

SC. 017/65/KS

9 August 2022

Subject: Management Discussion and Analysis for the three-month period ended 30 June 2022

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.

On 3 March 2022, the Company acquired Blue Solutions Company limited (“the Subsidiary”), which provides IT products and services, to expand sustainable growth for business. For the three-month period ended 30 June 2022, the Company and its subsidiary (“the Group”) has total revenue of Baht 854.55 million and net profit attributable to owners of the parent of Baht 66.26 million.

For the three-month period ended 30 June 2022, the Company has total revenue of Baht 752.96 million, increasing by Baht 300.16 million, 66.29% comparing to the same period of prior year. In addition, the Company has net profit of Baht 62.33 million; increasing by Baht 13.81 million, 28.46% comparing to the same period of prior year as well.

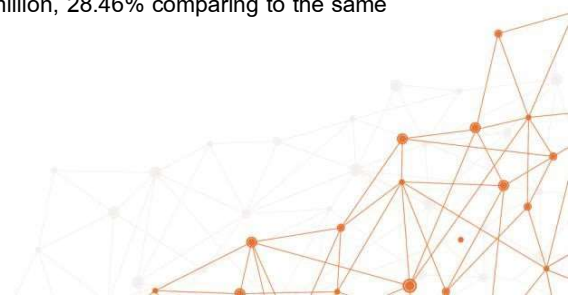
INTERLINK TELECOM PUBLIC COMPANY LIMITED

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Analysis of Operating Results

1. Revenues

For the three-month period ended 30 June 2022, the Group has total revenues of Baht 854.55 million. The Company has total revenues of Baht 752.96 million in which they were increased from the prior year by Baht 300.16 million, or 66.29% as presented table below.

Types of Services	Consolidated financial information		Separate financial information		Separate financial information		Separate financial information	
	30 June 2022		30 June 2022		30 June 2021		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Service income	842.83	98.63	741.27	98.45	437.92	96.71	303.35	69.27
Other income	11.72	1.37	11.69	1.55	14.88	3.29	(3.19)	(21.44)
Total revenues	854.55	100.00	752.96	100.00	452.80	100.00	300.16	66.29

1.1. Service incomes

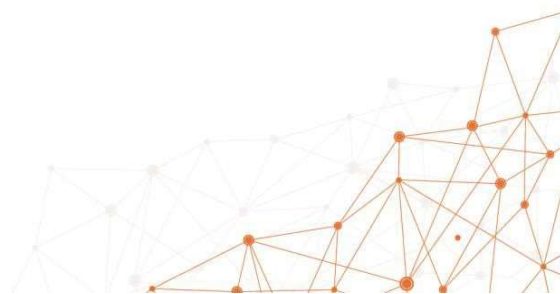
Type of Services	Consolidated financial information		Separate financial information		Separate financial information		Separate financial information	
	30 June 2022		30 June 2022		30 June 2021		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Service income from network rendering	338.30	40.14	338.30	45.64	321.35	73.38	16.95	5.27
Service income from network installation service	484.32	57.46	382.76	51.63	96.38	22.01	286.38	297.14
Service income from data center space service	20.21	2.40	20.21	2.73	20.19	4.61	0.02	0.10
Total service incomes	842.83	100.00	741.27	100.00	437.92	100.00	303.35	69.27

Service incomes are consisted of 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 Dark Fiber, and Interlink IPLC which the Company has started the services since June 2013.

For the three-month period ended 30 June 2022, the Company had service income from network rendering for Baht 338.30 million or represented 45.64% of total service incomes. The service income increased comparing to the same period of prior year by Baht 16.95 million or 5.27% because the Company recognised service income of the project of providing high-speed internet service in remote area (USO Phase 2) and the increasing of the new customers and existing customers branch expansion in the during the period.



1.1.2. Service income from network installation service

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 installation in which recognises 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 or other service in which recognises revenue once the service from network connection has been completed or the service has been completed.

For the three-month period ended 30 June 2022, these services generated revenue for Baht 382.76 million, 51.64% of total service incomes. The service income increased from the same period of prior year by Baht 286.38 million, 297.14% The major projects which recognized revenue in this period are such as the project of procurement of the smart CCTV system amounted to Baht 211.03 million, project for a state enterprise amounted to Baht 55.71 million, and the project of installation of fiber optic cable for a telecommunication service provider amounted to Baht 37.47 million, etc.

1.1.3. Service income from data center space service

For the three-month period ended 30 June 2022, the Company had service income from data center space of Baht 20.21 million, 2.73% of total service incomes.

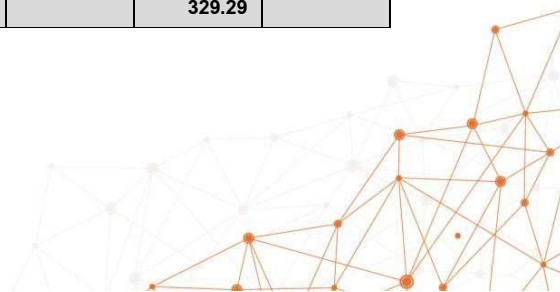
2. Costs and expenses

The major costs of the Group are such as costs of services, service expenses, administrative expenses, and finance cost. For the three-month period ended 30 June 2022, the costs and expenses of the Group was Baht 760.60 million, and the Company was Baht 675.32 million as follows;

2.1. Costs of services and gross profit margin

Costs of services are main expenses of the Group amounted to Baht 681.97 million and the Company amount to Baht 604.57 million for the three-month period ended 30 June 2022. It was higher than the same period of 2021 by 83.60% which was aligned with the service incomes. The table below illustrated the components of costs of services as;

Service Costs	Consolidated financial information		Separate financial information		Separate financial information	
	30 June 2022		30 June 2022		30 June 2021	
	Million Baht	GPM (%)	Million Baht	GPM (%)	Million Baht	GPM (%)
Cost of network rendering	254.67	24.72	254.67	24.72	239.80	25.38
Cost of network installation service	413.16	14.69	335.76	12.28	76.48	20.65
Cost of data center space service	14.14	30.03	14.14	30.03	13.01	35.56
Total costs of services	681.97		604.57		329.29	



2.1.1. Cost of network rendering

For the three-month period ended 30 June 2022, the Company had cost of network rendering of Baht 254.67 million in which resulting to gross profit margin at 24.72% which decreased comparing to the prior year. The major expenses are such as cost of service for USO, depreciation expenses, repair and maintenance expenses, interconnection of network expenses, rental fee for space to install the network, and employee benefit expenses which represented 32.04%, 24.32%, 19.99%, 6.00%, 8.77%, and 3.50% of total cost of network rendering for the three-month period ended 30 June 2022, respectively.

2.1.2. Cost of network installation service

For the three-month period ended 30 June 2022, the Company had cost of network installation service of Baht 335.76 million in which resulting to gross profit margin at 12.28%. The gross profit margin of 2022 decreased comparing to prior year. Major costs of network installation service are such as material cost. and installation cost which vary according to the projects.

2.1.3. Cost of data center space service

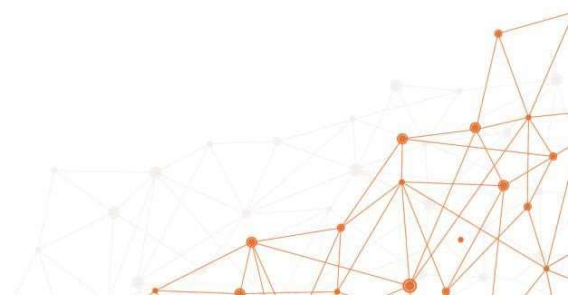
For the three-month period ended 30 June 2022, the Company had cost of data center space service of Baht 14.14 million in which resulting to gross profit margin of data center business was at 30.03% decreased from prior year. Major costs of data center space service are such as depreciation expenses, utilities expenses, employee benefit expenses, and repair & maintenance expenses.

2.1.4. Gross profit and gross profit margin

For the three-month period ended 30 June 2022, the Company had gross profit of Baht 136.70 million which the gross profit margin was at 18.44%. The gross profit margin was decreased by comparing the same period of prior year Baht 108.63 million and the gross profit margin was at 24.81%. The decrease derived from gross profit margin for each type of service as stated above.

2.2. Finance costs

For the three-month period ended 30 June 2022, the Company had finance costs of Baht 42.58 million. The major of finance costs are interest expenses from loans. As of 30 June 2022, the Company had short-term loans from financial institutions amounted to Baht 2,084.37 million, long-term loans from financial institution amounted to Baht 1,498.20 million, and lease liabilities amounted to Baht 138.88 million (30 June 2021: short-term loans from financial institutions amounted to Baht 2,198.50 million, long-term loans from financial institution amounted to Baht 1,932.16 million, and finance lease liabilities amounted to Baht 274.56 million) and lease liabilities under the agreement with Trust, net, amounted to Baht 688.16 million.



2.3. Net profit and net profit margin

The Company's net profit for the three-month period ended 30 June 2022 was Baht 62.33 million and the net profit margin was at 8.28% in which they were higher than that in the same period in 2021 which net profit was Baht 48.52 million and the net profit margin was at 10.71%. The increase mainly because of growth of service income as described above.

Financial Position

1. Assets

As at 30 June 2022, the Group had total assets of Baht 9,076.18 million. The Company had total assets of Baht 8,879.62 million, or 9.23% of increasing compared to Baht 8,129.42 million at the end of 2021. Major assets are such as cash and cash equivalents, trade and other receivables, work in process, accrued revenue from network installation service, accrued revenue from network rendering, fixed assets and telecommunication networks, and right-of-use assets which were presented as at 30 June 2022 represented at 1.35%, 6.44%, 2.51%, 19.92%, 13.63%, 43.80% and 3.20% of total assets, respectively. The changes are as follows;

1) Cash and cash equivalents decreased by payments for short-term borrowings from financial institutions, long-term borrowings from financial institutions, purchases in telecommunication networks, short-term borrowings to a joint venture, investments and proceeds from sales of fixed assets and equipment under the agreement with Trust during the period.

2) Trade and other receivables increased from billing the project of procurement of underground conduit for electrical and telecommunication system and the project of purchasing.

3) Work in process decreased according to the decreasing on advance payment for the project of procurement of the smart CCTV system and project of the base station solar cell installation.

4) Accrued revenue from projects increased by Baht 51.51 million according to the complete work but not yet billed. The Company recognised service income during the period to Baht 374.68 million.

5) Accrued revenue from network rendering increased from the providing mobile broadband and High-speed Internet service in border area and providing High-Speed Internet service in remote area.

6) Right-of-use assets decreased by depreciation expense recognised during the year.

7) Right-of-use assets under trust is the right to use the land, buildings, and equipment related to the operations of INTERLINK DATA CENTER amounting to Baht 91.20 million arising from the transfer of assets under TFRS 15 contracts with customers as a sale of asset, and recognise such items arising from the lease back.

8) Net deferred tax assets increased by Baht 114.51 million due to temporary tax difference arising from the sale of immovable and movable properties and equipment to KTBST mixed freehold and leasehold real estate investment trust, which will be amortised over a period of 30 years.

In addition, the Company acquired Blue Solution Company Limited, where the acquisition value exceeds the fair value of the net assets, resulting in goodwill of Baht 88.74 million in the consolidated financial statements.

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2. Liabilities

As at 30 June 2022, the Group had total liabilities of Baht 5,707.33 million. The Company had total liabilities of Baht 5,542.97 million, increased by 7.10% comparing to Baht 5,175.43 million at the end of 2021. The increasing is mainly from the lease liabilities under the agreement with Trust amounting to Baht 688.16 million from the sale of assets of the INTERLINK DATA CENTER project to freehold and leasehold real estate investment trust, and then lease back during the period, and trade and other payables increased from the purchase of materials and equipment for project.

Major liabilities are such as short-term and long-term loans from financial institutions, trade and other payables, lease liabilities under the Trust and lease liabilities which are represented approximately at 37.60%, 27.03%, 15.30%, 12.42% and 2.51% of total liabilities as at 30 June 2022, respectively.

3. Equity

As at 30 June 2022, the Group had equity attributable to owners of the parent company totaled Baht 3,297.26 million. The Company had equities of Baht 3,336.64 million increased by 12.95% comparing to Baht 2,953.99 million at the end of 2021. The shareholders' equity increased by Baht 62.33 million as a result of the profit for the three-month period ended 30 June 2022, and the issuance of shares to acquire Blue Solutions Company Limited amounting to Baht 153.00 million.

4. Capital Structure

The Company had debt to equity ratio at 1.66 times as at 30 June 2022 that is decreased from 2.44 times of 2021. The decreasing is due to the Company's performance for the three-month period ended 30 June 2022, the issuance of shares to acquisition. The Company also had debt exclude project finance to equity ratio at 1.15 times as at 30 June 2022.

In addition, the Company had to comply to 2 conditions of debt covenant as follows:

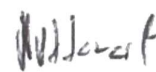
1) Loans from financial institution to equities and loans from related party must not be greater than 2.5 times; and

2) DSCR must not be less than 1.2 times.

As at 30 June 2022, the Company had complied with the conditions which had ratios at 1.28 times and 1.62 times, respectively.

Please be informed accordingly.

Yours sincerely,



(Mr. Nuttanai Anuntarumporn)

Chief Executive officer

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