



(Translation)

LTO-2020-0043

19 February 2020

Subject: Submission of the Management Discussion and Analysis based on
the Financial Statements for the Year 2019 ended 31 December 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. 1/2020 on 19 February 2020. The Meeting approved the financial statements for the year 2019 ended 31 December 2019, which were audited by the Company’s auditor.

We would like to submit the Management Discussion and Analysis based on the financial statements for the year 2019 ended 31 December 2019.

Please be informed accordingly.

Sincerely yours,

(Ms. Patnarin Maliwal)
Chief Financial Officer

Executive Summary

The year 2019 could be regarded as a year with high business competition due to the overall economic environment has shown a stagnant development though with certain investment from government and state enterprises. However, Information and Communication Networks Public Company Limited and its subsidiaries ("the Company") reported a positive growth in our business performance in comparison to previous year based on the order backlog of the projects implementing and being able to recognize the revenue in 2019 and other new projects concluded in 2019, for instance, High-Speed Internet Provision in Remote Areas (Zone C), Group 5 in the North Eastern Area 3. Supply and Installation of Fiber Figure-8 Corrugated Steel Type Armour G.652D 24 Cores, Supply and Installation of Digital Radio Communication Systems with Supporting Equipment in the GorForGor Area 2 as well as supply contracts and maintenance contracts for the after sales service portion leading to the business performance which is in line with the budget. Additionally, in 2019 ICN has acquired the shares of Expert Engineering and Communication Co., Ltd ("EEC") at the portion of 51% on 2nd January 2019 with consideration for future business opportunity in order to reinforce the business expansion of the Company. EEC operates in the form of system integrator, supplier of spare parts and consultant for system integration in relevant spectrums, for instance, water resources management, telemetry system, real time water quality monitoring system, etc.

The Company performance for the year 2019 reflected a continuous growth compared to the same period of the year 2018. The Company reported its total revenue of 1,201.27 million THB, increased by 183.32 million THB or 18.01% compared to the year 2018 mainly from the aforementioned projects. Sales revenue of the year 2019 was at the amount of 1,198.72 million THB equivalent to 99.79% of total revenue, compared to sales revenue in 2018 for the same period was reported at 1,015.55 million THB equivalent to 99.76%. In term of cost of sales and SG&A expenses for the year 2019, it was equivalent to 1,082.89 million THB or 90.15 % of total revenue compared to last year at the amount of 910.09 Million THB or 89.40%. Net profit showed growth in 2019 in comparison to the previous year at 93.67 million THB or 7.80% of total revenue excluding the portion from non-controlling interests of the subsidiary. In comparison to the year 2018, net profit was reported at 85.71 million THB or 8.42 of total revenue.

Considering the performance in the 4th quarter of 2019, the Company reported its total revenue at 470.03 million THB categorized into sale revenue at 469.59 million THB and other revenue at 0.44 million THB compared to total revenue of 286.52 million THB in the same period of 2018. It showed an increase from last year as well as a significant increase in comparison to the reported sales in each quarter of the year 2019 and this is because of the revenue recognition of awarded contracts as planned and from the delay projects during the first half of 2019 which were concluded in the later stage of the year. Its cost of sales and expenses were at 421.72 Million THB or 89.72% of total revenue in Q4/2019 and at 257.65 million THB or 89.92% of total revenue in Q4/2018. Lastly, net profit was equivalent to 38.47 million THB or 8.18 % of total revenue in Q4/2019 showing growth when compared with the same period of last year equivalent to 22.43 million THB or 7.83% of total revenue. The overall performance in Q4/2019 has increased in overall compared to the same period last year.

For the year 2020 the Company remains to conduct the business in corresponding to the changing technology in the digital era for our customers in government, state enterprises and private sectors as well as strengthening the maintenance portion.

1. Business Performance Analysis

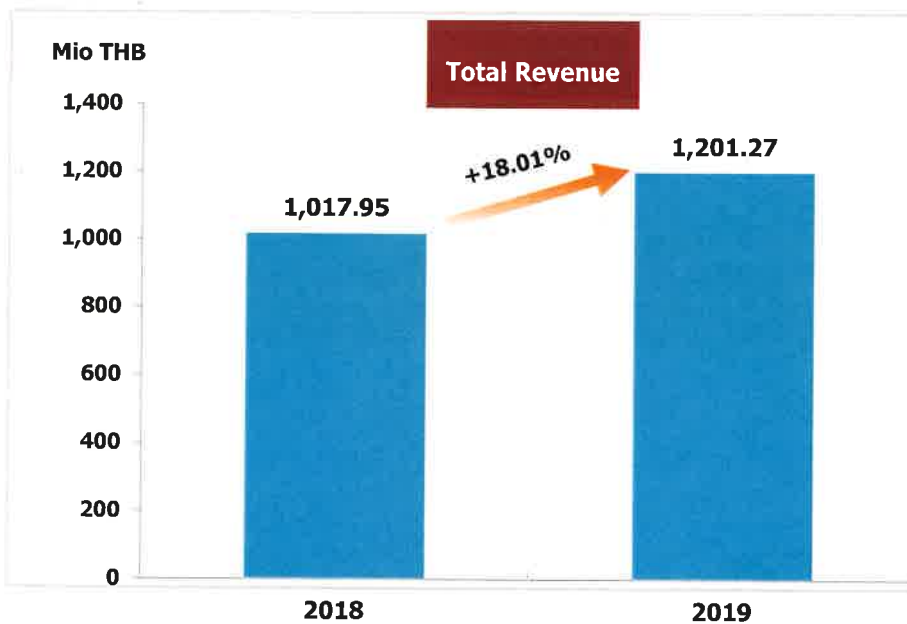
1.1 Revenue

For the year 2018 and of 2019 the Company reported its total revenue of 1,017.95 million THB and 1,201.27 million THB respectively with the growth of 18.01%. Major revenue was recognized 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 Digital Radio Communication Systems and Supply and Installation of Fiber Figure-8 Corrugated Steel Type Armour G.652D 24 Cores, etc.

Type	Separate		Consolidated	
	2018		2019	
	MB	%	MB	%
1. Sales Revenue	1,015.55	99.76	1,198.72	99.79
2. Other Revenue*	2.40	0.24	2.55	0.21
Total	1,017.95	100.00	1,201.27	100.00

Remarks *Other Revenue comprises of interest income, etc.

Total revenue can be categorized into sales revenue and other revenue, whereby in 2018 and 2019, sales revenue was accounted for 99.76% and 99.79% of total revenue and other revenue was equivalent to 0.24% and 0.21% respectively.

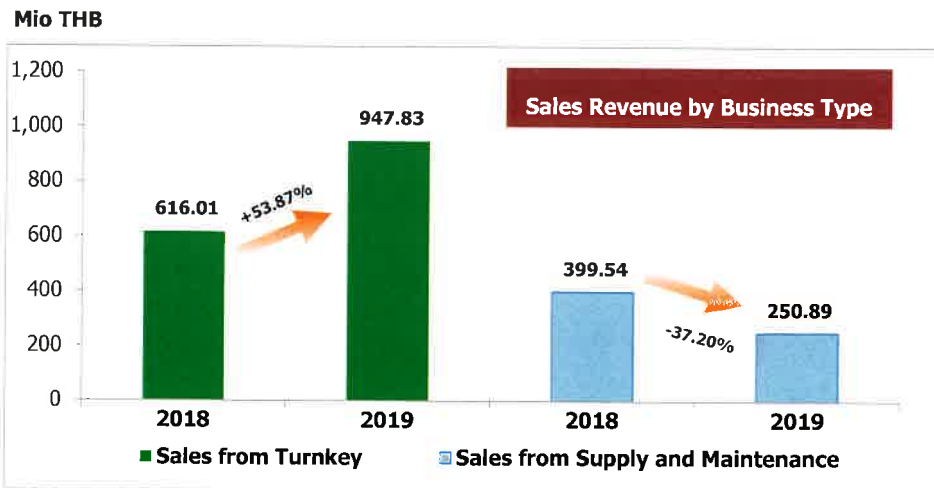


Sales Revenue

Sales revenue in 2019 consisted of turnkey business including telecommunication system and construction and electrical system, supply and maintenance.

Type	Separate		Consolidated	
	2018		2019	
	MB	%	MB	%
Sales Revenue				
Sales Revenue from Turnkey Business	616.01	60.66	947.83	79.07
- Sales Revenue from Telecommunication System	615.96	60.65	932.58	77.80
- Sales Revenue from Construction and Electrical System	0.05	0.01	15.25	1.27
Sales Revenue from Supply and Maintenance	399.54	39.34	250.89	20.93
- Sales Revenue from Supply of Telecommunication System	210.87	20.76	115.78	9.66
- Sales Revenue from Maintenance of Telecommunication System	188.67	18.58	135.11	11.27
Total Sales Revenue	1,015.55	100.00	1,198.72	100.00

In 2019, sales revenue from turnkey business and supply and maintenance were reported at 947.83 million THB and 250.89 million THB or proportionately at 79.07% and 20.93% of total sales revenue respectively. Sales revenue from turnkey business showed an increase by 53.87% 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 could be realized as per its progress particularly from the bigger sized project. In term of revenue from supply and maintenance, it showed a decline by 37.20% because of the delay bidding from the customer side.



Other Revenue

In 2018 and 2019, the Company reported its other revenue at 2.40 million THB and 2.55 million THB respectively, equivalent to 0.24% and 0.21% of total revenue and the major item was interest income.

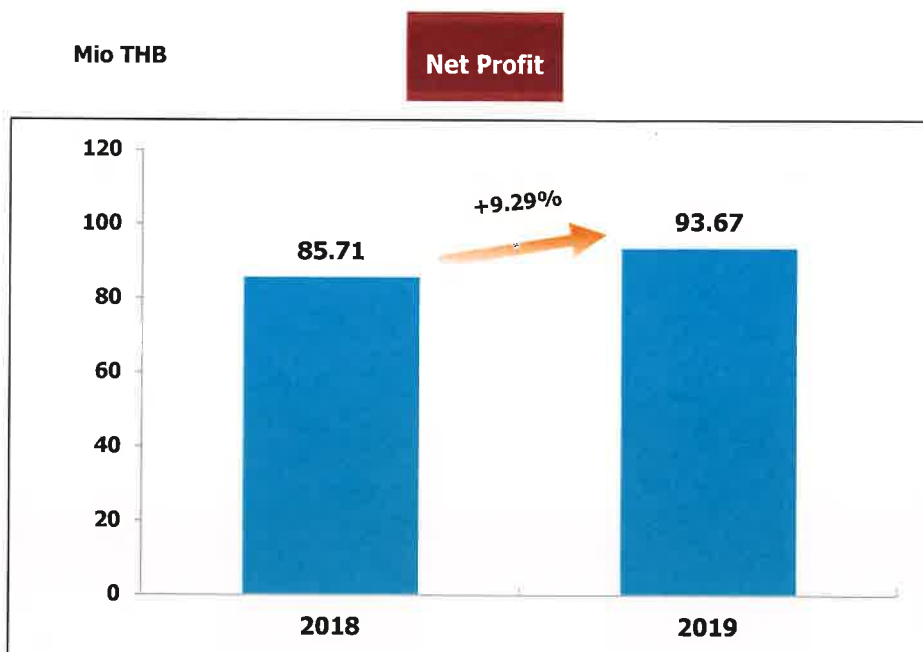
1.2 Cost of Sales and Expenses

Major costs of the Company composed of cost of sales, selling expense, administrative expense and interest expense. In 2018 and 2019, the Company showed its cost of sales and expense at 910.09 million THB and 1,082.89 million THB respectively, proportionately at 89.40% and 90.15% of total revenue.

CoS and Expenses	Separate		Consolidated	
	2018		2019	
	MB	%	MB	%
Cost of Sales	844.40	82.95	1,008.53	83.96
Selling Expense	23.25	2.28	32.57	2.71
Administrative Expense	42.43	4.17	41.79	3.48
Finance Cost	0.01	0.00	-	-
Total CoS and Expenses	910.09	89.40	1,082.89	90.15
Total Revenue	1,017.95	100.00	1,201.27	100.00

1.3 Net Profit

As a result of overall business performance, the Company reported its net profit for 2018 and 2019 at 85.71 million THB and 93.67 million THB based on the equity holder of the Company respectively, accounted for 8.42% and 7.80% of total revenue. For the year 2019, the net profit was increased compared to last year mainly because of the higher sales revenue.



2 Financial Status

2.1 Assets

At the end of 2018 and 2019, the Company reported its total assets of 854.18 million THB and 1,207.11 million THB respectively. The major asset items are cash and cash equivalents, account receivables, unbilled receivables and inventories at the end of 2018 proportionately at 41.01%, 16.95%, 20.77% and 6.55% of total assets respectively and at the yearend 2019 proportionately at 23.59%, 21.40%, 27.02% and 13.30% of total assets. Total current assets were accounted for 90.83% for the yearend 2018 and 88.38% for the yearend 2019 to total assets. The increase of account receivables, unbilled receivables and inventories in 2019 were as per normal business transactions.

Since 2 January 2019, ICN has acquired the common shares of Expert Engineering and Communication Co., Ltd. by holding 51% of its total shares leading to the preparation of consolidated financial statements from this period onwards. At the end of 2019, the Company has arranged the purchase price allocation as per the accounting principle and financial reporting standards by computing and recording the fair value of purchased assets items leading to the goodwill of 14.40 million THB that occurred from the difference between the cash payment for purchase of investments and the fair value of identifiable net assets required of the subsidiary in the company's proportion.

2.2 Sources of Fund

Liabilities

The Company reported its total liabilities at 335.13 million THB at the end of 2018 and 634.00 million at the end of 2019 and the major items are trade and other payables, short-term loans from financial institutions and advance receipts from customers which are regarded as working capital for running the business. And trade and other payables could be depicted as per the table below:

Trade and Other Payables	At 31 Dec. 2018		At 31 Dec. 2019 (Consolidated)	
	MB	%	MB	%
Trade Payables	233.97	93.54	383.80	95.80
Other Payables	1.51	0.60	0.48	0.12
Trade Payables - Retention	0.48	0.20	1.81	0.45
Accrued Expenses	14.16	5.66	14.53	3.63
Total Trade and Other Payables	250.12	100.00	400.62	100.00

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

Most of the liabilities were current liabilities with its proportion as at 2018 and at 2019 at 97.91% and 98.39% of total liabilities respectively

Shareholders' Equity

The shareholders' equity was in the amount of 519.05 million THB at the year end of 2018 and of 552.04 million THB at the year end of 2019 which has increased corresponding to the business result of which the legal reserve is accounted for at the total amount of 15.00 million THB and the rest of retained earnings was 156.98 million THB after deducting dividend payment amounting to 63.00 million THB.

Funding Structure

D/E ratio of the Company was at 0.65, and 1.15 at the end of 2018 and of 2019 respectively.