
(Translation)

LTO-2020-a019

11 August 2021

Subject: Submission of the Management Discussion and Analysis Based on the Interim Financial Statements for the Three-Month and Six-Month Periods Ended 30 June 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. 4/2021 on 11 August 2021. The Meeting approved the interim financial statements for the three-month and six-month periods ended 30 June 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 six-month periods ended 30 June 2021.

Please be informed accordingly.

Sincerely yours,



(Ms. Patnarin Maliwal)

Chief Financial Officer

Executive Summary

The coronavirus outbreak or COVID-19 since 2020 has been continuously impacting until the year 2021 and its mutation has caused a severe widespread of this disease. It has led to a slowdown in project performance and new biddings due to the government measures to ease the outbreak situation. As a result, our customers have adopted the "work from home" or "no commute" policy, etc. The Companies have endeavored to implement various approaches to mitigate any risks or plausible impacts as well as continuously secure the cashflow position for a smooth operation during this epidemic circumstance. The Companies continues monitoring the situation and government announcements in order to comply and adjust our action plan as well as co-ordinating with our customers to prepare any plausible opportunities in the future accordingly.

In overall, the Companies remain in line with our outlook in terms of both revenue and net profit. Considering the performance in 2nd quarter of 2021, the Company reported its total revenue at 465.74 million THB categorized into sale revenue at 465.64 million THB and other revenue at 0.10 million THB compared to total revenue of 276.09 million THB in the same period of 2020. Their cost of sales and expenses were at 420.83 million THB or 90.36% of total revenue in Q2/2021 and at 246.89 million THB or 89.42% of total revenue in Q2/2020. Lastly, net profit in Q2/2021 was equivalent to 35.97 million THB or 7.72 % of total revenue showing an increase when compared with the same period of last year equivalent to 23.45 million THB or 8.49% of total revenue. The increase in the overall business performance in Q2/2021 mainly derived from the revenue recognition of major projects as planned, being awarded this year, backlog from previous year and an increase from maintenance contracts.

1. Business Performance Analysis

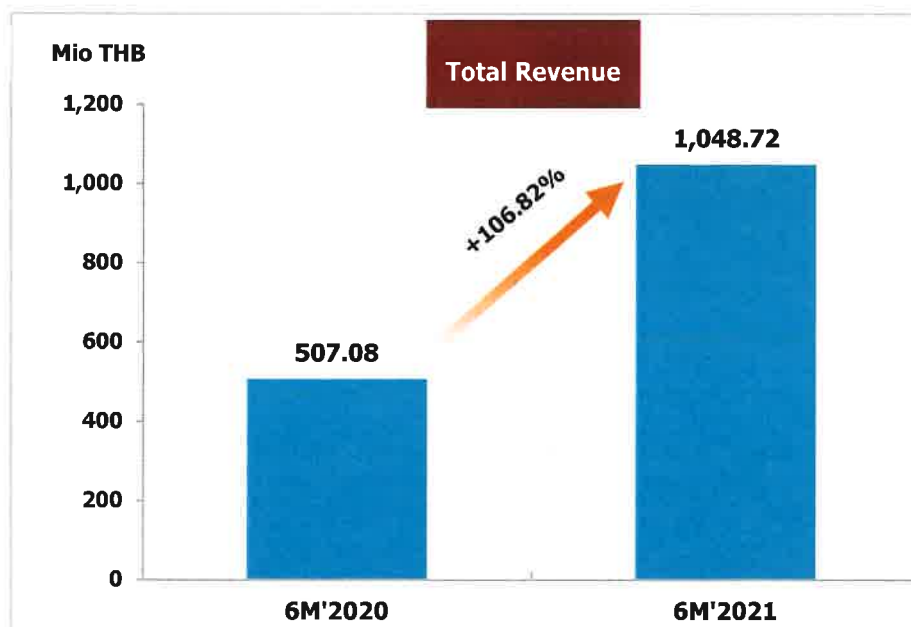
1.1 Revenue

For the first half of the year 2020 and of 2021 the Company reported its total revenue of 507.08 million THB and 1,048.72 million THB respectively with the increase by 106.82% 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.-Jun. 2020 | | Jan.-Jun. 2021 | |
| | MB | % | MB | % |
| 1. Sales Revenue | 506.54 | 99.89 | 1,048.48 | 99.98 |
| 2. Other Revenue* | 0.54 | 0.11 | 0.24 | 0.02 |
| Total | 507.08 | 100.00 | 1,048.72 | 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 half of 2020 and 2021, sales revenue was accounted for 99.89% and 99.98% of total revenue and other revenue was equivalent to 0.11% and 0.02% respectively.

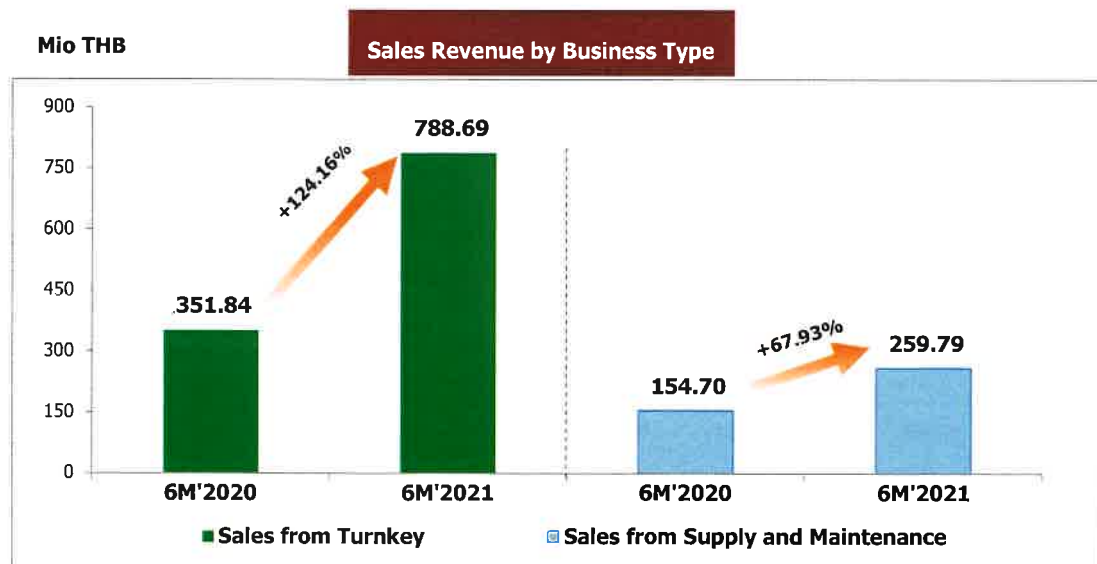


Sales Revenue

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

| Type | Consolidated | | Consolidated | |
|--|----------------|---------------|-----------------|---------------|
| | Jan.-Jun. 2020 | | Jan.-Jun. 2021 | |
| | MB | % | MB | % |
| Sales Revenue | | | | |
| Sales Revenue from Turnkey Business | 351.84 | 69.46 | 788.69 | 75.22 |
| - Sales Revenue from Telecommunication System | 351.84 | 69.46 | 788.69 | 75.22 |
| Sales Revenue from Supply and Maintenance | 154.70 | 30.54 | 259.79 | 24.78 |
| - Sales Revenue from Supply of Telecommunication System | 11.20 | 2.21 | 50.24 | 4.79 |
| - Sales Revenue from Maintenance of Telecommunication System | 143.50 | 28.33 | 209.55 | 19.99 |
| Total Sales Revenue | 506.54 | 100.00 | 1,048.48 | 100.00 |

During the first half of 2021, sales revenue from turnkey business and supply and maintenance were reported at 788.69 million THB and 259.79 million THB or proportionately at 75.22% and 24.78% of total sales revenue respectively. Sales revenue from turnkey business showed an increase by 124.16% 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 an increase by 67.93% because of more maintenance contracts compared to last year and entering into maintenance phase from major turnkey projects.



Other Revenue

In the first half of 2020 and 2021, the Company reported its other revenue at 0.54 million THB and 0.24 million THB respectively, equivalent to 0.11% and 0.02% 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 2020 and 2021, the Company showed its cost of sales and expense at 462.15 million THB and 953.33 million THB with the proportion of 91.14% and 90.90% of total revenue respectively.

| CoS and Expenses | Consolidated | | Consolidated | |
|-------------------------------|----------------|---------------|-----------------|---------------|
| | Jan.-Jun. 2020 | | Jan.-Jun. 2021 | |
| | MB | % | MB | % |
| Cost of Sales | 422.89 | 83.40 | 906.25 | 86.41 |
| Selling Expense | 17.76 | 3.50 | 20.65 | 1.97 |
| Administrative Expense | 21.44 | 4.23 | 26.01 | 2.48 |
| Finance Cost | 0.06 | 0.01 | 0.42 | 0.04 |
| Total CoS and Expenses | 462.15 | 91.14 | 953.33 | 90.90 |
| Total Revenue | 507.08 | 100.00 | 1,048.72 | 100.00 |

1.3 Net Profit

As a result of overall business performance, the Company reported its net profit for the first half of 2020 and 2021 at 35.96 million THB and 76.29 million THB respectively, accounted for 7.10% and 7.27% of total revenue.



2 Financial Status

2.1 Assets

At the end of 2020 and of Q2/2021, the Companies reported their total assets of 1,472.47 million THB and 1,796.25 million THB respectively. The major asset items are cash and cash equivalents, account 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 Q2/2021 proportionately at 8.26%, 35.39%, 38.53% and 5.42% of total assets. Total current assets are accounted for 87.01% for the year end 2020 and 91.81% for Q2/2021 to total assets.

With reference to the major asset items, a significant portion remained at account receivables and unbilled receivables, which have shown a substantial increase during the past periods and reached at 1,327.88 million THB equivalent to 73.93% of total assets at the end of Q2/2021. It derived mostly from big-sized projects, i.e. USO Phase II, Filter, DWDM projects, etc. This item has made a direct impact towards cash and cash equivalent item. Due to COVID-19, the project operations have been deferred. However, the Companies have constantly endeavored to keep 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 the operational practices and 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 1,161.14 million in Q2/2021 and the major items are short-term loans from financial institutions, trade and other payables and advance receipts from customers with the proportion in Q2/2021 of 17.84%, 57.40% and 6.68% 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 Jun. 2021 | |
|---------------------------------------|-----------------|---------------|-----------------|---------------|
| | MB | % | MB | % |
| Trade Payables | 409.19 | 94.00 | 645.61 | 96.87 |
| Other Payables | 1.56 | 0.36 | 1.61 | 0.24 |
| Trade Payables - Retention | 1.73 | 0.40 | 4.18 | 0.63 |
| Accrued Expenses | 22.83 | 5.24 | 15.08 | 2.26 |
| Total Trade and Other Payables | 435.31 | 100.00 | 666.48 | 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 the proportion at the end of 2020 and of Q2/2021 at 97.45% and 91.91% 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 612.14 million THB in Q2/2021. 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 211.57 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 1.90 for the year end 2020 and in Q2/2021 respectively.