

SC. 094/60/SJ

9 November 2017

Subject: Management Discussion and Analysis for the 3rd quarter ended 30 September 2017

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 three month period ended 30 September 2017, the Company has total revenue of Baht 237.82 million or increasing by Baht 77.97 million or 48.78% comparing to the same period of prior year. In addition, the Company has net income of Baht 27.62 million or increasing by Baht 7.79 million or 39.32% comparing to the same periods of prior year as well.

Analysis of Operating Results

1. Revenues

For the three month period ended 30 September 2017, the Company has total revenues of Baht 237.82 million in which they were increased from 2nd quarter by Baht 31.69 million or 15.37% and increased from 3rd quarter of 2016 by Baht 77.97 million or 48.78 % as presented table below.

Types of Service	30 September 2017		30 June 2017		30 September 2016	
	Million Baht	%	Million Baht	%	Million Baht	%
Service incomes	236.23	99.33	205.10	99.50	158.70	99.28
Other incomes	1.59	0.67	1.03	0.50	1.15	0.72
Total revenues	237.82	100.00	206.13	100.00	159.85	100.00

1.1. Service incomes

Type of Service	30 September 2017		30 June 2017		30 September 2016	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Service income from network rendering						
- Service income from network rendering	130.36	55.18	128.21	62.51	103.64	65.31
- Other service income	1.33	0.56	1.02	0.50	0.75	0.47
Total service income from network rendering	131.69	55.74	129.23	63.01	104.39	65.78
2. Service income from network installation service						
- Service income from network installation service	81.88	34.66	54.04	26.35	33.84	21.32
- Service income from network connection service	2.73	1.16	2.85	1.39	4.39	2.77
Total service income from network installation service	84.61	35.82	56.89	27.74	38.23	24.09
3. Service income from data center space service						
- Service income from data center space service	15.42	6.53	15.10	7.36	12.87	8.11
- Other service income	4.51	1.91	3.88	1.89	3.21	2.02
Total Service income from data center space service	19.93	8.44	18.98	9.25	16.08	10.13
Total service incomes	236.23	100.00	205.10	100.00	158.70	100.00

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 30 September 2017, the Company has service income from network rendering for Baht 131.69 million or represented 55.74% of total service income in which combined by service income from network rendering of Baht 130.36 million, and other service income of Baht 1.33 million. The service income from network rendering of the 3rd quarter increased from the 2nd quarter by Baht

2.46 million or 1.90% and from the 3rd quarter of 2016 by Baht 27.30 million or 26.15% 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 three month period ended 30 September 2017, these services generated revenue for Baht 84.61 million or 35.82% of total service income which can divide to service income from network installation service Baht 81.88 million and service income from network connection service Baht 2.73 million. The major projects are the improvement of telecommunications network for internet provider which recognized revenue for Baht 5.36 million, the construction/improvement of telecommunications network for mobile operator which recognized revenue for Baht 17.25 million, the Pracharat internet by TOT which recognized revenue for Baht 20.30 million, the installation of mini outdoor OLT which recognized revenue for Baht 7.48 million, the 24 hours preventive maintenance of fiber optic network for North and South which recognized revenue for Baht 7.48 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 23.40 million.

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 three month period ended 30 September 2017, the Company has revenue from data center spare service for Baht 19.93 million or 8.44% of total service income. It increased because the electricity charged to customers. The occupancy rate of data center is 95%.

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 three month period ended 30 September 2017, the total costs and expenses is Baht 203.08 million.

2.1. Costs of services and gross profit margin

Costs of services are main expenses of the Company. For the three month period ended 30 September 2017, Cost of services is Baht 167.29 million. It is higher than the 2nd quarter by 17.78% and the 3rd quarter of 2016 by 51.74% which was aligned with the increasing revenue. The table below illustrated the components of costs of services and their gross profit margin.

Service Costs	30 September 2017		30 June 2017		30 September 2016	
	Million Baht	GPM (%)	Million Baht	GPM (%)	Million Baht	GPM (%)
Cost of network rendering	93.11	29.30	96.35	24.85	74.44	30.82
Cost of network installation service	63.78	24.62	36.85	35.23	29.24	23.50
Cost of data center space service	10.40	47.83	8.83	53.48	6.57	49.01
Total costs of services	167.29		142.03		110.25	

2.1.1. Cost of network rendering

For the three month period ended 30 September 2017, the Company has costs of network rendering for Baht 93.11 million in which resulting to gross profit margin of network rendering service is 29.30%. The gross profit margin of 3rd quarter increased when compared to 2nd quarter. However, the total cost of network rendering of 3rd quarter decreased when compared to 2nd quarter because of the increasing of conduit rental expense from the operator that had to retrospective adjust during 2nd quarter. The major expenses are such as depreciation expenses, repair and maintenance expenses, interconnection of network expenses, rental space to install the network expenses, and employee benefit expenses which represented 37.66%, 19.21%, 11.87%, 11.28%, and 7.17% of total cost of network rendering for the three month period ended 30 September 2017, respectively.

2.1.2. Cost of network installation service

For the three month period ended 30 September 2017, costs of network installation service are Baht 63.78 million in which resulting to gross profit margin of installation service is 24.62%. The gross profit margin of 3rd quarter decreased comparing to 2nd quarter because the Company got new project, the project of providing mobile broadband and high-speed internet service in border area Group 4 and 5, which was contributed low gross profit margin than usual. The gross profit margin of this project is around 10% caused the average gross profit margin of network installation service to decrease. 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 three month period ended 30 September 2017, the Company has cost of data center space service for Baht 10.40 million in which resulting to gross profit margin of data center business is 47.83%. The gross profit margin of 3rd quarter of 2017 decreased from 2nd quarter of 2017 because of the increasing of electricity cost. Major costs are such as depreciation expenses, utilities expenses, and employee benefit expenses.

2.1.4. Gross profit and gross profit margin

For year three month period ended 30 September 2017, the Company has gross margin of Baht 68.94 million increased from the 2nd quarter of 2017 by Baht 5.87 million and increased from 3rd quarter of 2016 by Baht 20.49 million. The gross profit margin of 3rd quarter of 2017 is 29.18%. It is lower than the 2nd quarter of 2017 which has the gross profit margin at 30.75% and the 3rd quarter of 2016 which has the

gross profit margin at 30.53%. This is because of the decreasing in gross profit margin of installation service as stated above.

2.2. Finance costs

For the three month period ended 30 September 2017, the Company has finance costs of Baht 17.19 million. The finance costs are interest expenses from loans and equipment leasing. As of 30 September 2017, the Company has loans from financial institution amounted to Baht 1,635.11 million and leasing liability amounted to Baht 60.90 million.

2.3. Net income and percentage of net income

Based on the above explanation, the Company's net income for the three month period ended 30 September 2017 is Baht 27.62 million. The net profit margin is 11.61%. The net profit increased because the Company has more customers and effectively controlled selling and administrative expenses. However, the net profit margin decreased because of the decrease in gross profit margin of installation service as stated above.

2.4. Return on Equity (ROE)

ROE as of 3rd quarter of 2017 is 6.55%.

Financial Position

1. Assets

As at 30 September 2017, the Company has total assets of Baht 3,864.68 million or 15.84% of increasing compared to Baht 3,336.16 million at the end of 2016. 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 30 September 2017's figures by 1.91%, 6.94%, 7.75% and 76.32% of total assets, respectively. The significant accounts that are notable changed are such as 1) cash and cash equivalent, decreasing from cash payment for purchases of fixed assets and telecommunication networks, 2) trade accounts receivable, increasing in line with sales, and 3) fixed assets, increasing from expanding as to support sales, increase its coverage as well as its stability.

2. Liabilities

As at 30 September 2017, the Company has total liabilities of Baht 2,387.23 million or increased by 23.72% comparing to Baht 1,929.57 million at the end of 2016. Mainly, the increasing is from the proceeds from long-term loans from financial institution net-off the deferred financing fee by Baht 421.22 million.

Major liabilities are such as loans from financial institutions and trade accounts payable that they are approximately 68.49% and 27.85% of total liabilities as at 30 September 2017, respectively.

3. Equity

As at 30 September 2017, the Company has equities at Baht 1,477.45 million or increased by 5.04% comparing to Baht 1,406.58 million at the end of 2016. The shareholders' equity increased by Baht 70.87 million as a result of the nine month period operation results.

4. Capital Structure

The Company has debt to equity ratio at 1.62 times as at 30 September 2017 that is increased from 1.37 times of 2016. The significant increase is due to the proceeds from long-term loans from financial institution to payment for purchases of fixed assets and telecommunication networks.

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 30 September 2017, the Company has the above ratios at 1.62 times and 1.64 times, respectively.

Please be informed accordingly.

Yours sincerely,



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Managing Director