



SKY ICT PUBLIC COMPANY LIMITED

Management Discussion and Analysis

for the year ended 31st December 2022



No. SKY-66-02-038

28th February 2023

Subject Management Discussion and Analysis for the year ended 31st December 2022
To The Director and the Manager of the Stock Exchange of Thailand
Enclosed A copy of the financial statement for the year ended 31st December 2022 (1 set)

Sky ICT Public Company Limited (“the Company”) would like to submit the financial statement for the year ended on 31st December 2022, which has been audited 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 year ended 31st December 2022 as follows:

1. Group Business Plan

In the year 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 April 29, 2022, the Annual General Meeting of Shareholders of the Company passed a resolution to approve the increase of the registered capital of the Company in the amount of 8,000,000 shares with a par value of 0.50 baht per share to be offered to non-controlling interests as compensation for additional investment 60.00% of the total shares in Gfin (Thailand) Co., Ltd., resulting in the Company's interest in Gfin (Thailand) Co., Ltd. increased from 40.00% to 99.99%.

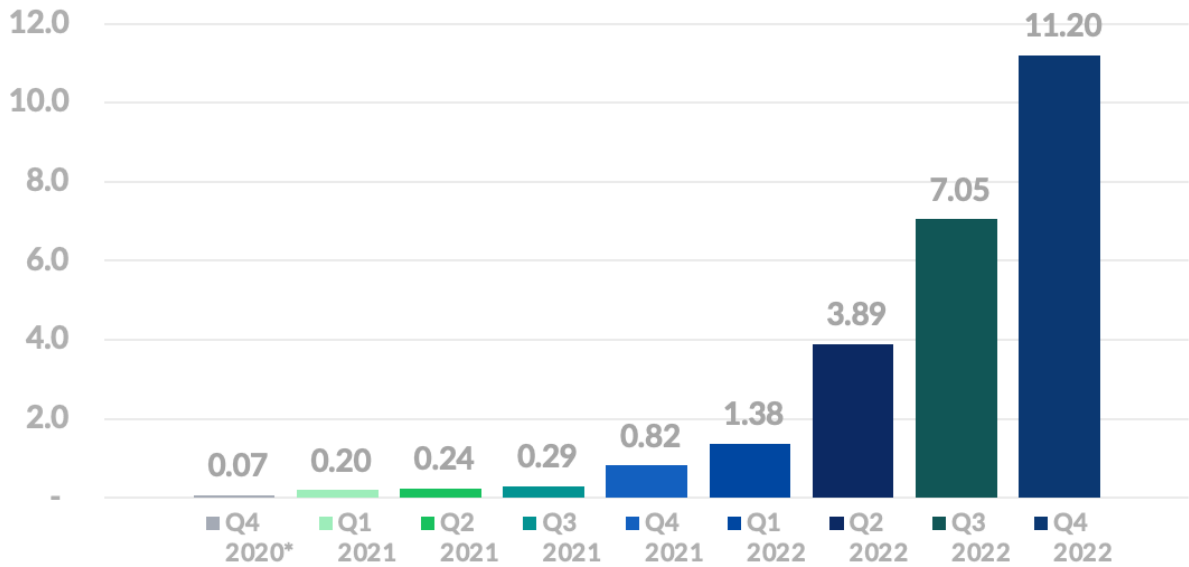
On June 29, 2022, the Board of Directors Meeting no. 4/2022 of the Company passed a resolution to approve to invest in newly issued ordinary shares of a subsidiary, PRO INSIDE, at the existing shares holding proportion for 200,000 shares at par value of Baht 100 per share, totaling Baht 20 million. The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

On August 2, 2022, the Board of Directors meeting no. 2/2022 of the Company passed a resolution to invest in Global Sport Ventures Co., Ltd. (“GSV”) with the proportion of 20% of the registered and paid shares of GSV.

3. The impact of COVID-19 situation

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). However, in 2022 the Thai government and other countries has relaxation to travel, there was a continuous recovery of the aviation business and the tourism sector. From the graph of the number of international passengers traveling in and out through the APPS & PNR system, the number of passengers is increasing and there is a continuous improvement trend. In the fourth quarter of 2022, the company's profit from the APPS project amounting to 27.89 million baht. The total loss from APPS project in this year is 107.63 million baht which is less than prior year. Management expects the project to become profitable in 2023.

Number of Passenger using APPS & PNR (Million)



* APPS & PNR START OPERATE IN DECEMBER 2020

Overview of operating results for the year ended 31st December 2022

Company's performance	Amount (Million Baht)		Increase (Decrease)	
	2022	2021	Million Baht	%
Core business revenue	2,794.66	3,001.02	(206.36)	(6.88)
Other revenue	4.79	6.82	(2.03)	(29.77)
Gain on disposals of investments	111.22	-	111.22	100.00
Total Income	2,910.67	3,007.82	(97.15)	(3.23)
Net Profit	209.05	55.20	153.85	278.71
Basic earnings per share (Baht per shares)	0.35	0.07		

Net profit

The Company and its subsidiaries had net profit for the year ended 31st December 2022 amounted to 209.05 million baht, an increasing of 153.85 million baht or 278.71 percent compared to the prior year with a total net profit of 55.20 million baht due to the following:

- Mainly from gain on disposals of investments in Turnkey Communication Services Public Company Limited (“TKC”) and special item from surplus in change in proportion of investment in TKC, an associated company, because TKC’s IPO price per share is more than the net book value of TKC in SKY’s financial statement.



- 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 for 4 airports, Chiang Mai Airport, Hat Yai Airport, Mae Fah Luang Chiang Rai Airport and Don Mueang Airport. The recognized revenue is less than the cost of depreciation and amortization of assets for serviced 4 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.

Core business revenue

The Company and its subsidiaries had total revenue for the year ended 31st December 2022 amounted to 2,794.67 million baht, a decreasing of 206.35 million baht or 6.88% compared to the previous year with total revenue of 3,001.02 million baht can be summarized as follows:

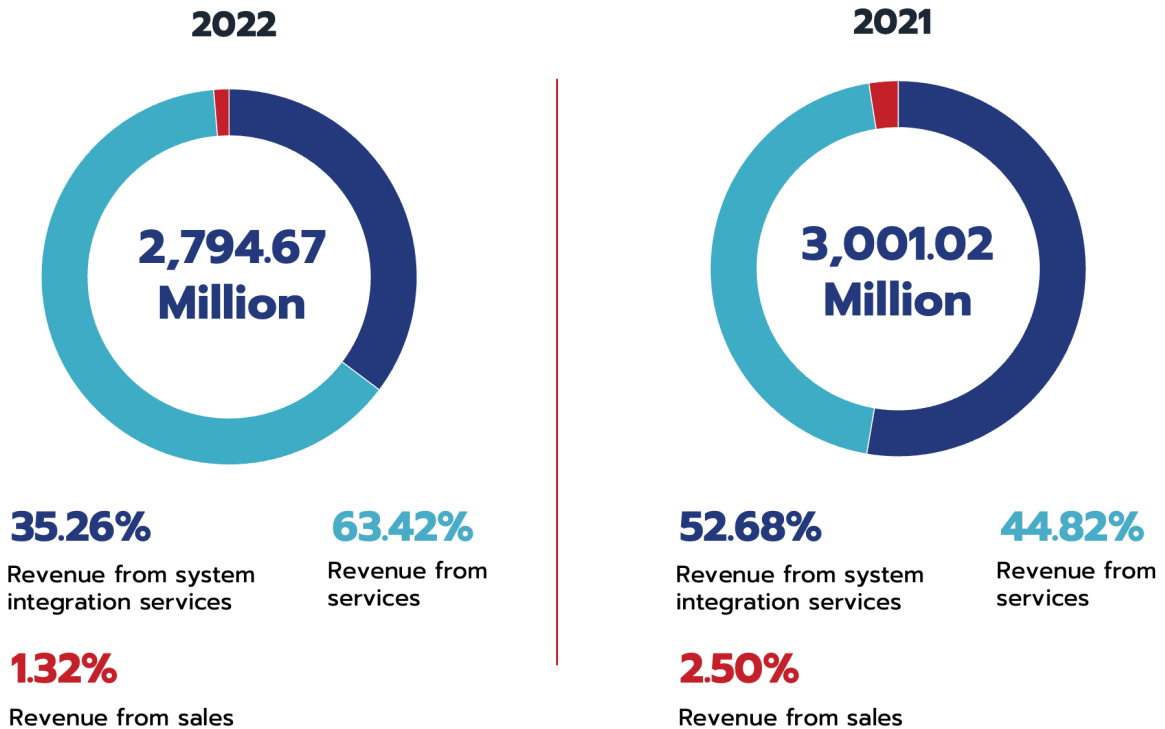
Revenue	Amount (Million Baht)		Increase/(Decrease)	
	2022	2021	Million Baht	%
Revenue from System Integration Services	985.33	1,581.00	(595.67)	(37.68)
Revenue from Sales	36.89	75.14	(38.25)	(50.90)
Revenue from Services	1,772.45	1,344.88	427.57	31.79
Total Revenue	2,794.67	3,001.02	(206.35)	(6.88)

1. **Revenue from sales and installation of integrated systems**, the amount of 985.33 million baht, accounting for 35.26% of total revenue, a decreasing of 595.67 million baht or 37.68% compared to the previous year. Because the most projects that have been delivered in the year 2022 are lower value than the previous year. The Projects that have been delivered are as follows:

- A project for procurement and installation of closed-circuit television cameras for Immigration Bureau.
- A project for the Digital Operations Management System Development Project for Airports of Thailand Public Company Limited.
- 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.
 - A project of Operation and Cargo management control at Free Zone area of Airports of Thailand Public Company Limited
2. **Revenue from Sales**, the amount of 36.89 million baht, accounting for 1.32% of the main income, a decreasing of 38.25 million baht or 50.90% 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 1,772.45 million baht, accounting for 63.42% of total revenue, an increasing of 427.57 million baht or 31.79% 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 7 years 11 months. The higher number of international passengers continuously increased according to the relaxation of the government's Thailand Pass Measures.
 - The project of service and maintenance of the Common Use Passenger Processing System (CUPPS) 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.
 - 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 1st, 2022.

Proportion of Revenue from business operation



Gain on disposals of investments

The group had gain on disposals of investments for the year ended 31st December 2022, in the amount of 111.22 million baht because the Company disposed 7,143,610 ordinary shares of Turnkey Communication Services Public Company Limited (“TKC”) for the Company’s projects working capital

Total Costs

Costs	Amount (Million Baht)		Increase/(Decrease)	
	2022	2021	Million Baht	%
Cost of System Integration Services	716.44	1,115.73	(399.29)	(35.79)
Cost of Sales	33.97	50.40	(156.43)	(32.60)
Cost of Services	1,599.42	1,231.49	367.93	29.88
Total Costs	2,349.83	2,397.62	(47.79)	(1.99)
Gross Profit	444.84	603.40	(158.56)	(26.28)
Gross Profit (%)	15.92	20.11		

Total costs for the year ended 31st December 2022 amounted to 2,349.83 million baht, an increasing of 47.79 million baht or 1.99% compared to last year with a total cost of 2,397.62 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 (7 years 11 months), 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 107.6 million baht in the year 2022.

Expenses

Expenses	Amount (Million Baht)		Increase/(Decrease)	
	2022	2021	Million Baht	%
Selling Expenses	125.22	106.62	18.60	17.45
Administrative Expenses	290.60	247.66	42.94	17.34
Finance Cost	215.36	176.72	38.64	21.87
Total Expenses	631.18	531.00	100.18	18.87
% to Revenues	22.59	17.69		

The overall expenses of the Company for the year ended 31st December 2022, amounted to 631.18 million baht, a increase of 100.18 million baht or 18.87% 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 year was 415.82 million baht, increase from the last year by 61.54 million baht or 17.37%. mainly due to this year, some depreciation was regrouped to be Selling and administrative expenses. In addition, the Company has financial advisory fees to study the possibility of expanding the company's business.
- Financial costs of the Company and its subsidiaries amounted to 215.36 million baht, an increase of 38.64 million baht or 21.87% 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 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

Company	Amount (Million Baht)		Increase/(Decrease)	
	2022	2021	Million Baht	%
TURNKEY COMMUNICATION SERVICES PUBLIC COMPANY LIMITED (“TKC”)	306.12	69.16	236.96	342.63
ASTRO SOLUTIONS COMPANY LIMITED (“ASTRO”)	(2.07)	(2.60)	0.53	20.38
GLOBAL SPORT VENTURES COMPANY LIMITED (“GSV”)	1.78	-	1.78	100.00
SAL GROUP (THAILAND) COMPANY LIMITED (“SAL”)	52.83	(29.58)	82.41	278.60
Total	358.66	36.98	321.68	869.88

For the year ended 31st December 2022, the Company has recognized its share of profit from investments in associates and joint operation totaling 358.66 million baht, an increasing of 321.68 million baht from the previous year (2021 share profit from investment in associates and joint operation was 36.98 million baht), comprised of:

- (1) Profit Sharing from Turnkey Communication Services Public Company Limited (“TKC”) amounting to 306.12 million baht (increase by 236.96 million baht compare to YE2021). Mainly, from special item "Surplus from change in proportion of investment in TKC" because TKC's IPO price per share is more than book value of TKC in SKY's financial statement and came from operating profit from delivering services to government and many private customers.
- (2) Share of loss from Astro Solutions Company Limited (“Astro”) amounting to 2.07 million baht (shared of loss decrease by 0.53 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 Global Sport Ventures Company Limited amounting to 1.78 million baht came from operating profit which is operate in Boxing organizer.
- (4) Profit Sharing from SAL Group (Thailand) limited amounting to 52.83 million baht favorable changed from prior period which loss shared by 29.58 million baht. Because SAL invested in AOT ground aviation service Company Limited, “AOTGA”, which is operate in the ground services (Don Mueang Airport and Phuket Airport), AOTGA has started to show profitable results resulted from the effect of accepting foreign tourists and the number of flight both domestic and international are going to growth respectively. Including the expansion of AOTGA’s business into the cargo management



business at Phuket Airport. Management forecasted that AOTGA's performance will be continuously positive since releasing of government travelling control policy.

Please be informed accordingly.

Sincerely yours,

(MR. SITHIDEJ MAYALARP)

Director

Corporate Secretary

Tel. 02 029 7888 Ext 812