

LTO-2021-0095

12 May 2021

Subject: Submission of the Management Discussion and Analysis based on the Financial Statements for 3-month period ended 31 March 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. 2/2021 on 12 May 2021. The Meeting approved the financial statements for 3-month period ended 31 March 2021, 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 2021.

Please be informed accordingly.

Sincerely yours,



(Ms. Patnarin Maliwal)
Chief Financial Officer

Executive Summary

In Q1/2021, the Company has signed a contract with CAT Telecom Public Company Limited for the project Expansion of DWDM Link Capacity at Backhaul and Border at the contract value of 415.40 million THB (excluding VAT). Together with other projects, orders backlog as of 31 Mar. 2021 has reached 1,702 million THB. For the year 2021, ICN Group plans an approximate increase in total revenue by 30-40% derived from the revenue recognition of order backlog from previous years; for instance, USO Phase II, Filter project and new orders being awarded this year. In overall for Q1/2021, the Companies were able to operate as usual to a certain level; therefore, the business performance / revenue recognition are in line with the budget. With regard to the credit term, the 30-day after invoice credit term remains effective. However, the continuous outbreak of coronavirus has caused a substantial deferral in collection plan.

The 3rd wave of the coronavirus outbreak, having a wide impact currently, may cause 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 accordingly.

Considering the performance in the first quarter of 2021, the Companies reported its total revenue at 582.98 million THB categorized into sale revenue at 582.84 million THB and other revenue at 0.14 million THB compared to total revenue of 230.99 million THB in the same period of 2020. Cost of sales and expenses were at 532.51 million THB or 91.34% of total revenue in Q1/2021 and at 215.27 million THB or 93.19% of total revenue in Q1/2020. Lastly, net profit in Q1/2021 was equivalent to 38.40 million THB or 6.59 % of total revenue excluding the portion from non-controlling interests of the subsidiary showing an increase of 26.51 million THB or 222.89 % when compared with the same period of last year net profit equivalent to 11.89 million THB or 5.15% of total revenue. The increase in the overall business performance in Q1/2021 mainly derived from the revenue recognition of major projects as planned, being awarded this year and backlog from previous year and an increase from maintenance contracts

1. Business Performance Analysis

1.1 Revenue

For the first three months of 2020 and of 2021 the Companies reported their total revenue of 230.99 million THB and 582.98 million THB respectively with an increase by 152.38% 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.-Mar. 2020		Jan.-Mar. 2021	
	MB	%	MB	%
1. Sales Revenue	230.68	99.86	582.84	99.98
2. Other Revenue*	0.31	0.14	0.14	0.02
Total	230.99	100.00	582.98	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 three months of 2020 and 2021, sales revenue was accounted for 99.86% and 99.98% of total revenue and other revenue was equivalent to 0.14% and 0.02% respectively.

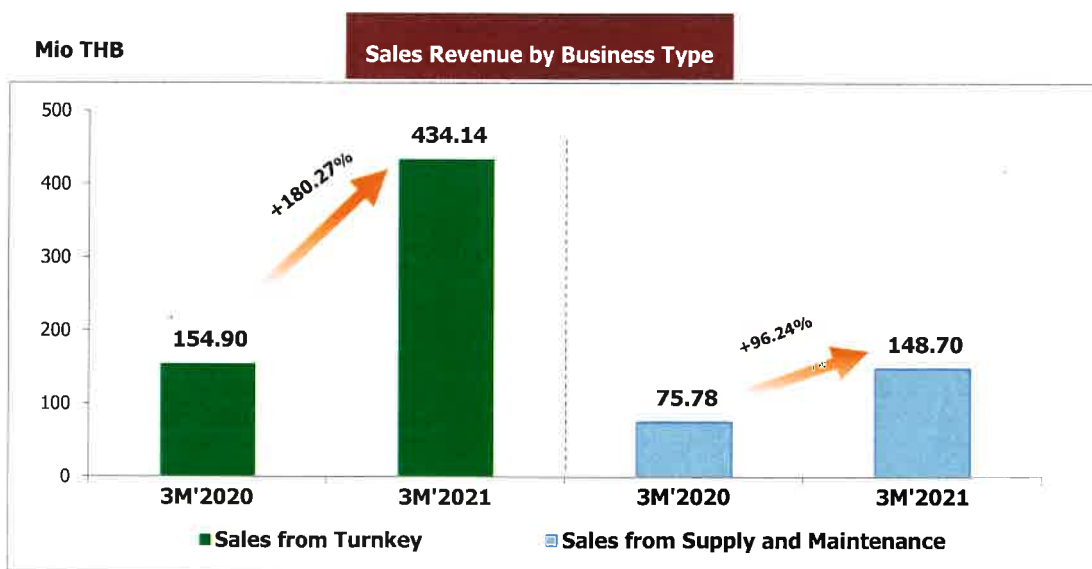


Sales Revenue

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

Type	Consolidated		Consolidated	
	Jan.-Mar. 2020		Jan.-Mar. 2021	
	MB	%	MB	%
Sales Revenue				
Sales Revenue from Turnkey Business	154.90	67.15	434.14	74.49
- Sales Revenue from Telecommunication System	154.90	67.15	434.14	74.49
Sales Revenue from Supply and Maintenance	75.78	32.85	148.70	25.51
- Sales Revenue from Supply of Telecommunication System	10.94	4.74	37.75	6.47
- Sales Revenue from Maintenance of Telecommunication System	64.84	28.11	110.95	19.04
Total Sales Revenue	230.68	100.00	582.84	100.00

In the first three months of 2021, sales revenue from turnkey business and supply and maintenance were reported at 434.14 million THB and 148.70 million THB or proportionately at 74.49% and 25.51% of total sales revenue respectively. Sales revenue from turnkey business showed increase by 180.27% 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 i.e DWDM project together with the acceptance and revenue recognition from our last year backlog e.g. Backbone and Filter projects. In term of revenue from supply and maintenance, it showed an increase by 96.24% because of more maintenance contracts compared to last year and entering into maintenance phase from major turnkey projects.



In the first three months of 2020 and 2021, the Companies reported their other revenue at 0.31 million THB and 0.14 million THB respectively, equivalent to 0.14% and 0.02% of total revenue and the major item was interest income.

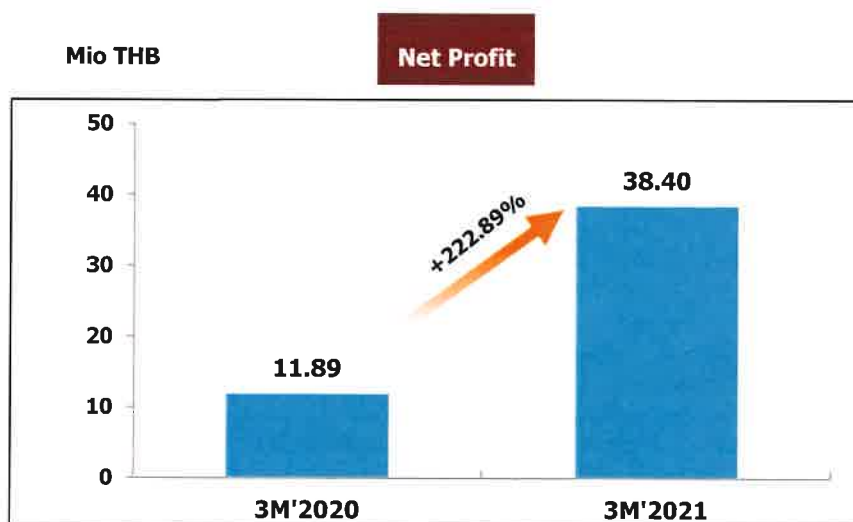
1.2 Cost of Sales and Expenses

Major costs composed of cost of sales, selling expense, administrative expense and interest expense. In the first three months of 2020 and 2021, the Companies showed its cost of sales and expense at 215.27 million THB and 532.51 million THB respectively, proportionately at 93.19% and 91.34% of total revenue.

CoS and Expenses	Consolidated		Consolidated	
	Jan.-Mar. 2020		Jan.-Mar. 2021	
	MB	%	MB	%
Cost of Sales	196.96	85.27	508.35	87.20
Selling Expense	8.31	3.60	10.75	1.84
Administrative Expense	9.98	4.32	13.23	2.27
Finance Cost	0.02	0.00	0.18	0.03
Total CoS and Expenses	215.27	93.19	532.51	91.34
Total Revenue	230.99	100.00	582.98	100.00

1.3 Net Profit

As a result of overall business performance, the Companies reported their net profit for the first three months of 2020 and 2021 at 11.89 million THB and 38.40 million THB respectively, based on the equity holder of the Company, accounted for 5.15% and 6.59% of total revenue.



2 Financial Status

2.1 Assets

At the end of 2020 and of Q1/2021, the Companies reported their total assets of 1,472.47 million THB and 1,688.44 million THB respectively. The major asset items are cash and cash equivalents, account receivables, unbilled receivables and restricted bank deposits at the end of 2020, proportionately at 20.55%, 14.15%, 38.89% and 10.02% of total assets respectively and in Q1/2021 proportionately at 7.23%, 21.71%, 49.40% and 7.85% of total assets. Total current assets are accounted for 87.01% for the year end 2020 and 88.55% for Q1/2021 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 834.17 million THB equivalent to 49.40% of total assets at the end of Q1/2021. 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. Since the invoicing can be made in corresponding to the contractual billing milestone, the invoices as a result could not be issued to the customers and it was reflected at unbilled receivables. Once the invoicing to customers can be made, this shall be changed from unbilled receivables to account receivables and then to cash inflow at the end

As aforementioned, the Companies adopts 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 causing deferring the project plan and not being able to invoice to the customers.

2.2 Sources of Fund

Liabilities

The Companies reported their total liabilities at 875.96 million THB at the end of 2020 and 1,053.29 million in Q1/2021 and the major items are short-term loans from financial institutions, trade and other payables and advance receipts from customers with the proportion in Q1/2021 of 24.65%, 47.32% and 16.95% 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 31 Mar. 2021	
	MB	%	MB	%
Trade Payables	409.19	94.00	473.10	94.93
Other Payables	1.56	0.36	5.91	1.19
Trade Payables - Retention	1.73	0.40	4.80	0.96
Accrued Expenses	22.83	5.24	14.58	2.92
Total Trade and Other Payables	435.31	100.00	498.39	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 Q1/2021 at 97.45% and 96.58% 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 612.09 million THB in Q1/2021. 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 211.53 million THB at the end of Q1/2021.

Funding Structure

D/E ratio of the Company was at 1.53 and 1.72 for the year end 2020 and in Q12021 respectively.