

SC. 021/64/SJ

10 May 2022

Subject: Management Discussion and Analysis for the three-month period ended 31 March 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 31 March 2022, the Company and its subsidiary (“the Group”) has total revenue of Baht 593.25 million and net profit attributable to owners of the parent of Baht 54.61 million.

For the three-month period ended 31 March 2022, the Company has total revenue of Baht 537.57 million, increasing by Baht 26.26 million, 5.14% comparing to the same period of prior year. In addition, the Company has net profit of Baht 52.85 million; increasing by Baht 5.23 million, 10.99% comparing to the same period of prior year as well.



## Analysis of Operating Results

### 1. Revenues

For the three-month period ended 31 March 2022, the Group has total revenues of Baht 593.25 million. The Company has total revenues of Baht 537.57 million in which they were increased from the prior year by Baht 26.26 million, or 5.14% as presented table below.

Types of Services	Consolidated financial information		Separate financial information		Separate financial information		Separate financial information	
	31 March 2022		31 March 2022		31 March 2021		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Service income	583.70	98.39	528.02	98.22	496.92	97.19	31.10	6.26
Other income	9.55	1.61	9.55	1.78	14.39	2.81	(4.84)	(33.63)
<b>Total revenues</b>	<b>593.25</b>	<b>100.00</b>	<b>537.57</b>	<b>100.00</b>	<b>511.31</b>	<b>100.00</b>	<b>26.26</b>	<b>5.14</b>

#### 1.1. Service incomes

Type of Services	Consolidated financial information		Separate financial information		Separate financial information		Separate financial information	
	31 March 2022		31 March 2022		31 March 2021		Increase/(Decrease)	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Service income from network rendering	337.27	57.78	337.27	63.87	300.06	60.38	37.21	12.40
Service income from network installation service	225.21	38.58	169.53	32.11	176.00	35.42	(6.47)	(3.68)
Service income from data center space service	21.22	3.64	21.22	4.02	20.86	4.20	0.36	1.73
<b>Total service incomes</b>	<b>583.70</b>	<b>100.00</b>	<b>528.02</b>	<b>100.00</b>	<b>496.92</b>	<b>100.00</b>	<b>31.10</b>	<b>6.26</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 three-month period ended 31 March 2022, the Company had service income from network rendering for Baht 337.27 million or represented 63.87% of total service incomes. The service income increased comparing to the same period of prior year by Baht 37.21 million or 12.40% 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 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 three-month period ended 31 March 2022, these services generated revenue for Baht 169.53 million, 32.11% of total service incomes. The service income decreased from the same period of prior year by Baht 6.47 million, 3.68%. The major projects which recognized revenue in this period are such as the project of procurement of operating vehicles, equipped with an unmanned aerial vehicle detection system and unmanned aerial vehicle control signal interference, with portable unmanned aerial vehicle (Drone Gun) amounted to Baht 86.53 million, project of the base station solar cell installation in nationwide (except Bangkok) from a telecommunication service provider amounted to Baht 50.14 million, and the contract of preventive maintenance of fiber optic network of a state enterprise amounted to Baht 14.31 million.

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

For the three-month period ended 31 March 2022, the Company had service income from data center space of Baht 21.22 million, 4.02% 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 31 March 2022, the costs and expenses of the Group was Baht 519.59 million, and the Company was Baht 471.60 million as follows:

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

Costs of services are main expenses of the Company amount to Baht 410.91 million for the three-month period ended 31 March 2022. It was higher than the same period of 2021 by 8.45% 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	
	31 March 2022		31 March 2022		31 March 2021	
	Million Baht	GPM (%)	Million Baht	GPM (%)	Million Baht	GPM (%)
Cost of network rendering	250.38	25.76	250.38	25.76	216.31	27.91
Cost of network installation service	188.95	16.10	145.45	14.20	149.97	14.79
Cost of data center space service	15.08	28.93	15.08	28.93	12.61	39.55
<b>Total costs of services</b>	<b>454.41</b>		<b>410.91</b>		<b>378.89</b>	

#### 2.1.1. Cost of network rendering

For the three-month period ended 31 March 2022, the Company had cost of network rendering of Baht 250.38 million in which resulting to gross profit margin at 25.76% which decreased comparing to the prior year. The major expenses are such as cost of service for USO, depreciation expenses, interconnection of network expenses, rental fee for space to install the network, repair and maintenance expenses, and employee benefit expenses which represented 35.31%, 24.01%, 12.87%, 9.05%, 9.05%, and 4.23% of total cost of network rendering for the three-month period ended 31 March 2022, respectively.

#### 2.1.2. Cost of network installation service

For the three-month period ended 31 March 2022, the Company had cost of network installation service of Baht 145.45 million in which resulting to gross profit margin at 14.20%. 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.

#### 2.1.3. Cost of data center space service

For the three-month period ended 31 March 2022, the Company had cost of data center space service of Baht 15.08 million in which resulting to gross profit margin of data center business was at 28.93% 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 31 March 2022, the Company had gross profit of Baht 117.11 million which the gross profit margin was at 22.18%. The gross profit margin was decreased by comparing the same period of prior year Baht 118.30 million and the gross profit margin was at 23.75%. 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 31 March 2022, the Company had finance costs of Baht 32.78 million. The major of finance costs are interest expenses from loans. As of 31 March 2022, the Company had short-term loans from financial institutions amounted to Baht 2,178.16 million, long-term loans from financial institution amounted to Baht 1,619.32 million, and lease liabilities amounted to Baht 229.23 million (31 March 2021: short-term loans from financial institutions amounted to Baht 2,029.56 million, long-term loans from financial institution amounted to Baht 1,830.21 million, and finance lease liabilities amounted to Baht 289.52 million) and lease liabilities under the agreement with Trust, net, amounted to Baht 688.23 million. The lease liabilities had been recognised on 30 March 2022 and will affect the finance cost in second quarter onwards.



### 2.3. Net profit and net profit margin

The Company's net profit for the three-month period ended 31 March 2022 was Baht 50.58 million and the net profit margin was at 9.41% in which they were higher than that in the same period in 2021 which net profit was Baht 45.91 million and the net profit margin was at 8.98%. The increase mainly because of growth of service income as described above.

## Financial Position

### 1. Assets

As at 31 March 2022, the Group had total assets of Baht 9,349.46 million. The Company had total assets of Baht 9,171.16 million, or 12.86% 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 31 March 2022 represented at 5.92%, 6.21%, 3.70%, 19.39%, 11.84%, 41.84% and 3.10% of total assets, respectively. The changes are as follow:

1) Cash and cash equivalents increased by proceeds from share subscriptions and 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 and installation of fiber optic cable for a government entity.

3) Work in process increased according to the 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 60.65 million according to the complete work but not yet billed. The Company recognised service income during the period to Baht 169.53 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 110.18 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 89 million in the consolidated financial statements.





## 2. Liabilities

As at 31 March 2022, the Group had total liabilities of Baht 6,051.78 million. The Company had total liabilities of Baht 5,895.77 million, increased by 13.92% comparing to Baht 5,175.243 million of the end of 2021. The increasing is mainly from the lease liabilities under the agreement with Trust amounting to Baht 688.23 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 64.41%, 16.34%, 11.67% and 3.89% of total liabilities as at 31 March 2022, respectively.

## 3. Equity

As at 31 March 2022, the Group had equity attributable to owners of the parent company totaled Baht 3,232.07 million. The Company had equities of Baht 3,275.39 million increased by 10.88% comparing to Baht 2,953.99 million at the end of 2021. The shareholders' equity increased by Baht 52.77 million as a result of the profit for the three-month period ended 31 March 2022, the issuance of shares to acquire Blue Solutions Company Limited amounting to Baht 153.00 million, and the advance received from share subscription of Baht 115.55 million.

## 4. Capital Structure

The Company had debt to equity ratio at 1.80 times as at 31 March 2022 that is decreased from 2.54 times of 2021. The decreasing is due to the Company's performance for the three-month period ended 31 March 2022, the issuance of shares to acquisition, and the advance received from share subscription. In addition, the Company had debt exclude project finance to equity ratio at 1.26 times as at 31 March 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 31 March 2022, the Company had complied with the conditions which had ratios at 1.25 times and 1.64 times, respectively.

Please be informed accordingly.

Yours sincerely,



(Mr. Nuttanai Anuntarumporn)

Chief Executive officer