

(Translation)

LTO-2020-0098

13 May 2020

Subject: Submission of the Management Discussion and Analysis based on the Financial Statements for 3-month period ended 31 March 2020

Attention: The President of the Stock Exchange of Thailand

Information and Communication Networks Public Company Limited (“Company”) held the Board of Directors’ Meeting No. 3/2020 on 13 May 2020. The Meeting approved the financial statements for 3-month period ended 31 March 2020, which were reviewed by the Company’s auditor.

We would like to submit the Management Discussion and Analysis based on the financial statements for 3-month period ended 31 March 2020.

Please be informed accordingly.

Sincerely yours,



(Ms. Patnarin Maliwal)  
Chief Financial Officer

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**Executive Summary**

Since the outbreak of the coronavirus or COVID-19 had begun around end of the year 2019 and it has continuously spread from the beginning of 2020 onwards though various cautious government measures adopted to cure the situation until date, it has caused a great impact towards economic and social aspects leading to the economic decline in both Thailand and international levels. For the Company, even though the impact to us is not as significant as in the tourism and hotel industries and with the adoption of certain project risk management measures e.g. supply of equipment in time and engaging local sub-contractors, the Company has also encountered certain difficulties from this pandemic in some projects, for instance, the delay of new projects approval from government and state enterprises customer, inaccessibility of project sites as per COVID-19 measures to minimize the number of persons to enter their premises. Out of these, the Company has discussed and reconciled with the customers for these issues and re-visited the action items and plans in corresponding to current situations. However, it has inevitably caused the slowdown in project progress, project duration, acceptance procedure and customer payment. In addition to this, the contract management with our business partners has also been well considered to avoid any delay penalty as well as the liquidity of the Company to run the business has been taken into account during this circumstance. Nevertheless, the Company believes that new infrastructure projects from government and state enterprises e.g. 5G, healthcare projects integrating between information & communication technology and medical advancement as the economic stimulus will be approved after COVID-19 is under control.

Considering the performance in the first three months of 2020, the Company reported its total revenue at 230.99 million THB categorized into sale revenue at 230.68 million THB and other revenue at 0.31 million THB compared to total revenue of 256.94 million THB in the same period of 2019. Its cost of sales and expenses were at 215.27 Million THB or 93.19% of total revenue in Q1/2020 and at 229.96 million THB or 89.50% of total revenue in Q1/2019. Lastly, net profit in Q1/2020 was equivalent to 11.89 million THB or 5.15 % of total revenue excluding the portion from non-controlling interests of the subsidiary showing a decrease when compared with the same period of last year equivalent to 21.52 million THB or 8.37% of total revenue. The decline in the overall business performance in Q1/2020 mainly derived from the delay in customer projects approval and the adjustment of project plan due to the outbreak of COVID-19.

**1. Business Performance Analysis**

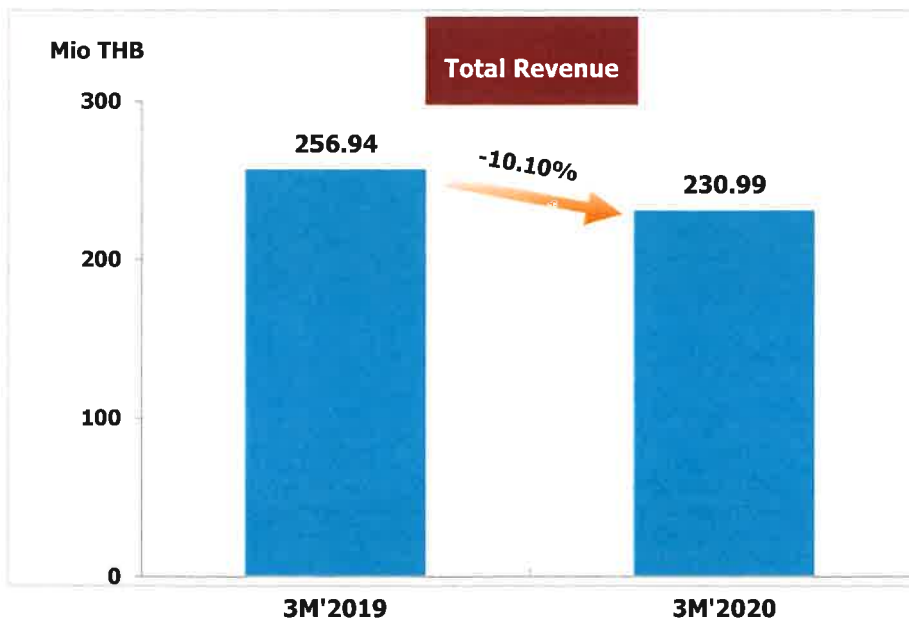
**1.1 Revenue**

For the first three months of 2019 and of 2020 the Company reported its total revenue of 256.94 million THB and 230.99 million THB respectively with the decrease by 10.10% compared to the same period of last year. Major revenue was recognized from the projects, for instance, High-Speed Internet Service Project in Remote Area (Zone C), Digital Radio Communication Systems and Supply and Installation of Fiber Figure-8 Corrugated Steel Type Armour G. 652D 24 Cores and Modification and Expansion for BBIP Regional Network in Lower Northern and Lower North-Eastern Regions, etc.

Type	Consolidated		Consolidated	
	Jan.-Mar. 2019		Jan.-Mar. 2020	
	MB	%	MB	%
1. Sales Revenue	256.11	99.68	230.68	99.86
2. Other Revenue*	0.83	0.32	0.31	0.14
<b>Total</b>	<b>256.94</b>	<b>100.00</b>	<b>230.99</b>	<b>100.00</b>

Remarks \*Other Revenue comprises of interest income, etc.

Total revenue can be categorized into sales revenue and other revenue, whereby in the first three months of 2019 and 2020, sales revenue was accounted for 99.68% and 99.86% of total revenue and other revenue was equivalent to 0.32% and 0.14% respectively.

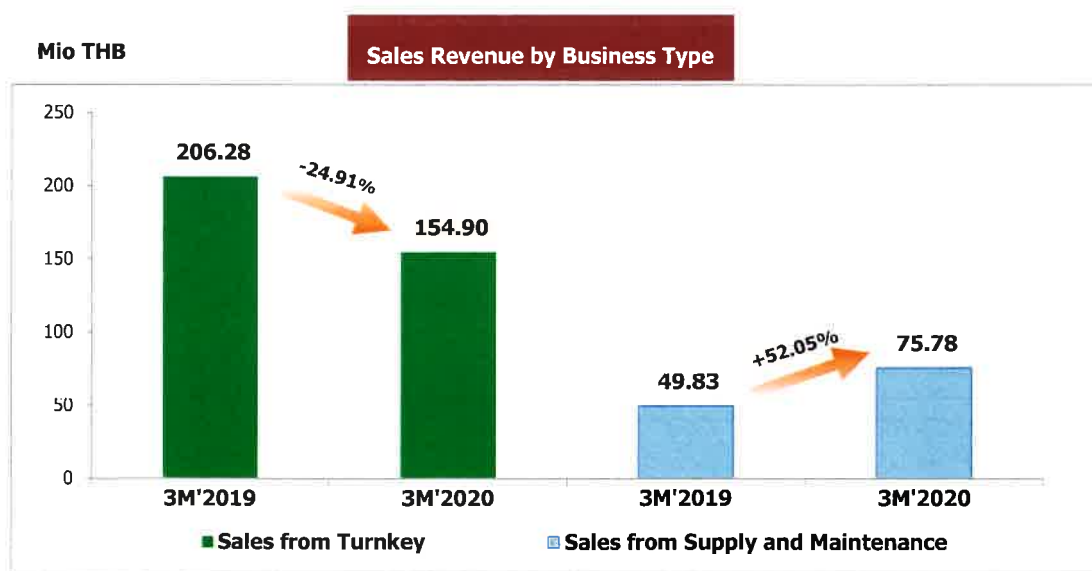


### Sales Revenue

Sales revenue in the first three months of 2020 consisted of turnkey business including telecommunication system and construction, supply and maintenance.

Type	Consolidated		Consolidated	
	Jan.-Mar. 2019		Jan.-Mar. 2020	
	MB	%	MB	%
<b>Sales Revenue</b>				
<b>Sales Revenue from Turnkey Business</b>	<b>206.28</b>	<b>80.54</b>	<b>154.90</b>	<b>67.15</b>
- Sales Revenue from Telecommunication System	206.28	80.54	154.90	67.15
<b>Sales Revenue from Supply and Maintenance</b>	<b>49.83</b>	<b>19.46</b>	<b>75.78</b>	<b>32.85</b>
Saloc Revenue from Supply of Telecommunication System	13.81	5.30	10.04	4.74
- Sales Revenue from Maintenance of Telecommunication System	36.02	14.07	64.84	28.11
<b>Total Sales Revenue</b>	<b>256.11</b>	<b>100.00</b>	<b>230.68</b>	<b>100.00</b>

In the first three months of 2020, sales revenue from turnkey business and supply and maintenance were reported at 154.90 million THB and 75.78 million THB or proportionately at 67.15% and 32.85% of total sales revenue respectively. Sales revenue from turnkey business showed a decline by 24.91% compared to the same period of last year because the inaccessibility of some project sites causing the postponement of revenue recognition. In term of revenue from supply and maintenance, it showed an increase by 52.05% because of the new maintenance contracts awarded.



In the first three months of 2019 and 2020, the Company reported its other revenue at 0.83 million THB and 0.31 million THB respectively, equivalent to 0.32% and 0.14% of total revenue and the major item was interest income.

### 1.2 Cost of Sales and Expenses

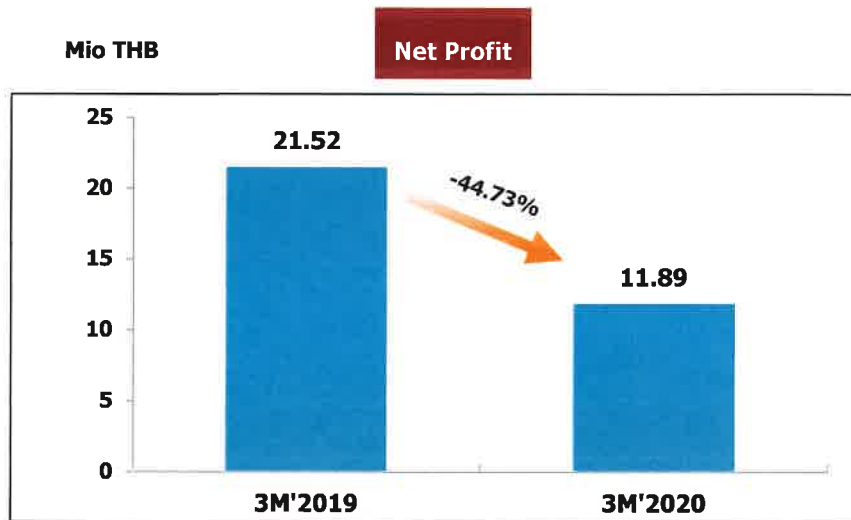
Major costs of the Company composed of cost of sales, selling expense, administrative expense and interest expense. In the first three months of 2019 and 2020, the Company showed its cost of sales and expense at 229.96 million THB and 215.27 million THB respectively, proportionately at 89.50% and 93.19% of total revenue.

The selling expenses in 2019 used in this quarter comparison has been restated with a consideration of the fair value of the net identifiable assets from the share purchase of EEC allocated on a quarterly basis; whereby, the computation of such was completed in Q4/2019 and reflected on an annual basis in the formerly announced financial statements of the year 2019.

CoS and Expenses	Consolidated		Consolidated	
	Jan.-Mar. 2019 (Restated)		Jan.-Mar. 2020	
	MB	%	MB	%
Cost of Sales	210.53	81.94	196.96	85.27
Selling Expense	8.56	3.33	8.31	3.60
Administrative Expense	10.87	4.23	9.98	4.32
Finance Cost	0.00	0.00	0.02	0.00
<b>Total CoS and Expenses</b>	<b>229.96</b>	<b>89.50</b>	<b>215.27</b>	<b>93.19</b>
<b>Total Revenue</b>	<b>256.94</b>	<b>100.00</b>	<b>230.99</b>	<b>100.00</b>

### 1.3 Net Profit

As a result of overall business performance, the Company reported its net profit for the first three months of 2019 and 2020 at 21.52 million THB and 11.89 million THB based on the equity holder of the Company respectively, accounted for 8.37% and 5.15% of total revenue.



## 2 Financial Status

### 2.1 Assets

At the end of 2019 and of Q1/2020, the Company reported its total assets of 1,207.12 million THB and 969.93 million THB respectively. The major asset items are cash and cash equivalents, unbilled receivables, inventories and restricted bank deposits; at the end of 2019 proportionately at 23.59%, 27.02%, 13.30% and 8.69% of total assets respectively and in Q1/2020 proportionately at 13.79%, 46.61%, 16.44% and 9.53% of total assets. Total current assets are accounted for 88.38% for the year end 2019 and 86.61% for Q1/2020 to total assets.

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. The Company has assessed the fair value of net identifiable assets at the acquisition date and the assessment process has been completed in the Q4/2019. The goodwill amounted to 14.40 million THB and the comparative information presented in consolidated statements of comprehensive income of Q1/2019 has been restated from the measuring of the fair value of net identifiable assets on business acquisition date as previously recorded.

### 2.2 Sources of Fund

#### Liabilities

The Company reported its total liabilities at 634.00 million THB at the end of 2019 and 384.31 million in Q1/2020 and the major items are short-term loans from financial institutions, trade and other payables 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. 2019		At 31 Mar. 2020	
	MB	%	MB	%
Trade Payables	383.80	95.80	110.26	90.19
Other Payables	0.48	0.12	1.88	1.54
Trade Payables - Retention	1.81	0.45	1.90	1.55
Accrued Expenses	14.53	3.63	8.22	6.72
<b>Total Trade and Other Payables</b>	<b>400.62</b>	<b>100.00</b>	<b>122.26</b>	<b>100.00</b>

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 at the end of 2019 and of Q1/2020 at 98.39% and 96.59% of total liabilities respectively.

#### Shareholders' Equity

The shareholders' equity is in the amount of 552.04 million THB at the year end of 2019 and of 563.93 million THB in Q1/2020 which has increased corresponding to the business result of which the legal reserve is accounted for 15.00 million THB and the rest of retained earnings is 168.87 million THB at the end of Q1/2020.

#### Funding Structure

D/E ratio of the Company was at 1.15, and 0.68 for the year end 2019 and in Q1/2020 respectively.