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(Translation)

LTO-2021-0058

11 November 2021

Subject: Submission of the Management Discussion and Analysis Based on the Interim Financial Statements for the Three-Month and Nine-Month Periods Ended 30 September 2021

Attention: The President of the Stock Exchange of Thailand

Information and Communication Networks Public Company limited ("Company") held the Board of Directors' Meeting No. 6/2021 on 11 November 2021. The Meeting approved the interim financial statements for the three-month and nine-month periods ended 30 September 2021, which were reviewed by the Company's auditor.

We would like to submit the Management Discussion and Analysis based on the interim financial statements for the three-month and nine-month periods ended 30 September 2021.

Please be informed accordingly.

Sincerely yours,



(Ms. Patnarin Maliwal)

Chief Financial Officer

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## Executive Summary

The outbreak of the coronavirus pandemic or COVID-19 since 2020 has been causing a severe business interruption in various business sectors in Thailand. The new wave of outbreak in the first half year had also an impact towards telecommunication business; for instance, a slowdown in project performance and new biddings due to the government measures to ease the outbreak situation. However, during the 3<sup>rd</sup> quarter, the government's easing of lockdown measures enabled our project team to travel to customer sites and to continue the project work as usual, as well as the acceleration of work and customer acceptance. In addition, some medium – and big sized projects have been delivered and at the final stage of the projects with cost efficient project management leading to higher gross margin than project plan and higher in comparison to our performance last year.

In overall, the Companies remain in line with our outlook in terms of both revenue and net profit. Considering the performance in the 3rd quarter of 2021, the Company reported its total revenue at 480.17 million THB categorized into sale revenue at 479.25 million THB and other revenue at 0.92 million THB compared to total revenue of 496.80 million THB in the same period of 2020. Their cost of sales and expenses were at 393.88 million THB or 82.03% of total revenue in Q3/2021 and at 444.15 million THB or 89.40% of total revenue in Q3/2020. Lastly, net profit in Q3/2021 was equivalent to 69.01 million THB or 14.37 % of total revenue showing an increase when compared with the same period of last year equivalent to 42.04 million THB or 8.46% of total revenue. The increase in the overall business performance in Q3/2021 mainly derived from the revenue recognition of major projects as plan, an increase from maintenance contracts and outstandingly efficient project cost management.

## 1. Business Performance Analysis

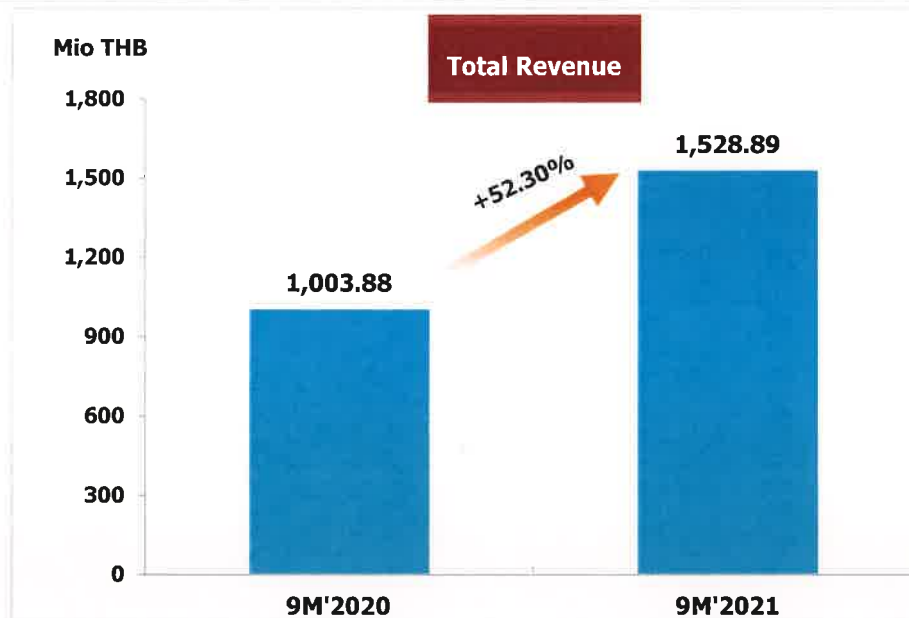
### 1.1 Revenue

For the first nine months of the year 2020 and of 2021 the Company reported its total revenue of 1,003.88 million THB and 1,528.89 million THB respectively with the increase by 52.30% compared to the same period of last year. Major revenues were recognized from the projects; for instance, Expansion of DWDM Link Capacity at Backhaul and Border or "DWDM project" Expansion and Enhancement of Backbone Network or "Backbone project", Supply of ICT and Health Tech System to Support and Reinforce COVID-19 Treatment for Ramathibodi Hospital, Siriraj Hospital, Rajavithi Hospital and Chulalongkorn Hospital or "COVID project" 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 or "Filter project", etc.

Type	Consolidated		Consolidated	
	Jan.-Sep. 2020		Jan.-Sep. 2021	
	MB	%	MB	%
1. Sales Revenue	1,003.15	99.93	1,527.72	99.92
2. Other Revenue*	0.73	0.07	1.17	0.08
<b>Total</b>	<b>1,003.88</b>	<b>100.00</b>	<b>1,528.89</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 nine months of 2020 and 2021, sales revenue was accounted for 99.93% and 99.92% of total revenue and other revenue was equivalent to 0.07% and 0.08% respectively.



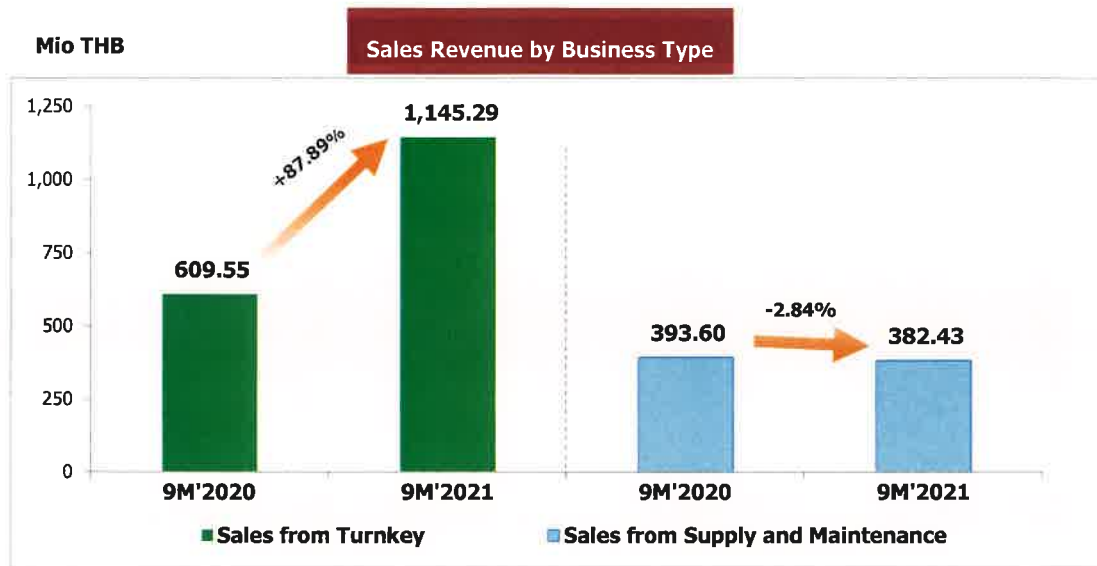
### Sales Revenue

Sales revenue in the first nine months of 2021 consisted of turnkey business including telecommunication system and construction, supply and maintenance.

Type	Consolidated		Consolidated	
	Jan.-Sep. 2020		Jan.-Sep. 2021	
	MB	%	MB	%
<b>Sales Revenue</b>				
<b>Sales Revenue from Turnkey Business</b>	<b>609.55</b>	<b>60.76</b>	<b>1,145.29</b>	<b>74.97</b>
- Sales Revenue from Telecommunication System	609.55	60.76	1,145.29	74.97
<b>Sales Revenue from Supply and Maintenance</b>	<b>393.60</b>	<b>39.24</b>	<b>382.43</b>	<b>25.03</b>
- Sales Revenue from Supply of Telecommunication System	163.12	16.26	53.47	3.50
- Sales Revenue from Maintenance of Telecommunication System	230.48	22.98	328.96	21.53
<b>Total Sales Revenue</b>	<b>1,003.15</b>	<b>100.00</b>	<b>1,527.72</b>	<b>100.00</b>

During Q1-Q3 of 2021, sales revenue from turnkey business and supply and maintenance were reported at 1,145.29 million THB and 382.43 million THB or proportionately at 74.97% and 25.03% of total sales revenue respectively. Sales revenue from turnkey business showed an increase by 87.89% compared to the same period of last year because revenue was recognized as per plan from the major project awarded at

the beginning of the year and backlog i.e DWDM project, Backbone project and Filter project. In term of revenue from supply and maintenance, it showed a slight decline by 2.84% because last year we recognized a certain equipment project for cloud security; however, in this period we had higher maintenance sales revenue from maintenance orders and turnkey projects entering into maintenance phase as per the reporting / accounting standard TFRS 15.



#### Other Revenue

In the first nine months of 2020 and 2021, the Company reported its other revenue at 0.73 million THB and 1.17 million THB respectively, equivalent to 0.07% and 0.08% of total revenue and the major items were interest income, compensation payments for employers and workers insured under Article 33 of the Social Security Act, etc.

### 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 nine months of 2020 and 2021, the Company showed its cost of sales and expense at 906.31 million THB and 1,347.21 million THB with the proportion of 90.28% and 88.12% of total revenue respectively.

CoS and Expenses	Consolidated		Consolidated	
	Jan.-Sep. 2020		Jan.-Sep. 2021	
	MB	%	MB	%
Cost of Sales	847.67	84.44	1,277.32	83.55
Selling Expense	26.25	2.61	29.69	1.94
Administrative Expense	32.29	3.22	39.52	2.59
Finance Cost	0.10	0.01	0.68	0.04
<b>Total CoS and Expenses</b>	<b>906.31</b>	<b>90.28</b>	<b>1,347.21</b>	<b>88.12</b>
<b>Total Revenue</b>	<b>1,003.88</b>	<b>100.00</b>	<b>1,528.89</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 nine months of 2020 and 2021 at 78.00 million THB and 145.30 million THB respectively, accounted for 7.77% and 9.50% of total revenue. The substantial incremental in net profit in 2021 derived from the outperforming project cost management in certain projects which have completed the deliverables to the customers.



## 2 Financial Status

### 2.1 Assets

At the end of 2020 and of Q3/2021, the Companies reported their total assets of 1,472.47 million THB and 1,666.83 million THB respectively. The major asset items are cash and cash equivalents, trade and other receivables, unbilled receivables and inventories at the end of 2020, proportionately at 20.55%, 14.16%, 38.89% and 10.10% of total assets respectively and in Q3/2021 proportionately at 19.10%, 24.61%, 37.56% and

5.56% of total assets. Total current assets are accounted for 87.01% for the year end 2020 and 91.55% for Q3/2021 to total assets.

With reference to the major asset items, a significant portion remained at trade and other receivables and unbilled receivables, which have shown a substantial increase during the past periods and reached at 1,036.30 million THB equivalent to 62.17% of total assets at the end of Q3/2021. It derived mostly from big-sized projects, i.e., USO Phase II, Filter projects, etc. Due to COVID-19, the project operations have been deferred. When comparing to Q2/2021, trade and other receivables reported at 635.77, whereby it was reduced by 225.54 in Q3/2021 because of collections from certain major projects. However, the Companies remain keeping in closed contact with our customers in order to accelerate the bill placement and collection.

Moreover, the Companies adopt the 30-day credit term after invoice placement and this shall remain till date even during this epidemic situation. However, COVID-19 has delayed customer payment causing the deferral of project plan.

## 2.2 Sources of Fund

### Liabilities

The Companies reported their total liabilities at 875.96 million THB at the end of 2020 and 962.70 million in Q3/2021 and the major items are short-term loans from financial institutions, trade and other payables and long-term loans from financial institutions with the proportion in Q3/2021 of 5.04%, 65.23% and 11.01% respectively. These items 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. 2020		At 30 Sep. 2021	
	MB	%	MB	%
Trade Payables	409.19	94.00	602.83	95.99
Other Payables	1.56	0.36	1.33	0.21
Trade Payables - Retention	1.73	0.40	5.77	0.92
Accrued Expenses	22.83	5.24	18.08	2.88
<b>Total Trade and Other Payables</b>	<b>435.31</b>	<b>100.00</b>	<b>628.01</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 the proportion at the end of 2020 and of Q3/2021 at 97.45% and 87.63% of total liabilities respectively.

#### **Shareholders' Equity**

The shareholders' equity attributable to the owner of the Company is in the amount of 573.70 million THB at the year end of 2020 and of 679.80 million THB in Q3/2021. The increase was corresponding to the business result of which the legal reserve is accounted for 20.50 million THB and the rest of retained earnings is 279.24 million THB after deducting dividend payment amounting to 36.00 million THB in Q2/2021.

#### **Funding Structure**

D/E ratio of the Company was at 1.53 and 1.42 for the year end 2020 and in Q3'2021 respectively.