

No. SKY-63-08-007

17 August 2020

Subject Management Discussion and Analysis for the quarter ended 30 June 2020
To The Director and the Manager of the Stock Exchange of Thailand
Enclosed A copy of the financial statement that ended on 30 June 2020 (1 set)

Sky ICT Public Company Limited (“the Company”) would like to submit the financial statement for the six-month period ended on 30 June 2020, 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 six-month period ended on 30 June 2020, in comparison to 2019, is as follows:

Executive Summary

There are significant transactions of the Company in Q2 2020 as follows:

The Board of Directors’ Meeting No. 10/2020 which was held on 10 July 2020 grant an approval to propose the Extraordinary General Meeting of Shareholders No. 1/2020 to consider approving the Company’s registered capital increase by THB 29,294,689 from the current registered capital of THB 278,840,658 to be THB 308,135,347 by issuing 58,589,378 newly issued ordinary shares at the par value of THB 0.50 per share to reserve for the stock dividend payment of 18,589,378 shares and to issue and offer ordinary shares of the Company by way of private placement of 40,000,000 shares to MR. VORAPOTE AMNUEYPOL who is the Company’s connected person.

Referring to the Board Meeting No. 11/2020 that held on 14 July 2020, the board of directors grant an approval of the investment in SAL GROUP (THAILAND) COMPANY LIMITED (“SAL”) in the proportion of 46.80 percent of the total registered and paid-up capital of SAL, with the total transaction value of 212,116,248 THB. SAL is holding Company that holds 51% percent of the total shares of AOT Ground Aviation Services Co., Ltd. (“AOTGA”), which a joint venture between SAL and Airports of Thailand Public Company Limited (“AOT”), engages in the business of providing the ground handling services at AOT’s airports. The benefits of entering into this transaction is the Company can expand business in Aviation industry.

Moreover, on 11 June 2020, the Company has signed the Agreement of Common Use Passenger Processing System (CUPPS) project at Suvarnabhumi Airport with Airports of Thailand Public Company Limited (“AOT”). The aforementioned contract has 10-years service period from 1 October 2020 to 30 September 2030. This CUPPS system consists of the following subsystems

1. Common Use Terminal Equipment
2. Common Use Self Service or Self-Service Kiosk
3. Common Use Bag Dropper Self-Bag Drop: SBD
4. Passenger Validation System
5. Self-Boarding Gate
6. Automated Biometric Identification System

For the impact of COVID-19 situation in Q2 2020, the Company had a problem in some projects which the staffs cannot enter the site due to the lock down and quarantine instruction. This caused a delay issue in some projects. However, the Company also had a Business Continuity Plan for the COVID-19 situation by using social distancing concept such as limitation of working area and also adjust staffs' working time, communication via online technology. The Company had no plan to reduce staffs or temporary shutdown the business in the meantime.

For the performance in second quarter of 2020, the Company has delivered and recognized the revenue from:

- (1) The procure and installation of system and equipment to private customers from the projects:
 - The Project of the procurement and installation of close circuit television (CCTV) for Satellite 1 building.
 - The Procurement and installation of Containers X-Ray system for Custom Department.
 - The Project of procurement and installation of expansion equipment for IP Access Network (MPLS Routers) for Provincial Electricity Authority (PEA) Phase II & Phase III.
- (2) The completion, delivery and maintenance of projects:
 - The Phase 2 of the procurement and installation of the Digital Trunk Radio System for the Royal Thai Police.
 - 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
 - The Project of the procurement and installation of the Digital Trunk Radio System for Narcotics Suppression Bureau (NSB).
 - the Procurement of application performance monitoring: APM for Excise Department

- the project of improvement the efficiency of the Wireless Network system and Training management system of Excise Department

The Company recognized the 3 months revenue for Q2 2020 amounting to 760.1 million baht, decreased by 44.9 million baht or 5.6% comparing to the last year (in 2019: 805 million baht). In turn, the Company's net profit in terms of the parent company is 25.6 million baht, decreasing from the same period of the previous year 25.4 million baht or 49.7% (in 2019, the net profit of the parent company was 51 million baht).

Performances of the Second Quarter, Ended on 30 June 2020 and 2019

1. Total Revenues

Revenue	Amount (million baht)		Increase (Decrease)		Amount (million baht)	
	Q2 2020 (3 months)	Q2 2020 (3 months)	million baht	%	Q2 2020 (6 months)	Q2 2020 (6 months)
Revenue from system integration service	496.2	753.5	(257.2)	(34.1%)	968.2	1,349.8
Revenue from sales	200.5	22.5	178.0	791.5%	393.0	86.4
Revenue from services	59.6	23.5	36.1	153.2%	110.4	56.0
Revenue from finance lease contracts	3.8	5.5	(1.7)	(31.4%)	7.6	12.1
Total Revenues	760.1	805.0	(44.9)	(5.6%)	1,479.3	1,504.3

The Company's total revenue in Q2 2020 is 760.1 million baht, a 44.9 million baht or 5.6% decrease (2019: 805 million baht). The Company generate revenue based on the Company's being able to distribute and install the products and services in the big projects that mentioned earlier.

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

1.1 Revenue from integrated sale and system installation, amounting to 496.2 million baht, 65.3% of total revenue, which decreased from same period in previous year 257.2 million baht, or 34.1% 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) 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 this quarter. Moreover, the revenue from the Phase 2 of the procurement and installation of the Digital Trunk Radio System for the Royal Thai Police which already complete

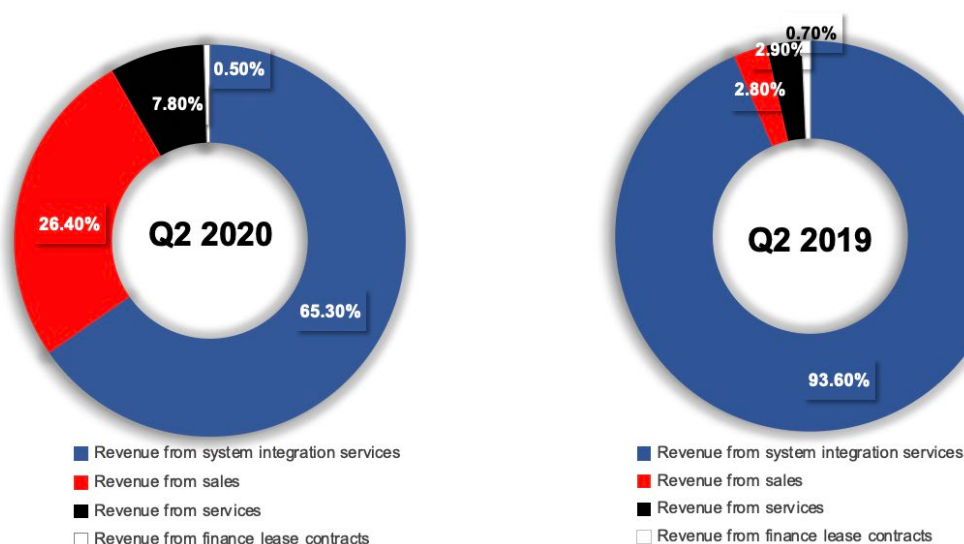
in early of April 2020. The revenue that the Company recognized from last delivery is less than 2019. However, in this quarter the Company start recognized the revenue of from maintenance phase of the Digital Trunk Radio System for the Royal Thai Police. In addition, the Company has recognized revenue from the Project of the procurement and installation of the Digital Trunk Radio System for Narcotics Suppression Bureau (NSB), the Container X-Ray system and the application for performance monitoring for Excise in second quarter of 2020 as well.

1.2 Revenue from Sales, amounting to 200.5 million baht, 26.4% of total revenue, increased 178 million baht or 791.5% from last year. This is the result from the Company and Subsidiaries start expanding to private sector. So, the revenue in 2nd 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). Also the IP Access Network equipment.

1.3 Revenue from providing service, amounting to 59.6 million baht, 7.8% 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 24 January 2018, the service maintenance of CCTV at 6 airports of AOT and the maintenance service of CCTV of Custom Department.

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.

Proportion of revenue from business operations in Q2 2020 and 2019



2. Total Costs

Cost and Gross Profit	Amount (million baht)		Increase (Decrease)		Amount (million baht)	
	Q2 2020 (3 months)	Q2 2020 (3 months)	million baht	%	Q2 2020 (6 months)	Q2 2020 (6 months)
Cost of system integration service	421.2	663.4	(242.2)	(36.5%)	799.1	1,238.5
Cost of sales	150.8	17.8	133.0	745.2%	315.1	76.0
Cost of services	47.3	21.3	26.0	122.0%	87.0	40.2
Cost of sales from finance lease contracts	3.0	1.6	1.4	86.8%	6.0	3.4
Total Cost	622.4	704.2	(81.8)	(11.6%)	1,207.2	1,358.1
Total Gross Profit	137.7	100.8	36.9	36.6%	272.0	146.2
Gross Profit ratio (%)	18.1%	12.5%			18.4%	9.7%

The total cost in the 2nd quarter of 2020 was amounting to 622.4 million baht, decrease from the total cost of the previous year 81.8 million baht or 11.6%. This was mainly due to the system integration service projects that have decreased in proportion from the revenue that are recognized in this quarter. However, in term of Gross Profit, in 2nd quarter of 2020, the total gross profit increase 18.1% compare to last year which is the result of the gross profit from sales of equipment and maintenance service from projects that mentioned above.

3. Expenses

Expense	Amount (million baht)		Increase (Decrease)		Amount (million baht)	
	Q2 2020 (3 Months)	Q2 2019 (3 Months)	million baht	%	Q2 2020 (6 Months)	Q2 2019 (6 Months)
Selling expenses	37.5	18.4	19.0	103.4%	56.8	35.1
Administrative expenses	66.2	42.9	23.2	54.1%	126.2	86.8
Finance costs	16.9	11.3	5.6	49.2%	40.1	20.5
Total expenses	120.5	72.7	47.8	65.9%	223.1	142.4
% to Revenue	15.9%	9.0%			15.1%	9.5%

The overall expenses of the Company for 2nd quarter of 2020 has increased from the previous year by 47.8 million baht or 69.5%, as a result of;

- (1) The compensation expenses which increased from the merger staffs of Raytel Co., Ltd., which the Company has acquired since Q3 2019. The Company and subsidiaries recruited the addition management team, engineers and also project teams to support the expansion of digital platform business.
- (2) The Depreciation which is due to the Company has invested in Call Center Room and Network Operation Command Center to support the expansion of managed service business in the future.
- (3) The Amortization of the Software and right of use of network equipment that the Company has invested in the Equipment of Network and wireless high-speed internet (Wi-Fi) including Platform for Free Wi-Fi projects which the Company got concession from Airport of Thailand PCL. (AOT) to provide Free Wi-Fi and Network rental at international airports.
- (4) Expenses related to the acquiring of new projects in Q2 2020.

The financial costs of the Company 2nd quarter of 2020 was 16.9 million baht, an increase of 5.6 million baht or 49.2% 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 payment budget approval of many projects that the Company already completed and delivered since Q1 2020. So, the Company interest payment also increase as a result of delay of payment to financial institution.

4. Share of profit from associated company

In 2nd quarter of 2020, the Company recognized the sharing profit from associated company amounting to 15.7 million baht decrease by 15.3 million baht compare to last year. The profits sharing consist of:

- (1) Profit Sharing from Turnkey Communication Service Company Limited (“TKC”) amounting to 16.3 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 0.6 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. Net profit (Loss)

Due to the reasons stated above, in the 2nd quarter of 2020, the Company has a net profit of the owners of the parent 25.6 million baht, a decreasing of 25.4 million baht, which in comparison to the previous year, decrease by 49.7%. For 6 months, the Company has net profit amounting to 45 million baht decrease by 36.1 million baht. This is a result of the increasing of expense and the decreasing of sharing profit in this quarter.

Profit (Loss)	Amount (million baht)		Increase (Decrease)		Amount (million baht)	
	Q2 2020 (3 Months)	Q2 2019 (3 Months)	Million Baht	%	Q2 2020 (6 Months)	Q2 2019 (6 Months)
Owner of the Parent	25.6	51.0	(25.4)	(49.7)	45.0	81.1
Non-Controlling Interest	0.3	(3.5)	3.8	109.8	9.7	(0.5)
Total Net Profit (Loss)	26.0	47.5	(21.5)	(45.3)	54.7	80.5
% to Revenue	3.4%	5.9%			3.7%	5.4%

Please be informed accordingly.

Sincerely yours,

(MR. SITHIDEJ MAYALARP)

Director

Corporate Secretary

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