

SC. 006/64/SJ

24 February 2021

Subject: Management Discussion and Analysis for the year ended 31 December 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 year ended 31 December 2020, the Company has total revenue of Baht 2,058.89 million, decreasing by Baht 287.70 million, 12.26% comparing to the same period of prior year. In addition, the Company has net profit of Baht 183.73 million; increasing by Baht 2.73 million, 1.51% 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 year ended 31 December 2020, the Company has total revenues of Baht 2,058.89 million in which they were decreased from the prior year by Baht 287.70 million, 12.26% as presented table below.

Types of Services	31 December 2020		31 December 2019		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
Service income	2,020.53	98.14	2,330.30	99.31	(309.77)	(13.29)
Gain on long-term borrowings modification	18.68	0.91	-	-	18.68	100.00
Other income	19.68	0.95	16.29	0.69	3.39	20.81
<b>Total revenues</b>	<b>2,058.89</b>	<b>100.00</b>	<b>2,346.59</b>	<b>100.00</b>	<b>(287.70)</b>	<b>(12.26)</b>

#### 1.1. Service incomes

Type of Services	31 December 2020		31 December 2019		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Service income from network rendering	1,111.14	54.99	848.86	36.43	262.28	30.90
2. Service income from network installation	823.97	40.78	1,387.53	59.54	(563.56)	(40.62)
3. Service income from data center space	85.42	4.23	93.91	4.03	(8.49)	(9.04)
<b>Total service incomes</b>	<b>2,020.53</b>	<b>100.00</b>	<b>2,330.30</b>	<b>100.00</b>	<b>(309.77)</b>	<b>(13.29)</b>

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 year ended 31 December 2020, the Company had service income from network rendering for Baht 1,111.14 million or represented 54.99% of total service incomes. The service income increased from 2019 by Baht 262.28 million or 30.9% 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 during the year.





#### 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 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 in which recognises revenue once the service has been completed.

For the year ended 31 December 2020, these services generated revenue for Baht 823.97 million, 40.78% of total service incomes. The service income decreased from prior year Baht 563.56 million, 40.62% due to COVID-19 situation, the company was unable to operate and deliver the work as plan scheduled. 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 319.14 million, a contract for the purchase and installation of fiber optic for a government entity by Baht 188.85 million and a contract for the installation of a fiber optic network of a telecommunication service provider by Baht 113.63 million

#### 1.1.3. Service income from data center space

For the year ended 31 December 2020, the Company had service income from data center space of Baht 85.42 million, 4.23% of total service incomes. It decreased because the income from electricity service decreased and the Company had revised the price of the service contract.

### 1.2. Gain on long-term borrowings modification

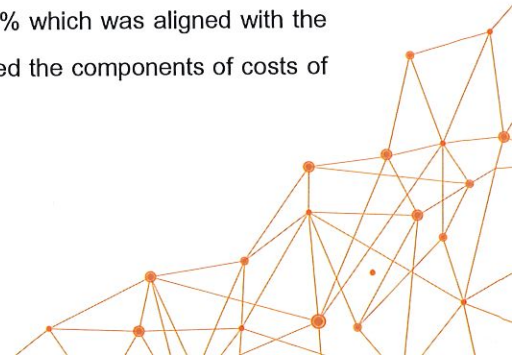
The Company signed memorandums of agreements with a local financial institution to extend the repayment period for one year on long-term borrowing agreements causing the discounted cash flow value of new borrowings has decreased. Therefore, the Company recognized modification gain of extending repayment amounting to Baht 18.68 million.

## 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 year ended 31 December 2020, the total costs and expenses was Baht 1,819.73 million as followings:

### 2.1. Costs of services and gross profit margin

Costs of services are main expenses of the Company. For the year ended 31 December 2020, cost of services was Baht 1,558.26 million. It was lower than the prior year by 16.28% which was aligned with the decreasing of service income from network installation. The table below illustrated the components of costs of services as;



Service Costs	31 December 2020		31 December 2019	
	Million Baht	GPM (%)	Million Baht	GPM (%)
Cost of network rendering	800.17	27.99	649.83	23.45
Cost of network installation service	703.84	14.58	1,153.14	16.89
Cost of data center space service	54.25	36.49	58.37	37.84
<b>Total costs of services</b>	<b>1,558.26</b>		<b>1,861.34</b>	

#### 2.1.1. Cost of network rendering

For the year ended 31 December 2020, the Company had cost of network rendering of Baht 800.17 million in which resulting to gross profit margin of network rendering service was at 27.99% which increased comparing to the prior year. The major expenses are such as depreciation expenses, interconnection of network expenses, rental fee for space to install the network, repair and maintenance expenses, and employee benefit expenses which represented 27.93%, 13.26%, 12.20%, 11.87%, and 4.54% of total cost of network rendering for the year ended 31 December 2020, respectively. The cost of service for USO is equal to 24.36% of total cost of network rendering.

#### 2.1.2. Cost of network installation service

For the year ended 31 December 2020, the Company had cost of network installation service of Baht 703.84 million in which resulting to gross profit margin of installation service was at 14.58%. The gross profit margin of 2020 decreased comparing to prior year. 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 year ended 31 December 2020, the Company had cost of data center space service of Baht 54.25 million in which resulting to gross profit margin of data center business was at 36.49%. 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 year ended 31 December 2020, the Company had gross profit of Baht 462.27 million which the gross profit margin was at 22.88%. The gross profit margin was increased by comparing to the prior year Baht 468.95 million and the gross profit margin was at 20.12%. The increase derived from gross profit margin for each type of service as stated above.



## 2.2. Finance costs

For the year ended 31 December 2020, the Company had finance costs of Baht 154.23 million. The major of finance costs are interest expenses from loans that increasing in the line with loan principal amount. As of 31 December 2020, the Company had short-term loans from financial institutions amounted to Baht 2,175.17 million, long-term loans from financial institution amounted to Baht 1,810.14 million, and lease liabilities amounted to Baht 312.80 million (2019: short-term loans from financial institutions amounted to Baht 2,052.98 million, long-term loans from financial institution amounted to Baht 1,911.73 million, and finance lease liabilities amounted to Baht 67.28 million).

## 2.3. Net profit and net profit margin

The Company's net profit for the year ended 31 December 2020 was Baht 183.73 million and the net profit margin was at 8.92% in which they were higher than that in the same period in 2019 which net profit was Baht 181.00 million and the net profit margin was at 7.70%. The increase mainly because of growth of service income as described above.

## Financial Position (Equity Method)

### 1. Assets

As at 31 December 2020, the Company had total assets of Baht 7,078.92 million, 6.90% of increasing compared to Baht 6,621.87 million at the end of 2019. Major assets are such as 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 31 December 2020's figures by 9.06%, 2.23%, 17.18%, 7.15%, 54.24% and 5.04% of total assets, respectively. The significant change were such as

1) Trade and other receivables increased from billing the project of providing High-Speed Internet service in remote area (USO Phase 2).

2) Work in process, decreasing according to the usage of equipment for installation service project USO phase 2 in 2020.

3) Accrued revenue from network installation service, increasing according to complete work but not yet billed. The Company recognized service income from network installation Baht 823.97 million, and billed to customers in the amount of Baht 905.61 million;

4) 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

5) 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; and

6) Right-of-use assets which is impacts of adoption of TFRS 16.



## 2. Liabilities

As at 31 December 2020, the Company had total liabilities of Baht 5,186.20 million increased by 5.62% comparing to Baht 4,910.17 million of the end of 2019. Mainly, the increasing is from the adoption of TFRS 16 which caused lease liabilities to increase by Baht 245.52 million, the proceeds from short-term loans from financial institutions by Baht 122.20 million and long-term loans from financial institutions by Baht 101.59 million. However, the Company had extended the repayment period of long-term borrowing agreement for one year.

Major liabilities are such as lease liabilities, short-term and long-term loans from financial institutions and trade and other payables that they are approximately 6.03%, 76.84% and 15.44% of total liabilities as at 31 December 2020, respectively.

## 3. Equity

As at 31 December 2020, the Company had equities of Baht 1,892.72 million increased by 10.58% comparing to Baht 1,711.70 million at the end of 2019. The shareholders' equity increased by Baht 183.73 million as a result of the year ended 31 December 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 2.74 times as at 31 December 2020 that is decreased from 2.87 times of 2019. The decreasing is due to the improvement of the Company's performance and the repayment of loans by cash collection from project. In addition, the Company had debt exclude project finance to equity ratio at 1.99 times as at 31 December 2020.

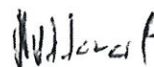
In addition, the Company had to comply to 2 conditions of debt covenant as follows:

- 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 December 2020, the Company had complied ratios at 2.06 times and 1.99 times, respectively. However, the financial institution will evaluate at the end of fiscal year.

Please be informed accordingly.

Yours sincerely,



(Mr. Nuttanai Anuntarumporn)

Chief Executive officer

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