

SC. 066/61/SJ

14 May 2018

Subject: Management Discussion and Analysis for the first quarter of 2018

To: Directors and Managers
The Stock Exchange of Thailand

Management Discussion and Analysis of operating results and financial position

Overview of the past results' operation

The Company operates in telecommunication business by providing telecommunication services through nationwide fiber optic network and providing installation of telecommunication infrastructure. On 8 May 2012, the Company obtained Telecommunication license type 3 from National Broadcasting and Telecommunication Commission (“NBTC”) in which, allowed the Company to own the network and rendering service through the mentioned network. The period of license is 15 years. The Company has started to construct core fiber optic network since 2012 in which the fiber optic were installed along with telegraph poles that the Company has 30 years’ right of way since 19 October 2012 from The State Railway of Thailand. The Company has also constructed the main trunk routes and sub-routes along with the road through the poles as to connect to customers. The Company has launched a service under the network called “Interlink Fiber Optic Network” in June 2013.

In 2014, the Company has entered into data center business by acquiring assets from Interlink Communication Public Company Limited (ILINK) including building and equipment as to provide data center space services for companies and organizations according to their needs. The data center services have been operated in October 2014.

According to the policies of the government, Digital Economy and Thailand 4.0, they are to use information technology to apply to the economic and social activities, by focusing on the development of digital infrastructure and aiming to provide stability data connection in all areas with adequately supply for demand and could be access at a reasonable cost, as to lead to further development of the nation in both economic and social aspects in efficiency way. These policies are important to help promote the growth of information and communications technology industry (ICT) of Thailand and the Company as well.

For the quarter ended 31 March 2018, the Company has total revenue of Baht 366.19 million or increasing by Baht 178.29 million or 94.89% comparing to the same period of prior year. In addition, the Company has net income of Baht 31.09 million or increasing by Baht 12.67 million or 68.74% comparing to the same periods of prior year as well.

Analysis of Operating Results

1. Revenues

For the quarter ended 31 March 2018, the Company has total revenues of Baht 366.19 million in which they were increased from the prior year by Baht 178.29 million or 94.89% as presented table below.

Types of Service	31 March 2018		31 March 2017		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Service incomes	365.39	99.78	186.66	99.34	178.73	95.75
Other incomes	0.80	0.22	1.24	0.66	(0.44)	(35.48)
Total revenues	366.19	100.00	187.90	100.00	178.29	94.89

1.1. Service incomes

Type of Service	31 March 2018		31 March 2017		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Service income from network rendering						
- Service income from network rendering	146.69	40.15	116.76	62.55	29.93	25.63
- Other service income	1.87	0.51	0.72	0.39	1.15	159.72
Total service income from network rendering	148.56	40.66	117.48	62.94	31.08	26.46
2. Service income from network installation service						
- Service income from network installation service	192.64	52.72	47.35	25.37	145.29	306.84
- Service income from network connection service	1.62	0.44	3.17	1.70	(1.55)	(48.90)
Total service income from network installation service	194.26	53.16	50.52	27.07	143.74	284.52
3. Service income from data center space service						
- Service income from data center space service	16.14	4.42	15.09	8.08	1.05	6.96
- Other service income	6.43	1.76	3.57	1.91	2.86	80.11
Total Service income from data center space service	22.57	6.18	18.66	9.99	3.91	20.95
Total service incomes	365.39	100.00	186.66	100.00	178.73	95.75

Service incomes are divided into 3 categories as follows.

1.1.1. Service income from network rendering

Service income from network rendering is categorized into various types such as Interlink MPLS IP-VPN, Interlink Wavelength, Interlink Dark Fiber, and Interlink IPLC which the Company has started the services since June 2013.

For the quarter ended 31 March 2018, the Company has service income from network rendering for Baht 148.56 million or represented 40.66% of total service income in which combined by service income from network rendering of Baht 146.69 million, and other service income of Baht 1.87 million. The service income from network rendering of 2018 increased from 2017 by Baht 31.08 million or 26.46% because of the increasing of customers which is the normal growth in every quarter.

1.1.2. Service income from network installation service

Service income from network installation service is related to the construction of telecommunication hi-speed network and is categorized into 2 types as follows.

- 1) Service income from network installation service in which recognizes revenue by percentage of completion according to cost to cost method
- 2) Service income from network connection service in which recognizes revenue once the service has been completed.

For the quarter ended 31 March 2018, these services generated revenue for Baht 194.26 million or 53.16% of total service income which can divide to service income from network installation service of Baht 192.64 million and service income from network connection service of Baht 1.62 million. The major projects are the 24 hours preventive maintenance of fiber optic network for North and South which recognized revenue for Baht 9.70 million, and the project of providing mobile broadband and high-speed internet service in border area Group 4 and 5 which recognized revenue for Baht 176.63 million etc. However, the Company still has back log from the project of providing mobile broadband and high-speed internet service in border area Group 4 and 5 around Baht 226.53 million which expected to recognize during the remainder of 2018.

1.1.3. Service income from data center space service

The Company has operated data center space service in October 2014 after acquiring assets from ILINK.

For the quarter ended 31 March 2018, the Company has revenue from data center space service for Baht 22.57 million or 6.18% of total service income. It increased because the electricity charged to customers. The occupancy rate of data center is 95%. In addition, the Company has revenue from Data Center Service rendering to Genesis Data Center in order to operate data center business since September 2017, which affected revenue from data center space service in first quarter of 2018 increasing by Baht 3.91 million or 20.95% comparing to the first quarter of 2017.

2. Costs and expenses

The major costs of the Company are such as costs of services, selling expenses, administrative expenses, and finance cost. For the quarter ended 31 March 2018, the total costs and expenses is Baht 320.40 million.

2.1. Costs of services and gross profit margin

Costs of services are main expenses of the Company. For the quarter ended 31 March 2018, Cost of services is Baht 274.35 million. It is higher than the prior year by 106.76% which was aligned with the increasing of revenue. The table below illustrated the components of costs of services and their related gross profit margin.

Service Costs	31 March 2018		31 March 2017	
	Million Baht	GPM (%)	Million Baht	GPM (%)
Cost of network rendering	104.72	29.50	87.19	25.78
Cost of network installation service	157.94	18.70	36.07	28.60
Cost of data center space service	11.69	48.22	9.43	49.48
Total costs of services	274.35	24.92	132.69	28.92

2.1.1. Cost of network rendering

For the quarter ended 31 March 2018, the Company has costs of network rendering for Baht 104.72 million in which resulting to gross profit margin of network rendering service is at 29.50% that slightly increased when compared to prior year. The major expenses are such as depreciation expenses, rental space to install the network expenses, repair and maintenance expenses, interconnection of network expenses and employee benefit expenses which represented 34.66%, 18.71%, 15.93%, 14.98%, and 7.29% of total cost of network rendering for the quarter ended 31 March 2018, respectively.

2.1.2. Cost of network installation service

For the quarter ended 31 March 2018, costs of network installation service are Baht 157.94 million in which resulting to gross profit margin of installation service is at 18.70%. The gross profit margin of 2018 decreased comparing to prior year because in 2018 the Company has the project of providing mobile broadband and high-speed internet service in border area Group 4 and 5 that have gross profit margin lower than 20%. Major costs from network installation service are such as material cost and installation cost.

2.1.3. Cost of data center space service

For the quarter ended 31 March 2018, the Company has cost of data center space service for Baht 11.69 million in which resulting to gross profit margin of data center business is at 48.22% that is the normal gross profit margin rate of the Company.

2.1.4. Gross profit and gross profit margin

For the quarter ended 31 March 2018, the Company has gross profit margin of Baht 91.04 million increased from prior year by Baht 37.07 million. The gross profit margin rate of 2018 is at 24.92% that is lower than 2017 which has the gross profit margin rate at 28.92%. This is because of the decrease in gross profit margin of installation service as stated above.

2.2. Finance costs

For the quarter ended 31 March 2018, the Company has finance costs of Baht 20.83 million. The main finance cost is interest expenses from loans which increasing in the same way of Loan principle amount. As of 31 March 2018, the Company has short-term loans from financial institution amounted to Baht 419.25 million, long-term loans from financial institution amounted to Baht 1,675.64 million and leasing liability amounted to Baht 66.26 million which all increased from the quarter ended 31 March 2017. (As of 31 March 2017, the Company has long-term loans from financial institution amounted to Baht 1,369.94 million and leasing liability amounted to Baht 85.25 million respectively.)

2.3. Net income and percentage of net income

The Company's net income for the quarter ended 31 March 2018 is Baht 31.09 million. The net profit margin is 8.49% in which higher than that in the quarter ended 31 March 2017 which net income is Baht 18.43 million and the net profit margin is 9.80%. The net profit increased because the Company has more customers and effectively controlled selling and administrative expenses. However, the lower of net profit margin came from the decrease in gross profit margin of installation service as stated above.

2.4. Return on Equity (ROE)

ROE as of 31 March 2018 is 8.16%.

Financial Position

1. Assets

As at 31 March 2018, the Company has total assets of Baht 4,635.84 million or 7.96% of increasing compared to Baht 4,293.92 million at the end of 2017. Major assets are such as cash and cash equivalent, trade accounts receivable, accrued revenue from network installation service, and fixed assets and telecommunication networks which are presented as at 31 March 2018's figures by 2.24%, 6.30%, 15.23% and 69.56% of total assets, respectively. The significant accounts that are notable changed are such as

- 1) Trade and other receivable, increasing according to the prepaid of PEA's pole rental expense for 2018.
- 2) Accrued revenue, increasing according to progress work that still to be billed, and
- 3) Fixed assets, increasing from expanding as to support sales, increase its coverage as well as its stability.

2. Liabilities

As at 31 March 2018, the Company has total liabilities of Baht 3,096.38 million which increased by Baht 310.82 million or 11.16% comparing to Baht 2,785.56 million at the end of 2017. Mainly, the increasing is from the proceeds from short-term loans from financial institutions by Baht 288.45 million, and trade and other accounts payable by Baht 39.06 million which increased aligned with the percentage of completion. However, the Company paid for long-term loans from financial institution by Baht 38.19 million in 2018.

Major liabilities are such as loans from financial institutions and trade accounts payable that they are approximately 54.12% and 25.76% of total liabilities as at 31 March 2018, respectively.

3. Equity

As at 31 March 2018, the Company has equities at Baht 1,539.46 million or increased by 2.06% comparing to Baht 1,508.37 million at the end of 2017. The shareholders' equity increased by Baht 31.09 million as a result of the three month period operation results.

4. Capital Structure

The Company has debt to equity ratio at 2.01 times as at 31 March 2018 that is increased from 1.85 times of 2017. The significant increasing is due to the proceeds from loans from financial institution to payment for purchasing of fixed assets and telecommunication networks and investing in network installation service.

In addition, the Company has to comply to 2 conditions of debt covenant as follows.

1) Loans from financial institution to equities and loans from related party must not be greater than 2 times and

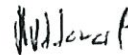
2) DSCR must not be less than 1.2 times.

As at 31 March 2018, the Company has the above ratios at 2.01 times and 1.38 times, respectively. However, the financial institution will evaluate at the end of fiscal year

Anyway, debt to equity ratio above includes the liabilities incurred from network installation services. If we exclude the liabilities incurred from network installation services, the Company has debt to equity ratio at 1.77 times as at 31 March 2018. The liabilities incurred from network installation services will be out by 2018 because it will be delivered and closed job in the third quarter of 2018.

Please be informed accordingly.

Yours sincerely,



(Mr. Nuttanai Anuntarumporn)

Managing Director