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(Translation)

LTO-2020-0143

11 August 2020

Subject: Submission of the Management Discussion and Analysis based on the Financial Statements for 6-month period ended 30 June 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. 4/2020 on 11 August 2020. The Meeting approved the financial statements for 6-month period ended 30 June 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 6-month period ended 30 June 2020.

Please be informed accordingly.

Sincerely yours,



(Ms. Patnarin Maliwal)

Chief Financial Officer

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**Executive Summary**

The first half of the year 2020 can be considered as a tough time due to the outbreak of the coronavirus pandemic or COVID-19 causing a severe business interruption in various business sectors both in Thailand and international level. The Company had 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. However, the Company has implemented certain risk mitigation measures, re-visited and adjusted the project plans as well as arranged further source of fund to support the liquidity of the Company for a smooth operation in accordance to the new circumstance. In the meanwhile, the government has implemented various approaches and finally been able to manage this spread in a satisfactory level. Consequently, the Company has been able to continue the project work with its customers again around the end of 2<sup>nd</sup> quarter leading to a better result compared to the previous quarter. Moreover, the Company has announced the success in the offer to CAT Telecom Public Company for the project "Installation of 850 Frequency Band Filter Circuit according to the Notification of National Broadcasting and Telecommunications Commission regarding the 824-839/869-884 MHz Frequency Band for the Mobile Telecommunications Plan and the 885-895/930-940 MHz Frequency Band for the Mobile Telecommunications Plan so called "Filter Project" with the total contract value of 1,844 million THB including VAT. The Company together with Turnkey Communication Services Co., Ltd. had entered into this deal under "TKI Consortium". And the portion of the Company is accounted for 49% equivalent to 903.63 million THB including VAT resulting in the backlog amounting 1,962 million THB at the end of 2<sup>nd</sup> quarter of 2020.

Considering the performance in 2nd quarter of 2020, the Company reported its total revenue at 276.09 million THB categorized into sale revenue at 275.86 million THB and other revenue at 0.23 million THB compared to total revenue of 198.63 million THB in the same period of 2019. Its cost of sales and expenses were at 246.89 million THB or 89.42% of total revenue in Q2/2020 and at 180.63 million THB or 90.94% of total revenue in Q2/2019. Lastly, net profit in Q2/2020 was equivalent to 22.35 million THB or 8.09 % of total revenue excluding the portion from non-controlling interests of the subsidiary showing an increase when compared with the same period of last year equivalent to 14.49 million THB or 7.30% of total revenue. The increase in business outcome in the 2<sup>nd</sup> quarter of 2020 derived mostly from the newly awarded customer orders as well as the acceleration of work and acceptance as per the re-visited plan after the ease of COVID-19 in Thailand.

**1. Business Performance Analysis**

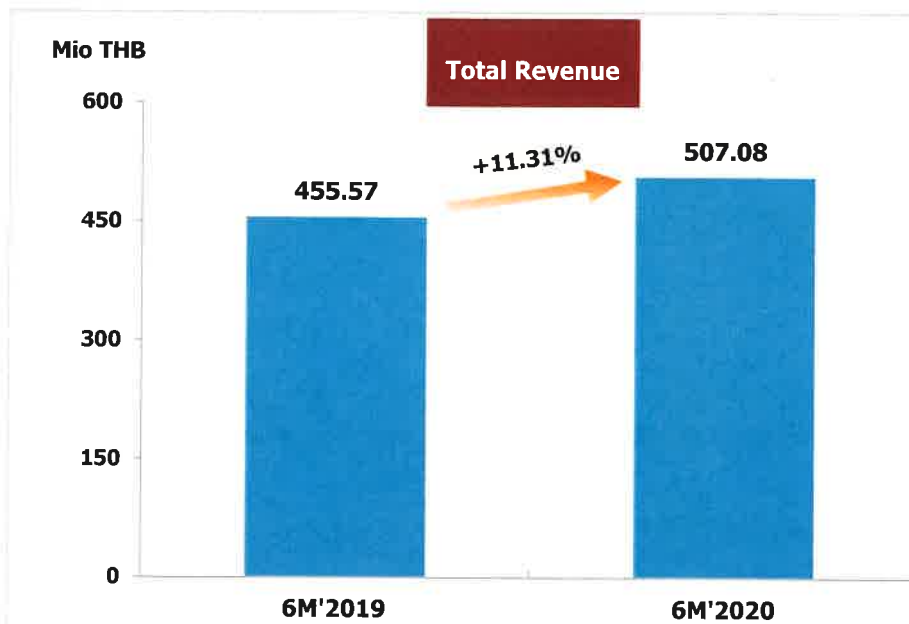
**1.1 Revenue**

For the first half of the year 2019 and of 2020 the Company reported its total revenue of 455.57 million THB and 507.08 million THB respectively with the increase by 11.31% 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 and Installation of 850 Frequency Band Filter Circuit according to the Notification of National Broadcasting and Telecommunications Commission regarding the 824-839/869-884 MHz Frequency Band for the Mobile Telecommunications Plan and the 885-895/930-940 MHz Frequency Band for the Mobile Telecommunications Plan, etc.

Type	Consolidated		Consolidated	
	Jan.-Jun. 2019		Jan.-Jun. 2020	
	MB	%	MB	%
1. Sales Revenue	453.98	99.65	506.54	99.89
2. Other Revenue*	1.59	0.35	0.54	0.11
<b>Total</b>	<b>455.57</b>	<b>100.00</b>	<b>507.08</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 half of 2019 and 2020, sales revenue was accounted for 99.65% and 99.89% of total revenue and other revenue was equivalent to 0.35% and 0.11% respectively.

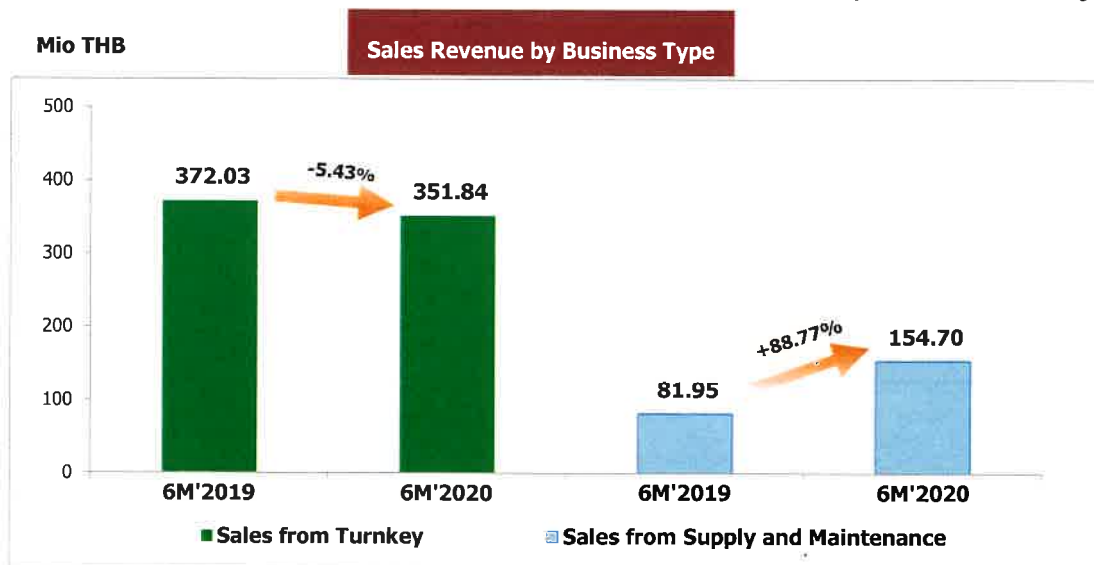


**Sales Revenue**

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

Type	Consolidated		Consolidated	
	Jan.-Jun. 2019		Jan.-Jun. 2020	
	MB	%	MB	%
<b>Sales Revenue</b>				
<b>Sales Revenue from Turnkey Business</b>	<b>372.03</b>	<b>81.95</b>	<b>351.84</b>	<b>69.46</b>
- Sales Revenue from Telecommunication System	356.78	78.59	351.84	69.46
- Sales Revenue from Construction and Electrical System	15.25	3.36	0.00	0.00
<b>Sales Revenue from Supply and Maintenance</b>	<b>81.95</b>	<b>18.05</b>	<b>154.70</b>	<b>30.54</b>
- Sales Revenue from Supply of Telecommunication System	15.54	3.42	11.20	2.21
- Sales Revenue from Maintenance of Telecommunication System	66.41	14.63	143.50	28.33
<b>Total Sales Revenue</b>	<b>453.98</b>	<b>100.00</b>	<b>506.54</b>	<b>100.00</b>

During the first half of 2020, sales revenue from turnkey business and supply and maintenance were reported at 351.84 million THB and 154.70 million THB or proportionately at 69.46% and 30.54% of total sales revenue respectively. Sales revenue from turnkey business showed a decline by 5.43% compared to the same period of last year because of the inaccessibility of some project sites causing the postponement of revenue recognition. However, since June 2020 we have been able to continue the site access and our work again. In term of revenue from supply and maintenance, it showed an increase by 88.77% because the new maintenance contracts were awarded and the commencement of maintenance period out of big-sized projects enabled the revenue recognition under this category.



**Other Revenue**

In the first half of 2019 and 2020, the Company reported its other revenue at 1.59 million THB and 0.54 million THB respectively, equivalent to 0.35% and 0.11% of total revenue and the major item was interest income.

**1.2 Cost of Sales and Expenses**

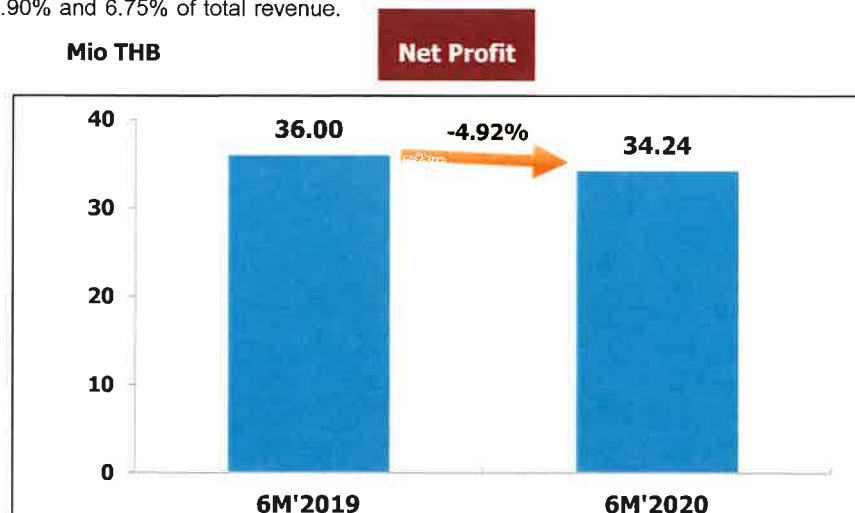
Major costs of the Company composed of cost of sales, selling expense, administrative expense and interest expense. In the first half of 2019 and 2020, the Company showed its cost of sales and expense at 410.58 million THB and 462.15 million THB respectively, proportionately at 90.13% and 91.14% of total 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.-Jun. 2019 (Restated)		Jan.-Jun. 2020	
	MB	%	MB	%
Cost of Sales	373.28	81.94	422.89	83.40
Selling Expense	16.39	3.60	17.76	3.50
Administrative Expense	20.91	4.59	21.44	4.23
Finance Cost	-	-	0.06	0.01
<b>Total CoS and Expenses</b>	<b>410.58</b>	<b>90.13</b>	<b>462.15</b>	<b>91.14</b>
<b>Total Revenue</b>	<b>455.57</b>	<b>100.00</b>	<b>507.08</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 half of 2019 and 2020 at 36.00 million THB and 34.24 million THB based on the equity holder of the Company respectively, accounted for 7.90% and 6.75% of total revenue.



## 2 Financial Status

### 2.1 Assets

At the end of 2019 and of Q2/2020, the Company reported its total assets of 1,207.12 million THB and 1,061.41 million THB respectively. The major asset items are trade and other receivables, unbilled receivables, inventories and restricted bank deposits; at the end of 2019 proportionately at 21.40%, 27.02%, 13.30% and 8.69% of total assets respectively and in Q2/2020 proportionately at 8.26%, 53.49%, 13.44% and 8.84% of total assets. Total current assets are accounted for 88.38% for the year end 2019 and 87.74% for Q2/2020 to total assets.

With reference to the major asset items, a significant portion were the unbilled receivables, which has been outstandingly increased during the past periods and reached 567.78 million THB equivalent to 53.49% of total assets at the end of 2<sup>nd</sup> quarter of 2020. It derived mostly from big-sized 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, etc. These has to be corresponding to the billing conditions of the project.

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 Q2/2019 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 497.34 million THB in Q2/2020 and the major items are short-term loans from financial institutions and trade and other payables 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 30 Jun. 2020	
	MB	%	MB	%
Trade Payables	383.80	95.80	185.57	92.40
Other Payables	0.48	0.12	1.67	0.83
Trade Payables - Retention	1.81	0.45	0.90	0.45
Accrued Expenses	14.53	3.63	12.70	6.32
<b>Total Trade and Other Payables</b>	<b>400.62</b>	<b>100.00</b>	<b>200.84</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 Q2/2020 at 98.39% and 97.27% 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 541.28 million THB in Q2/2020 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 146.21 million THB after deducting dividend payment amounting to 45.00 million THB in Q2/2020.

#### Funding Structure

D/E ratio of the Company was at 1.15, and 0.92 for the year end 2019 and in Q2/2020 respectively.