



# SKY ICT PUBLIC COMPANY LIMITED

Management Discussion and Analysis

for the third quarter ended 30<sup>th</sup> September 2022

A decorative graphic consisting of several overlapping circles and dots in shades of blue, red, and grey, positioned in the lower right quadrant of the page.

**Intelligence**  
action



No. SKY-65-11-017

14<sup>th</sup> November 2022

Subject Management Discussion and Analysis for the third quarter ended 30<sup>th</sup> September 2022  
To The Director and the Manager of the Stock Exchange of Thailand  
Enclosed A copy of the financial statement for the third quarter ended 30<sup>th</sup> September 2022 (1 set)

Sky ICT Public Company Limited (“the Company”) would like to submit the financial statement for the period ended on 30<sup>th</sup> September 2022, which has been reviewed by the Auditor as well as the explanation and analysis from the management to provide the information to the investors and the public. The operational performance of the Company are as follows:

### Executive Summary

There are significant transactions of the Company for the third quarter ended 30<sup>th</sup> September 2022 as follows:

#### 1. Group Business Plan

In the third quarter of 2022, the Group has a business plan that focuses mainly on Digital Platform continuing since the fourth quarter 2021, which is the business extension from the expertise of the Group in the field of CCTV management and Smart Security. The Company has launched a new Smart Security Platform under the name “Tossakan”. This new business will expand to private sector and will eventually create a sustainable income in the future. In addition, The Company has also rebranded the "AOT Airports Application" and change name to "SAWASDEE by AOT" under the concept of a single application for travelers which will facilitate passengers at all 6 AOT airports which are –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.

In addition, the company has also collaborated with Appman Co., Ltd., the leader of OCR technology company, to collaborate marketing on an e-KYC platform, which is an infrastructure to support new user authentication online, for businesses that focus on advanced security and want to expand their business opportunities in the digital world. By bringing face recognition technology from a global AI software developer partner, outstanding in the technology group related to Interactive Face Liveness Detection, it can prevent the falsification of biometric data such as analytics and compare faces to the database or a picture of the front of the ID card. It can also prevent impersonation by superimposing other people's faces, which has been tested for efficiency by NIST USA, where the company has adapted the usage pattern to fit the context and physical characteristics of Thai people to improve the efficiency of remembering and comparing user identities accurately and quickly.

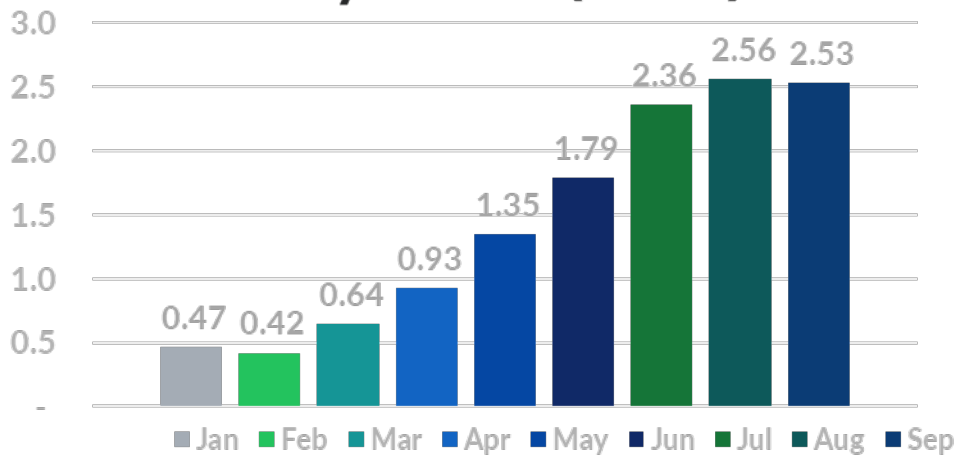


2. Investment

On June 29, 2022, the Board of Directors Meeting no. 4/2022 of the Company passed a resolution to approve to invest in newly issued ordinary shares of a subsidiary, PRO INSIDE, at the existing shares holding proportion for 200,000 shares at par value of Baht 100 per share, totaling Baht 20 million. The Company paid the subscription in July 2022 as working capital to support the future business expansion of Pro Inside.

3. The impact of COVID-19 situation

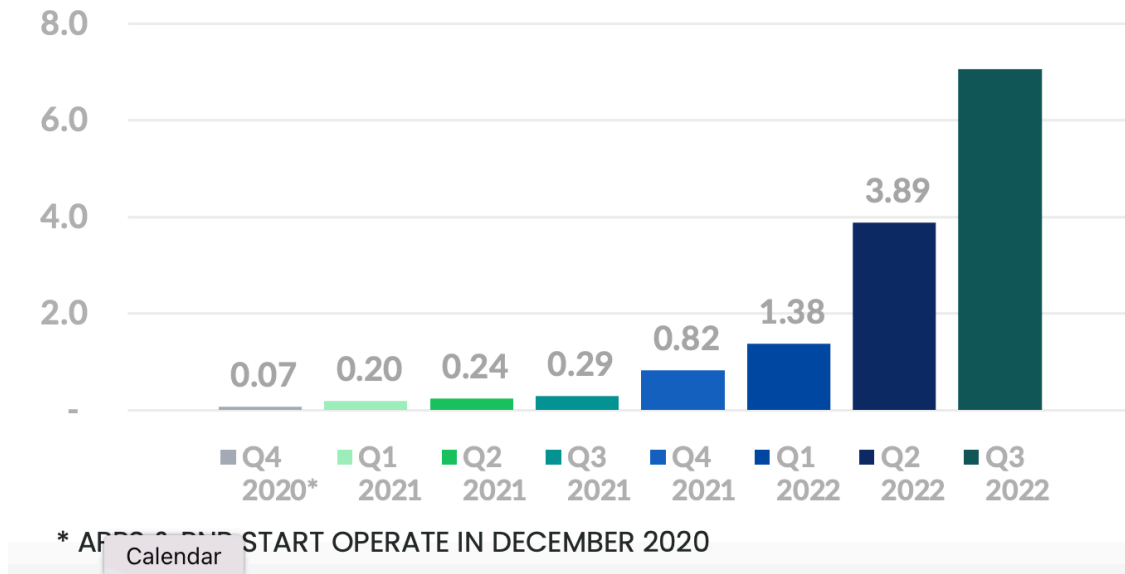
**International Passenger Statistic for the year 2022 (Million)**



Reference: Air transport statistics from Airports of Thailand Public Company Limited

Due to the outbreak of corona virus 2019 (Covid-19) from the beginning of 2020 onwards and many new waves of outbreaks 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 135.58 million baht in 2022 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, in the third quarter of 2022, the company's loss from the APPS project was reduced to 11.54 million baht, compared to the second quarter of 2022, which had a loss of 50.06 million baht, due to the continued recovery of the aviation business and tourism sector in Thailand. However, if comparing the number of international passengers since the company started the project in December 2020, it is found that the number of international passengers has continued to improve. Especially from the relaxation of the government's Thailand Pass policy in 2022, the loss from the APPS and PNR projects has continued to decline. Management expects the project to become profitable soon.

## Number of Passenger using APPS & PNR (Million)



Overview of operating results for the third quarter ended 30<sup>th</sup> September 2022

Company's performance	Amount (Million Baht)		Increase (Decrease)	
	Q3/2022	Q3/2021	Million Baht	%
Core business revenue	679.22	706.40	(27.18)	(3.85)
Other revenue	1.09	0.60	0.49	81.67
<b>Total Income</b>	<b>680.31</b>	<b>707.00</b>	<b>(26.69)</b>	<b>(3.78)</b>
<b>Net Profit</b>	<b>(35.57)</b>	<b>14.54</b>	<b>(50.11)</b>	<b>(344.64)</b>
Basic earnings per share )Baht per shares(	(0.06)	0.02		

### Net profit

The Company and its subsidiaries had net loss for the third quarter ended 30<sup>th</sup> September 2022 amounted to 35.57 million baht, a decreasing of 50.11 million baht or 344.64 percent compared to the same period last year with a total net profit of 14.54 million baht due to the following:

- Losses arising from costs of depreciation and amortization of assets for the service and maintenance of the Common Use Passenger Processing System (CUPPS) project at Don Mueang Airport, Phuket Airport, Chiang Mai Airport, Hat Yai Airport and Mae Fah Luang Chiang Rai Airport which contract was signed on March 2022. The Company started services and recognized revenue since June 15, 2022 for 3 airports, Chiang Mai Airport, Hat Yai Airport and Mae Fah Luang Chiang Rai Airport. The recognized revenue is less than the cost of depreciation and amortization of assets for serviced 3 airports



- the Company have loss incurred from the service of the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR), as mentioned in Article 3.

- Loss on exchange rate 19.32 million baht due to the depreciated of Thai Baht at end of third quarter of 2022

### Core business revenue

The Company and its subsidiaries had total revenue for the third quarter ended 30<sup>th</sup> September 2022 amounted to 679.22 million baht, a decreasing of 27.18 million baht or 3.85% compared to the same period of the previous year with total revenue of 706.40. million baht can be summarized as follows:

Revenue	Amount (Million Baht)		Increase/(Decrease)	
	Q3/2022	Q3/2021	Million Baht	%
Revenue from System Integration Services	239.25	356.68	(117.43)	(32.92)
Revenue from Sales	0.87	23.48	(22.61)	(96.29)
Revenue from Services	439.10	326.24	112.86	34.59
<b>Total Revenue</b>	<b>679.22</b>	<b>706.40</b>	<b>(27.18)</b>	<b>(3.85)</b>

1. **Revenue from sales and installation of integrated systems**, the amount of 239.25-million-baht, accounting for 35.22% of total revenue, a decreasing of 117.43 million baht or 32.92% compared to the previous year. Because the most projects that have been delivered in the third quarter of 2022 are lower value than the third quarter of 2021. The Projects that have been delivered are as follows:

- A project for procurement and installation of closed-circuit television cameras to increase security in areas at risk of crime to Bangkok Metropolitan Administration.
- A project for the Digital Operations Management System Development Project for the AOT airports.
- A project to develop information technology systems for the management and collection of car park building fees for Airports of Thailand Public Company Limited
- A project for procurement of computer equipment and decoration of the Artificial Intelligence Center to Thammasat University
- A project for the Drugs Information Analysis development for the Office of the Narcotics Control Board
- A project for procurement and installation of License Plate Recognition system for the Narcotics Suppression Bureau.

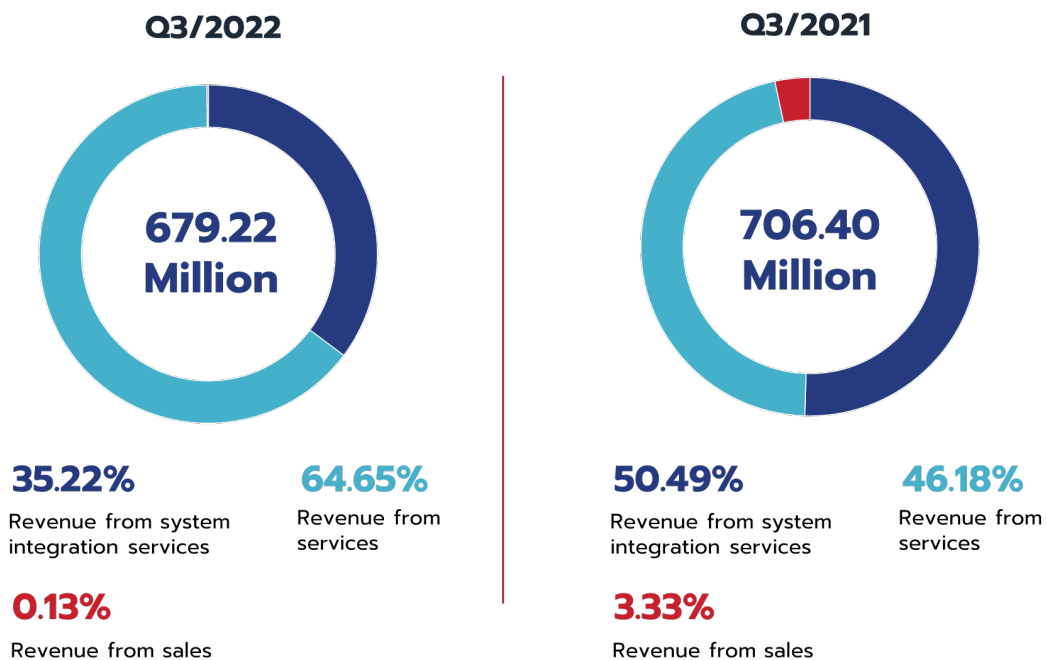
2. **Revenue from Sales**, the amount of 0.87-million-baht, accounting for 0.13% of the main income, an increasing of 22.61 million baht or 96.29% compared to the previous year. According to the Group focuses on providing a complete set of sales and installation services. As a result, the income in this 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 computer equipment to private companies.

3. **Revenue from Services**, the amount of 439.10-million-baht, accounting for 64.65% of total revenue, an increasing of 112.86 million baht or 34.59% compared to the previous year. Most of the services revenue in 2022 from the projects as follows:

- The project of service and maintenance of the Common Use Passenger Processing System (CUPPS) at Suvarnabhumi Airport which has a service period of 10 years. The passengers for 2022 are increased from 2021, comply with criteria per TOR
- The project of the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR) which has a service period of 6.5 years
- The project of Passenger Baggage Reconciliation System (PBRs) at Suvarnabhumi Airport which has been extended the service period for 1 year, contract dated on July 1<sup>st</sup>, 2022.
- The project of service and maintenance of the Common Use Passenger Processing System (CUPPS) at at Don Mueang Airport, Phuket Airport, Chiang Mai Airport, Hat Yai Airport and Mae Fah Luang Chiang Rai Airport, started the revenue recognition rate at 90% of number of passengers according to criteria mentioned as TOR since June 15,2022.

### Proportion of Revenue from business operation





### Exchange loss

The Company and its subsidiaries had other losses from exchange rates for the three-month period ended 30<sup>th</sup> September 2022, amounting to 19.32 million baht, mainly due to the depreciation of Thai baht compared to the previous quarter effected to unrealized exchange losses of equipment and computer system on hire purchase contracts for projects with the Company denominated in foreign currencies. The management had managed the risk of fluctuations in foreign currency exchange rates. Therefore, most of the foreign exchange risk has been hedged.

### Total Costs

Costs	Amount (Million Baht)		Increase/(Decrease)	
	Q3/2022	Q3/2021	Million Baht	%
Cost of System Integration Services	182.54	214.07	(31.15)	(14.26)
Cost of Sales	0.71	16.25	(15.54)	(95.63)
Cost of Services	387.41	308.73	78.68	25.49
<b>Total Costs</b>	<b>571.66</b>	<b>539.05</b>	<b>32.61</b>	<b>6.05</b>
<b>Gross Profit</b>	<b>107.56</b>	<b>167.35</b>	<b>(59.79)</b>	<b>(35.73)</b>
<b>Gross Profit (%)</b>	<b>15.84</b>	<b>23.69</b>		

Total costs the third quarter ended 30<sup>th</sup> September 2022 amounted to 571.66 million baht, an increasing of 32.61 million baht or 6.05% compared to the same period last year with a total cost of 539.05 million baht, which can be summarized as follows:

- The gross profit margin of System Integration Services and sales segment decreased due to the different of cost structures by projects.
- The Increasing in gross profit margin of service segment due to the recovery of aviation and tourism sectors resulted in a reduction on losses from the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR) project that mainly from depreciation and amortization of assets. The company has invested a large amount of assets for the project to make the service system efficient. However, the accounting standard stipulates that The Company has to recognize the depreciation and amortization of costs on a straight-line basis over the project's operation period (6.5 years), regardless of the revenue recognized in accordance with the actual number of passengers. The company, therefore recognized the cost of depreciation and amortization of assets and other cost related with the project were higher than the revenue. This resulted in a loss from this project in the amount of 11.54 million baht in Q3.

### Expenses

Expenses	Amount (Million Baht)		Increase/(Decrease)	
	Q3/2022	Q3/2021	Million Baht	%
Selling Expenses	25.83	28.77	(2.94)	(10.22)
Administrative Expenses	67.69	47.69	20.00	41.94
Finance Cost	61.88	48.76	13.12	26.91
<b>Total Expenses</b>	<b>155.40</b>	<b>125.22</b>	<b>30.18</b>	<b>24.10</b>
<b>% to Revenues</b>	<b>22.88</b>	<b>17.73</b>		

The overall expenses of the Company for the third quarter ended 30<sup>th</sup> September 2022, amounted to 155.40 million baht, a increase of 30.18 million baht or 24.10% from the previous year, mainly due to the following reasons:

- Selling and administrative expenses, the total amount of the selling and admin expenses in this quarter was 93.52 million baht, increase from the last year by 17.06 million baht or 18.22%. mainly due to this year, some depreciation was regroup to be Selling and administrative expenses. In addition, the Company has professional and service fee for preparing the future business expansion.
- Financial costs of the Company and its subsidiaries amounted to 61.88 million baht, an increase of 13.12 million baht or 26.91% from the year 2021 due to the interest of long term loan for large projects such as the project of service and maintenance of the Common Use Passenger Processing System (CUPPS) at at Don Mueang Airport, Phuket Airport, Chiang Mai Airport, Hat Yai Airport and Mae Fah Luang Chiang Rai Airport and the service of Advance Passenger Processing System (APPS) and Passenger Name Recording (PNR) project. Moreover the Company have interest expenses from Bond issued on second and third quarter of this year

### Share of profit from associated companies

#### SHARE OF PROFIT BY COMPANY (MILLION)

Company	Q3/2022	Q3/2021
TURNKEY COMMUNICATION SERVICES PUBLIC COMPANY LIMITED ("TKC")	11.53	13.27
ASTRO SOLUTIONS COMPANY LIMITED ("ASTRO")	(0.37)	(0.50)
SAL GROUP (THAILAND) COMPANY LIMITED ("SAL")	12.17	(12.10)
<b>TOTAL</b>	<b>23.33</b>	<b>(0.67)</b>





For third quarter ended 30<sup>th</sup> September 2022, the Company has recognized its share of profit from investments in associates and joint operation totaling 23.33 million baht, an increasing of 24.00 million baht from the previous year (Q3/2021 share profit from investment in associates was 0.67 million baht), comprised of:

- (1) Profit Sharing from Turnkey Communication Services Public Company Limited (“TKC”) amounting to 11.53 million baht (decrease by 1.74 million baht compare to Q3/2021). Mainly from TKC was successfully listed on the Stock Exchange of Thailand by issuing 78,000,000 newly issued ordinary shares to public. The increasing in ordinary shares of TKC resulted in a decrease in investment proportion in TKC from 34.00% in Q3 2021 to 23.40% in Q3 2022 while the total profit of TKC is as same as last year.
- (2) Share of loss from Astro Solutions Company Limited (“Astro”) amounting to Baht 0.37 million (shared of loss decrease by 0.13 million baht compare to 2021) as the Company's main business was affected by the situation of the COVID-19 epidemic since 2020. However, trend of loss from Astro seems to be decreasing due to revering of tourism sector.
- (3) Profit Sharing from SAL Group (Thailand) limited amounting to 12.17 million baht favorable changed from prior period which loss shared by 12.10 million baht. Because 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, since the 4th quarter of 2021, AOTGA has started to show profitable results resulted from the effect of accepting foreign tourists and the expansion of AOTGA's business into the airport warehouse management business. Management forecasted that AOTGA's performance will be continuously positive since releasing of government travelling control policy , number of flight both domestic and international are going to growth respectively.

Please be informed accordingly.

Sincerely yours,

---

(MR. SITHIDEJ MAYALARP)

Director

Corporate Secretary

Tel. 02 029 7888 Ext 812