

SC. 132/61/SJ

7 November 2018

Subject: Management Discussion and Analysis for the third 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 September 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 30 September 2018, the Company has total revenue of Baht 423.19 million or increased by Baht 185.37 million or 77.95% comparing to the same period of prior year. In addition, the Company has net income of Baht 34.14 million or increased by Baht 6.52 million or 23.62% comparing to the same period of prior year as well.

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Analysis of Operating Results

1. Revenues

For the quarter ended 30 September 2018, the Company has total revenues of Baht 423.19 million in which were decreased comparing to the previous quarter by Baht 69.32 million or 14.07%, but increased comparing to the prior year by Baht 185.37 million or 77.95% as presented table below.

Type of Services	30 September 2018		30 June 2018		30 September 2017	
	Million Baht	%	Million Baht	%	Million Baht	%
Service incomes	420.44	99.35	490.79	99.65	236.23	99.33
Other incomes	2.75	0.65	1.72	0.35	1.59	0.67
Total revenues	423.19	100.00	492.51	100.00	237.82	100.00

1.1. Service incomes

Type of Service	30 September 2018		30 June 2018		30 September 2017	
	Million Baht	%	Million Baht	%	Million Baht	%
1. Service income from network rendering						
- Service income from network rendering	164.96	39.23	153.86	31.35	130.36	55.18
- Other service income	4.24	1.01	1.80	0.33	1.33	0.56
Total service income from network rendering	169.20	40.24	155.46	31.68	131.69	55.74
2. Service income from network installation						
- Service income from network installation	228.08	54.25	312.81	63.74	81.88	34.66
- Service income from network connection	1.10	0.26	0.44	0.08	2.73	1.16
Total service income from network installation	229.18	54.51	313.25	63.82	84.61	35.82
3. Service income from data center space						
- Service income from data center space	16.49	3.92	16.06	3.27	15.42	6.53
- Other service income	5.57	1.33	6.02	1.23	4.51	1.91
Total Service income from data center space	22.06	5.25	22.08	4.50	19.93	8.44
Total service incomes	420.44	100.00	490.79	100.00	236.23	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 quarter ended 30 September 2018, the Company had service income from network rendering by Baht 169.20 million or represented 40.24% of total service incomes in which combined by service income from network rendering of Baht 164.96 million, and other service income of Baht 4.24 million in which were increased by Baht 13.74 million or increased of 8.84% comparing to the previous quarter and

by Baht 37.51 million or increased of 28.48% comparing to prior year. The increasing of this type of revenue are mainly from increasing in customer base in which will be accumulated every period.

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

For the quarter ended 30 September 2018, these services generated revenue for Baht 229.18 million or 54.51% of total service incomes which can be divided to service income from network installation of Baht 228.08 million and service income from network connection of Baht 1.10 million. The major projects of this period are such as the project of providing mobile broadband and high-speed internet service in border area which recognized revenue for Baht 159.60 million, and the Optical Fiber Optic Installation for mobile operator which recognized revenue for Baht 48.59 million.

1.1.3. Service income from data center space

The Company has operated data center space service in October 2014 after acquiring assets from ILINK. For the quarter ended 30 September 2018, the Company has revenue from data center space service for Baht 22.06 million or 5.25% of total service incomes. It increased because the electricity charged to customers. The occupancy rate of data center is 95%. In addition, the Company had 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 the third quarter of 2018 increasing by Baht 2.13 million or 10.69% comparing to the prior year.

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 30 September 2018, the total costs and expenses is Baht 375.70 million.

2.1. Costs of services and gross profit margin

Costs of services are main expenses of the Company. For the quarter ended 30 September 2018, Cost of services is Baht 325.84 million. It is higher than the prior year by 94.78% 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	30 September 2018		30 September 2017	
	Million Baht	GPM (%)	Million Baht	GPM (%)
Cost of network rendering service	126.25	25.39	93.11	29.30
Cost of network installation service	186.19	18.76	63.78	24.62
Cost of data center space service	13.40	39.23	10.40	47.83
Total costs of services	325.84		167.29	

2.1.1. Cost of network rendering service

For the quarter ended 30 September 2018, the Company has costs of network rendering service for Baht 126.25 million in which resulting to gross profit margin of network rendering service is at 25.39% that are decreased comparing to the prior year, mainly because of the increasing of preventive and corrective maintenance of the fiber optic network, and the increasing of underground duct rental usage and their related rental cost. However, in the future, the rental cost of underground duct rental will be reduced according to the announcement of the price reduction of one government contractor. The major expenses are such as depreciation expenses, interconnection of network expenses, repair and maintenance expenses, rental space to install the network expenses, and employee benefit expenses which represented 34.09%, 17.08%, 16.59%, 16.38%, and 6.38% of total cost of network rendering for the quarter ended 30 September 2018, respectively.

2.1.2. Cost of network installation service

For the quarter ended 30 September 2018, costs of network installation service are Baht 186.19 million in which resulting to gross profit margin of installation service is at 18.76%. The gross profit margin of 2018 decreased comparing to prior year because in 2018, the Company has run the project of providing mobile broadband and high-speed internet service in border area that have gross profit margin is 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 30 September 2018, the Company has cost of data center space service for Baht 13.40 million in which resulting to gross profit margin of data center business is at 39.23%. The gross profit margin decreased due to the increasing of electricity expense.

2.1.4. Gross profit and gross profit margin

For the quarter ended 30 September 2018, the Company has gross profit margin of Baht 94.61 million increasing from prior year by Baht 25.67 million. The gross profit margin rate of 2018 is at 22.50% that is lower than 2017 which has the gross profit margin rate at 29.18% because of the decrease in gross profit margin as stated above.

2.2. Finance costs

For the quarter ended 30 September 2018, the Company had finance costs of Baht 23.57 million. The main finance costs are interest expenses from loans that increasing in the line with Loan principle amount. As of 30 September 2018, the Company had short-term loans from financial institution amounted to Baht 832.24 million, long-term loans from financial institution amounted to Baht 1,769.23 million and finance lease liability amounted to Baht 49.14 million which are all increased comparing to the prior year. (As of 30 September 2017, the Company has short-term loans from financial institutions amounted to Baht 38.10 million, long-term loans from financial institution amounted to Baht 1,597.01 million and finance lease liability amounted to Baht 60.90 million, respectively.)

2.3. Net income and net profit margin

The Company's net income for the quarter ended 30 September 2018 was Baht 34.14 million. The net profit margin is at 8.06% in which the net income is higher in term of amount but lower in term of the percentage comparing to the same period of the prior year (the quarter ended 30 September 2017: net income was Baht 27.62 million and the net profit margin was 11.62%). The net profit margin decreased in line with the decreasing of the gross profit margin as described above.

2.4. Return on Equity (ROE)

ROE as of 30 September 2018 is 8.16%.

Financial Position

1. Assets

As at 30 September 2018, the Company had total assets of Baht 5,294.64 million or increased by 23.31% comparing to Baht 4,293.92 million at the end of 2017. Major assets are such as trade accounts receivable, accrued revenue from network installation service, and fixed assets and telecommunication networks which are presented as at 30 September 2018's figures by 6.55%, 20.10% and 66.00% of total assets, respectively. The significant accounts that are notable changed are such as

- 1) Trade and other receivable, increasing according to higher of sales during the period
- 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 30 September 2018, the Company has total liabilities of Baht 3,730.28 million or increased by 33.92% 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 701.44 million, and trade and other accounts payable by Baht 205.86 million which increased aligned with the percentage of completion. However, the Company has paid for long-term loans from financial institution which be due by Baht 148.19 million in 2018 and has new long-term loans by Baht 202.68 million during the period.

Major liabilities are such as loans from financial institutions and trade accounts payable that they are approximately 71.06% and 25.86% of total liabilities as at 30 September 2018, respectively.

3. Equity

As at 30 September 2018, the Company has equities at Baht 1,564.36 million or increased by 3.71% comparing to Baht 1,508.37 million at the end of 2017. The change in the shareholders' equity are from Baht 98.99 million of nine-month period operation results, net off with Baht 43.00 million of dividend payment.

4. Capital Structure

The Company has debt to equity ratio at 2.38 times as at 30 September 2018 that is increased from 1.85 times at the end 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.

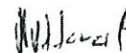
In addition, the Company has to comply to 2 conditions of debt covenant as follows:

- 1) Loans from financial institution (only interest bearing debt) 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 2018, the Company has the above ratios at 1.69 times and 1.26 times, respectively. However, the financial institution will evaluate at the end of fiscal year.

Please be informed accordingly.

Yours sincerely,



(Mr. Nuttanai Anuntarumporn)

Managing Director