



(Translation)

LTO-2019-0191

13 November 2019

Subject: Submission of the Management Discussion and Analysis based on the Financial Statements ended 30 September 2019

Attention: The President of the Stock Exchange of Thailand

Information and Communication Networks Public Company Limited (“Company”) held the Board of Directors’ Meeting No. 5/2019 on 13 November 2019. The Meeting approved the financial statements ended 30 September 2019, which were reviewed by the Company’s auditor.

We would like to submit the Management Discussion and Analysis based on the financial statements ended 30 September 2019.

Please be informed accordingly.

Sincerely yours,

(Ms. Patnarin Maliwal)

Chief Financial Officer

Executive Summary

In the 3rd quarter of 2019, government and state enterprises have shown a positive signal for their investment whereby the Company have been awarded certain projects which the Company did partake in the bidding earlier on, for instance, Supply and Installation of Fiber Figure-8 Corrugated Steel Type Armour which the Company has participated in the bidding of Provincial Electricity Authority (PEA) under "Interlink and ICN Consortium" and the portion of ICN is 79.63 million THB. Another project awarded by PEA is Supply and Installation of Digital Radio Communication Systems with Supporting Equipment in the GorForGor Area 2 with the amount of 275.80 million THB. In addition to this, the Company remains in closed follow-up with its customer base in both government / state enterprise and private sectors as well as enters into another spectrum e.g. Supply of Contact Centre / Chatbot to fulfill customer requirement.

In the first nine months of 2019, the Company reported its total revenue of 731.24 million THB, decreased by 0.19 million THB or 0.03% compared to the same period in year 2018 from the following projects, for instance, High-Speed Internet Service Project in Remote Area (Zone C), Communication System for Distribution Management System (DMS), DWDM project, and OTN Cross Connect for VPOP to Singapore and Hong Kong, etc. Sales revenue of the first nine months of 2019 was at the amount of 729.13 million THB equivalent to 99.71% of total revenue, compared to sales revenue in 2018 for the same period was reported at 729.72 million THB equivalent to 99.77%. In term of cost of sales and SG&A expenses for the first nine months of 2019, it was equivalent to 661.17 million THB or 90.42 % of total revenue compared to last year at the amount of 652.44 Million THB or 89.20%. Net profit in Q3/2019 was 55.21 million THB or 7.55% of total revenue excluding the portion from non-controlling interests of the subsidiary. In comparison to the same period of 2018, net profit was reported at 63.28 million THB or 8.65% of total revenue.

Considering the performance in 3rd quarter of 2019, the Company reports its total revenue at 275.67 million THB categorized into sale revenue at 275.15 million THB and other revenue at 0.52 million THB compared to total revenue of 147.25 million THB in the same period of 2018. Its cost of sales and expenses are at 251.62 Million THB or 91.28% of total revenue in Q3/2019 and at 124.59 million THB or 84.61% of total revenue in Q3/2018. Lastly, net profit is equivalent to 18.78 million THB or 6.81 % of total revenue in Q3/2019 showing a slight decrease when compared with the same period of last year equivalent to 17.90 million THB or 12.15% of total revenue. The performance in Q3/2019 has increased in overall compared to the same period last year whereby the net profit margin has been declined due to higher cost of sales.

In the 4th quarter of 2019 the Company expects to achieve the revenue recognition from the existing projects as per their estimated project milestones as well as from the new coming orders. Apart from this, the Company shall proceed the 3 to 5 year- plan in order to pursue new customer groups and expanded territory, network maintenance as well as internet access for public utilization, network development for agriculture and healthcare sectors, infrastructure management, innovative projects, security projects, internet infrastructure project based on shared resources approach and 5G mobile network which shall incur in the next stage.

1. Business Performance Analysis

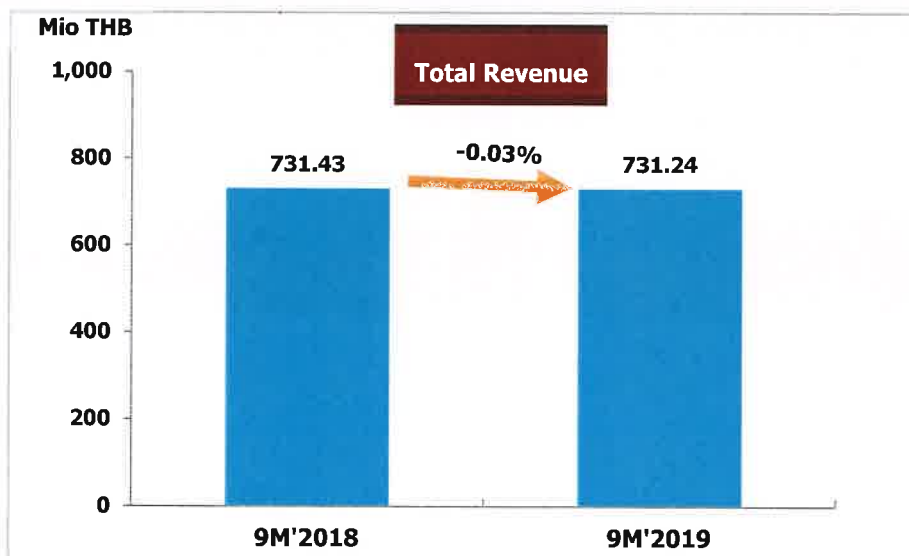
1.1 Revenue

For the first nine months of the year 2018 and of 2019 the Company reported its total revenue of 731.43 million THB and 731.24 million THB respectively with a slight decrease by 0.03%. Major revenue recognition was made from the projects, for instance, High-Speed Internet Service Project in Remote Area (Zone C) and Communication System for Distribution Management System (DMS), DWDM project and OTN Cross Connect for VPOP to Singapore and Hong Kong, etc.

Type	Separate		Consolidated	
	Jan.-Sep. 2018		Jan.-Sep. 2019	
	MB	%	MB	%
1. Sales Revenue	729.72	99.77	729.13	99.71
2. Other Revenue*	1.71	0.23	2.11	0.29
Total	731.43	100.00	731.24	100.00

Remarks *Other Revenue comprises of interest income, etc.

Total revenue can be categorized into sales revenue and other revenue, whereby in the first nine months of 2018 and of 2019, sales revenue is accounted for 99.77% and 99.71% of total revenue and other revenue was equivalent to 0.23% and 0.29% respectively.

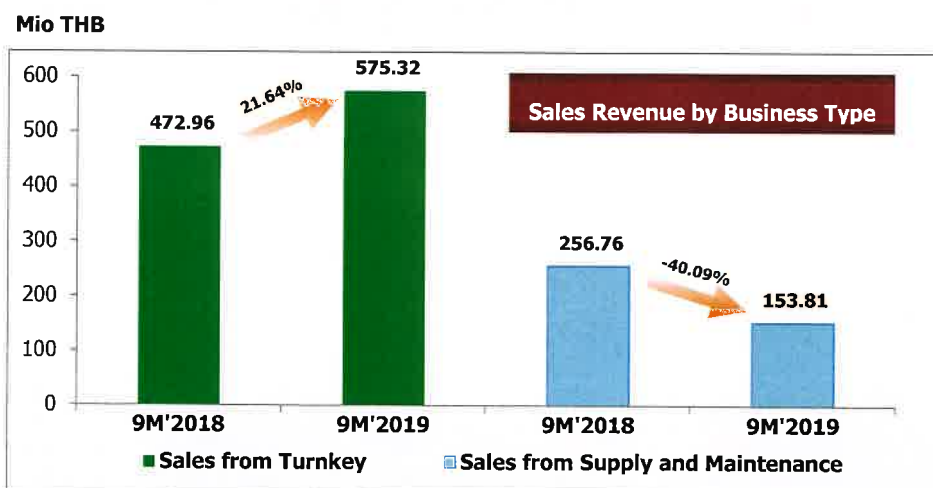


Sales Revenue

Sales revenue in the first nine months of 2019 consists of turnkey business including telecommunication system and construction and electrical system, supply and maintenance.

Type	Separate		Consolidated	
	Jan.-Sep. 2018		Jan.-Sep. 2019	
	MB	%	MB	%
Sales Revenue				
Sales Revenue from Turnkey Business	472.96	64.81	575.32	78.90
- Sales Revenue from Telecommunication System	472.91	64.80	560.07	76.81
- Sales Revenue from Construction and Electrical System	0.05	0.01	15.25	2.09
Sales Revenue from Supply and Maintenance	256.76	35.19	153.81	21.10
- Sales Revenue from Supply of Telecommunication System	92.53	12.68	54.50	7.47
- Sales Revenue from Maintenance of Telecommunication System	164.23	22.51	99.31	13.63
Total Sales Revenue	729.72	100.00	729.13	100.00

During Q1-Q3 of 2019, sales revenue from turnkey business and supply and maintenance were reported at 575.32 million THB and 153.81 million THB or proportionately at 78.90% and 21.10% of total sales revenue respectively. Sales revenue from turnkey business showed an increase by 21.64% compared to the same period of last year because major projects, awarded around the end of last year, were at the early phase and the revenue recognition can be realized as per its progress. In term of revenue from supply and maintenance, it showed a decline by 40.09 compared to the same period last year because the procurement process from the customer side has been delayed from the 3rd quarter; however, this is expected to be finalized within this business year.



Other Revenue

In the first nine months of 2018 and of 2019, the Company reported its other revenue at 1.71 million THB and 2.11 million THB respectively, equivalent to 0.23% and 0.29% of total revenue and the major item was interest income.

1.2 Cost of Sales and Expenses

Major costs of the Company compose of cost of sales, selling expense, administrative expense and interest expense. In the first nine months of 2018 and 2019, the Company showed its cost of sales and expense at 652.44 million THB and 661.17 million THB respectively, proportionately at 89.20% and 90.42% of total revenue.

CoS and Expenses	Separate		Consolidated	
	Jan.-Sep. 2018		Jan.-Sep. 2019	
	MB	%	MB	%
Cost of Sales	603.52	82.51	607.33	83.06
Selling Expense	17.82	2.44	22.83	3.12
Administrative Expense	31.09	4.25	31.01	4.24
Finance Cost	0.01	0.00	-	-
Total CoS and Expenses	652.44	89.20	661.17	90.42
Total Revenue	731.43	100.00	731.24	100.00

Cost of Sales

Cost of sales in the first nine months of 2018 and of 2019 were 603.52 million THB and 607.33 million THB, resulting in gross margin of 17.29% and 16.71%. Cost of sales can be broken down for turnkey business and for supply and maintenance of which mostly are materials, service / sub-contractors and project management costs.

Cost of Sales (CoS)	Separate		Consolidated	
	Jan.-Sep. 2018		Jan.-Sep. 2019	
	MB	GM (%)	MB	GM (%)
CoS for Turnkey Business	393.53	16.79	480.28	16.52
CoS for Supply and Maintenance	209.99	18.22	127.05	17.40
Total CoS	603.52	17.29	607.33	16.71

Selling Expenses

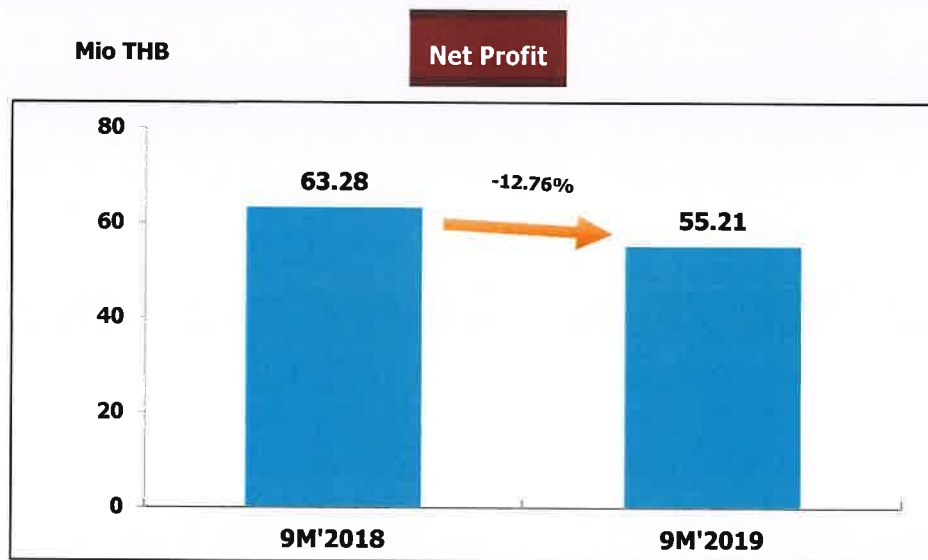
In the first nine months of 2018 and 2019, the Company reported its selling expenses at 17.82 million THB, and 22.83 million THB, equal to 2.44% and 3.12% of total revenue. Selling expenses consist of personnel related expenses, which are for instance salary, social security, provident fund, etc.

Administrative Expenses

The Company reported its administrative expenses at 31.09 million THB and 31.01 million THB for the first nine months of 2018 and of 2019 at the proportion 4.25% and 4.24% of total revenue respectively. Administrative expenses mostly comprise of personnel related expenses, office expenses and professional fees.

1.3 Net Profit

As a result of overall business performance, the Company reported its net profit for the first nine months of 2018 and 2019 at 63.28 million THB and 55.21 million THB based on the equity holder of the Company respectively, accounted for 8.65% and 7.55% of total revenue. For the first nine months of 2019, the net profit was decreased compared to last year mainly because of the higher costs of sales.



2 Financial Status

2.1 Assets

At the end of 2018 and of Q3/2019, the Company reported its total assets of 854.18 million THB and 909.99 million THB respectively. The major asset items are cash and cash equivalents, account receivables, unbilled receivables, and restricted bank deposits; at the end of 2018 proportionately at 41.01%, 16.95%, 20.77% and 7.87% of total assets respectively and at Q3/2019 proportionately at 19.90%, 7.46%, 40.81% and 10.80% of total assets. Total current assets were accounted for 90.83% for the yearend 2018 and 85.81% for Q3/2019 to total assets.

Trade Receivables

At the end of 2018 and Q3/2019, the Company reported net trade receivables 144.65 million THB and 66.06 million THB or equal to 16.93% and 7.26% of total assets respectively.

Outstanding Period	At 31 Dec. 2018		At 30 Sep. 2019 (Consolidated)	
	MB	%	MB	%
<u>Trade Receivables</u>				
Undue	95.84	66.26	21.49	32.53
Overdue				
Less - equal to 3 months	44.55	30.80	7.17	10.86
More than 3 months but less than 6 months	2.13	1.47	37.34	56.52
More than 6 months but less than 12 months	2.13	1.47	-	-
Over 12 months	-	-	0.06	0.09
Total Trade Receivables	144.65	100.00	66.06	100.00
Deduct Allowance for doubtful debt	-		-	
Trade Receivables - Net	144.65		66.06	

The table depicts that the overdue items more than 3 months but less than 6 months in Q3/2019 represented the highest portion of net trade receivables. However, the collection was made completely as per the current status. And the other overdue items are under collection process.

Unbilled Receivables

Due to its turnkey business, the revenue recognition is performed based on percentage of completion method which may deviate from the payment plan according to the contractual conditions. As a result, unbilled receivables were reported at the end of 2018 and Q3/2019 at 177.42 million THB and 371.41 million THB or equivalent to 20.77% and 40.81% of total assets respectively because there were some projects under delivery and acceptance as per their scope but not conforming to the billing conditions yet, mainly from the project High-Speed Internet Service Project in Remote Area (Zone C).

Inventories

At the end of 2018 and Q3/2019, the Company reported the inventories at 55.97 million THB and 108.65 million THB. Inventories were reported with drastic increase in conjunction to the computation based on percentage of completion method and equipment and deferred maintenance cost as per Thai Financial Reporting Standard No. 15 (TFRS 15) from the project High-Speed Internet Service Project in Remote Area (Zone C).

2.2 Sources of Fund**Liabilities**

The Company reported its total liabilities at 335.13 million THB at the end of 2018 and 358.65 million in Q3/2019 and the major items are trade and other payables and unbilled payables which are regarded as working capital for running the business.

Most of the liabilities are current liabilities with its proportion as at 2018 and in Q3/2019 at 97.91% and 97.35% of total liabilities respectively.

Short term loans from financial institutions

In Q3/2019, the Company reported its short term loans from financial institutions of 68.49 million THB, comprising of trust receipts due to the loan from bank under domestic letters of credit and short term loans for particular projects.

Trade and Other Payables

The Company reported its trade and other payables at the end of 2018 and in Q3/2019 at 250.12 million THB and 209.09 million THB respectively and this shall vary in relation to the company business performance and cost of sales.

Trade and Other Payables	At 31 Dec. 2018		At 30 Sep. 2019 (Consolidated)	
	MB	%	MB	%
Trade Payables	233.97	93.54	192.11	91.88
Other Payables	1.51	0.60	0.94	0.45
Trade Payables - Retention	0.48	0.20	1.51	0.72
Accrued Expenses	14.16	5.66	11.57	5.53
Others	-	-	2.96	1.42
Total Trade and Other Payables	250.12	100.00	209.09	100.00

The major trade and other payables were trade payables, mostly for equipment, service and sub-contractors costs in projects.

Advance Receipts from Customers

At the end of 2018 and Q3/2019, the Company reported advance receipts from customer in the amount of 16.51 million THB and 53.66 million THB respectively. This transaction shall take place when the Company can invoice and collect the customer payment prior to the corresponding project progress and this shall be gradually recognized as revenue in line with the project progress. Additionally, advance receipts from customer also incurs as a result of Thai Financial Reporting Standard No.15 whereby revenue shall be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer; namely, the revenue cannot be fully recognized during the implementation phase but to be allotted to maintenance phase in case that both scopes of work are combined in one contract.

Shareholders' Equity

The shareholders' equity is in the amount of 519.05 million THB at the year end of 2018 and of 536.07 million THB in Q3/2019 which has increased corresponding to the business result of which the legal reserve is accounted for 10.30 million THB and the rest of retained earnings is 145.71 million THB after deducting dividend payment amounting to 40.50 million THB in Q2/2019.

Funding Structure

D/E ratio of the Company was at 0.65, and 0.67 for the year end 2018 and in Q3/2019 respectively.