Ref. No. SKY_SC62/081

August 13th, 2019

Subject Management Discussion and Analysis for the 2nd 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 June 30th, 2019 (1 set)

Sky ICT Public Company Limited ("the Company") would like to submit the financial statement for the six-month period that ended on June 30th, 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 June 30th, 2019, in comparison to 2018, is as follows:

Executive Summary

On 16th May 2019, the Company registered capital increase to the Ministry of Commerce according to the resolution of the 2019 Annual General Meeting of Shareholders of the Company dated April 30th, 2019. The new capital is 277.75 million Baht, increased at 25 million Baht from 252.75 million Baht. The Company newly issued ordinary shares amounting to 50 million shares at the par value of 0.50 Baht. The issuance and allocation of the newly issued ordinary shares in consideration of the acceptance of the entire business transfer to Raytel Holding Co., Ltd ("Raytel Holding") is by way of a private placement.

Moreover, in May 2019, the warrant holders exercised warrant 8,160,851 units, the exercise price was 1.376 Baht per share. The number of shares derived from exercised warrants was 8,895,430 shares. The number of unexercised warrants was 152,194 units. From this exercise of the warrant, the Company received cash amounting to 12.24 million Baht which were paid up shares of 4.45 million Baht and share premium of 7.79 million Baht. The Company registered newly shares to the Ministry of Commerce on June 11th, 2019. The new shares of SKY were traded on June 12th, 2019.

In the 2nd Quarter of 2019, the Company delivered and recognized the revenue from major projects won in 2018 and early 2019, 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 project of broadband internet service provider in rural area (Zone C), Group 3, Northeast Region 1 and Group 6, Central Region 1 for the National Broadcasting and Telecommunications Commission (NBTC) which the Company won the bidding and signed the contract in the 1st quarter of 2019, (4) The project to install network equipment in ENCO Complex

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building. Moreover, the Company also have a revenue from selling equipment to private segment customers such as the project of the second aircrafts parking building (B2, B1 and G floor), the Mainframe system etc. as such, the Company recognized that the revenue of the 2nd Quarter of 2019 amounting to 805.01 million Baht, increased by 576.84 million Baht or 253% comparing to the same period of the last year (in 2018 the total revenue was 228.17 million Baht). In turn, the Company's net profit in terms of the parent company is 51.01 million Baht, increasing from the same period of the previous year 2.83 million Baht or 6%. (in 2018, the net profit of the parent company was 48.18 million Baht).

The Company's main revenue for the six-month period ended on June 30th, 2019 amounted to 1,504.30 million Baht, a 965.24 million Baht or 179% increasing from the same period of the previous year (2018 : 539.06 million Baht). The increase in revenue was mainly due to the recognition of the Phase 2 of the procurement and the installation of the Digital Trunked Radio System for the Royal Thai Police project which the Company has completely delivered 3 installments and the recognition of 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 which the Company has already delivered all the uninstalled main equipment according to the contract.

The Company's net profit for the six-month period ended on June 30th, 2019 amounted to 81.08 million Baht, a 3.2 million Baht or 3.8% decreased, compared to the same period of 2018 amounted to 84.28 million Baht resulting from the increase of selling and administrative expenses, especially the employee expenses which the Company has recruited more employee to support the expansion of business.

Performances of the 2nd Quarter, Ended on June 30th, 2019, and 2018

1. Total Revenues

Revenue	Amount (Million Baht)		Increase (Decrease)		Amount (Million Baht)	
	the 2nd Quarter of 2019	the 2nd Quarter of 2018	Million Baht	%	6 Months of 2019	6 Months of 2018
Revenue from system integration service	753.46	45.59	707.87	1,553	1,349.82	107.68
Revenue from sales	22.49	142.75	(120.26)	(84)	86.39	142.75
Revenue from finance lease contracts	23.55	29.27	(5.72)	(20)	55.99	60.99
Revenue from services	5.51	10.56	(5.05)	(48)	12.10	227.64
Total Revenues	805.01	228.17	576.84	253	1,504.30	539.06

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The Company's total revenue of the 2nd quarter of 2019 amounted to 805.01 million Baht, a 576.84 million Baht or 253% increase. The increase in revenue was mainly due to the Company's being able to distribute the products and services to the customers in this quarter and the impact of changing in revenue recognition from Thai Financial Reporting Standard (TFRS) No. 15 "Revenue from Contracts with Customers"

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 753.46 million Baht, 94% of total revenue, an increase from same period in previous year 707.87 million Baht, or 1,553%. In this quarter, the Company recognized the revenue from 3rd installment of main products delivered to the client for the project of procurement and the installation of the Digital Trunked Radio System for the Royal Thai Police and the revenue of all main products delivered to 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. Also the Company recognize the partially revenue from the project of broadband internet service provider in rural area (Zone C), Group 3, Northeast Region 1 and Group 6, Central Region 1 for the National Broadcasting and Telecommunications Commission (NBTC) and installation of network equipment in ENCO Complex building project

1.2 Revenue from distribution, amounting to 22.49 million Baht, 3% of total revenue, mainly due to the products sold to the project of the second aircrafts parking building (B2, B1 and G floor).

1.3 Revenue from providing service, amounting to 23.55 million Baht, 3% of total revenue, the revenue is mainly from providing the luggage trolley service at Suvarnabhumi Airport, which is a service contract with a service period of 7 years, by the Company has started service since January 24th, 2018.

1.4 Revenue from financial lease, amounting to 5.51 million Baht or 1% of total revenue, a decrease from the previous year's amount of 5.05 million Baht or 48%, which main revenue was from Agreement of Mix Mail Sorter leased to Thailand Post Co., Ltd. The changing of revenue portion was resulted from the Company strategy which focus more on the System Integration (SI) projects, therefore the revenue from financial lease was decreased. The revenue from financial lease currently mainly from the ongoing projects such as the rental of computers and mail sorting machines with Thailand post Co., Ltd in which the project will end in 2027.

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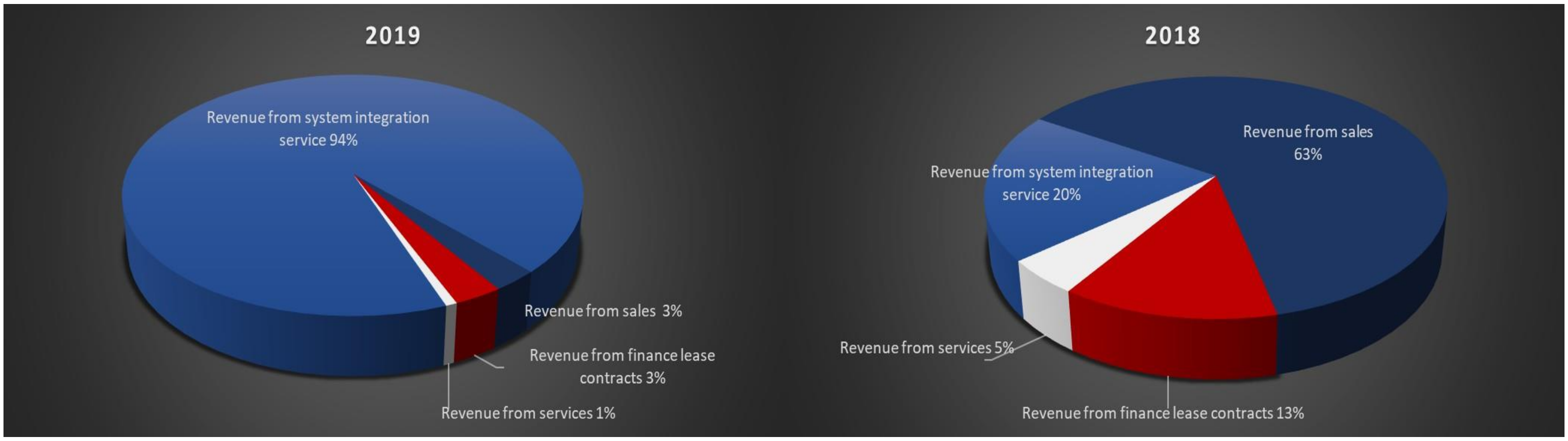
Proportion of revenue from business operations in the 2nd quarter of 2019 and 2018



2. <u>Total Costs</u>

Cost and Gross Profit	Amount (Million Baht)		Increase (Decrease)		Amount (Million Baht)	
	the 2nd Quarter of 2019	the 2nd Quarter of 2018	Million Baht	%	6 Months of 2019	6 Months of 2018
Cost of system integration service	663.43	42.17	621.26	1473	1,238.53	92.01
Cost of sales	17.85	129.18	(111.33)	(86)	75.98	129.18
Cost of services	21.31	23.46	(2.15)	(9)	40.23	50.61
Cost of sales from finance lease contracts	1.61	2.85	(1.24)	(44)	3.36	173.20
Total Cost	704.20	197.66	506.54	256	1,358.10	445.00
Total Gross Profit	100.81	30.51	70.30	230	146.20	94.06
Gross Profit ratio (%)	12.52%	13.37%			9.72%	17.45%

The total cost in the 2nd quarter of 2019 currently amounts to 704.20 million Baht, an increase from the total cost of the previous year at 506.54 million Baht or 256%. This was mainly due to the system integration service projects that have increased from the projects that are recognized in the 2nd quarter of 2019.

In 2019, the Company has adopted the new Thai Financial Reporting Standards (TFRS) no. 15 “Revenue from Contracts with Customers” which effective on Jan 1st, 2019. The adoption of TFRS 15 mainly affects revenue and cost recognition of goods/services transfer to customers which the Company cannot recognize gross margin of

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product delivered to the customer who able to control those products. The Company will be able to take margin of the products when completely installation or configuration and ready to use.

In the 2nd quarter of 2019, the Company has finished installation of equipment that transferred to customers in the 1st quarter of 2019 so the total gross profit in the 2nd quarter of 2019 is slightly decrease from previous year by 0.85% to 12.52% in this year.

3. Expenses

Expense	Amount (Million Baht)		Increase (Decrease)		Amount (Million Baht)	
	the 2nd Quarter of 2019	the 2nd Quarter of 2018	Million Baht	%	6 Months of 2019	6 Months of 2018
Selling expenses	11.78	9.52	2.26	24	28.44	16.79
Administrative expenses	49.58	22.43	27.15	121	93.51	44.74
Financial costs	11.31	2.23	9.08	407	20.48	4.01
Total expenses	72.67	34.18	38.49	113	142.43	65.54
% to Revenue	9.03%	14.98%			9.47%	12.16%

The overall expenses of the Company for the 2nd quarter of 2019 has increased from the previous year by 38.49 million Baht or 113 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.

The financial costs of the Company in the 2nd Quarter of 2019 totaled 11.31 million Baht, an increase of 9.08 million Baht or 407% from the same period of previous year, 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.

4. Loss on Exchange rate

Most of equipment in the projects are mainly sourcing from overseas and the Company always manage the risk by doing forward exchange rate contract with Banks. In the 1st quarter of 2019, the Company recognized the profit from exchange rate amounting to 27.76 million Baht. However, with the continuously appreciation of Thai Baht in the 2nd quarter of 2019, the Company had a loss in exchange rate amounting to 19.41 million Baht. Thus, in 6 months, the Company earn profit from exchange rate only 8.35 million Baht.

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5. Share of profit from associated company

In 2019, the Company recognized the sharing profit from Turnkey Communication Service Company Limited ("TKC") amounting to 41.41 million Baht in which the Company invested 34% in. The majority of TKC profit was due to the revenue and profit recognition from delivering services to government and private sector.

In the part of Astro Solutions Company Limited ("Astro"), in the 2nd Quarter of 2019, the mobile application was still under development in which the Company expected to earn revenue after completion of application development during Q3. As a result, Astro finished the 2nd Quarter with the loss from operation cost amounting to 0.43 million Baht.

6. Net profit (Loss)

Due to the reasons stated above, in the 2nd Quarter of 2019, the Company had a net profit of the owners of the parent of 51.01 million Baht, an increase of 2.83 million Baht, which, in comparison to the previous year, was an increase of 6%. In term of six-month net profit, the Company profit decreased by 3.2 million Baht from previous year to 81.08 million Baht in this year.

Profit (Loss)	Amount (Million Baht)		Increase(Decrease)		Amount (Million Baht)	
	the 2nd Quarter of 2019	the 2nd Quarter of 2018	Million Baht	%	6 Months of 2019	6 Months of 2018
Owner of the Parent	51.01	48.18	2.83	6	81.08	84.28
Non-Controlling Interest	(3.50)	(0.15)	3.35	2233	(0.54)	(1.82)
Total Net Profit (Loss)	47.50	48.03	6.18	13	80.54	82.46
% to Revenue	5.90%	21.05%			5.35%	15.30%

Please be informed accordingly.

Yours sincerely,

(MR. SITHIDEJ MAYALARP)

Director

Corporate Secretary

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