

LTO-2020-0208

11 November 2020

Subject: Submission of the Management Discussion and Analysis based on the Financial Statements for 9-month period ended 30 September 2020 (Revision 1)

Attention: The President of the Stock Exchange of Thailand

Information and Communication Networks Public Company Limited (“Company”) held the Board of Directors’ Meeting No. 5/2020 on 11 November 2020. The Meeting approved the financial statements for 9-month period ended 30 September 2020, which were reviewed by the Company’s auditor.

We would like to submit the Management Discussion and Analysis Revision 1 based on the financial statements for 9-month period ended 30 September 2020.

Please be informed accordingly.

Sincerely yours,



(Ms. Patnarin Maliwal)

Chief Financial Officer

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**Executive Summary (Revision 1)**

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 Companies had also been affected from this pandemic, for instance, inaccessibility of project sites as per COVID-19 measures to minimize the number of persons to enter their premises. However, the Companies has re-visited and adjusted the project plans as well as arranged further source of fund to support the liquidity of the Companies for a smooth operation in accordance to the new circumstance. As of now, the Companies have been able to continue the project work as usual. In addition, the some medium – and big sized projects have been awarded e.g. Filter project, IP Access, maintenance for fiber optic cables, and supply of security system for Cloud. This led to a promising business outcome in the 3<sup>rd</sup> quarter of 2020. The Companies reported it total sales of 1,004 million THB with the backlog of 1,878 million THB. Further to this, the Companies remain focusing on partaking in various project bidding corresponding to the designated business plan including information technology development and digital technology.

Considering the performance in 3<sup>rd</sup> quarter of 2020, the Company reported its total revenue at 496.80 million THB categorized into sale revenue at 496.61 million THB and other revenue at 0.19 million THB compared to total revenue of 275.67 million THB in the same period of 2019. Its cost of sales and expenses were at 444.15 million THB or 89.40% of total revenue in Q3/2020 and at 252.14 million THB or 91.47% of total revenue in Q3/2019. Lastly, net profit in Q3/2020 was equivalent to 42.08 million THB or 8.47 % 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 18.56 million THB or 6.73% of total revenue. The increase in business outcome in the 3<sup>rd</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

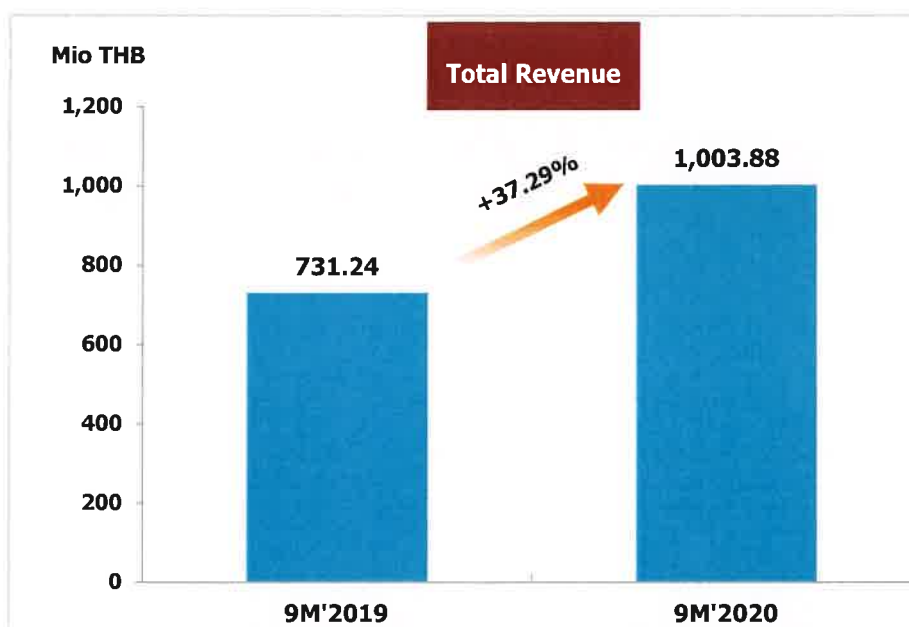
### 1.1 Revenue

For the first nine months of the year 2019 and of 2020 the Company reported its total revenue of 731.24 million THB and 1,003.88 million THB respectively with the increase by 37.29% 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, and Supply of Security System for Government Cloud Computing, etc.

Type	Consolidated		Consolidated	
	Jan.-Sep. 2019		Jan.-Sep. 2020	
	MB	%	MB	%
1. Sales Revenue	729.13	99.71	1,003.15	99.93
2. Other Revenue*	2.11	0.29	0.73	0.07
<b>Total</b>	<b>731.24</b>	<b>100.00</b>	<b>1,003.88</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 2019 and 2020, sales revenue was accounted for 99.71% and 99.93% of total revenue and other revenue was equivalent to 0.29% and 0.07% respectively.

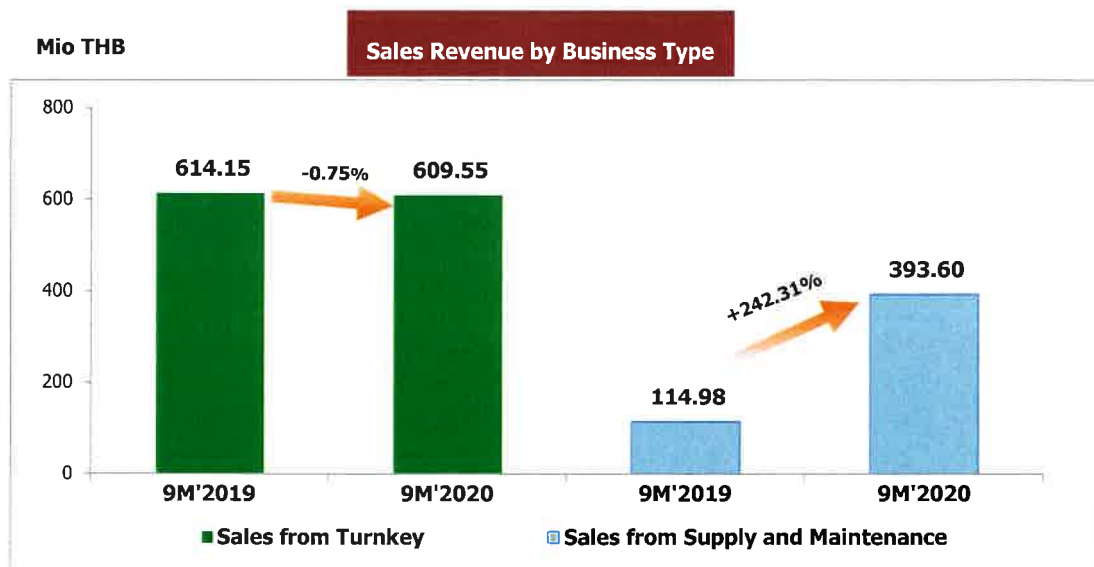


### Sales Revenue

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

Type	Consolidated		Consolidated	
	Jan.-Sep. 2019		Jan.-Sep. 2020	
	MB	%	MB	%
<b>Sales Revenue</b>				
<b>Sales Revenue from Turnkey Business</b>	<b>614.15</b>	<b>84.23</b>	<b>609.55</b>	<b>60.76</b>
- Sales Revenue from Telecommunication System	598.90	82.14	609.55	60.76
- Sales Revenue from Construction and Electrical System	15.25	2.09	0.00	0.00
<b>Sales Revenue from Supply and Maintenance</b>	<b>114.98</b>	<b>15.77</b>	<b>393.60</b>	<b>39.24</b>
- Sales Revenue from Supply of Telecommunication System	15.67	2.15	163.12	16.26
- Sales Revenue from Maintenance of Telecommunication System	99.31	13.62	230.48	22.98
<b>Total Sales Revenue</b>	<b>729.13</b>	<b>100.00</b>	<b>1,003.15</b>	<b>100.00</b>

During Q1-Q3 of 2020, sales revenue from turnkey business and supply and maintenance were reported at 609.55 million THB and 393.60 million THB or proportionately at 60.76% and 39.24% of total sales revenue respectively. Sales revenue from turnkey business showed a slight decline by 0.75% compared to the same period of last year. In term of revenue from supply and maintenance, it showed an increase by 242.31% because of the new maintenance contracts awarded, the commencement of maintenance portion out of turnkey projects and the revenue recognition of supply for cloud computing order.



### Other Revenue

In the first nine months of 2019 and 2020, the Company reported its other revenue at 2.11 million THB and 0.73 million THB respectively, equivalent to 0.29% and 0.07% of total revenue and the major item was interest income.

### 1.2 Cost of Sales and Expenses

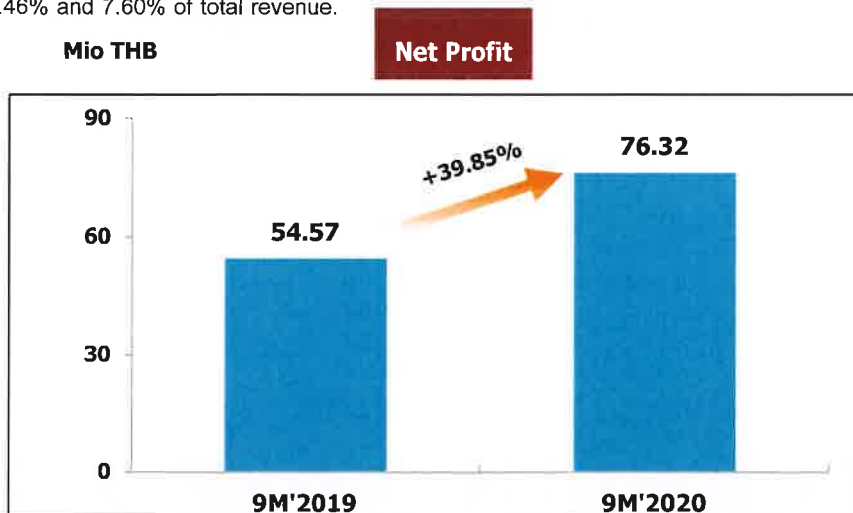
Major costs of the Company composed of cost of sales, selling expense, administrative expense and interest expense. In the first nine months of 2019 and 2020, the Company showed its cost of sales and expense at 662.73 million THB and 906.31 million THB respectively, proportionately at 90.63% and 90.28% 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.-Sep. 2019 (Restated)		Jan.-Sep. 2020	
	MB	%	MB	%
Cost of Sales	607.33	83.05	847.67	84.44
Selling Expense	24.39	3.34	26.25	2.61
Administrative Expense	31.01	4.24	32.29	3.22
Finance Cost	-	-	0.10	0.01
<b>Total CoS and Expenses</b>	<b>662.73</b>	<b>90.63</b>	<b>906.31</b>	<b>90.28</b>
<b>Total Revenue</b>	<b>731.24</b>	<b>100.00</b>	<b>1,003.88</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 2019 and 2020 at 54.57 million THB and 76.32 million THB based on the equity holder of the Company respectively, accounted for 7.46% and 7.60% of total revenue.



## 2 Financial Status

### 2.1 Assets

At the end of 2019 and of Q3/2020, the Company reported its total assets of 1,207.12 million THB and 1,401.95 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 Q3/2020 proportionately at 29.95%, 39.39%, 10.08% and 10.00% of total assets. Total current assets are accounted for 88.38% for the year end 2019 and 87.50% for Q3/2020 to total assets.

With reference to the major asset items, a significant portion remained at the unbilled receivables, which has been outstandingly increased during the past periods and reached 552.16 million THB equivalent to 39.39% of total assets at the end of 3<sup>rd</sup> quarter of 2020. It derived mostly from big-sized projects, for instance, High-Speed Internet Service Project in Remote Area (Zone C) Project, Installation of 850 Frequency Band Filter Circuit according to the Notification of National Broadcasting and Telecommunications Commission, etc. These has to be corresponding to the billing conditions of the project and shall be changed to trade account receivables once the invoicing to customers can be made.

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 795.84 million THB in Q3/2020 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 30 Sep. 2020	
	MB	%	MB	%
Trade Payables	383.80	95.80	325.76	94.65
Other Payables	0.48	0.12	1.76	0.51
Trade Payables - Retention	1.81	0.45	1.56	0.45
Accrued Expenses	14.53	3.63	15.08	4.38
<b>Total Trade and Other Payables</b>	<b>400.62</b>	<b>100.00</b>	<b>344.16</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 Q3/2020 at 98.39% and 98.28% 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 **583.36** million THB in Q3/2020 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 **188.29** 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 **1.36** for the year end 2019 and in Q3/2020 respectively.