	4.63	277
Total Net Profit (Loss)	33.04	34.43	(1.39)	(4)
% to Revenue	4.72	11.07		

Please be informed accordingly.

Yours sincerely,

(MR. SITHIDEJ MAYALARP)

Director

Corporate Secretary

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