ICT PUBLIC COMPANY LIMITED

Ref. No. SKY_SC630505

15 May 2020

Subject Management Discussion and Analysis for the 1st quarter ended 31 March 2020

To the Director and the Manager of the Stock Exchange of Thailand

Enclosed A copy of the financial statement that ended on 31 March 2020 (1 set)

Sky ICT Public Company Limited ("the Company") would like to submit the financial statement for the 1st quarter ended on 31 March 2020 which was 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 year ended on 31 March 2020, in comparison to 2019, is as follows:

Executive Summary

There are significant investments of the Company in Q1 2020 as follows:

Referring to the Board Meeting No.16/2019 that was held on 26 December 2019, the Board of Directors approve of the new subsidiary company named Aero Serves Co., Ltd. "AERO" which has authorized capital of 5,000,000 baht. The type of business is to operate aviation services, ground services for companies and airline in the airport including other services in aviation business. The Company hold 99.99% of the total shares of AERO and source of fund come from cash from operation. AERO was established on 7 January 2020.

Referring to the Board Meeting No. 3/2020 which was held on 17 March 2020, the Board of Directors has approved the resolution which shall include the following:

1. To decrease the authorized capital of the Company amounting to Baht 8,909,342 from the current registered capital of THB 277,750,000 to be THB 268,840,658 by decreasing the remaining unissued shares of 17,818,684 ordinary shares at the par value of THB 0.50 per share, which are consisted of (1) reversed shares for un-exercise right of warrant (SKY-W1) amounting to 12,818,684 shares (2) reversed shares for the allocation of the private placement amounting to 5,000,000 shares.

2. To increase for the authorized ordinary share capital amounting to Baht 10,000,000 from the registered capital 268,840,658 Baht to 278,840,658 Baht by issuing new ordinary shares of 20,000,000 shares with a par value of Baht 0.50 each for private placement to (1) MISS AROONROONG SRIVADDHANAPRABHA (2) MISS BUSARA URAIKUL and/or (3) MUANG THAI INSURANCE PUBLIC COMPANY LIMITED which are not related to the Company. This was also approved from Annual General Meeting of shareholders which was held on 28 April 2020.

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For the performance in first quarter of 2020, the Company has delivered and recognized the revenue from major projects such as:

(1) The Phase 2 of the procurement and installation of the Digital Trunked Radio System for the Royal Thai Police.

(2) The Project of broadband internet service provider in rural area for the National Broadcasting and Telecommunications Commission (NBTC) in:
- (Zone C) Group 3 North Eastern 1
- (Zone C) Group 5 North Eastern 3
- (Zone C) Group 6 Central 1

(3) The Project of the procurement and installation of close circuit television (CCTV) to increase security in Northern, Central and Southern Bangkok and Northern Thonburi.

(4) The Project of the procurement and installation of the Digital Trunked Radio System for Narcotics Suppression Bureau (NSB).

(5) The Project of the procurement and installation of the Integrated Network Management System for Provincial Electricity Authority (PEA).

(6) The Project of procurement and installation of close circuit television (CCTV) for CAT.

The Company recognized the revenue for 2020 amounting to 719.1 million baht, increased by 19.8 million baht or 2.8% comparing to the last year (in 2019: 699.3 million baht). In turn, the Company's net profit in terms of the parent company is 19.4 million baht, decreasing from the same period of the previous year 10.7 million baht or 35.5% (in 2019, the net profit of the parent company was 30.1 million baht).

Performances of the First Quarter, Ended on March 31st, 2020 and 2019

1. Total Revenues

Revenue	Amount (million baht)				Increase (Decrease)	
	Q1 2020	%	Q1 2019	%	million baht	%
Revenue from system integration service	472.0	65.6	596.4	85.3	(124.4)	-21.9
Revenue from sales	192.5	26.7	63.9	9.1	128.6	201.3
Revenue from services	50.8	7.1	32.5	4.6	18.3	58.5
Revenue from finance lease contracts	3.8	0.5	6.6	0.9	(2.8)	-42.0
Total Revenues	719.1	100.0	699.3	100.0	19.8	2.8

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The Company's total revenue in Q1 2020 is 719.1 million baht, a 19.8 million baht or 2.8% increase which was mainly due to the Company's being able to distribute and install the products and services in the big projects that mentioned earlier.

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 472.0 million baht, 65.6% of total revenue, which decreased from same period in previous year million baht, or 21.9%. because of the situation of COVID-19 that impact the Project of broadband internet service provider in rural area for the National Broadcasting and Telecommunications Commission (NBTC), especially, the progress of construction of public internet centre (USO Net Center) and the progress of renovation of public internet centre (USO Wrap) as the most of public internet centre are located in rural area and there are difficulties for subcontract to travel to the sites. So, this was impact to progress of the Project in the first quarter. However, in 1st quarter 2020 the Company recognized the revenue of from completion of installation of the Digital Trunked Radio System for the Royal Thai Police, the recognition of revenue from completion of installation for the Project of the procurement and installation of close circuit television (CCTV) to increase security in Northern, Central and Southern Bangkok and Northern Thonburi. Also the Company recognized 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 the Project of the procurement and installation of the Integrated Network Management System for Provincial Electricity Authority (PEA).

1.2 **Revenue from Sales**, amounting to 192.5 million baht, 26.7% of total revenue, increased 128.6 million baht or 201.3% from last year. This is the result from the Company and Subsidiaries start expanding to private sector. So, the revenue in 1st quarter 2020 are mainly come from the products sold to customer in private sector such as the equipment for Controlled Access Security System (CASS) and Close Circuit Television (CCTV).

1.3 **Revenue from providing service**, amounting to 51.4 million baht, 7.1% of total revenue, the service revenue was 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, the service maintenance of CCTV at 6 airports of AOT.

1.4 **Revenue from financial lease contract**, amounting to 3.8 million baht or 0.5% of total revenue, 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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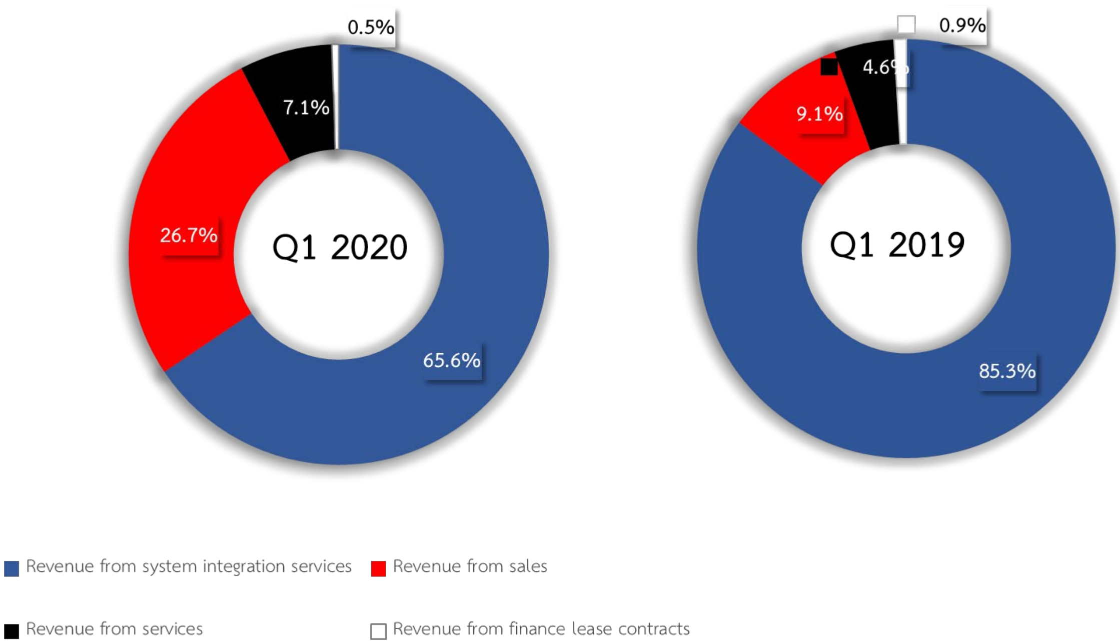
Proportion of revenue from business operations in Q1 2020 and 2019



2. <u>Total Costs</u>

Cost and Gross Profit	Amount (million baht)				Increase (Decrease)	
	Q1 2020	%	Q1 2019	%	million baht	%
Cost of system integration service	377.8	64.6	575.1	87.9	(197.3)	(34.3)
Cost of sales	164.3	28.1	58.1	8.9	106.1	182.6
Cost of services	39.7	6.8	18.9	2.9	20.8	109.9
Cost of sales from finance lease contracts	3.0	0.5	1.8	0.3	1.2	69.9
Total Cost	584.8	100.0	653.9	100.0	(69.1)	(10.6)
Total Gross Profit	134.3		45.4		88.9	
Gross Profit ratio (%)	18.7%		6.5%			

The total cost in the 1st quarter of 2020 was amounting to 584.8 million baht, decrease from the total cost of the previous year 69.1 million baht or 10.6%. This was mainly due to the system integration service projects that have decreased from the projects that are recognized in 2019.

In term of gross profit, in the 1st quarter of 2020, the Company gross profit has drastically increase from previous year due to the impact of adoption of the new Thai Financial Reporting Standards (TFRS) no. 15 “Revenue from Contracts with Customers” which effective on Jan 1st, 2019. This cause the Company to recognize

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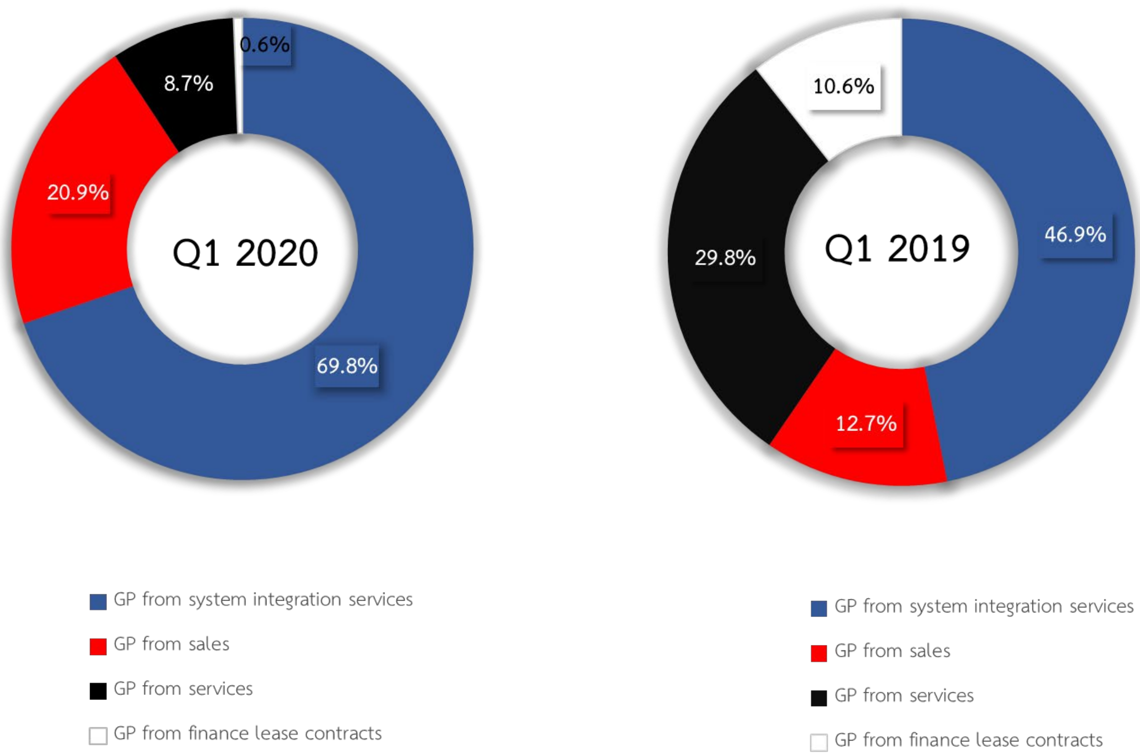
the revenue for the Uninstalled Material in Q4 2019 but cannot recognized the gross profit until the Company finish the installation which the Company has completed the installation in Q1 2020. So, the total gross profit in 2020 was 18.7% increase by 12.2% compare to last year.

Proportion of Gross Profit from business operations in Q1 2020 and 2019



3. <u>Expenses</u>

Expense	Amount (million baht)		Increase (Decrease)	
	Q1 2020	Q1 2019	million baht	%
Selling expenses	19.1	16.7	2.5	14.8%
Administrative expenses	60.2	43.9	16.3	37.1%
Finance costs	23.2	9.2	14.0	152.8%
Total expenses	102.5	69.8	32.8	47.0%
% to Revenue	14.2	10.0		

The overall expenses of the Company for 1st quarter of 2020 has increased from the previous year by 32.8 million baht or 47% percent, as a result of

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(1) The Company and subsidiary are expanding and recruit new managements, engineers and also project teams to support the expansion of business. Especially, for Raytel Co., Ltd which the Company has acquired since Q3 2019.

(2) The Depreciation which is increased since Q4 2019 due to the Company has renovate the office and expand the office space also Call Center Room and Network Operation Center to support the expansion of business in the future.

(3) The Amortization of the Software and network equipment that the Company has invested for the contract of leasing and free of wireless high speed internet (Wi-Fi) from Airport of Thailand PCL. (AOT).

The financial costs of the Company 1st quarter of 2020 was 23.3 million baht, an increase of 14.0 million baht or 152.8% from the same period of previous year, which was mainly due to

(1) The adoption of the new Thai Financial Reporting Standards (TFRS) no. 16 “Lease” which effective on 1 January 2020. The Company has to recognize the right of use of assets and liability from lease contract and record the interest expense occurred from the contract as finance cost in the period.

(2) The impact from COVID-19 and late budget approval of many projects that the Company already complete and deliver in Q1 2020. So, the Company interest payment also increase as a result of delay of payment to financial institution.

4. <u>Share of profit from associated company</u>

In 1st quarter of 2020, the Company recognized the sharing profit from associated company amounting to 12.9 million baht. The profits sharing consist of:

(1) Profit Sharing from Turnkey Communication Service Company Limited (“TKC”) amounting to 13.4 million baht. The majority of TKC profit is due to TKC recognizing the revenue and profit from delivering services to government and many private customers.

(2) Loss sharing from Astro Solutions Company Limited (“Astro”) amounting to 0.5 million baht. As they just started to recognize the revenue from the developing software (application) for AOT Digital Platform 4.0. thus, they still had loss from employee cost in 2019.

5. <u>Net profit (Loss)</u>

Due to the reasons stated above, in the 1st quarter of 2020, the Company has a net profit of the owners of the parent 19.4 million baht, a decreasing of 10.7 million baht, which, in comparison to the previous year, decrease by 35.5%.

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Profit (Loss)	Amount (million baht)		Increase (Decrease)	
	Q1 2020	Q1 2019	Million Baht	%
Owner of the Parent	19.4	30.1	(10.7)	(35.5)
Non-Controlling Interest	9.3	2.9	6.4	220.7
Total Net Profit (Loss)	28.7	33.0	(4.3)	(13.0)
% to Revenue	4.0	4.7		

Please be informed accordingly.

Sincerely yours,

(MR. SITHIDEJ MAYALARP)

Director

Corporate Secretary

Telephone 02 029 7888 Ext. 812

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