

12 May 2020

Subject: Management Discussion and Analysis for the three-month period ended 31 March 2020

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

Interlink Telecom Public Company Limited ("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 three-month period ended 31 March 2020, the Company has total revenue of Baht 460.66 million or increasing by Baht 7.20 million or 1.59% comparing to the same period of prior year. In addition, the Company has net income of Baht 40.08 million or increasing by Baht 1.17 million or 3.01% comparing to the same period of prior year as well.



Analysis of Operating Results

1. Revenues

For the three-month period ended 31 March 2020, the Company has total revenues of Baht 460.66 million in which they were increased from the prior year by Baht 7.20 million or 1.59% as presented table below.

Types of Service	31 March 2020		31 March 2019		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Service income	455.69	98.92	448.68	98.95	7.01	1.56
Other income	4.96	1.08	4.77	1.05	0.19	3.95
Total revenues	460.65	100.00	453.45	100.00	7.20	1.59

1.1. Service incomes

Type of Service	31 March 2020		31 March 2019		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Service income from network rendering	267.45	58.69	204.16	45.50	63.29	31.00
2. Service income from network installation	164.94	36.20	222.12	49.50	(57.18)	(25.74)
3. Service income from data center space	23.30	5.11	22.40	5.00	0.90	4.02
Total service incomes	455.69	100.00	448.68	100.00	7.01	1.56

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 three-month period ended 31 March 2020, the Company had service income from network rendering for Baht 267.45 million or represented 58.69% of total service incomes. The service income from network rendering for the three-month period of 2020 increased from 2019 by Baht 63.29 million or 31.00% because of the increasing of customers which is the normal growth in every quarter. In addition, the Company started to recognize service income of the project of providing high-speed internet service in remote area (USO Phase 2).

1.1.2. Service income from network installation

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

1) Service income from network installation in which recognizes revenue when the Company satisfies a performance obligation by transferring services to customers over time in accordance with term of each service contract with customers.

2) Service income from network connection in which recognizes revenue once the service has been completed.

For the three-month period ended 31 March 2020, these services generated revenue for Baht 164.94 million or 36.20% of total service income. The major projects of this period are such as the project of providing high-speed internet service in remote area (USO Phase 2) which recognized revenue of Baht 76.02 million, the True Node-B installation to provide internet which recognized revenue of Baht 61.04 million, and other projects are Baht 27.88 million.

1.1.3. Service income from data center space

For the three-month period ended 31 March 2020, the Company had service income from data center space of Baht 23.30 million or 5.11% of total service income. It increased because of the electricity charged to customers and the revenue sharing from Cloud Service amounted to Baht 0.72 million. The occupancy rate of data center is 95% of total white space.

2. Costs and expenses

The major costs of the Company are such as costs of services, service expenses, administrative expenses, and finance cost. For the three-month period ended 31 March 2020, the total costs and expenses was Baht 405.86 million as followings:

2.1. Costs of services and gross profit margin

Costs of services are main expenses of the Company. For the three-month period ended 31 March 2020, cost of services was Baht 335.83 million. It was lower than the prior year by 1.68% which was aligned with the decreasing of service income from network installation. The table below illustrated the components of costs of services and their gross profit margin.

Service Costs	31 March 2020		31 March 2019	
	Million Baht	GPM (%)	Million Baht	GPM (%)
Cost of network rendering	186.44	30.29	138.18	32.32
Cost of network installation service	137.13	16.86	190.13	14.31
Cost of data center space service	12.26	47.37	13.07	41.65
Total costs of services	335.83		341.58	

2.1.1. Cost of network rendering

For the three-month period ended 31 March 2020, the Company had cost of network rendering of Baht 186.44 million in which resulting to gross profit margin of network rendering service was at 30.29% which decreased comparing to the prior year, mainly because of the increasing of cost of service for the project of providing mobile broadband and high-speed internet service in border area (USO Phase 1). The major expenses are such as depreciation expenses, rental space to install the network expenses, interconnection of network expenses, repair and maintenance expenses, and employee benefit expenses which represented 28.91%, 13.40%, 13.82%, 12.82%, and 5.86% of total cost of network rendering For the three-month period ended 31 March 2020, respectively. The cost of service for USO is equal to 20.19% of total cost of network rendering.

2.1.2. Cost of network installation service

For the three-month period ended 31 March 2020, the Company had cost of network installation service of Baht 137.13 million in which resulting to gross profit margin of installation service was at 16.86%. The gross profit margin of 2020 increased comparing to prior year because of the mix of projects. Major costs of network installation service are such as material cost and installation cost.

2.1.3. Cost of data center space service

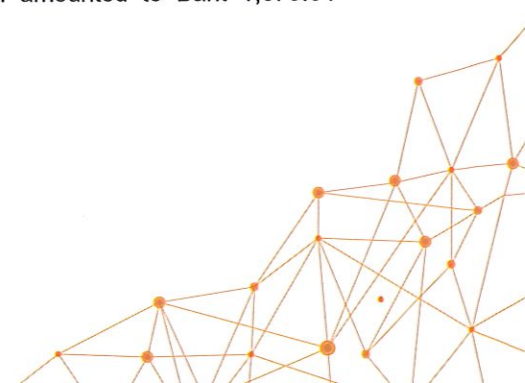
For the three-month period ended 31 March 2020, the Company had cost of data center space service of Baht 12.26 million in which resulting to gross profit margin of data center business was at 47.37% increased from prior year. Major costs of data center space service are such as depreciation expenses, utilities expenses, employee benefit expenses, and repair & maintenance expenses.

2.1.4. Gross profit and gross profit margin

For the three-month period ended 31 March 2020, the Company had gross profit of Baht 119.86 million increased by Baht 12.76 million comparing to the prior year. The gross profit margin of 2020 was at 26.30% which increased from 2019 which the gross profit margin was at 23.87% because of the decrease in gross profit margin for each type of service as stated above.

2.2. Finance costs

For the three-month period ended 31 March 2020, the Company had finance costs of Baht 38.78 million. The major of finance costs are interest expenses from loans that increasing in the line with loan principal amount. As of 31 March 2020, the Company had short-term loans from financial institutions amounted to Baht 2,131.12 million, long-term loans from financial institution amounted to Baht 1,810.92 million, and lease liabilities amounted to Baht 217.25 million (2019: short-term loans from financial institutions amounted to Baht 1,337.08 million, long-term loans from financial institution amounted to Baht 1,675.64 million, and finance lease liabilities amounted to Baht 66.26 million).



2.3. Net profit and net profit margin

The Company's net profit For the three-month period ended 31 March 2020 was Baht 40.08 million and the net profit margin was at 8.71% in which they were higher than that in the same period in 2019 which net profit was Baht 38.91 million and the net profit margin was at 8.58%. The increase mainly because of growth of service income as described above.

2.4. Return on Equity (ROE)

ROE as at 31 March 2020 is 9.27%.

Financial Position (Equity Method)

1. Assets

As at 31 March 2020, the Company had total assets of Baht 6,821.68 million or 3.02% of increasing compared to Baht 6,621.87 million at the end of 2019. Major assets are such as trade accounts receivable, work in process, accrued revenue from network installation service, fixed assets and telecommunication networks, and right-of-use assets which were presented as at 31 March 2020's figures by 6.09%, 4.34%, 20.54%, 55.48% and 3.60% of total assets, respectively. The significant accounts that were notable changed were such as

- 1) Work in process, increasing according the receiving of USO 2 project stock which were in progress of installation;
- 2) Accrued revenue from network installation service, increasing according to complete work but not yet billed. The Company recognized service income from network installation Baht 160.46 million, and billed to customers in the amount of Baht 140.51 million;
- 3) Fixed assets and telecommunication networks, increasing from expanding as to support sales and increase its coverage as well as its stability. However, there is reclassification of assets to comply with adoption of TFRS 16 to right-of-use assets by Baht 92.98 million; and
- 4) Right-of-use assets which is impacts of adoption of TFRS 16.

2. Liabilities

As at 31 March 2020, the Company had total liabilities of Baht 5,072.61 million or increased by 3.31% comparing to Baht 4,910.17 million at the end of 2019. Mainly, the increasing is from the adoption of TFRS 16 which caused leasing liabilities to increase by Baht 149.97 million, and the proceeds from short-term loans from financial institutions by Baht 78.14 million. However, the Company paid for long-term loans from financial institution by Baht 101.14 million in 1st Quarter of 2020.

Major liabilities are such as short-term and long-term loans from financial institutions and trade and other payables that they are approximately 77.71% and 16.33% of total liabilities as at 31 March 2020, respectively.



3. Equity

As at 31 March 2020, the Company had equities of Baht 1,749.07 million or increased by 2.18% comparing to Baht 1,711.70 million at the end of 2019. The shareholders' equity increased by Baht 40.08 million as a result of the three-month period ended 31 March 2020. The Company has adopted the new Thai Financial Reporting Standards (TFRS) from 1 January 2020 under the modified retrospective approach and the comparative figures have not been restated. The opening balance of retained earnings was decreased by Baht 2.71 million

4. Capital Structure

The Company had debt to equity ratio at 2.90 times as at 31 March 2020 that is increased from 2.87 times of 2019. The increase is due to the adoption of TFRS 16 which cause lease liabilities increasing by Baht 149.97 million. In addition, the Company had debt exclude project finance to equity ratio at 1.96 times as at 31 March 2020 comparing to 1.91 times as at the ended of 2019.

In addition, the Company had 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 2.5 times; and
- 2) DSCR must not be less than 1.2 times.

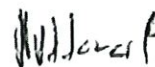
As at 31 March 2020, the Company had complied ratios at 2.29 times and 1.20 times, respectively. However, the financial institution will evaluate at the end of fiscal year.

5. Adoption of new financial reporting standards

The Company has adopted financial reporting standards relating to financial instruments (TAS 32 and TFRS 9) and leases standard (TFRS 16) retrospectively from 1 January 2020, but has not restated comparatives for the 2019 period. The effect of the adjustment from the adoption of new financial reporting standards regarding financial instruments and leases as at 1 January 2020, total assets increased by Baht 153.87 million, total liabilities increased by Baht 156.58 million, and retained earnings decreased by Baht 2.71 million. The Company already recorded this impact in the financial statements for the three-month period ended March 31, 2020

Please be informed accordingly.

Yours sincerely,



(Mr. Nuttanai Anuntarumporn)

Managing Director