

SKY ICT PUBLIC COMPANY LIMITED

Management Discussion and Analysis

for the first quarter ended 31st March 2023



No. SKY-66-05-038

15th May 2023

Subject Management Discussion and Analysis for the first quarter ended 31st March 2023
To The Director and the Manager of the Stock Exchange of Thailand
Enclosed A copy of the financial statement for the first quarter ended 31st March 2023 (1 set)

Sky ICT Public Company Limited (“the Company”) would like to submit the financial statement for the period ended on 31st March 2023, 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 first quarter ended 31st March 2023 as follows:

1. Investment

On March 9, 2023, the Board of Directors meeting no. 3/2023 of the Company passed a resolution to approve to invest in newly issued ordinary shares of a joint-ventures, SAL Group (Thailand), at the existing shares holding proportion for 673,958 shares at par value of Baht 100 per share. The Company paid the subscription in March 2023 as working capital to support the business expansion of SAL Group (Thailand).

On March 22, 2023, the Board of Director meeting no. 4/2023 of the Company passed a resolution to approve to invest in newly issued ordinary shares of a subsidiary, METTHIER, at the existing shares holding proportion for 299,998 shares at par value of Baht 100 per share as increasing the capability in business competition and opportunity to acquire larger projects.

On April 21, 2023, 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 91,213,329 shares with a par value of 0.50 baht per share to be offered to existing shareholders holding proportion (Rights Offering) for 31,213,329 shares and specific persons (Private placement) for 60,000,000 shares to support future investment expansion and for the project of the Company, including aviation services, digital platform, other services.

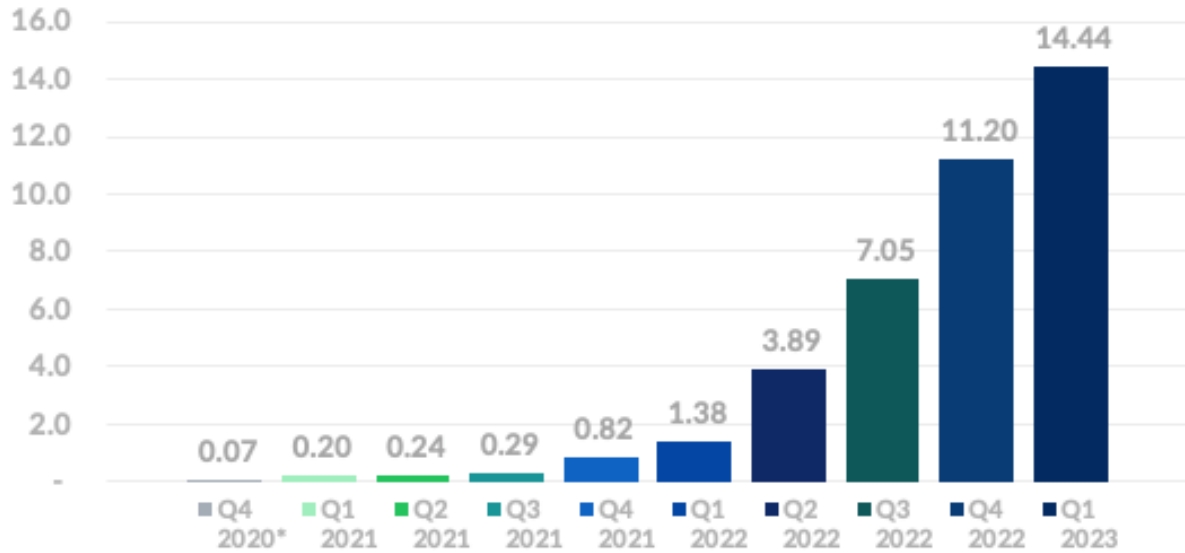
2. The impact of COVID-19 situation

Since the COVID situation has been resolved in the year 2022, resulting in the tourism business starting to trend in a better way. Therefore, the number of passengers both inbound and outbound which are service of the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR) continued to increase every quarter. As a result, in the first quarter year 2023, the Company have profit from the service of the Advance



Passenger Processing System (APPS) and Passenger Name Record (PNR) Project amount of 79.9 million bath which is recognized revenue based on actual number of passengers (inbound, outbound, change flight and transit).

Number of Passenger using APPS & PNR (Million)



* APPS & PNR START OPERATE IN DECEMBER 2020

Overview of operating results for the first quarter ended 31st March 2023

Company's performance	Amount (Million Baht)		Increase (Decrease)	
	Q1/2023	Q1/2022	Million Baht	%
Core business revenue	819.99	467.96	352.03	75.23
Other revenue	1.06	1.19	(0.13)	(10.17)
Gain on disposals of investments	-	98.10	(98.10)	(100.00)
Total Income	821.05	567.25	253.80	44.74
Net Profit	83.32	181.36	(98.06)	(54.07)
Basic earnings per share (Baht per shares)	0.14	0.30		

Net profit

The Company and its subsidiaries had net profit for the first quarter ended 31st March 2023 amounted to 83.32 million baht, a decreasing of 98.06 million baht or 54.07 percent compared to the prior year with a total net profit of 181.36 million baht due to the following:



- Mainly from the first quarter of 2022 the Company 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.

- For operation, The Company had profit from the service of the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR) project as mentioned above.

Core business revenue

The Company and its subsidiaries had total revenue for the first quarter ended 31st March 2023 amounted to 819.99 million baht, an increasing of 352.03 million baht or 75.23% compared to the previous year with total revenue of 467.96 million baht can be summarized as follows:

Revenue	Amount (Million Baht)		Increase/(Decrease)	
	Q1/2023	Q1/2022	Million Baht	%
Revenue from System Integration Services	188.47	112.28	76.19	67.86
Revenue from Sales	1.31	2.22	(0.91)	(40.99)
Revenue from Services	630.21	353.46	276.75	78.30
Total Revenue	819.99	467.96	352.03	75.23

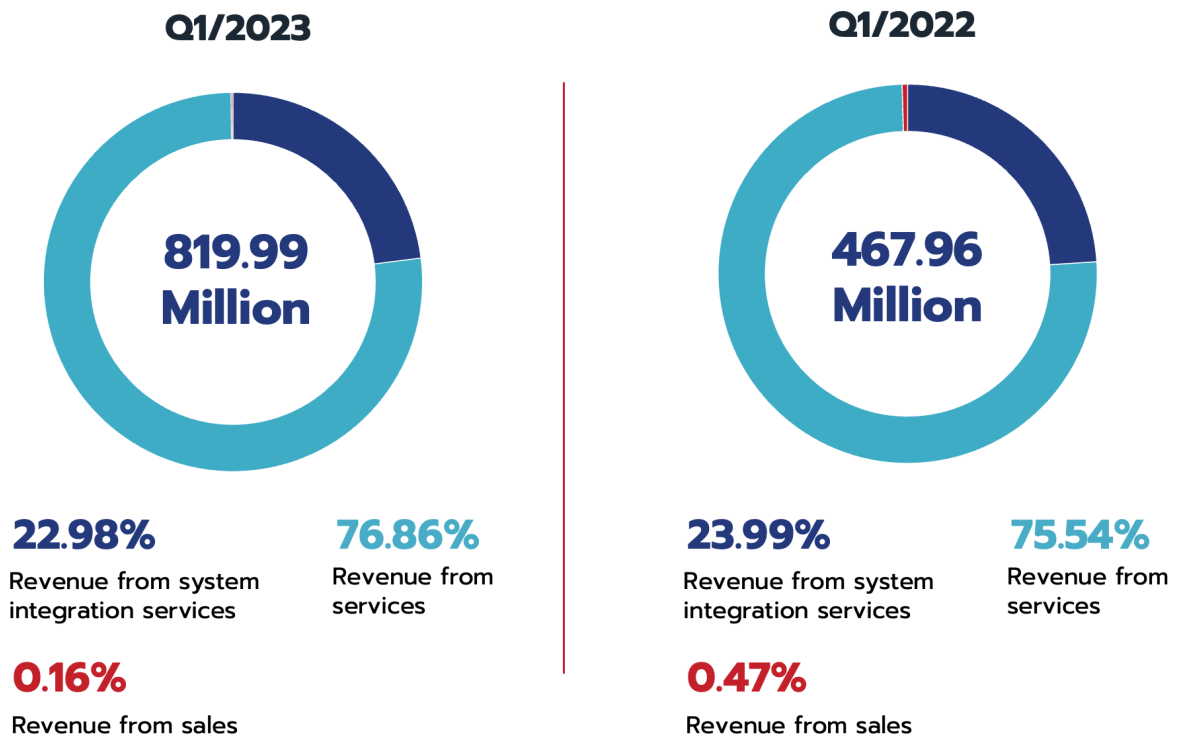
1. **Revenue from sales and installation of integrated systems**, the amount of 188.47 million baht, accounting for 22.98% of total revenue, a increasing of 76.19 million baht or 67.86% compared to the previous year. The Projects that have been delivered are as follows:

- A project of procurement and installation system of second terminal no.1 and south tunnel to Powerline Engineering Public Company Limited
- A project of Operation and Cargo management control at Free Zone area of Airports of Thailand Public Company Limited
- A project of procurement and installation of CCTV at Suvarnabhumi Airport, Don Mueang Airport, Phuket Airport and Hat Yai Airport to Airports of Thailand Public Company Limited
- A project of installation management system Chalong bay, Phuket smart pier
- A project of develop information system and analysis bid data to Crime Suppression Division

2. **Revenue from Sales**, the amount of 1.31 million baht, accounting for 0.16% of the main income, a decreasing of 0.91 million baht or 40.99% 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 which is service provide to private companies.

3. **Revenue from Services**, the amount of 630.21 million baht, accounting for 76.86% of total revenue, an increasing of 276.75 million baht or 78.30% compared to the previous year. Most of the services revenue in the first quarter year 2023 from the projects as follows:
- 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 and China fully reopened its borders. In the first quarter year 2023, the recognized number of passengers in this period are higher than the previous year in the amount of 13 million passengers equivalent to higher revenue recognition of 157 million bath.
 - The project of service and maintenance of the Common Use Passenger Processing System (CUPPS) at Suvarnabhumi Airport , Don Mueang Airport, Chiang Mai Airport, Hat Yai Airport and Mae Fah Luang Chiang Rai Airport. Even though, number of passengers both inbound and outbound increased but did not reach 90 percent of number of passengers according to TOR criteria. Therefore, the Company recognized revenue at 90% of number of passengers according to TOR criteria which the passengers in the first quarter of 2023 is higher than the same period of 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



Total Costs

Costs	Amount (Million Baht)		Increase/(Decrease)	
	Q1/2023	Q1/2022	Million Baht	%
Cost of System Integration Services	154.79	90.83	63.96	70.42
Cost of Sales	0.42	1.72	(1.30)	(75.58)
Cost of Services	429.69	361.26	68.43	18.94
Total Costs	584.90	453.81	131.09	28.89
Gross Profit	235.09	14.15	220.94	1,561.41
Gross Profit (%)	28.67	3.02		

Total costs for the first quarter ended 31st March 2023 amounted to 584.90 million baht, an increasing of 131.09 million baht or 28.89% compared to last year with a total cost of 453.81 million baht, which can be summarized as follows:

- The increasing in gross profit margin of System Integration Services and sales segment from the large project have been delivered in the first quarter year 2023.
- The increasing in gross profit margin of Service segment from the recovery of aviation business and tourism industry as a result, the Company has profit from the Advance Passenger Processing System (APPS) and Passenger Name Record (PNR) project. The main cost from depreciation of assets which are fixed costs. The Company recognized higher revenues with fixed costs, resulting in higher profits as well.

Expenses

Expenses	Amount (Million Baht)		Increase/(Decrease)	
	Q1/2023	Q1/2022	Million Baht	%
Selling Expenses	33.04	25.59	7.45	29.11
Administrative Expenses	92.12	80.73	11.39	14.11
Finance Cost	68.65	43.37	25.28	58.29
Total Expenses	193.81	149.69	44.12	29.47
% to Revenues	23.64	31.99		

The overall expenses of the Company for the first quarter ended 31st March 2023, amounted to 193.81 million baht, an increase of 44.12 million baht or 29.47% 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 125.16 million baht, increase from the last quarter by 18.84 million baht or 17.72%. mainly due to since 2022, the Company has continually increased the number of employees in the SKY Group to prepare for the expansion of the Company's business.

- Financial costs of the Company and its subsidiaries amounted to 68.65 million baht, an increase of 25.28 million baht or 58.29% from the same quarter of 2022 due to in the first quarter of 2023 the Company had 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 2022 while the same quarter of 2022, there is no transaction.

Share of profit from associated companies

Company	Amount (Million Baht)		Increase/(Decrease)	
	Q1/2023	Q1/2022	Million Baht	%
TURNKEY COMMUNICATION SERVICES PUBLIC COMPANY LIMITED (“TKC”)	12.52	258.65	(246.13)	(95.16)
ASTRO SOLUTIONS COMPANY LIMITED (“ASTRO”)	(0.27)	(0.49)	0.22	(44.90)
GLOBAL SPORT VENTURES COMPANY LIMITED (“GSV”)	2.45	-	2.45	100.00
SAL GROUP (THAILAND) COMPANY LIMITED (“SAL”)	38.90	6.69	32.21	481.46
Total	53.60	264.85	(211.25)	(79.76)

For the first quarter ended 31st March 2023, the Company has recognized its share of profit from investments in associates and joint operation totaling 53.60 million baht, a decreasing of 211.25 million baht from the previous same quarter (Q1/2022 share profit from investment in associates and joint operation was 264.85 million baht), comprised of:

- (1) Profit Sharing from Turnkey Communication Services Public Company Limited (“TKC”) amounting to 12.52 million baht (decrease by 246.13 million baht compare to Q1/2022). Mainly, from Q1/2022 the Company had 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 0.27 million baht (shared of loss decrease by 0.22 million baht compare to Q1/2022) 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 2.45 million baht came from operating profit which is operate in Sports organizer.
- (4) Profit Sharing from SAL Group (Thailand) limited amounting to 38.90 million baht (increase by 32.21 million baht compare to Q1/2022) 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