



Sky ICT Public Company Limited

Management Discussion and Analysis
for the year ended 31st December 2021

A decorative background pattern of a network of nodes and lines in light blue and white, overlaid on a dark blue background. A horizontal bar with a red-to-cyan gradient spans the width of the page.

Intelligence
in action



No. SKY-65-02-015

28th February 2021

Subject Management Discussion and Analysis for the year ended 31st December 2021
To The Director and the Manager of the Stock Exchange of Thailand
Enclosed A copy of the financial statement that ended on 31st December 2021 (1 set)

Sky ICT Public Company Limited (“the Company”) would like to submit the financial statement for the year ended on 31st December 2021, which has been audited 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 31st December 2021, in comparison to 2020, is as follows:

Executive Summary

There are significant transactions of the Company for the year ended on 31st December 2021 as follows:

1. Group Business Plan

In the year 2021, the Group has a business plan that focuses mainly on Digital Platform which is the business extension from the expertise of the Group in the field of CCTV management and Smart Security. This new business will expand to private sector and will eventually create a sustainable income in the future.

In 2021, the Company has launched a new Smart Security Platform under the name “Tossakan”

This platform is using the AI technology to create a seamlessly and effectively working environment to ensure the safety both inside the buildings and public spaces.

In addition, The Company has also rebrand the "AOT Airports Application" and change name to "SAWASDEE by AOT" under the concept of a single application that completes everything for travelers. To facilitate passengers at all 6 airports of the airport - AOT, including Suvarnabhumi Airport. Don Mueang Airport Chiang Mai Airport Mae Fah Luang Airport (Chiang Rai), Phuket Airport and Hat Yai Airport with new innovations on digital platforms aiming to become “Digital Airports, Living Airports”, responding to tourists' services including payment of goods and services via Application,



2. Investment

On February 25, 2021, the Board of Directors Meeting No. 1/2021 passed a resolution approving the Company to increase its investment in Pro Inside Company Limited (“Pro Inside”), formerly known as Raytel Company. Co., Ltd. which is a subsidiary by increasing the capital in the newly issued ordinary shares of Pro Inside of 1,000,000 shares at the par value of 100 baht per share, totaling 100 million baht while maintaining the original investment proportion. The Company has paid 25% of the capital increase shares totaling 25 million baht in March 2021 and another 25% of the capital increment in July 2021 as working capital to support the business expansion of Pro Inside in the future.

3. The impact of COVID-19 situation

Due to the outbreak of corona virus 2019 (Covid-19) from the beginning of 2020 onwards until a new wave of outbreaks in late 2020, especially the outbreak of April 2021, continues until the present. The Company has been affected by the COVID-19 situation, especially the operating results from the service business related to the aviation business from the air travel control policy. As a result, the number of passengers both domestically and internationally decreased significantly which effect to the revenue from the service of the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR) Project that the Company has recognized revenue based on actual number of passengers (inbound, outbound, change flight and transit). The declining of such passengers is cause of loss from APPS project amounting to 308.37 million baht which affects the Company's working cash flow. Therefore the Company have to acquire more credit lines from financial institutions. As a result, the burden of financial costs increased. However, the Company still be able to deliver the work and bill for other projects under the contract with the customer on time which help the Company's cash flow smooth during 2021.

Overview of operating results for the year ended 31st December 2021

Company's performance	Amount (Million Baht)		Increase (Decrease)	
	FY 2021	FY 2020	Million Baht	%
Core business revenue	3,001.02	3,542.22	(541.20)	(15.28)
Other revenue	6.82	7.95	(1.13)	(14.21)
Total Income	3,007.84	3,550.17	(542.33)	(15.28)
Net Profit	55.20	157.59	(102.39)	(64.97)
Basic earnings per share (Baht per shares)	0.07	0.27	(0.20)	(74.07)

Net profit

The Company and its subsidiaries had net profit for the year ended 31st December 2021 amounted to 55.20 million baht, a decrease of 102.39 million baht or 64.97% compared to last year with a total net profit of 157.59 million baht, as a result of the Company's delivery of several projects during 2021, but there was a loss incurred from the project outsourcing services for the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR), as mentioned in Article 3. If considering the net profit before the loss recognition from the APPS project, the company will have a net profit of approximately 301.90 million baht or a net profit margin of 10.04%, which is 4.69% higher than the last year (last year net profit before the loss from APPS project was 180.48 million baht).

Core business revenue

The Company and its subsidiaries had total revenue for the year ended 31st December 2021 amounted to 3,001.02 million baht, a decreasing of 541.20 million baht or 15.28 percent compared to the same period of the previous year with total revenue of 3,542.22. million baht can be summarized as follows:

Revenue	Amount (Million Baht)		Increase/(Decrease)	
	FY 2021	FY 2020	Million Baht	%
Revenue from System Integration Services	1,581.00	2,343.98	(762.98)	(32.55)
Revenue from Sales	75.14	460.54	(385.40)	(83.68)
Revenue from Services	1,344.88	737.70	607.18	82.31
Total Revenue	3,001.02	3,542.22	(541.20)	(15.28)

1. **Revenue from System Integration Services**, the amount of 1,581.00 million baht, accounting for 52.68% of total revenue, a decreasing of 762.98 million baht or 32.55% compared to the previous year. This is mainly due to last year the Company has delivered the big project of Government Data Center and Cloud Service: GDCC by NT (formerly “CAT”). However, the Company has recognized revenue from the following projects in this year:

- A project of the procurement and installation of CCTV for Immigration Bureau.
- A project for purchasing and installing closed-circuit television cameras to the AOT airports.
- A project for procurement and installation of closed-circuit television cameras to increase security in areas at risk of crime in 4 areas: Southern Bangkok, Northern Bangkok, Central Bangkok, Southern Thonburi to Bangkok Metropolitan Administration.
- A project for the procurement and installation of fixed view network closed-circuit television cameras and installation for Bangkok Metropolitan Administration.
- A project for improve the efficiency of network DVR equipment to private companies.
- A project for the Digital Operations Management System Development Project for the AOT airports.
- A project for procurement project with installation of license plate camera system in 4 areas: North, Northeast, West and South for the Narcotics Police Headquarters.
- A project for procurement project with installation of monitoring system and monitoring the vehicle position and route with satellite Equipment system, computer network, connected with equipment and a mobile automatic license plate reading camera system For the Narcotics Police Headquarters
- A project for the project of broadband internet service provider in rural area for the National Broadcasting and Telecommunications Commission (NBTC) in 2nd phase.

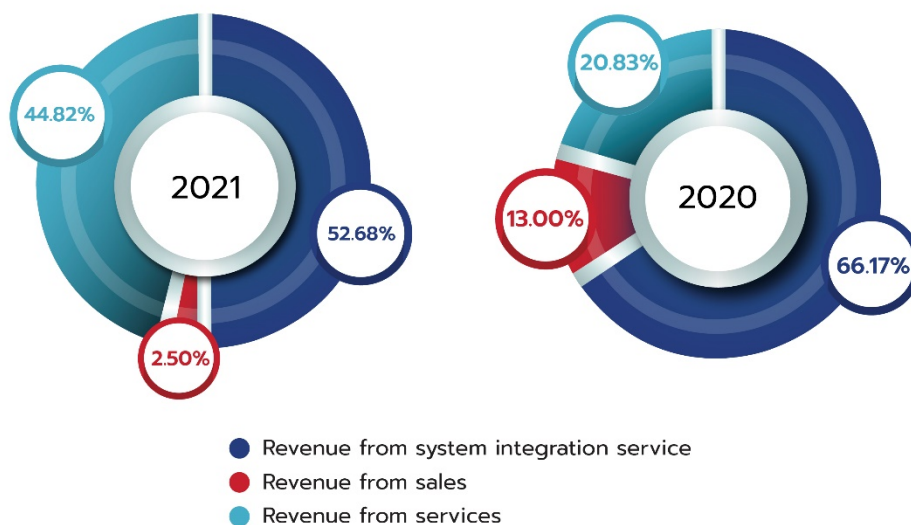
2. **Revenue from Sales**, the amount of 75.14 million baht, accounting for 2.50% of total revenue. In this year, the Group focuses on providing a complete set of sales and installation services. As a result, the income in this segment was included in the revenue from system integration services as described above. The remaining amount was coming from small projects that do not need to be installed, such as sales of closed-circuit television systems (CCTV) with facial recognition program to a private company.

3. **Revenue from Services**, the amount of 1,344.88 million baht, accounting for 44.81% of total revenue, an increase of 607.18 million baht from the previous year or 81.56% compared to the previous year. Most of the revenue in 2021 comes from

- The service revenue in the project of radio trunk phase 2 of the Royal Thai Police in maintenance phase.
- The service revenue in the project of broadband internet service provider in rural area for the National Broadcasting and Telecommunications Commission (NBTC) in 2nd phase (maintenance phase) which has service period for 5 years.

- The service revenue in the project of the luggage trolley service at Suvarnabhumi Airport, which has service period for 7 years.
- The service revenue in the project of maintenance of CCTV at 6 airports of AOT which has service period for 3 years.
- The service revenue in the project of maintenance of CCTV for Custom Department which has service period for 5 years.
- The service from renting the mail mix sorter to Thai Post Co., Ltd which has service period for 10 years.
- Service fees and maintenance of the Common Use Passenger Processing System (CUPPS) at Suvarnabhumi Airport which has a service period of 10 years which the Company has recognized the revenue at 90% of the annual forecast passengers per TOR.
- Service fees from the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR) provide at 6 AOT airports which the Company start servicing since December 2020. The Company has recognized the revenue from the actual number of arrivals, departures and transits passengers at 6 AOT airports. However, the impact of COVID-19 situation, the actual number of passengers in each month of 2021 were significantly low, the Company recognized the revenue from this project only 2.9 million Baht in this quarter.

Proportion of revenue from business operations in 2021 and 2020



Other income

The Company and its subsidiaries had other income for the year ended on 31st December 2021, in the amount of 6.82 million baht, which were interest income from bank deposits.

Total Costs

Costs	Amount (Million Baht)		Increase/(Decrease)	
	FY 2021	FY 2020	Million Baht	%
Cost of System Integration Services	1,115.73	1,991.76	(876.03)	(43.98)
Cost of Sales	50.40	360.97	(310.57)	(86.04)
Cost of Services	1,231.49	614.89	616.60	100.28
Total Costs	2,397.62	2,967.62	(570.00)	(19.21)
Gross Profit	603.40	574.60	28.80	5.01
Gross Profit (%)	20.11	16.22		

Total costs the year ended 31st December 2021 amounted to 2,397.62 million baht, a decreasing of 570 million baht or 19.21% compared to the same period last year with a total cost of 2,967.62 million baht, which can be summarized as follows:

- Costs of the projects revenue recognized in this year were less than the budgeted cost due to the Group's cost management policy.
- Costs incurred from depreciation and asset amortization from the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR) project. This project is a large-scale project in which the Company has invested a large amount of assets for the project in order to provide an efficient service system, accurately details according to international standards which specified in AOT's specifications. According to accounting standards the Company had to depreciate and amortize costs on a straight-line basis for investment in asset in the duration of the project (6.5 years), regardless of the revenue recognized in accordance with the actual number of passengers. In this quarter, the cost of depreciation and amortization of assets was higher than the revenue. This resulted in a loss from this project in the amount of 308.37 million baht.

Although the Group will be affected by the loss from the above APPS project cost. But the company still has a gross profit margin increased by 3.89 percent from the previous year.

Other loss

The Company and its subsidiaries had other losses from exchange rates for the year ended 31st December 2021, amounting to Baht 52.17 million, mainly due to unrealized foreign exchange losses from hire purchase contracts of equipment and computer systems. The Company has to revalue the accounting liabilities at the end of each period.

Expenses

Expense	Amount (Million Baht)		Increase/(Decrease)	
	FY 2021	FY 2020	Million Baht	%
Selling Expenses	106.62	89.70	16.92	18.86
Administrative Expenses	247.66	280.07	(32.41)	(11.57)
Finance Cost	176.72	87.43	89.29	102.13
Total Expenses	531.00	457.20	73.80	16.14
% to Revenues	17.69	12.91		

The overall expenses of the Company for the year ended 31st December 2021, amounted to 531.0 million baht, an increase of 73.80 million baht or 16.14% from the previous year, mainly due to the following reasons:

- (1) Selling and administrative expenses, the total amount of the selling and admin expenses in this year was 354.28 million baht, decrease from the last year by 15.49 million baht or 4.19% mainly due to the depreciation from the assets was allocated to cost of service as the fixed assets was used in the project. Moreover, the decreasing of some expenses due to the Covid situation, such as travel expenses, overtime, electricity, etc. is resulted in the expenses decreasing of 34.71 million baht. The Company also record allowance for trade account receivable and loan receivable amounting to 19.22 million baht in this year.
- (2) The financial cost of the Company in 2021 amounted to 176.72 million baht, an increase from 2020 by 89.29 million baht or 102.13% because the Company has long-term borrowings from financial institutions to be used for investment in large projects, including, which are the project of service and maintenance project for Common Use Passenger Processing System (CUPPS) at Suvarnabhumi Airport and the service of Advance Passenger Processing System (APPS) and Passenger Name Recording (PNR) project.



Share of profit from associated companies

For the year 2021, the Company has recognized its share of profit from investments in associates and joint operation. The total amount is 36.98 million baht, as decreasing of 35.45 million baht from the previous year (2020 share profit from investment in associates was 72.43 million baht), comprised of:

- (1) Profit Sharing from Turnkey Communication Services Company Limited (“TKC”) amounting to 69.16 million baht (decrease by 15.93 million baht compare to last year 2020). The majority of TKC profit is due to TKC recognizing the revenue and profit from delivering services to government and many private customers.
- (2) Share of loss from Astro Solutions Company Limited (“Astro”) amounting to Baht 2.60 million (shared of loss decrease by 1.03 million baht compare to 2020) as the Company's main business was affected by the situation of the COVID-19 epidemic. And the Company still has a loss from personnel expenses for the year 2021
- (3) Loss sharing from SAL Group (Thailand) limited amounting to 29.58 million baht since (loss sharing increase by 20.55 million baht compare to last year). The Company has invested in September 2020 and accounted the loss of SAL. SAL invested in AOT ground aviation service Company Limited, “AOTGA”, which is operate in the aviation business, Thus AOTGA has also suffered losses due to the impact of the COVID 19 situation. However, in the 4th quarter of 2021, AOTGA posted profitable results for the first time since the Company invested in SAL. This was the result from the open country policy, tourist sandboxes model, and launching of AOTGA cargo business. Management expected that AOTGA's performance will be positive potential because of international air travelling which is going to growth after the covid-19 situation is alleviation.

Please be informed accordingly.

Sincerely yours,

(MR. SITHIDEJ MAYALARP)

Director

Corporate Secretary

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